



**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



**Prime Mover with Consistent  
Devotion in Innovation**

Annual Report 2020

























Prime Mover with Consistent  
Devotion in Innovation

# Important

- 1 The Board and the Supervisory Committee of the Company and its Directors, Supervisors and Senior Management warrant that there are no false representations, misleading statements contained in or material omissions from this annual report and they will assume joint and several legal liabilities for the truthfulness, accuracy and completeness of the contents disclosed herein.
- 2 This report has been considered and approved at the twenty-seventh meeting of the second session of the Board of the Company. All Directors attended the Board meeting.
- 3 KPMG Huazhen LLP has issued standard unqualified audit report for the Company's financial statements prepared under the China Accounting Standards for Business Enterprises in accordance with PRC Auditing Standards.
- 4 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 annual report.
- 5 Proposal on profit distribution or transfer of capital reserve fund during the reporting period considered and approved by the Board

The Company proposes to distribute cash dividends to all shareholders based on the total share capital registered on the registration date for dividend distribution (the specific date will be clarified in the announcement on the implementation of dividend distribution). As of 31 December 2020, the total share capital of the Company was 28,698,864,088 shares, base on which and calculating at cash dividend of RMB0.18 (tax inclusive) per share, the Company is proposed to distribute cash dividend of RMB5.166 billion (tax inclusive) in aggregate. In case from the date of disclosure of announcement on profit distribution plan to the date of registration date for dividend distribution, there are changes in the total share capital of the Company due to the conversion of convertible bonds, repurchase of shares, cancellation of repurchased shares granted under equity incentive schemes, cancellation of repurchased shares due to material asset restructuring, etc., the Company proposes to remain the total distribution amount unchanged, and to adjust the distribution proportion per share accordingly. If the total share capital of the Company changes subsequently, specific adjustments will be announced separately. The profit distribution plan is subject to the consideration and approval at the 2020 annual general meeting of the Company.

- 6 Statement for the risks involved in the forward-looking statements: this report contains forward-looking statements that involve future plans and development strategies which do not constitute a substantive commitment by the Company to investors. Investors should be aware of the investment risks.
- 7 Unless specified otherwise, the recording currency used in this report is Renminbi.
- 8 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 discussion and analysis on possible risks that the Company may face in its future development in "Report of Directors – B. Management Discussion and Analysis".





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# Results Highlights

**Revenue**  
RMB'000



2020:  
**227,656,041**

2019:  
229,010,833  
**-0.59%**

**Net profit**  
RMB'000



2020:  
**13,823,060**

2019:  
13,823,701  
**—%**

**Net profit attributable to shareholders**  
of the Company  
RMB'000



2020:  
**11,331,053**

2019:  
11,794,929  
**-3.93%**

**Basic earnings per share**



2020:  
**0.39**

2019:  
0.41  
**-4.88%**

**Total assets**  
RMB'000



As at 31 December 2020:  
**392,380,368**

As at 31 December 2019:  
383,572,485  
**+2.30%**

**Total liabilities**  
RMB'000



As at 31 December 2020:  
**223,238,804**

As at 31 December 2019:  
224,744,003  
**-0.67%**

**Total equity**  
RMB'000



As at 31 December 2020:  
**169,141,564**

As at 31 December 2019:  
158,828,482

**+6.49%**

**Including: equity attributable**  
to shareholders of the Company  
RMB'000



As at 31 December 2020:  
**143,021,347**

As at 31 December 2019:  
135,893,631

**+5.25%**

**Shareholders' equity per share**  
RMB/share



As at 31 December 2020:  
**4.98**

As at 31 December 2019:  
4.74

**+5.06%**



# Financial Summary

Items	2020 RMB'000	2019 RMB'000	2018 RMB'000	2017 RMB'000 (Restated)	2016 RMB'000 (Restated)
Revenue	227,656,041	229,010,833	219,082,641	211,012,935	229,719,868
Operating costs	176,954,601	176,149,897	170,526,021	163,154,065	181,966,444
Taxes and levies	1,756,246	1,938,170	2,038,395	2,113,899	1,865,971
Selling expenses	8,683,345	8,516,415	7,745,841	7,218,095	7,250,165
Administrative expenses	13,773,241	14,444,854	13,430,881	13,945,916	12,375,421
Research and development expenses	13,349,896	12,017,162	10,896,916	9,977,454	9,473,770
Financial expenses	829,091	373,201	1,279,396	1,253,364	1,003,028
Add: Other income	2,253,502	1,274,943	1,125,094	823,714	–
Investment income	739,658	2,153,377	2,053,926	2,694,308	1,613,096
Gains from changes in fair value	77,121	233,737	419,593	-330,511	123,004
Assets impairment losses	-864,794	-1,549,953	-1,407,475	-2,774,665	-2,358,034
<b>Operating profit</b>	<b>15,318,113</b>	15,822,704	14,734,830	14,729,026	15,142,179
Non-operating income	1,304,009	978,881	987,581	1,018,331	1,995,252
Non-operating expense	631,032	193,260	380,039	362,174	232,779
<b>Profit before tax</b>	<b>15,991,090</b>	16,608,325	15,342,372	15,385,183	16,904,652
Less: Income tax expenses	2,168,030	2,784,624	2,343,865	2,387,765	3,024,670
<b>Profit for the year</b>	<b>13,823,060</b>	13,823,701	12,998,507	12,997,418	13,879,982
<b>Earnings per share</b>					
Basic	0.39	0.41	0.39	0.38	0.41
Diluted	0.38	0.40	0.39	0.37	0.41
<b>Assets and liabilities</b>					
Total assets	392,380,368	383,572,485	357,523,050	375,206,468	338,350,133
Total liabilities	223,238,804	224,744,003	207,838,423	233,286,846	214,470,206
Total equity attributable to					
Shareholders of the Company	143,021,347	135,893,631	128,457,695	121,583,931	104,893,018
Total non-controlling interests	26,120,217	22,934,851	21,226,932	20,335,691	18,986,909
Total equity at the end of the period (shares)	28,698,864,088	28,698,864,088	28,698,864,088	28,698,864,088	27,288,758,333
<b>Net cash flows from operating activities</b>	<b>-2,032,393</b>	22,530,536	18,869,344	16,184,344	14,989,962

# Chairman's Statement







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# Chairman's Statement



# Chairman's Statement

## Dear investors,

On behalf of the board of directors of the Company, I hereby present the Annual Report 2020 of CRRC.

The year 2020 was an extraordinary year, bringing challenges such as the COVID-19 pandemic, world-wide economic recession, intensified Sino-US trade friction, and an in-depth adjustment to China's rail transport industry. The company adopted extraordinary concepts and ideas in this special period, and achieved significant results in overall planning of pandemic prevention and control and business development. Under the leadership of the Party, the Company has moved on the right track in the direction for business growth; by improving quality and increasing output, it has built a more solid foundation; by strengthening technological innovation, it has stabilized driving force for further development; by accelerating the pace of reform, it has stabilized the motive power of further development; by cooperating to strengthen the prevention and control of the pandemic, it has stabilized the safeguard for further development; by cooperating and strengthening communication with customers, it has stabilized the fundamental of the market; by exploring the international market, it has stabilized the momentum for further development. These outcomes were only possible through the strong support of all shareholders, and on behalf of the board of directors, I would like to express my sincerest gratitude to all investors.

The year 2020 was also the fifth anniversary of the establishment of the new CRRC. In the past five years, the Company has insisted on the concepts of "grasping development as the first priority" and taken "prospering the nation with real economy, serving the country with strengthened industry" as its mission, and strived hard to start a new journey of high-quality development.

Firstly, the Company's comprehensive strength has reached a new height. The Company always adhered to the important task of development, focused on development, and gathered efforts for development. The scale efficiency index of the Company ranked in the forefront of the global rail transit equipment manufacturing industry. Obtained the "China Sovereign Grade" evaluation by the international rating agency, the Company has broken the record of the highest international rating in China's manufacturing industry.

Secondly, the Company has ushered in new breakthroughs in technology. As the Company regarded technical innovation as its primary driving force, it has undertaken pilot tasks for national scientific and technological system reform, actively constructed the national high-speed train technology innovation centre, and drove the comprehensive implementation of major scientific and technological research projects. The Company also developed standardized and serialized rail transit equipment products to accelerate equipment upgrades.

Thirdly, the market has presented a new landscape. With its market-first, customer-first approach, the Company developed comprehensive markets and has been releasing the benefit of industry agglomeration. The Company also worked with the local governments to implement strategic cooperation and established strategic alliances with industrial supply chain partners to support the building of a powerful country of transportation.

Fourthly, our in-depth reform has entered into a new stage. The Company always adhered to the direction of market-oriented reforms, and relied such reforms to respond to external changes and open up new opportunities. Reorganization and integration provided new models and new paths for the reform of state-owned enterprises. Reforms in specific projects have achieved an ice-breaking breakthrough, becoming a pioneer in the comprehensive reform of state-owned enterprises in multiple fields. Major reform measures such as business integration were implemented effectively.

Fifthly, our business management made important new achievements. The Company always adhered to the principal of taking quality as the top mission and keeping efficiency as the priority, and operation quality was improved significantly by setting a theme each year to deepen the concept of quality promotion and efficiency improvement. The Company focused on comprehensive budget management, improved the efficiency of capital, assets and resource allocation and created new momentum for the integration of industry and finance.

Sixthly, we have established a new pattern in doing international business. The Company always insisted on the international strategy, striving to become a respected international company. The Company expanded its overseas marketing channels and improved its regional marketing strategy by establishing 78 overseas institutions in 27 countries and regions worldwide. It currently provides products and services to 109 countries and regions across six continents, significantly improving its global profile.

In 2021, the global economy is expected to stage a recovery growth; however, due to the severe impact of the COVID-19 pandemic, the global economic situation is still complex and severe, and the recovery is likely to be unstable and uneven. Different trends in countries, industries and groups, and the regionalization and localization of industrial supply chain are already becoming more obvious, and the various derivative risks caused by the pandemic cannot be ignored. Now, as we stand at the threshold of the "14th Five-Year Plan", we will remain confident in our development, maintain strategic determination, strengthen bottom-line thinking, stick to our own responsibilities, follow through on new developments, implement new development concept, promote the construction of a new development pattern, keep up the momentum of high-quality development of CRRC, accelerate the building of a respected world-class CRRC, and give back to the society and shareholders and reward our staff with outstanding achievements, more promising development prospect and excellent performance.

**Sun Yongcai**  
March 2021



# Report of Directors







# Report of Directors



## A. BUSINESS OVERVIEW

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

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

#### (I) Main business

##### 1. Railway equipment business

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

# Report of Directors

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, service 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 actively participate in the amendment of the articles and systems of the State Railway. Besides, it will give full play to the advantage in the integration of manufacturing, maintenance and service, deepen the aftermarket overhaul services, and accelerate the promotion of independent maintenance and localized cooperation-based maintenance of spare parts.

## 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.





# Report of Directors



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

# Report of Directors

industry-leading position”, and strengthened resource allocation, 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, has 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 centralized procurement and promoting the extensive application of 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 new property rights trading business has emerged on the “Enterprises-friendly Purchase (宜企拍)” e-commerce platform of CRRC, and thus modern service business has achieved healthy development.





# Report of Directors

## 5. International business

The Company strengthened the top-level design, formulated the market expansion and development plan targeting the countries along the “Belt and Road Initiative”, set up international business platform companies, and built a global, centralized, coordinated marketing and regional management system. According to the idea that the complete equipment drives components, manufacturing industry drives service industry, general contracting drives industry chain and rail transit equipment drives non-rail transit equipment, the Company expanded overseas markets. In accordance with the concept of “light assets, emphasis on efficiency and sustainable development”, the Company carried out greenfield investments, strategic mergers and acquisitions, joint-venture operation, promoted the all-factor business mode of “product + technology + service + capital + management”, promoted the five-locals model, strengthened brand building and promotion, propelled the construction of overseas R&D centers, and continuously improved its industry influence and discourse power.

## (II) Major products

Product structure	Main product functions
MUs	Mainly include various electric multiple units and diesel multiple units at the speed of 200 km/hour and below, 200-250 km/hour, 300-350 km/hour and above, which are mainly used to provide main line railway and inter-city railway passenger transport services. On the basis of “import, digestion, absorption and re-innovation”, the MU products represented by “Fuxinghao” have independent intellectual property rights.
Locomotives	Mainly include various DC driving and AC driving electric locomotives and diesel locomotives with the largest traction power of 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, 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.

# Report of Directors

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 environmental protection, industrial digital, heavy machinery, and marine engineering. All of the aforesaid products of the Company have independent intellectual property rights.

### (III) Operation model

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

1. Production model: as the value of the product of rolling stock manufacturing industry per unit is comparatively high, its production model is to “limit production to sales”, meaning that the arrangement of production is based on purchase 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 the particular order.
2. Purchasing model: a combination of centralized procurement and decentralized procurement is commonly used. For centralized procurement, it mainly adopts the “unified management, two-level concentration” management model in which purchase applications for bulk materials and key components are collected from all subsidiaries of the Company to form a centralized procurement plan for conduction of centralized supplier management assessment, purchase price management, procurement bidding management as well as centralized ordering and centralized settlement by the Company. For other materials, etc., the subsidiaries shall formulate procurement plans according to production requirements, and select appropriate suppliers and sign supply contracts through centralized organization of bidding and other methods to achieve centralized procurement. Whether it will be done by the Company or its subsidiaries, a centralized procurement shall be completed on the “CRRC Procurement” e-commerce procurement platform to realize open, transparent and traceable management of CRRC’s procurement business to ensure timely supply of raw materials for production and reduce procurement costs.
3. Sales model: take advantage of industry technologies to build and improve technology platforms and product platforms for a variety of rail transit equipment in response to user needs, and, for the purpose of providing safe, reliable and affordable products and services, actively participate in open tender or negotiated tender of users 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 and supplemented with financial products, financial-related products and financial lease products.
6. Research and development model: the Company has two-level research and development management model of "centralizing research and development of technology, jointly developing products and building and sharing capability" in place.

#### (IV) 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 actively implemented the strategy of a strong transportation country, set a new development stage, implemented the new development concept, built a new development framework that takes the domestic big cycle as the main body and the domestic and international double cycles promote each other, actively adapted to the ever-changing market environment, captured market opportunities, and accelerated structural reform, as well as transformation and upgrades. CRRC made well-targeted efforts in market expansion, international



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

#### **(V) Production capacity**

CRRC earnestly implements supply-side structural reforms and strictly controls the increase of traditional product capacity. As of the end of 2020, CRRC's annual production capacity of major products was 547 new MUs, 1,530 new locomotives, 2,300 new passenger carriages, 51,500 new freight wagons and 11,840 urban rail transit vehicles (including subway vehicles, tramcars, monorail vehicles and medium and low-speed maglev trains) of general assembly. In future, CRRC will continue to seriously implement supply-side structural reform, strictly control the capacity of new MUs, locomotives, passenger carriages, freight wagons and urban rail transit vehicles of general assembly, by adhering to the goal of "internationalization, structural adjustment, capacity optimization", actively respond to the growth of refurbishment business of MUs, urban rail transit vehicles and high-power AC driving locomotives, vigorously promote the integration of maintenance and manufacturing of MUs, urban rail transit vehicles and locomotives and facilitate resource sharing of maintenance and new manufactures so as to further increase the utilization rate of new manufacturing capacity of MUs, urban rail transit vehicles and locomotives.

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

For details, please refer to the relevant content under the "Report of Directors – B. Management Discussion and Analysis – II. Major operation results during the reporting period-(III) Analysis of assets and liabilities".



# Report of Directors

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

### 1. 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 the world's largest diverse rolling stock supplier with leading technology, and received great attention from leaders of the party and the state. The series of rolling stock equipment represented by high-speed MUs 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. In 2020, the Company took a lead in the global rail transit equipment manufacturing industry in terms of economies of scale index, the revenue of rail transit equipment business ranked first in the world, and wind power equipment and polymer composite materials entered the forefront in China.

### 2. 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 when he took the Beijing-Zhangjiakou high-speed rail to Zhangjiakou to inspect the preparations for the Beijing Winter Olympics and Paralympics, "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." In 2020, milestone results had been achieved in the seven key national advanced rail transit projects undertaken by the Company. The high-speed maglev test prototype with a speed of 600 km/h was successfully tested, and the cross-border interconnection high-speed MU with a speed of 400 km/h was successfully rolled off. The development and test projects of serialized Chinese standard subway trains were advancing steadily; the research and development of major products achieved fruitful results. Beijing-Xiong'an Smart High-speed MU was put into operation, and the freight train at a speed of 350 km/h was successfully rolled off. The 30-ton axle load freight electric locomotive completed the prototype development. "Fuxing" plateau dual power-centralized MU achieved speeding up, and industry voice and influence of the Company continued to increase. The Company released 9 international standards, 24 national standards, and 25 industry standards, applied for 6,437 patents, received 2 China Patent Gold Awards and 1 Silver Award, 7 outstanding awards, and the patent quality ranked A-level in central enterprises. The Company steadily promoted digital development, with "digitization, networking, and intelligence" as the main line, vigorously promoted "Internet + technology innovation, management innovation, business model innovation", and built CRRC "intelligent manufacturing network", "product network" and "service network".

### 3. Continuous release of benefits from reform

CRRC has actively promoted the continuous deepening of various reform tasks, continuously improved the top-level reform design, implemented major measures, and conducted various practices. The Company deeply promoted the creation of the “Eight Major Projects” of a world-class model enterprise, formulated and issued the “Three-year Action Plan for CRRC Reform (《中國中車改革三年行動實施方案》)”, and made every effort to push forward reforms. In 2020, the Company’s two companies including Yangtze River Group and Tangshan Company were included into the “Science Reform Demonstration Action”; the seven “Double Hundred Enterprises” affiliated to the Company boldly explored the mechanism and made efforts to make breakthroughs by focusing on improvement of the corporate governance system, advancement of the “two systems and one contract” management, and establishment and improvement of market-oriented operations. The Zhuzhou Institute’s pilot reform experience such as the “General Manager Formation System” was selected into the “Reform Sample” of the SASAC; the mixed ownership reform was actively and steadily promoted. Based on the different functional positioning of subsidiaries, the Company adhered to the principle of one policy for one enterprise, rationally designed and optimized the shareholding structure of mixed-reform enterprises, actively introduced strategic investors with high matching, high sense of identity, and high synergy, and completed mixed-reform projects such as new energy vehicle motor business and high-speed permanent magnet motor business.

### 4. The development direction of transnational operations

CRRC adhered to the path of internationalization, focused on rail transportation equipment business, took the “One Belt One Road” initiative and international production capacity cooperation as an opportunity, actively responded to challenges such as the complex and volatile international environment and increasing competition from competitors. It also made every effort to expand the international market and build a respected international company, and has achieved all-round breakthroughs in product varieties, market areas, and output models. The Company’s products have covered 109 countries and regions in six continents around the world. In 2020, the Company’s export market accelerated the transition from traditional Asian, African, and Latin American markets to high-end markets in Europe, America and Australia, and won new orders from countries and regions such as New Zealand, Turkey, Russia, India, South Korea, Chile, and UAE. And it has successfully signed the China-Laos railway MU agreement, realizing the “Fuxing” to go global for the first time. The export model realized the transformation from single product sales to all-factor output, and the independently established consortium won the bid for the overall modern PPP project of Mexico City Metro Line 1, marking a major breakthrough in the Company’s PPP business capabilities; “Five-locals model” continued to deepen and optimize the layout of overseas resources. A total of 78 overseas institutes have been established in 27 countries and regions around the world, 18 overseas R&D centers have been established in countries and regions such as the United States, Australia and Russia. The M&A projects including German Vossloh were successfully completed.

### 5. Rising brand influence

CRRC continued to strengthen the concept of “One CRRC”, built a unified brand management and control system, practiced new development concepts, fulfilled corporate social responsibilities, and continuously improved corporate image. It earnestly practiced the core socialist values, refined the Chinese high-speed rail worker spirit of “serving the country with industry, being brave to innovate, and accelerating the Chinese Dream”, which is widely spread as the spirit of state-owned enterprises in the new era. The Company built a corporate culture philosophy system with the mission of “connecting the world and benefiting mankind” and the core values of “righteousness and good”. It built consensus with corporate culture, enhanced fighting spirit with corporate spirit, and consolidated the cultural foundation of “One CRRC”. In 2020, CRRC’s brand value reached RMB110.5 billion, and it continued to rank first among central enterprises in the machinery category, and won the 2020 China Brand Innovation Case Award.



# Report of Directors









# Report of Directors

## B. MANAGEMENT DISCUSSION AND ANALYSIS

### I. Discussion and analysis of operation

The year 2020 was unusual, challenging and difficult with the rare COVID-19 pandemic spreading around the world and the unseen changes affecting the global situation with surprising speed. In face of the unprecedented challenges, we adhered to the general principal of “making progress while maintaining stability”, fully fulfilled the responsibilities with close focus on the “13369” business work idea<sup>1</sup>, made new achievements in adversity.



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- (i) Coordinating the normal prevention and control of the pandemic with the stability of operation and development, with the operation results being better than expected. Faced with the sudden pandemic, we resolutely implemented the decisions and deployments of CPC and the State Council, strove to overcome difficulties with the triumphalism of “attaching equal importance to both pandemic prevention and control and production and operation”. Focusing on the anti-pandemic, we established the normal pandemic prevention system of “one base, three changes and five prohibition”<sup>2</sup>, developed and used the big data monitoring cloud platform, so as to build the safety shield for staffs, and successfully achieved the “three zero” anti-pandemic





# Report of Directors

goal, which represented zero infection among more than 10,000 after-sales service personnel on duty abroad; zero infection among all staffs after resumption of work and production; zero death of diagnosed personnel. Through the adoption of unconventional measures and the overcoming of numerous difficulties including production organization, material support and order delivery, we fully implemented the requirements of “six stabilization” and “six guarantees” of the CPC Central Committee and the State Council, and completed the annual operation target better than expected.

- (II) Coordinating the stabilization of the foundation of railway transportation business with diversified industry landscape, with five businesses making breakthrough. We adhered to “market orientation”, committed to the “four expansion” and “three supplements” and fully expanded the market. We stabilized the “fundamental” of core businesses. In face of the fluctuation in railway market and the reform influence, we coordinated with the State Railway Group to purchase more trucks, and increase the delivery volume of 250 standard trains. We actively participated in the amendment of articles of associations and systems of State Railway Group, fully played the integrated advantage of production, repair and service of CRRC, entered into the overhaul service market and accelerated the independent maintenance of parts and the cooperative maintenance by various local enterprises. We grasped the new opportunity of urban development, and constantly expanded the urban rail and urban infrastructure businesses. We actively developed the urban rail maintenance market, and successfully obtained six maintenance projects. Our mainstay businesses have “synergies”. We continued to strengthen the “CRRC+” market coordination pattern, the wind power business grasped the “installation rush”, the ranking of wind turbine improved again, and the number of orders in wind power base made a breakthrough. The new material business grasped the new infrastructure opportunity, and continued to optimize industrial layout. We developed the “new space” for cultivation businesses. The shallow water trencher laid by offshore wind power cables completed the sea trial. The world’s first intelligent sky train collecting and distributing system was established in Qingdao port, which became the model of cross-industry integration and innovation. The promotion and application of light material was accelerated. The supporting businesses revealed the “value stream”. The intelligent logistics showed the good momentum of development, and the pilot intelligent logistics in Qingdao was quickened up. The “yqp-crrc.com” e-commerce platform in Harbin added the property transaction business. The total online procurement rate of the supply chain e-procurement platform of CRRC reached a record high level. The platform businesses have the “resource bundle”. We deeply explored and promoted the production-financing integration, and completed the service plan on production-financing integration in various strategic emerging areas including wind power, new energy, new material and industrial digital. The International businesses achieved “no delay”, and we strived to ensure the normal operation of the international business.

<sup>1</sup> “13369” business work idea: “1” represents one main line, with unswervingly pursuing the comprehensive budget management as the main line. “3” represents three themes: “reformation, innovation and synergy”. “3” represents three projects. Firstly, vigorously implement the construction projects. Secondly, vigorously implement the base strengthening projects. Thirdly, vigorously implement the digitalization projects. “6” represents six platforms. Firstly, construct the resource synergy platform. Secondly, construct the product sharing platform. Thirdly, construct the 72181 collaborative breakthrough platform. Fourthly, construct the leading business platform. Fifthly, construct the expanding market platform. Sixthly, construct the production-financing interaction platform. “9” represents nine actions. Implement nine actions of “improving quality and efficiency, strategic guidance, technology engine, deepening reform, market exploitation, business collaboration, capability enhancement, project rectification, and brand building”.

<sup>2</sup> One base, three changes and five prohibition” represents the “135” anti-pandemic strategy of CRRC. One base represents putting the life safety and health of staffs first; Three changes represents promoting the normalization of pandemic prevention and control in low risk areas, promoting the precision of pandemic prevention and control in high and medium risk areas and promoting the persistence of pandemic prevention and control in foreign countries. Five prohibition represents the prohibition of being lax, confused, bureaucratic, omissive and formalistic.



- (III) Coordinating the reform acceleration with industry layout optimization, deepening reform and being invigorated. We formulated and issued the Implementation Plan for Three-Year Reform Action of CRRC, and fully advanced the reform. The reformed was carried out deeply. The “Double Hundred Action” made solid progress, seven pilot enterprises explored bravely in the aspects of improving the corporate governance system, introducing the “two system and one deed” management and establishing the sound market-oriented operation mechanism, and have made a breakthrough. CRRC ZELRI launched the pilot “general manager cabinet system”. The reform experience of CRRC ZELRI was included in the Reform Model of SASAC. The construction of the board of directors of subsidiaries was deepened, 18 full-time external directors were appointed by 21 first-level subsidiaries. Depending on different functional orientation, we stuck to “one enterprise with one policy”, reasonably designed and optimized shareholding structure of enterprises under mixed ownership reform, actively attracted the strategic investors with high matching degree, high sense of identity and high synergy, solidly advanced 10 mixed ownership reform projects of enterprises including CRRC ZELRI, CRRC Zhuzhou Electric, and completed 5 mixed ownership reform projects including new energy auto motor business and high-speed permanent magnet auto motor business. “Demonstration Action of Science and Technology Reform” was implemented with greater effort, and CRRC Yangtze and CRRC Tangshan completed the plan formulation and launched the relevant works.



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- (IV) Coordinating the management capability enhancement with cost reduction, quality improvement and efficiency advancement, with the operation quality escalating. We deeply implemented the world class management improvement action. We formulated the Implementation Plan on World Class Management Improvement Action of CRRC, and made an effort to improve the management capabilities. We launched three-year “base strengthening project”, implemented the “four bases and five prohibition” requirements, and the “top ten major tasks” and 30 milestone points gained the staged achievements. We deepened the construction of “6621” operation management platform, and lean management moved toward systematization. We made an effort to promote the legal compliance management, continued to strengthen the overseas risk prevention and control and issued the compliance guidelines for six key overseas areas. We deeply carried out the action for quality improvement and efficiency advancement and the action for cost reduction, expense saving and efficiency advancement. We fully deepened the “1618” action for quality improvement and efficiency advancement with focus on 18 key aspects. We took various measures to reduce the purchase cost. We fully carried out the benchmarking management and vigorously strengthened the governance of loss-making enterprises. We strongly suppressed the occupation of “two amounts”. We enhanced the corporate governance and right safeguarding according to law, strengthened the risk prevention and defuse, signed liability statements on risk defuse with 14 subsidiaries, and minimized the actual losses. We further emphasized the safety, environmental protection and product quality. The three-year improvement plan on safe production was fully launched, and the three-year action on pollution prevention was successfully completed. During the year, the number of liability fatal accident was zero, the number of fire explosion accident was zero, and the number of emergent environmental incident was zero. We continued to promote “CRRC Q” system, launched the trial quality management maturity evaluation and the source quality problem was continuously improved.

## II. Major operation results during the reporting period

In 2020, the Company achieved revenue of RMB227.656 billion, representing a year-on-year decrease of 0.59%; net profit attributable to owners of parent company was RMB11.331 billion, representing a year-on-year decrease of 3.93%. As at the end of December 2020, total consolidated assets was RMB392.380 billion, representing a year-on-year increase of 2.30%; net assets attributable to shareholders of the Company was RMB143.021 billion, representing a year-on-year increase of 5.25%; the gearing ratio (this ratio is calculated by dividing the Group's total liabilities by total assets as at 31 December 2020) was 56.89%, decreased by 1.70% as compared with that at the beginning of the year. In 2020, the Company entered into new contracts in the value of approximately RMB242.1 billion, of which new international business contracts in the value of approximately RMB42.1 billion; as at the end of the period, orders in hand were in the value of approximately RMB252.7 billion, of which international business orders in hand were in the value of approximately RMB87.4 billion.

# Report of Directors

## (I) Analysis of main business

### I. Analysis of changes in relevant items in income statement and cash flow statement

Unit: '000 Currency: RMB

Item	Amount for the current period	Amount for the same period of previous year	Change (%)
Revenue	227,656,041	229,010,833	-0.59
Operating costs	176,954,601	176,149,897	0.46
Selling expenses	8,683,345	8,516,415	1.96
Administrative expenses	13,773,241	14,444,854	-4.65
Research and Development expenses	13,349,896	12,017,162	11.09
Financial expenses	829,091	373,201	122.16
Net cash flow from operating activities	-2,032,393	22,530,536	-
Net cash flow from investment activities	312,779	-4,568,868	-
Net cash flow from financing activities	-3,952,852	-12,693,137	-68.86

### 2. Analysis of revenue and cost

Revenue decreased by 0.59% as compared to the same period of the previous year and remained basically stable.

Operating costs increased by 0.46% as compared to the same period of the previous year and remained basically stable.





# Report of Directors

## (1) Information on main business by industry, product and region

Unit: '000 Currency: RMB

Main business by industry						
By industry	Revenue	Operating costs	Gross profit margin (%)	Increase/decrease in revenue from last year (%)	Increase/decrease in operating costs from last year (%)	Increase/decrease in gross profit margin from last year (%)
Railway transportation equipment and their extent industries	227,656,041	176,954,601	22.27	-0.59	0.46	Decreased by 0.81%

Unit: '000 Currency: RMB

Main business by product						
By product	Revenue	Operating costs	Gross profit margin (%)	Increase/decrease in revenue from last year (%)	Increase/decrease in operating costs from last year (%)	Increase/decrease in gross profit margin from last year (%)
Railway equipment	90,490,232	68,065,576	24.78	-26.54	-26.32	Decreased by 0.23%
Urban rail transit vehicles and urban infrastructure	58,046,551	46,764,594	19.44	32.12	29.24	Increased by 1.80%
New industry	71,723,810	56,582,749	21.11	33.88	38.37	Decreased by 2.56%
Modern service	7,395,448	5,541,682	25.07	-11.03	-17.24	Increased by 5.63%
Total	227,656,041	176,954,601	22.27	-0.59	0.46	Decreased by 0.81%

Unit: '000 Currency: RMB

Main business by region		
By region	Revenue	Increase/decrease in revenue from last year (%)
Mainland China	210,591,922	0.69
Other countries or regions	17,064,119	-14.11

# Report of Directors

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

Revenue from the railway equipment business decreased by 26.54% as compared to the same period of the previous year, mainly due to the decrease in the sales of main products such as locomotives, passenger carriages, MUs, freight wagons, etc. Operating costs decreased by 26.32% as compared to the same period of the previous year, mainly because the operating costs decreased following the decrease in revenue.

Revenue from urban rail transit vehicles and urban infrastructure business increased by 32.12% as compared to the same period of the previous year, mainly due to the increase in the revenue from urban rail transit vehicles as well as equipment and facilities of urban rail engineering station during the current period. Operating costs increased by 29.24% as compared to the same period of the previous year, mainly because the operating costs increased following the increase in revenue. Due to the difference in product type, the increase in operating costs was slightly lower than the increase in revenue.

Revenue from the new industry business increased by 33.88% as compared to the same period of the previous year, mainly due to the increase in revenue from wind power business. Operating costs increased by 38.37% as compared to the same period of the previous year, mainly due to the increase in business volume with relatively low gross profit margin.

Revenue from the modern service business decreased by 11.03% as compared to the same period of the previous year, mainly due to the reduction of size of trade business during the current period. Operating costs decreased by 17.24% as compared to the same period of the previous year, mainly due to the decrease in revenue.

Revenue of the Company decreased by 0.59% 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 39.75%, 25.50%, 31.50% and 3.25%, respectively, of total revenue. In particular, revenue generated by the locomotive business of the railway equipment business was RMB15.814 billion; revenue generated by the passenger carriage business was RMB5.889 billion; revenue generated by the MUs business was RMB53.896 billion; revenue generated by the freight wagon business was RMB14.891 billion. Revenue generated by the urban rail vehicles of the urban rail transit vehicles and urban infrastructure business was RMB52.331 billion. Revenue generated by wind power business in the new industry business amounted to RMB32.335 billion. Revenue generated by railway equipment repair and modification business in the railway equipment business amounted to RMB31.939 billion. The Company sold 569 locomotives, 246 passenger carriages, 1,897 MUs, 33,875 freight wagons and 9,541 urban rail subways.

During the reporting period, the Company's revenue from Mainland China increased by 0.69%. Revenue from other countries or regions decreased by 14.11%, mainly due to the decrease in overseas business volume during the reporting period as affected by the pandemic.



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## (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	176,954,601	100.00	176,149,897	100.00	0.46

Unit: '000 Currency: RMB

Cost of main business by item					
By item	Amount for the current period	Proportion in total cost for the current period (%)	Amount for the same period of the previous year	Proportion in total cost for the same period of the previous year (%)	Proportion of change of amount for the current period as compared to amount for the same period of the previous year (%)
Direct materials	150,774,148	85.21	148,016,134	84.03	1.86
Direct labour costs	9,408,731	5.32	9,570,738	5.43	-1.69
Manufacturing costs	10,110,877	5.71	12,007,245	6.82	-15.79
Others	6,660,845	3.76	6,555,780	3.72	1.60
Total	176,954,601	100.00	176,149,897	100.00	0.46

## (3) Information on major customers and suppliers

In 2020, the procurement by the Company from its top 5 suppliers amounted to RMB10.385 billion, accounting for 6.46% of the total amount of procurement for the year, of which procurement from related parties was RMB0, representing 0% of total procurement for the year.

In 2020, the sales of the Company to its top 5 customers amounted to RMB99.481 billion, accounting for 43.70% of the total sales of the Company for the year, of which sales from related parties was RMB0, representing 0% of total sales for the year.

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## 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 36.39% of the total sales of the Company for the year.

Taizhou Taizhong Rail Transit Co., Ltd. (台州台中轨道交通有限公司) (“**Taizhong Rail**”) is one of the top five customers of the Company. CRRC GROUP (the controlling shareholder of the Company), Construction and Investment Company (a wholly-owned subsidiary of CRRC GROUP) and City Investment Fund Management Company (CRRC GROUP indirectly holds 50% of its equity interests) holds 0.12%, 1.18%, and 78% of the equity interests in Taizhong Rail, respectively. Apart from this, none of the Directors of the Company or their close associates or any shareholder holding more than 5% of the shares of the Company has any interest in the aforementioned suppliers or customers.

## Relationship with customers:

Since the product unit value was relatively high, our sales method mainly consisted of participating in tenders or tender negotiations, through bidding in tenders, communication and negotiation based on historical prices in determining the final price and secure orders. Our sales customers were mainly railway and urban rail transportation operators. Railway customers were divided into railway customers and non-railway customers. Railway customers refer to State Railway Group, which are the largest customers within the industry, and thus the Company has strong dependence on State Railway Group. Non-railway customers were mainly large-scale plants, mining groups and ports, etc., the demand of which shows a trend of a year-on-year increase. Such customers were fragmented and thus the Company was not over-reliant on them. Urban rail transit customers are rail transit operators in different cities and the number of operators has increased year by year. The customers are fragmented, and thus the Company was also not over-reliant on them. For the year ended 31 December 2020, approximately 43.70% of our products were sold to our five largest customers.

## Relationship with suppliers:

Our principal raw materials and components were purchased through external procurements while some were supplied by internal production. We have established direct and stable supply channels with our major suppliers and external contracted production units. Since our suppliers were not highly concentrated, there was little risk of over-reliance on any single supplier. For the year ended 31 December 2020, approximately 6.46% of our products were manufactured by our five largest suppliers.



# Report of Directors



### 3. Expenses

Selling expenses increased by 1.96% as compared to the same period of the previous year, mainly due to the increase in provision for the product quality warranty.

Administrative expenses decreased by 4.65% as compared to the same period of the previous year, mainly due to the decrease in labor costs.

Financial expenses increased by 122.16% as compared to the same period of the previous year, mainly due to the increase in exchange losses as affected by the fluctuation in exchange rate.

### 4. R&D Investment

Unit: '000 Currency: RMB

Expensed R&D investment for the current period	13,349,896
Capitalized R&D investment in the current period	229,341
Total R&D investment	13,579,237
Proportion of R&D investment in revenue (%)	5.96
Number of R&D personnel in the Company (person)	35,273
Proportion of R&D personnel in the staff of the Company (%)	21.48



In 2020, R&D expenses of the Company amounted to RMB13.579 billion, accounting for 5.96% of revenue. The Company organized the implementation of 13 national projects of the “Advanced Rail Transit Key Special Project” in 7 R&D directions; set up 7 collaborative innovation teams around cutting-edge fields such as maglev, new materials, new energy, lightweight, and health management; fully carried out key core technology research. In 2020, the Company launched 302 research and development projects for new rail transportation products, including locomotives, passenger carriage, and urban rail vehicles, key systems and parts. Such projects were developed smoothly during the year, which strongly supported the Company’s sustainable and healthy development.

## 5. Cash flow

The net cash flow from operating activities was a net outflow of RMB2.032 billion, while the net inflow for the same period of the previous year was RMB22.531 billion, mainly due to the decrease in the sales of goods and cash received from the provision of labor services by the Company, as well as the increase in purchase of goods and cash paid for labor services as compared to the same period of the previous year during the reporting period.

The net cash flow from investing activities was a net inflow of RMB313 million, while the net outflow of the same period of the previous year was RMB4.569 billion, mainly due to the decrease in cash payments for investments during the reporting period as compared to the same period of the previous year.



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The net cash flow from financing activities was a net outflow of RMB3.953 billion, representing a decrease in net outflow of RMB8.740 billion as compared to the same period of the previous year. Such change was mainly due to the decrease in cash paid for debt repayment during the reporting period as compared to the same period of the previous year.

## (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. Assets 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 (%)
Placements with banks and other financial institutions	–	–	139,524	0.04	-100.00
Held-for-trading financial assets	5,799,390	1.48	9,180,616	2.39	-36.83
Receivables at fair value through other comprehensive income	8,164,214	2.08	13,085,613	3.41	-37.61
Other receivables	4,711,395	1.20	2,599,055	0.68	81.27
Loans and advances to customers	–	–	180,588	0.05	-100.00
Development expenditures	444,024	0.11	334,394	0.09	32.78
Other non-current assets	19,059,500	4.86	12,047,721	3.14	58.20
Borrowings from the central bank	–	–	222,317	0.06	-100.00
Prepayments	212,951	0.05	5,827	0.00	3,554.56
Non-current liabilities due within one year	7,569,139	1.93	3,778,474	0.99	100.32
Long-term borrowings	4,202,602	1.07	2,589,644	0.68	62.28
Bonds payable	2,500,000	0.64	4,534,817	1.18	-44.87
Lease liabilities	1,292,313	0.33	960,501	0.25	34.55

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## Other descriptions

The balance of placements with banks and other financial institutions for the year was RMB0, mainly due to the Financial Company recovered all the placements with banks and other financial institutions.

Held-for-trading financial assets decreased by 36.83%, mainly due to the decrease in financial products purchased by the Company.

Receivables at fair value through other comprehensive income decreased by 37.61%, mainly due to the decrease in bills receivable at fair value through other comprehensive income of the Company.

Other receivables increased by 81.27%, mainly due to the increase in the Company's equity disposal receivable and current accounts receivable.

The balance of loans and advances to customers for the year was RMB0, mainly due to the loans and advances issued by the Finance Company at the end of the year was reclassified to non-current assets due within one year.

Development expenditures increased by 32.78%, mainly due to the increase in development expenditures related to the Company's technology research and product research and development during the period.

Other non-current assets increased by 58.20%, mainly due to the increase in contract assets for more than one year.

The balance of borrowings from the central bank for the year was RMB0, mainly due to the Financial Company did not have borrowings from the central bank at the end of the year.

Prepayments increased by 3,554.56%, mainly due to the increase in Company's advance receipts for lease payments.

Non-current liabilities due within one year increased by 100.32%, mainly due to the increase in Company's bonds payable due within one year.

Long-term borrowings increased by 62.28%, mainly due to the increase in Company's long-term bank loans.

Bonds payable decreased by 44.87%, mainly due to the reclassification of some of the bonds to bonds payable due within one year during the current period.

Lease liabilities increased by 34.55%, mainly due to the increase in operating fixed asset leases.

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

For details, please refer to "70. Assets with restriction of ownership" under "VII. Notes of Consolidated Financial Statements" in "Financial Report".



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## 3. Information on financial assets and financial liabilities held in foreign currency

Item	31 December 2020 (RMB'000)	31 December 2019 (RMB'000)
Foreign currency financial assets:		
Cash and bank balances	6,773,815	8,804,755
Placements with banks and other financial institutions	–	139,524
Held-for-trading financial assets	236,598	269,963
Accounts receivable	2,487,950	6,488,999
Other receivables	447,499	1,375,375
Other current assets	392,760	208,503
Debt investments (inclusive of the portion due within one year)	1,251,587	1,370,174
Long-term receivables (inclusive of the portion due within one year)	285,283	209,286
Other non-current assets	2,070,791	–
<b>Total</b>	<b>13,946,283</b>	<b>18,866,579</b>
Foreign currency financial liabilities:		
Short-term borrowings	2,840,607	4,071,758
Accounts payable	3,758,112	1,473,651
Other payables	3,811,546	3,784,741
Long-term borrowings (inclusive of the portion due within one year)	220,130	353,425
Bonds payable (inclusive of the portion due within one year)	2,344,463	2,445,097
Other non-current liabilities (inclusive of the portion due within one year)	–	5,396
<b>Total</b>	<b>12,974,858</b>	<b>12,134,068</b>



# Report of Directors

## 4. Significant capital expenditure and capital commitment during the reporting period

### (1) Significant capital expenditure

Item	From January to December 2020 (RMB'000)	From January to December 2019 (RMB'000)
Fixed assets	1,778,475	1,993,177
Construction in progress	6,454,407	6,280,460
Intangible assets	1,554,373	303,547
Development expenses	13,579,237	12,264,632
Total	23,366,492	20,841,816

### (2) Capital commitment

As at 31 December 2020, the capital commitments that the Group had contracted but not yet undertaken was RMB2,782 million, which will be used mainly for property, plant and equipment, land lease prepayments and other intangible assets.

## 5. Detailed 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-IV. Significant Contracts and Their Implementation" and those items as disclosed in Note XIII. 2 to the consolidated financial statements of this annual report.

## 6. Detailed information on mortgaged assets of the Company

Item	31 December 2020 Amount (RMB'000)
Cash and bank balances	2,333,874
Bills receivable	4,675,708
Accounts receivable	9,283
Receivables at FVTOCI	286,893
Long-term receivables (inclusive of the portion due within one year)	1,068,174
Fixed assets	151,556
Other non-current assets	2,070,791
Total	10,596,279

# Report of Directors



## 7. Borrowings, corporate bonds and notes

As at 31 December 2020, the Group had total borrowings, bonds and notes of approximately RMB23,141 million, as compared to the total amount of approximately RMB19,135 million as at 31 December 2019.

As at 31 December 2020, out of the total borrowings, bonds and notes of the Group, RMB14,567 million was denominated in Renminbi, RMB3,585 million was denominated in USD, and RMB1,269 million was denominated in Euro.

The Group's long-term interest-bearing borrowings, bonds and notes and short-term interest-bearing borrowings, bonds and notes as at 31 December 2020 were RMB6,702 million and RMB16,439 million, respectively.





As at 31 December 2020, the total bank and other borrowings of the Group with floating interest rates amounted to RMB5,754 million, as compared to RMB5,535 million as at 31 December 2019.

	<b>31 December 2020 Amount (RMB'000)</b>	31 December 2019 Amount (RMB'000)
Within one year (starting date and ending date inclusive)	<b>16,438,878</b>	12,010,821
One to two years	<b>2,112,063</b>	5,032,596
Two to five years	<b>3,090,018</b>	1,790,992
Over five years	<b>1,500,521</b>	300,873
<b>Total</b>	<b>23,141,480</b>	19,135,282

As at 31 December 2020, the total borrowings, bonds and notes of the Group amounted to approximately RMB23,141 million, representing an increase of 20.94% from RMB19,135 million as at 31 December 2019, mainly due to the increase in borrowings.

## 8. Cash flow

As at 31 December 2020, the cash and cash equivalents owned by the Group amounted to approximately RMB29,840 million, of which RMB23,511 million was denominated in RMB; RMB2,351 million was denominated in USD; and RMB1,144 million was denominated in Euro.

# Report of Directors

## (IV) Analysis of industrial and operational information

Please refer to “Report of Directors – A. Business Overview” and “Report of Directors – B. Management Discussion and Analysis – I. Discussion and analysis of operation” for relevant information.

## (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 RMB16.120 billion, representing an increase of RMB549 million or 3.52% from the beginning of the year, which was mainly due to the Company’s additional investment in associates and joint ventures of RMB288 million during the period, and an increase of RMB646 million in long-term equity investment caused by the change of subsidiaries to associates and joint ventures. For details, please refer to Note VII.16 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.



# Report of Directors

## (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	9,180,616	70,407	-	-	-3,451,633	5,799,390
Including: derivative financial assets	2,550	-122	-	-	-	2,428
Including: corporate wealth management products	8,003,841	-3,916	-	-	-3,809,450	4,190,475
Including: equity instrument Investment	1,174,225	74,445	-	-	357,817	1,606,487
2. Other equity instrument investment	2,654,602	-	23,196	-	-14,948	2,662,850
Including: listed equity instrument investment	1,398,150	-	15,896	-	-282,879	1,131,167
Including: non-listed equity instrument investment	1,256,452	-	7,300	-	267,931	1,531,683
3. Receivables at fair value through other comprehensive income	13,085,613	-	105,074	-108	-5,026,473	8,164,214
Including: Accounts receivable	1,590,906	-	-11,062	-108	-108,685	1,471,159
Including: bills receivable	11,494,707	-	116,136	-	-4,917,788	6,693,055
4. Other non-current financial instruments	616,855	1,275	-	-	-39,837	578,293
Including: preference share and perpetual bond	616,855	1,275	-	-	-39,837	578,293
<b>Subtotal of financial assets</b>	<b>25,537,686</b>	<b>71,682</b>	<b>128,270</b>	<b>-108</b>	<b>-8,532,891</b>	<b>17,204,747</b>



# Report of Directors

## (VI) Significant sale of assets and equity

On 28 August 2020, Changchun CRRC Railway Vehicles Co., Ltd. ("Changchun Vehicles") and the People's Government of Kuancheng District, Changchun entered into the Agreement on the Resumption and Relocation Compensation for the Old Factory of Changchun CRRC Railway Vehicles Co., Ltd. in Kuancheng District, pursuant to which, both parties agreed that the People's Government of Kuancheng District, Changchun shall pay the resumption and relocation compensation with the total amount of RMB3,499,144,685 to Changchun Vehicles for the resumption issue, which was considered and approved at the twenty-second meeting of the second session of the Board of the Company. For details, please refer to the "Announcement on the Resumption of Land of the Subsidiary of CRRC Corporation Limited by the Government" published by the Company on 28 August 2020. As of 31 December 2020, Changchun Vehicles has received the resumption and relocation compensation of RMB800 million.

On 16 December 2020, Dalian Natural Resources Affairs Services Centre issued the Letter of Invitation of Opinions in relation to the Land Resumption Compensation Price (Da Zi Fu Bian Zi [2020] No. 224), and decided to resume the land of Shahekou factory (old factory) of CRRC Dalian Locomotive and Rolling Stock Co., Ltd. (中車大連機車車輛有限公司) (hereinafter referred to as "CRRC Dalian"), a wholly-owned subsidiary of the Company, based on the expected resumption compensation price of RMB4,084 million (including the relocation reward of RMB50 million). On 18 December 2020, the twenty-fifth meeting of the second session of the Board of the Company considered and approved the Resolution on Resumption of the Land of Shahekou Factory of CRRC Dalian Locomotive and Rolling Stock Co., Ltd. by the Government, thus approved the above land resumption of CRRC Dalian. On 30 December 2020, Dalian Natural Resources Affairs Services Centre and CRRC Dalian entered into the State-owned Construction Land Use Right Acquisition Agreement. For details, please refer to the "Announcement on Resolutions of the twenty-fifth meeting of the second session of the Board of Directors of CRRC Corporation Limited", the "Announcement on the Proposed Resumption of Land of the Subsidiary of CRRC Corporation Limited by the Government", and the "Announcement on the Progress of Proposed Resumption of Land of the Subsidiary of CRRC Corporation Limited by the Government" published by the Company on 18 December 2020, 18 December 2020 and 30 December 2020, respectively. As of 31 December 2020, CRRC Dalian has not received the relocation compensation.

# Report of Directors

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

Unit: '000 Currency: RMB

Company name	Product and scope of main business	Registered capital	Total assets at the end of the period	Net assets at the end of the period attributable to the shareholders of the Company	Net profit from January to December 2020 attributable to the shareholders of the Company	Revenue from January to December 2020	Operating Profit from January to December 2020
CRRC Changchun	Design, manufacturing, repair, sale and lease of railway passenger carriages, MUs, urban rail transit vehicles and the accessories thereof, as well as related technical services and technical consultancy etc.	5,807,947	61,586,703	20,489,798	2,937,317	38,038,408	3,203,119
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.	4,322,565	62,064,411	17,488,959	2,401,396	40,016,243	2,793,208
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	64,055,794	18,867,947	1,090,746	39,096,655	3,028,411
CRRC Zhuzhou	R&D and manufacturing of railway electric locomotives, MUs and urban rail transit vehicles etc.	5,455,090	30,812,572	10,198,097	1,068,782	23,569,112	1,337,364
CRRC Tangshan	Manufacturing of railway transportation equipment; sale and lease of railway vehicles, electric MUs, diesel MUs, maglev trains, special vehicles, test vehicles, urban rail transit vehicles and accessories thereof; and technical consulting services etc.	3,990,000	28,640,284	11,343,027	150,283	11,420,321	125,964

# Report of Directors

## **(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 31 December 2020, the proceeds of H shares used by the Company in aggregate were approximately HKD10.060 billion, the actual use is as follows: to increase capital contribution of approximately HKD6.640 billion into subsidiaries, to replenish its working capital and repay bank loans of approximately HKD3.157 billion, to finance the product research and development expense of approximately HKD60 million and to pay issuance costs of approximately HKD203 million, which are in line with use of proceeds disclosed previously. As of 31 December 2020, interest of bank deposits received for the proceeds from issuance of H shares amounted to HKD115 million in total and the proceeds not yet used by the Company raised through issuance of H shares, plus interests thereon accrued, amounted to HKD83 million. It is expected that the proceeds of HKD83 million will be used to finance the product research and development expense and replenish the working capital by 2022, which is in line with the use of proceeds as disclosed previously.

On 5 February 2016, the Company issued H Share convertible bonds in an aggregate amount of US\$600 million. The net proceeds of such issuance were approximately US\$595.80 million. On 5 February 2019, the holders of H Share convertible bonds redeemed the convertible bonds with an aggregate principal amount of US\$240,000,000 pursuant to the terms and conditions of the convertible bonds. As of 31 December 2020, the net proceeds amounted to US\$355.80 million. As of 31 December 2020, the Company used approximately US\$355.80 million of such proceeds for the following purposes: (1) approximately US\$92.62 million for the repayment of bank loans, (2) approximately US\$56.00 million for equity investment, and (3) approximately US\$207.18 million for the business operation needs of CRRC Hong Kong Capital Management Co., Ltd., a wholly-owned subsidiary of the Company, which was in line with the use of proceeds disclosed previously. As of 31 December 2020, the Company received a deposit interest of approximately US\$12.62 million in respect of the proceeds from the issuance of the H Share convertible bonds, all of which are used for the business operation needs of CRRC Hong Kong Capital Management Co., Ltd., a wholly-owned subsidiary of the Company. All of the proceeds have been used up. Please refer to the section headed “Significant Events-VI. Information on the Convertible Corporate Bonds” in this annual report for details of the Company’s H Share convertible bonds.



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

### (I) Landscape and trend of the industry

#### 1. Macro policy

Internationally, the world's economic growth continues to slow down, and it has been in a deep adjustment stage after the international financial crisis for a long time; the global political and economic landscape is evolving rapidly, strategic games between major powers, and trade frictions intensify, and with the impact of the COVID-19 pandemic, the supply chain circulation of the global industrial chain is severely hindered, the restructuring of the international division of labor and cooperation is accelerating, and various sources of turbulence and risk points have increased significantly, which will have a certain impact on the Company's international operations. Meanwhile, China adheres to the policy of expanding openness, implements the "Belt and Road" initiative, actively participates in global economic governance, and builds a more solid foundation for development to promote world economic growth and deepen regional cooperation, create more convenient connectivity conditions, and provide a new market space for high-end equipment "going out". Domestically, China's economy remains a stable performance with good momentum for growth, and its economic growth rate is maintained at a medium-to-high-speed growth level. Constructing a new development pattern with the domestic big cycle as the main body and the domestic and international double cycles mutually promoting each other is a major strategic measure for China to actively respond to changes in the international and domestic situation, advance with the times to improve its economic development level, and shape new advantages in international economic cooperation and competition. By combining the implementation of the strategy of expanding domestic demand with the deepening of supply-side structural reforms, it leads and creates new needs with innovation, and high-quality supply, which will provide a stronger and more reliable domestic need guarantee for it to accelerate the development of a modern industrial system and promote the optimization and upgrading of the economic system. In the fields of rail transit equipment and wind power equipment, China's industrial scale and technical level are already ranking in the forefront of the world. The income structure, resource allocation, and key core links of the industrial chain supply chain of the above-business of CRRC are also mainly concentrated in China, which lays the foundation for the Company to make better adaptation and integration into the new development pattern.

The Outline for Building China's Strength in Transportation (《交通強國建設綱要》) published by the CPC Central Committee and the State Council in September 2019 stated that by 2035, a modern and comprehensive transportation system will have been basically formed, a "national 123 transportation circle" (one-hour commute in urban areas, two-hour travel between the cities of a conurbation, and three-hour reachability of major cities nationwide) and a "global 123 fast movement of goods circle" (one-day domestic delivery, two-day delivery to neighboring countries, and three-day delivery to global major cities) will have been basically established, the transportation technology innovation system will have been basically built with the installation of advanced and safe transportation key equipment, and the international competitiveness and influence of transportation will have been significantly improved. The transportation equipment should be advanced and applicable, sound and controllable. The research and development of new types of vehicles should be strengthened, and major breakthroughs in 30,000-ton heavy-duty trains and high-speed wheel-rail freight trains at a speed of 250 km/hour should be achieved. The Outline also promoted new energy, clean energy, intelligent, lightweight, environmentally friendly transportation equipment and full sets of technical equipment, and widely application of emerging equipment and facilities such as intelligent high-speed railways, etc.

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The Planning Outline of the National Comprehensive Three-Dimensional Transportation Network (《國家綜合立體交通網規劃綱要》) published by the CPC Central Committee and the State Council in February 2021 stated that by 2035, a modern and high-quality national comprehensive three-dimensional transportation network with the feature of being convenient, smooth, economic, efficient, green, intensive, intelligent, advanced, safe and reliable will have been basically formed, the goal of international and domestic connectivity, three-dimensional accessibility in national major cities, effective coverage of county-level points will have been achieved, and the “national 123 transportation circle” and “global 123 fast movement of goods circle” will have been strongly supported. Through the construction of comprehensive three-dimensional transportation network with the railway as the artery, the highway as the base, and the comparative advantage of waterway and civil aviation being fully played, by 2035, the total physical line length of the national comprehensive three-dimensional transportation network will reach about 700,000 kilometers. Total length of the national railway network will reach about 200,000 kilometers, of which about 70,000 kilometers will be covered by high-speed railways (including part of inter-city railways) and about 130,000 kilometers will be covered by ordinary-speed railway (including part of urban railways); the high-speed railway network with the “eight vertical and eight horizontal lines” high-speed artery railways as the framework, and the regional high-speed railways being connective, and the ordinary-speed railway network with certain vertical and horizontal ordinary-speed artery railways as the framework, and the regional ordinary-speed railways being connective will be built; the inter-city railway network in key urban agglomerations including Beijing-Tianjin-Hebei Region, Yangtze River Delta, Guangdong-Hong Kong-Macao Greater Bay Area and two-city economic circle in the Chengdu and Chongqing regions will be completed first, followed by the gradually building of inter-city railway network in other urban agglomerations; the high-speed maglev railway layout and test line construction among megacities will be researched and advanced. The Company will strengthen the traffic connection of the 4 poles of the Beijing-Tianjin-Hebei, the Yangtze River Delta, the Guangdong-Hong Kong-Macao Greater Bay Area, and the Chengdu-Chongqing region twin-city economic circle, the 8 areas in the middle reaches of the Yangtze River, the Shandong Peninsula, the west coast of the Straits, the Central China, Harbin and Changchun, South Central Liaoning, the Beibu Gulf and the Central Shaanxi Plain, and the 9 clusters including Hohhot, Baotou, Ordos and Yulin, Central Guizhou, Central Yunnan, Central Shanxi, Northern Tianshan Mountain, Western Lanzhou, Ningxia along the Yellow River, Lhasa and Kashgar, to build the main skeleton of the national comprehensive three-dimensional transportation network consisting of 6 main axes, 7 corridors and 8 passages.

## 2. Industry policy

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 system 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 "CO2 Emission Peak and Carbon Neutrality" goal has also opened up a broad space for the development of green energy such as wind power, photovoltaics, and hydrogen, as well as green transportation such as rail transit and new energy vehicles. 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 of "manufacturing + service", provide customers with more valuable products and services, and make contributions to build China into a country with strong transportation network leveraging on "CRRC Wisdom" and "CRRC Power".

State Railway Group stated in the Outline for the Advanced Railway Planning for a Great Country in Transportation in the New Era (《新時代交通強國鐵路銜行規劃綱要》) that by 2035, a modern and advanced railway network will have been formed, the operating mileage of the national railway network will reach about 200,000 km, with approximately 70,000 km of high-speed rail. Cities with a population of more than 200,000 people will achieve railway coverage, and cities with a population of more than 500,000 people will have high-speed rail access; the advanced technical equipment system will be developed independently, and the R&D and application of the new types of conveyances will be strengthened. NDRC, Ministry of Transport, National Railway Administration and State Railway Group proposed in the Guidelines on the Promotion of the Accelerated Development of Railways in Metropolitan Urban (Rural) Areas (《關於推動都市圈市域(郊)鐵路加快發展的意見》) to stick to the promotion of high-quality development, cater to the development requirements of new-type urbanization, advance the railway construction in metropolitan urban (rural) areas actively and orderly, and further strengthen the railway operation and supply capacity in urban (rural) areas and improve the service level, thus providing strong support for the improvement of urban comprehensive transportation system, optimization of functional layout of larger cities and the guidance of the development of modern metropolitan areas. NDRC proposed in the Guidelines on the Cultivation and Development of Modern Metropolitan Areas (《關於培育發展現代都市圈的指導意見》) to build the railway network in metropolitan areas, make an overall consideration of network layout of the railway transportation in metropolitan areas, and establish the commuting circle with the rail traffic as the framework. It also proposed to formulate rail transportation plan in metropolitan areas meeting the required conditions, and promote the "integration of four networks", being artery railway network, inter-city railway network, urban (rural) railway network and urban rail transit network.



# Report of Directors

### 3. Industrial investment planning

According to the Statistical Communique of the People's Republic of China on the 2020 National Economic and Social Development, and data from official websites of National Railway Administration of China and State Railway Group, in 2020, fixed asset investment of railway nationwide amounted to RMB781.9 billion; 4,933 km of new railway lines has been put into operation, of which 2,521 km were high-speed railway lines. By the end of 2020, the national railway mileage in operation reached 146,300 km, of which high-speed rail mileage reached 37,900 km. The volume of passenger and freight transportation continued to growth. In 2020, the total number of passengers transported by railways across the country reached 2.20 billion; total volume of cargos delivered by railways nationwide was 4.46 billion tons, representing a year-on-year increase of 3.2%. Of which, passenger delivery volumes by State Railway Group reached 2.17 billion; cargo delivery volumes by State Railway Group reached 3.58 billion, representing a year-on-year increase of 4.1%.

According to the statistical bulletin published by the China Association of Metros in January 2021, as of the end of 2020, there was an aggregate of 45 cities in mainland China (excluding Hong Kong, Macau and Taiwan) commencing the urban rail transit operation lines with a distance of 7,978.19 km. Among which, in 2020, there were three cities, namely Sanya, Tianshui, Taiyuan, that commenced urban rail transit vehicles operation. There were 25 cities that added new lines (sections), there were a total of 1,241.99 km of newly added operating distance, which created a historical high.

In 2021, the state will steadily promote the Sichuan-Tibet Railway and other national key projects, complete the railway investment task, and put into production about 3,700 km of new lines; it is estimated that the State Railway Group will complete 3.112 billion passenger deliveries, representing a year-on-year increase of 43.7%; and 3.7 billion ton cargo deliveries, representing a year-on-year increase of 3.4%. In 2020, the National Development and Reform Commission approved a new round of urban rail transit construction planning in 4 cities, i.e., Xuzhou, Hefei, Jinan, Ningbo, and the adjustment to the Construction Plan of the Urban Railway Transport Project in 4 cities, i.e., Xiamen, Shenzhen, Fuzhou, Nanchang, with a total of 587.95 km of project line length involved and an addition investment of RMB470.986 billion.

CRRC continuously keeps abreast of the international and domestic political and economic situation and dynamics, and industry development trends, to study and make judgement on the market demand. The Company will meet the existing market demand based on the model of "limit production to sales" to ensure the timely delivery and safe operation of major products. By sticking to supply-side structural reform and capturing the strategic opportunities of the "Belt and Road Initiative", construction of national railway network, construction of inter-city and city (suburban) railway, urban rail transit, adjustment of transportation structure, etc., the Company will continuously strengthen innovation-driven, rationalize allocation of resources, optimize product structure, and make innovations in business model to provide more intelligent, efficient, environmentally friendly and reliable rail transit equipment and systematic solutions with full life cycle, and achieve the win-win results with stakeholders.

## (II) Development strategies of the Company

The “14th Five-Year” strategic plan: based on the new development stage, it will implement the new development concept, and build a new development pattern. By taking the promotion of high-quality development as the theme, and with reform and innovation as the fundamental driving force, it will practice the strategy of the construction of China into a powerhouse of science and technology, manufacturing, transportation and quality. It will work to create an innovation-driven “five modernizations” (namely, digitalization, high-end, multi-polarization, internationalization, and coordination) business development system, and efficient and compliant management system of “five forces” (namely, strategic leadership, organizational reform strength, value creativity, brand influence, risk prevention and control), and strong party building and leading system of “five guarantees” (namely, political guarantee, ideological guarantee, organizational guarantee, talent guarantee, discipline guarantee). It will build new CRRC with good development prospects, excellent operating performance, beautiful social image, high happiness index, and strong party building leadership, and become a world-class high-end equipment manufacturer and systematic solution provider with rail transit equipment as its core and global competitiveness.

### 1. Railway equipment business

While highlighting global competitiveness, innovation, influence and control, the Company works to establish a full-factor market management philosophy, maintain domestic market share, and stabilize the number one place in the global industry scale. It will deepen the follow-up cooperation strategy with major customers such as the State Railway Group, actively adapt to the development trends of high-speed, heavy-load, service-based, intelligent-oriented, and green development, and continue to enhance the market response, product development and quality assurance capabilities of the main railway line, and provide strong support for China’s railway transportation safety and equipment innovation and upgrading. It will build a collaborative and integrated after-sales service system, deepen the construction of parts centers, forming an integrated after-sales service solution. It will also carry out in-depth product maintenance and overhaul technology research, vigorously expand the maintenance business, and strengthen and improve the overhaul business. It will enhance product life cycle service capabilities, build a product life cycle technology and cost framework system, build a life cycle management big data platform, and accelerate the transition from manufacturing to “manufacturing + service”.

### 2. Urban rail transit vehicle and urban infrastructure business

The Company will conduct in-depth research and overall planning of the top-level design of eight smart urban rail systems, promote serialized demonstration applications of Chinese standard subway trains, and actively develop new-standard small and medium-sized urban rail equipment such as trams, maglev, monorail, APM, etc., to help the development of new urbanization. It will vigorously develop mainline railways, inter-city railways, urban (suburban) railways, and urban rail transportation equipment that adapt to the integrated development of multi-level, multi-mode, and multi-standard rail transit systems to meet the diverse needs of the development of urban agglomerations and metropolitan areas in China. It will give full play to the Company’s overall advantages, strengthen planning and design consulting, mechanical and electrical integration and general contracting, construction project general contracting and consulting, operation services and consulting, investment and financing support, gradually forming the entire industry chain systematic solution capability of the rail transit industry.

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### 3. New industry business

The Company will accelerate the serialization, genealogy, standardization, and modularization of core systems and key components, enhance core competitiveness, and expand the global market, creating individual champions and invisible champions. Through independent innovation, restructuring, and mergers and acquisitions, it will accelerate the completion of shortcomings in the communication signal business. By emphasizing specialization, scale, growth and high-quality development, it will focus on transportation, energy, and industry, and expand and cultivate strategic emerging businesses in accordance with the principles of “resource coordination, high-end positioning, classified management, superior advancement and inferior retreat”. It will strengthen innovation drive, stimulate the vitality of the main body, integrate key resources, promote coordinated development, and form competitive products, and strive to build wind power equipment, new materials businesses into pillar businesses with prominent industry positions, good economic benefits, and obvious supporting roles, which are important business growth driver of the Company. It will strengthen industrial research, integrate innovative elements, build core capabilities, enhance vitality, and cultivate and develop mining vehicles, digitalization, multimodal transportation, cold chain and other businesses, which will become the new business growth point of the Company.

### 4. Modern service business

The Company will highlight the supporting role, driving role, synergy effect, and risk prevention and control. Based on the principle of overall benefit maximization of CRRC, it will focus on serving the main business industry, innovate business models, optimize the allocation of elements, standardize internal operations, and steadily develop modern service businesses. In accordance with the principles of marketization, standardization and co-construction, sharing and win-win outcome, it will standardize the development of centralized procurement and supply chain services, capital centralized services, information-based construction and asset management, operation and maintenance services, technical research services which are forward-looking, common and basic, and internal support businesses including general engineering contracting. It will insist on moving away from virtuality to reality, promote the integration of industry and finance, promote production with financing, raise production with financing, integrate internal and external resources, prevent major risks, improve professional capabilities, and steadily develop platform businesses such as financial services, financial leasing, and PPP franchising, and comprehensively improve systematic solution capabilities, driving the development of the Company’s rail transit equipment business and strategic emerging business.



## 5. International business

The Company will construct an organizational structure and management and control system suitable for international operations, consolidate the international infrastructure, and promote the collaborative sharing of information, marketing, and manufacturing resources. In accordance with the principle of “complete machine driving components, manufacturing driving services, rail transit driving strategic emerging, and general contracting driving industrial chains”, we will give full play to the leading role of superior enterprises and continuously expand overseas business scale and market share. We will establish a sound marketing network, flexibly master international business rules, enrich market development methods, make full use of overseas institutional resources and capabilities, establish systematic solutions that meet the needs of target markets, and use rail transit equipment companies to drive supporting enterprises and the entire industry chain “going global”. We will actively participate in the international market competition in relation to strategic emerging industries, and continue to expand the international market space in areas such as wind power equipment and new materials. We will strengthen the development of target market products and technologies, expand business models, and realize the standardized operation of overseas PPP and mechanical and electrical general contracting business.

### (III) Operation plans

2020 is the closing year for CRRC to implement the “13th Five-Year” development strategy. The Company focused on the theme of “reform, innovation and coordination”, implemented the three major projects of “creation, strong foundation and digital”, and determined the “13369” business philosophy. It has formulated CRRC’s business plan of 2020, sparing no efforts to create a world-class demonstration enterprise. Facing the impact of factors such as the COVID-19 pandemic and the downturn in railway equipment business demand, the Company actively responded to changes in the internal and external operating environment, upheld CRRC’s fine traditions, adhered to value creation, and strengthened quality management. Through hard work, the Company has achieved the expected operating goal of stable operating performance.

In 2021, the Company will objectively grasp the macroeconomic situation, adhere to high-target guidance, and has determined the main business objectives for 2021: to maintain stable operating performance of the Company while achieving growth. The Company will adhere to the general keynote of “seeking progress while maintaining stability”, with the theme of high-quality development, and constantly stimulate the two driving forces of innovation and reform, and strive to build the three engines of “strong foundation, empowerment, and climbing”, and accelerate the construction of six major mechanisms, and promote eight key tasks. With comprehensive budget management as the main line, and with lean management as the support, it will strengthen operation control, improve management level, continue to improve quality and efficiency, and ensure that the “two benefits and four ratios” indicators of the Company will continue to be optimized, operating performance rises steadily, and strive to build a world-class demonstration enterprise.

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## (IV) 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. With the gradual refinement of the division of labor in society and the continuous improvement of the technical standards of rail transit equipment, user demands are changing from a single rolling stock to the integration of full-cycle services; the bidding method has gradually changed from a single rolling stock procurement to a general contracting and PPP model, and the value structure of the rail transportation industry chain has changed: new materials, new technologies and new processes are used for rail transportation equipment, and there is even more urgent need for development in the direction of systematic, light weight, high-speed heavy loading and green intelligence. These changes may lead to a lot of uncertainties in the market environment and room for development, which will bring risks to the Company's strategic and operational goals.

Response measures: timely collect information of industrial policy or industrial planning which is in relation to the Company's operation; conduct proper studies on policy and trend and positively deal with possible changes in policies and industrial planning; Strengthen 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

At present, the domestic rail transit equipment market, main line railway construction and railway operation rights have been fully liberalized. The willingness for society to invest in the rail transit equipment sector has increased significantly. State-owned, private, and foreign-funded enterprises have entered the rail transportation field one after another, cross-border competition has become the norm, and competition within the industry has become more intense. With the rapid development of new technologies and new business forms, railway passenger and freight transportation is constantly optimized in terms of the market, service and innovation, and market demand may undergo structural adjustment. The global railway transportation industry is undergoing deep integration, the industry giants are accelerating their reshuffle and frequently conducting reorganization and integration, 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. Factors such as trade friction between China and the US, long-arm jurisdiction may lead to the increasing costs of Company and make it more difficult to obtain orders, and the Company's "internationalization" strategy will face more challenges. At the same time, the COVID-19 pandemic may have periodical impact on the Company's production organization, parts and materials supply, and product delivery cycle.

Response measures: Proactively communicate with major clients; collect information relating to domestic economy, politics and the industry timely; conduct proper studies of market trends; by adhering to innovation-driven, extending the industrial chain, and providing systematic service solutions, optimize the industrial structure of the Company and expand new business models. Make good 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 brought 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. Especially with the Company’s large number of MUs put into operation, the quality and safety situation is severe. 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 problems 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 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, 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.



# Report of Directors

Response measures: The Company will closely follow the exchange rate movement, strengthen the awareness of relevant personnel of risk prevention, establish an exchange rate risk prevention mechanism, adopt different currency transactions and so on, and financial hedging instruments will be used to deal with exchange rate risks.

## 5. Overseas operating risks

Affected by the overseas pandemic, the Company's overseas business is restricted in terms of import and export, which may hinder the planned technical communication and bid clarification, reduce the efficiency of bid preparation for the proposed bid project, and increase the difficulty of completing the annual overseas order index; at the same time, it may cause the owners to postpone or cancel their visit plan, cancellation or postponement of the plan to participate in the exhibitions, reduction of potential market projects due to the financial contraction of the owner's nation and increasing difficulty in obtaining orders. The worldwide spread of COVID-19 pandemic has triggered global economic turmoil and decreased demand, which has brought a great negative impact on economic operations, business operations and market expectations. There will remain many uncertainties in 2021.

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, and establish a normalized communication mechanism with them to 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. In terms of existing customers, we will comprehensively sort out and evaluate orders in hand, communicate with customers in a timely manner and negotiate orders that may be suspended or cancelled by customers, so as to reduce export risks.

## 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, and continue to optimize the deployment of rail transportation resources, thus achieving the maximization of resource efficiency and interests of the Company.

## IV. Proposal for profit distribution or transfer of capital reserve to share capital

### (I) Formulation, execution or adjustment of cash dividend policy

After the establishment of CRRC, the Company has formulated and perfected relevant contents of profit distribution in the Articles of Association. According to the spirit of “positively returning to shareholders”, the Company has regulated rules, policies, basic requirements, decisions and adjustment procedures for profit distribution, clarified specific ratio of cash dividend, which fully protects the legal rights of medium to small investors.

On 30 March 2020, the Company held the seventeenth meeting of the second session of the Board, pursuant to which the 2019 Proposal for Profit Distribution Plan of CRRC was considered and approved to distribute cash dividend of RMB1.5 (tax inclusive) per 10 shares to all shareholders based on the total share capital of the Company of 28,698,864,088 shares on 31 December 2019. On 18 June 2020, the proposal was approved at the 2019 annual general meeting. On 14 August 2020, the 2019 Profit Distribution Plan was completed.

On 30 March 2021, the Company held the twenty-seventh meeting of the second session of the Board, pursuant to which the 2020 Proposal for Profit Distribution Plan of CRRC was considered and approved to distribute cash dividends to all shareholders based on the total share capital registered on the registration date for dividend distribution (the specific date will be clarified in the announcement on the implementation of dividend distribution). As of 31 December 2020, the total share capital of the Company was 28,698,864,088 shares, base on which and calculating at cash dividend of RMB0.18 (tax inclusive) per share, the Company is proposed to distribute cash dividend of RMB5.166 billion (tax inclusive) in aggregate, and the remaining undistributed profit will be carried forward for next year's distribution. The Company's cash dividends for the year accounted for 46% of the Company's net profit attributable to shareholders of listed company in 2020. In case from the date of disclosure of announcement on profit distribution plan to the date of registration date for dividend distribution, there are changes in the total share capital of the Company due to the conversion of convertible bonds, repurchase of shares, cancellation of repurchased shares granted under equity incentive schemes, cancellation of repurchased shares due to material asset restructuring, etc., the Company proposes to remain the total distribution amount unchanged, and to adjust the distribution proportion per share accordingly. If the total share capital of the Company changes subsequently, specific adjustments will be announced separately. The profit distribution plan is subject to the consideration and approval at the 2020 annual general meeting of the Company.

If the proposal for profit distribution mentioned above is considered and approved by the general meeting of the Company, it is expected that the Company will pay dividends in cash on or before 20 August 2021. When the specific time is determined for convening the general meeting, the Company will make a separate announcement on further details regarding the closure of the registration of members of the H Shares and the expected cash dividend payment date, if updated, in respect of the relevant dividend distribution.

# Report of Directors

(II) **Final or preliminary plans about distribution of profits from ordinary share or about conversion of capital reserve into share capital made by the Company during the recent three years (including the reporting period)**

Unit: '0,000 Currency: RMB

Year of distribution	Number of bonus shares given for each 10 shares held	Dividends distributed for each 10 shares held (RMB) (tax inclusive)	Numbers of shares converted from capital reserve for each 10 shares held	Amount of cash bonus (tax inclusive)	Net profits	Percentage
					attributable to ordinary shareholders of the listed Company contained in the consolidated financial statements for the year of distribution	of net profits attributable to ordinary shareholders of the listed Company contained in the consolidated financial statements (%)
2020	0	1.8	0	516,580	1,133,105	46
2019	0	1.5	0	430,483	1,179,493	36
2018	0	1.5	0	430,483	1,130,504	38

## V. Tax and Tax Relief

In accordance with the revised Enterprise Income Tax Law of the People's Republic of China and its implementation rules which became effective on 29 December 2018, and the circular on Issues Relating to the Withholding of Enterprise Income Tax for Dividends Distributed by Resident Enterprises in China to Overseas Non-resident Enterprise Shareholders Holding H Shares issued by the State Administration of Taxation (Guo Shui Han [2008] No.897), enterprise income tax shall be withheld at a rate of 10% when the Company pays final dividends to non-resident enterprise shareholders whose names appear on the register of H shareholders of the Company. The enterprise income tax shall be withheld for the dividends of any H shares under the names of non-individual shareholders (any H shares of the Company registered in the name of HKSCC Nominees Limited, other nominees and trustees, or other organizations and institutions, shall be deemed as shares held by non-resident enterprise shareholders).



# Report of Directors

According to Guo Shui Han [2011] No.348 issued by the State Administration of Taxation, the Company shall withhold and pay individual income tax for dividend payable to individual H shareholders. Individual H shareholders are entitled to the relevant preferential tax treatment pursuant to the provisions in the tax agreements between the countries where they are residents and China or the tax arrangements between mainland China and Hong Kong (Macau). If the individual H shareholders are Hong Kong or Macau residents or residents of the countries having an agreed dividend tax rate of 10% with China, the Company shall withhold and pay the individual income tax at a rate of 10%. Should the individual H shareholders be residents of the countries having an agreed dividend tax rate of less than 10% with China, the Company would apply for entitlement of the relevant agreed preferential tax treatment on their behalf in accordance with the “Announcement of the State Taxation Administration on Issuing the Measures for Non-resident Taxpayers’ Enjoyment of Treaty Benefits” (Announcement No. 35 [2019] of the State Taxation Administration) (《國家稅務總局關於發布《非居民納稅人享受協定待遇管理辦法》的公告》(國家稅務總局公告2019年第35號)), eligible Shareholders must promptly submit to the Company all the reporting materials required by the tax treaty announcement. Should the individual H shareholders be residents of the countries having an agreed dividend tax rate exceeding 10% but lower than 20% with China, the Company shall withhold and pay the individual income tax at the actual agreed rate. In the cases of individual H shareholders who are residents of countries having not entered into any tax agreement with China or otherwise, the Company shall withhold and pay the individual income tax at a rate of 20%.

Under current practice of the Hong Kong Inland Revenue Department, no tax is payable in Hong Kong in respect of dividends paid by the Company.

Shareholders of the Company are subject to tax and/or enjoy tax relief in accordance with the aforementioned regulations.

## V. Connected Transactions

### (I) Non-exempt connected transactions

#### 1. Transfer of Changchun land use right and relevant assets

On 30 March 2020, CRRC Changchun entered into the transfer agreement (“**Transfer Agreement**”) with CRRC Science and Technology Park Development Co., Ltd.\* (中車科技園發展有限公司) (“**CRRC Science and Technology Park**”) in relation to the transfer of Changchun land use right and related assets (“**Target Assets**”). Pursuant to the Transfer Agreement, CRRC Changchun agreed to transfer the Target Assets to CRRC Science and Technology Park at a consideration of RMB225,173,800.

The transaction aims to revitalise low-efficiency and inefficient assets, optimise corporate asset structure, reduce management cost and financial risks. At the same time, by executing this transaction, CRRC Changchun will receive corresponding cash inflow, which is beneficial to the company’s activities and safeguards the implementation of in-depth reform and high-quality development of the Company.

# Report of Directors

On 30 March 2020, CRRC GROUP is a controlling Shareholder holding, directly and indirectly, 50.73% of the shares of the Company, thus a connected person of the Company under the Hong Kong Listing Rules. CRRC Changchun is a non-wholly-owned subsidiary of the Company, and CRRC Science and Technology Park is a wholly-owned subsidiary of CRRC GROUP. Therefore, the transfer of the Target Assets from CRRC Changchun to CRRC Science and Technology Park constitutes a connected transaction of the Company under Chapter 14A of the Hong Kong Listing Rules.

As the highest of the applicable percentage ratios in respect of the transaction under the Transfer Agreement calculated pursuant to the Hong Kong Listing Rules exceeds 0.1% but is less than 5%, the transaction is subject to annual reporting and announcement requirements but is exempt from independent Shareholders' approval requirement under Chapter 14A of the Hong Kong Listing Rules.

For details of the above transaction, please refer to the connected transaction announcement dated 30 March 2020 published by the Company on the website of the Stock Exchange.

## 2. Transfer of equity interests in Beijing Times New Park Property Management Co., Ltd.

On 30 October 2020, CRRC Beijing Heavy Industry Mechanics Co., Ltd.\* (北京中車重工機械有限公司) ("**CRRC Beijing Heavy Industry**") entered into the equity transfer agreement with CRRC Science and Technology Park, pursuant to which, CRRC Beijing Heavy Industry agreed to sell and CRRC Science and Technology Park agreed to acquire the 51% equity interests ("**Target Equity Interests**") in Beijing Times New Park Property Management Co., Ltd.\* (北京時代新園區物業管理有限公司) ("**Times New Park**") at a consideration of RMB475,552,152. After completion of the transaction, CRRC Science and Technology Park will hold 51% equity interests in Times New Park, and Times New Park will cease to be a subsidiary of the Company.

CRRC Beijing Heavy Industry aims to optimize its corporate structure through the transaction and facilitate industrial transformation and upgrading, so as to maximize the value of the Company's resources in Beijing, as well as maximize the interests of the Company.

On 30 October 2020, CRRC GROUP is the controlling shareholder of the Company holding, directly and indirectly, 50.73% of the shares of the Company, and is therefore a connected person of the Company under the Hong Kong Listing Rules. CRRC Beijing Heavy Industry is a wholly-owned subsidiary of the Company, while CRRC Science and Technology Park is a wholly-owned subsidiary of CRRC GROUP. Therefore, the entering into of the equity transfer agreement between CRRC Beijing Heavy Industry and CRRC Science and Technology Park constitutes a connected transaction of the Company under Chapter 14A of the Hong Kong Listing Rules.

As the highest of the applicable percentage ratios in respect of the transaction under the equity transfer agreement exceeds 0.1% but is less than 5%, the transaction is subject to annual reporting and announcement requirements but is exempt from independent Shareholders' approval requirement under Chapter 14A of the Hong Kong Listing Rules.

For details of the above transaction, please refer to the connected transaction announcement dated 30 October 2020 published by the Company on the website of the Stock Exchange.

### 3. Transfer of equity interests in CRRC Construction Engineering Co., Ltd.

On 18 December 2020, the Company entered into the equity transfer agreement with CRRC Rail Transit Construction and Investment Co., Ltd.\* (中車軌道交通建設投資有限公司) (“**CRRC Construction and Investment**”), pursuant to which, the Company agreed to sell and CRRC Construction and Investment agreed to acquire 50% equity interests (“**Target Equity Interests**”) in CRRC Construction Engineering Co., Ltd.\* (中車建設工程有限公司) (“**Engineering Company**”) at a consideration of RMB1.1405 billion. After completion of the transaction, the Company will hold 50% equity interests in the Engineering Company, and the Engineering Company will remain as a subsidiary of the Company.

The transaction is conducive to revitalising the existing asset, optimising asset structure and improving the assets quality for the Company, which will improve stability, sustainability, and anti-risk capability of the Company for future development and facilitate the positive development of the Company’s business.

On 18 December 2020, CRRC GROUP is the controlling shareholder of the Company directly holding 50.87% of the shares of the Company, and is therefore a connected person of the Company under the Hong Kong Listing Rules. CRRC Construction and Investment is a wholly-owned subsidiary of CRRC GROUP. Therefore, the entering into of the equity transfer agreement between the Company and CRRC Construction and Investment constitutes a connected transaction of the Company under Chapter 14A of the Hong Kong Listing Rules.

As the highest of the applicable percentage ratios in respect of the transaction under the equity transfer agreement exceeds 0.1% but is less than 5%, the transaction is subject to annual reporting and announcement requirements but is exempt from independent Shareholders’ approval requirement under Chapter 14A of the Hong Kong Listing Rules.

For details of the above transaction, please refer to the connected transaction announcement dated 18 December 2020 published by the Company on the website of the Stock Exchange.

## (II) Non-exempt continuing connected transactions

### 1. The Product and Service Mutual Provision Framework Agreement entered into between the Company and CRRCG

The Product and Service Mutual Provision Framework Agreement entered into between the Company and CRRCG on 29 March 2016 has expired on 31 December 2018, in order to better regulate such continuing connected transactions, the Company and CRRCG renewed the Product and Service Mutual Provision Framework Agreement on 26 April 2018, pursuant to which CRRCG and/or its associates will sell raw materials, accessories, components, equipment, packing materials and other products, and provide repairing, training, processing, greening, security, sanitation and business consulting services to the Group. The Group will sell raw materials, accessories, components, equipment, vehicles and energy resource and other products, and provide repairing, installing, training, processing, greening, security, sanitation, project contracting, project operation and business consulting services to CRRCG and/or its associates. The agreement has an effective term from 1 January 2019 to 31 December 2021.



# Report of Directors

The Company estimates that under the Product and Service Mutual Provision Framework Agreement: (i) the annual caps for the amounts to be paid by CRRCG and/or its associates for provision of products and services by the Group for each of the three years ending 31 December 2021 will amount to RMB5,000 million, RMB7,000 million and RMB7,000 million, respectively; and (ii) the annual caps for the amounts to be paid by the Group for provision of products and services by CRRCG and/or its associates for each of the three years ending 31 December 2021 will amount to RMB4,000 million, RMB4,500 million and RMB5,000 million, respectively.

The Company considers that it is in the interest of the Group to enter into the aforesaid transactions with CRRCG to ensure the stable provision and supply of the products and services of the Company. CRRCG is familiar with the business needs of the Company and the transactions between the parties, and will therefore facilitate the internal development of the Group and minimise the associated administrative and transportation costs.

CRRCG is the controlling shareholder of the Company, and is thus a connected person of the Company under the Hong Kong Listing Rules. Accordingly, the Product and Service Mutual Provision Framework Agreement and the transactions contemplated thereunder will constitute continuing connected transactions of the Company under Chapter 14A of the Hong Kong Listing Rules. Since the highest applicable size test percentage ratio exceeds 0.1% but is less than 5% in respect of the relevant continuing connected transactions under the Product and Service Mutual Provision Framework Agreement, such transactions are therefore subject to annual reporting and announcement requirements but are exempt from the independent shareholders' approval requirement of the Hong Kong Listing Rules.

For details of the above non-exempt continuing connected transaction, please refer to the continuing connected transaction announcements dated 29 March 2016 and 26 April 2018 published by the Company on the website of the Stock Exchange.

## **2. The Property Leasing Framework Agreement entered into between the Company and CRRCG**

The Property Leasing Framework Agreement entered into between the Company and CRRCG on 29 March 2016 has expired on 31 December 2018, in order to better regulate such continuing connected transactions, the Company and CRRCG renewed the Property Leasing Framework Agreement on 26 April 2018, pursuant to which CRRCG and/or its associates lease their lawfully owned properties to the Group and the Group leases its lawfully owned properties to CRRCG and/or its associates. The agreement has an effective term from 1 January 2019 to 31 December 2021.

The Company estimates that under the Property Leasing Framework Agreement, (i) the annual caps for the amounts to be paid by the Group for leasing of properties from CRRCG and/or its associates for each of the three years ending 31 December 2021 will amount to RMB500 million, RMB500 million and RMB600 million, respectively; and (ii) while the annual caps for the amounts to be paid by CRRCG and/or its associates for leasing of properties from the Group for the three years ending 31 December 2021 will amount to RMB400 million, RMB400 million and RMB500 million, respectively.

# Report of Directors

As the properties leased between the Group and CRRCG are complementary in terms of geographical location, the Company considers that it is in the interest of the Group to enter into the aforesaid transactions with CRRCG to ensure the stable provision and usage of the property leasing business of the Company. In addition, CRRCG is familiar with the business needs of the Company and the transactions between the parties, and will therefore minimise the administrative costs of the Group.

CRRCG is the controlling shareholder of the Company, and is thus a connected person of the Company under the Hong Kong Listing Rules. Accordingly, the Property Leasing Framework Agreement and the transactions contemplated thereunder will constitute continuing connected transactions of the Company under Chapter 14A of the Hong Kong Listing Rules. Since the highest applicable size test percentage ratio exceeds 0.1% but is less than 5% in respect of the relevant continuing connected transactions under the Property Leasing Framework Agreement, such transactions are therefore subject to annual reporting and announcement requirements but are exempt from the independent shareholders' approval requirement of the Hong Kong Listing Rules.

For details of the above non-exempt continuing connected transaction, please refer to the continuing connected transaction announcements dated 29 March 2016 and 26 April 2018 published by the Company on the website of the Stock Exchange.

### **3. The Financial Services Framework Agreement entered into between the Finance Company and CRRCG**

The Financial Services Framework Agreement entered into between the Finance Company and CRRCG on 29 March 2016 has expired on 31 December 2018, in order to better regulate such continuing connected transactions, the Finance Company and CRRCG renewed the Financial Services Framework Agreement on 26 April 2018, pursuant to which the Finance Company will provide deposit services, credit services and other financial services to CRRCG. The agreement has an effective term from 1 January 2019 to 31 December 2021.

The Company estimates that under the Financial Services Framework Agreement: (i) the maximum daily deposit balance (including accrued interests) in respect of the provision by the Finance Company of deposit services to CRRCG and/or its associates for each of the three years ending 31 December 2021 will amount to RMB20,000 million, RMB21,000 million and RMB22,000 million, respectively; (ii) the maximum daily balance of credit (including accrued interests) in respect of the provision of credit services by the Finance Company to CRRCG and/or its associates for each of the three years ending 31 December 2021 will amount to RMB8,500 million, RMB12,000 million and RMB15,000 million, respectively; and (iii) the annual caps for the amounts to be received by the Finance Company for provision of miscellaneous financial services to CRRCG and/or its associates for each of the three years ending 31 December 2021 will amount to RMB200 million, RMB300 million and RMB400 million, respectively.

# Report of Directors

The Finance Company is a non-bank financial institution of the Group under the supervision of the relevant regulatory authorities and has a well-functioning internal control and risk management system. The Finance Company is also familiar with the operations of CRRCG, which is advantageous for the Finance Company in providing CRRCG with custom-made and efficient financial services. The entering into of the Financial Services Framework Agreement is also beneficial for the Finance Company to expand its financing channels, enhance its efficiency of fund usage and reduce its financing cost. Furthermore, the interest rates for credit services under the Financial Services Framework Agreement are set pursuant to the normal commercial terms and in the interests of the Company and the Shareholders. CRRCG is a large state-owned enterprise under the direct management of the State-owned Assets Supervision and Administration Commission and holds a sound reputation in the financial market. Taking into account the creditworthiness of CRRCG, and on the condition of strict risk control of the Finance Company, the Company considers that providing credit services to CRRCG through the Finance Company is a low-risk fund investment option and will generate a considerable return for the Group.

CRRCG is the controlling shareholder of the Company, and is thus a connected person of the Company under the Hong Kong Listing Rules. The Finance Company is a subsidiary of the Company. Accordingly, the Financial Services Framework Agreement and the transactions contemplated thereunder will constitute continuing connected transactions of the Company under Chapter 14A of the Hong Kong Listing Rules.

The placing of deposits by CRRCG with the Finance Company constitutes a financial assistance provided by the connected person to the Company. As the placing of deposits by CRRCG with the Finance Company and the deposit services provided by the Finance Company to CRRCG are on normal commercial terms which are no less favorable than those offered by independent commercial banks for the provision of comparable services in the PRC and are for the benefit of the Group, and no security over the assets of the Group is or will be granted in respect of the placing of deposits and the provision of such deposit services, the placing of deposits by CRRCG with the Finance Company and the deposit services to be provided by the Finance Company to CRRCG under the Financial Services Framework Agreement are exempt from all Shareholders' approval, annual reporting and announcement requirements pursuant to Rule 14A.90 of the Hong Kong Listing Rules.

The provision of loans and other credit services by the Finance Company to CRRCG constitutes a financial assistance provided by the Company to its connected person, and therefore constitutes a connected transaction. As the highest applicable percentage ratio in respect of the provision of credit services under the Financial Services Framework Agreement exceeds 5% on an annual basis, the credit services to be provided by the Finance Company to CRRCG are therefore subject to the reporting, announcement and independent Shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules. As the highest applicable percentage ratio in respect of the provision of credit services under the Financial Services Framework Agreement exceeds 5% but is less than 25%, the credit services to be provided by the Finance Company to CRRCG also constitutes a discloseable transaction of the Company under Chapter 14 of the Hong Kong Listing Rules.



# Report of Directors

As the highest applicable size test percentage ratio exceeds 0.1% but is less than 5% in respect of the provision of miscellaneous financial services under the Financial Services Framework Agreement, the miscellaneous financial services to be provided by the Finance Company to CRRCG are therefore subject to the annual reporting and announcement requirements but are exempt from the independent shareholders' approval requirement of the Hong Kong Listing Rules.

For details of the above non-exempt continuing connected transaction, please refer to the continuing connected transaction announcements dated 29 March 2016 and 26 April 2018 published by the Company on the website of the Stock Exchange.

#### 4. Actual transaction amounts of non-exempt continuing connected transactions during the year

The Company confirms that the actual transaction amounts of the above non-exempt continuing connected transactions did not exceed the relevant caps in 2020. Please refer to the table below for details.

No.	Category of connected transactions	Unit: million	Currency: RMB
		Annual cap for 2020	Actual transaction amount for 2020
1.	Purchase of products and services under the Product and Service Mutual Provision Framework Agreement with CRRCG and/or its associates	4,500.00	546.28
2.	Sale of products and provision of services under the Product and Service Mutual Provision Framework Agreement with CRRCG and/or its associates	7,000.00	3,637.40
3.	Rental payment under the Property Leasing Framework Agreement with CRRCG and/or its associates	500.00	114.15
4.	Rental received under the Property Leasing Framework Agreement with CRRCG and/or its associates	400.00	3.32
5.	Maximum daily balance of credit (accrued interest included) in respect of the credit services provided by the Finance Company under the Finance Services Framework Agreement between the Finance Company and CRRCG and/or its associates	12,000.00	10,232.76
6.	Charges for miscellaneous financial services provided by the Finance Company under the Financial Services Framework Agreement between the Finance Company and CRRCG and/or its associates	300.00	1.14

# Report of Directors

## 5. Annual review of non-exempt continuing connected transactions

The finance and internal auditing units and relevant teams of the Company have reviewed the above non-exempt continuing connected transactions and related internal control procedures and submitted the results to the independent non-executive Directors. The Company also provided key information to the independent non-executive Directors for their review.

The independent non-executive Directors of the Company have confirmed to the Board that they have reviewed the above non-exempt continuing connected transactions and are of the opinion that such transactions are:

- (1) in the ordinary course of business of the Group;
- (2) conducted on normal commercial terms or more favorable terms; and
- (3) conducted on the terms of the relevant transaction agreements (including but not limited to the pricing policy and mechanism), which are fair and reasonable and in the interests of the Shareholders of the Company as a whole.

The independent non-executive Directors ensure that:

- (1) the methods and procedures established by the Company are sufficient to ensure that transactions are conducted on normal commercial terms and not prejudicial to the interests of the Company and its minority shareholders; and
- (2) the Company has appropriate internal control procedures in place and its internal auditing unit will review the above continuing connected transactions.

Pursuant to Rule 14A.56 of the Hong Kong Listing Rules, the listed issuer must engage its auditors to report on the continuing connected transaction every year. The auditors must provide a letter to the listed issuer's board of directors confirming whether anything has come to their attention that causes them to believe that the continuing connected transactions:

- (1) have not been approved by the listed issuer's board of directors;
- (2) were not, in all material respects, in accordance with the pricing policies of the listed issuer's group if the transactions involve the provision of goods or services by the listed issuer's group;
- (3) were not entered into, in all material respects, in accordance with the relevant agreement governing the transactions; and
- (4) have exceeded the cap.

# Report of Directors

Pursuant to the above requirement under Rule 14A.56 of the Hong Kong Listing Rules, the Board engaged the auditors of the Company to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditors have issued their unqualified letter containing their findings and conclusions in respect of the continuing connected transactions in accordance with Rule 14A.56 of the Hong Kong Listing Rules. A copy of the auditors' letter has been provided by the Company to the Stock Exchange.

## **6. Related party transactions**

Save as to the above, details of the related party transactions of the Company for the year ended 31 December 2020 are set out in Note XII to the consolidated financial statements. Except for the related party transactions between the Company and joint ventures and associates set out in Note XII, all related party transactions are connected transactions of the Company under Chapter 14A of the Hong Kong Listing Rules. The Company confirms that such related party transactions have complied with the applicable disclosure requirements under Chapter 14A of the Hong Kong Listing Rules.

### **(III) Non-competition agreements and undertakings**

For details of the provision of non-competition agreements and undertakings to the Company by the controlling shareholder of the Company, please refer to relevant content in the section named "Significant Events-I. Performance of Undertakings" of this annual report.

## **VII. Other Discloseable Matters**

### **(I) Principal businesses**

The Company is mainly engaged in research and development, design, manufacturing, refurbishment, sales, leasing and technical services of railway locomotives, MUs, urban rail transit vehicles, engineering machinery, various electromechanical equipment, electronic equipment and parts, electric products and environmental protection equipment; information consultancy; industrial investment and management; asset management; export/import business.

### **(II) Major customers and suppliers**

For details of the major customers and suppliers of the Company, please refer to the section headed "Report of Directors – B. Management Discussion and Analysis-II. Major operation results during the reporting period" of this annual report.

### **(III) Reserves**

Details of changes in the reserves of the Company are set out in the Consolidated Statement of Changes in Equity of this annual report prepared under the China Accounting Standards for Business Enterprises.



# Report of Directors

## **(IV) Reserves available for distribution**

For details of the reserves of the Company available for distribution, please refer to Note 52 to the financial statements of this annual report prepared under the China Accounting Standards for Business Enterprises.

## **(V) Share capital**

For details of the share capital of the Company, please refer to the relevant section headed “Changes in Shares and Particulars of Shareholders” of this annual report.

## **(VI) Bank loans and other loans**

Details of the bank loans and other loans of the Company as at 31 December 2020 are set out in Notes 28 and 39 to the financial statements of this annual report prepared under the China Accounting Standards for Business Enterprises.

## **(VII) Property, plant and equipment**

Details of changes in the property, plant and equipment of the Company in 2020 are set out in Note 20 to the financial statements of this annual report prepared under the China Accounting Standards for Business Enterprises.

## **(VIII) Donations**

The total charitable and other donations of the Company amounted to approximately RMB31,226 thousand during the reporting period.

## **(IX) Service contracts of Directors and Supervisors**

None of the Directors or Supervisors entered into service contract with the Company which is not terminable within one year without payment of compensation other than normal statutory compensation.

## **(X) Directors and Supervisors' interests in contracts**

The Company did not enter into any contract of significance in which Director(s) or Supervisor(s) of the Company held, either directly or indirectly, any material interests for the year ended 31 December 2020.

## **(XI) Loans provided to Directors, Supervisors and Senior Management of the Company**

The Company did not provide Director(s), Supervisor(s) or other Senior Management with any loans or quasi-loans.

# Report of Directors

## **(XII) Directors' interest in businesses competing with the Company**

None of the Directors have interests in any business which directly or indirectly competes or may compete with the Company.

## **(XIII) Financial, business or family relationship among members of the Board**

None of the members of the Board of the Company had any financial, business, family or other material relationship with each other.

## **(XIV) Management contracts**

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

## **(XV) Pre-emptive rights**

There are no provisions regarding pre-emptive rights under the Articles of Association and the PRC law which oblige the Company to offer new shares to its existing shareholders on a pro-rata basis.

## **(XVI) Employee retirement plan**

Details of the employee retirement plan of the Company are set out in Note 43 to the financial statements of this annual report prepared under the China Accounting Standards for Business Enterprises.

## **(XVII) The Company's environmental policies and compliance**

CRRC fully implemented Xi Jinping's ecological civilization thought, grasped the direction and development trend of energy conservation and ecological environmental protection work correctly, actively implemented the concept of green development, and the three-year battle of ecological protection and pollution prevention ended successfully in 2020. Nine subsidiaries of the Company have been included into the list of the green factory demonstration companies by the Ministry of Industry and Information Technology of China, laying a solid foundation for the creation of a green manufacturing system. Some subsidiaries of the Company are the key pollutant discharging units published by the national ecological environment protection department. The environmental information of these companies has been made public in accordance with the relevant regulations and the specific requirements of the local government authorities. For more details, please refer to the websites of local government.

The main waste water pollutant of CRRC is COD, the main waste gas pollutant is sulphur dioxide, and the hazardous wastes are mainly HW08, HW09, HW12 and HW49. Waste water was discharged directly and indirectly upon treatment and reaching standards. The Company recorded annual COD emissions of 538 tons. Waste gas pollutant was discharged in an organized way after being effectively treated by the treatment facility and reaching the standard. The Company recorded annual sulphur dioxide emissions of 241 tons. The Company recorded annual hazardous waste disposal of 19,814 tons, which were disposed by qualified institutions. Main pollutant emission reached the national or local emission standards. The total discharge of pollutants meets the requirements of the total discharge indicators.

# Report of Directors

The pollution discharge information of the Company's important subsidiaries is as follows:

Name of company	Name of pollutants	Main typical pollutants	Emission concentration	Pollutant emission standards in effect	Total emission (t/a)	Approved		Excessive emission	Emission method	Number of Emission outlets	Distribution of emission outlets		
						total	emission (t/a)						
CRRC Changchun	Wastewater	COD	24.95 mg/L	Integrated Wastewater Discharge Standard (GB8978-1996)	500 mg/L	34.4	777.8	No	Continuous and indirect emissions	2	In the factory		
		Ammonia nitrogen	3.15 mg/L	Water quality standards for sewage discharged into urban sewers (GB/T31962-2015)	45 mg/L	4.47	70	No					
	Boiler exhaust	Particulates	Coal-fired boiler	16.99 mg/m <sup>3</sup>	Boiler Air Pollutant Emission Standard (GB13271-2014)	Coal-fired boiler	80 mg/m <sup>3</sup>	19.48	116.53	No	Organized emission	11	In the factory
			Gas boiler	10.74 mg/m <sup>3</sup>		Gas boiler	20 mg/m <sup>3</sup>						
		SO <sub>2</sub>	Coal-fired boiler	187.49 mg/m <sup>3</sup>	Coal-fired boiler	400 mg/m <sup>3</sup>	169.42	465.93	No				
			Gas boiler	7.41 mg/m <sup>3</sup>	Gas boiler	50 mg/m <sup>3</sup>							
	NO <sub>x</sub>	Coal-fired boiler	184.52 mg/m <sup>3</sup>	Coal-fired boiler	400 mg/m <sup>3</sup>	180.60	676.26	No					
		Gas boiler	63.5 mg/m <sup>3</sup>	Gas boiler	150 mg/m <sup>3</sup>								
	Process waste gas	VOCs		5.01 mg/m <sup>3</sup>	Comprehensive emission standard of air pollutants (GB16297-1996)	120 mg/m <sup>3</sup>	74.65	/	No	Organized emission	221	In the factory	
			Particulates	14.89 mg/m <sup>3</sup>		120 mg/m <sup>3</sup>	157.98	/	No				
Hazardous waste	Hazardous waste		/	/	/	2016.832	/	No	Entrusted disposal	/	/		

# Report of Directors

Name of company	Name of pollutants	Main typical pollutants	Emission concentration	Pollutant emission standards in effect	Total emission (t/a)	Approved total emission (t/a)	Excessive emission	Emission method	Number of Emission outlets	Distribution of emission outlets		
CRRC Sifang	Wastewater	COD	29.08 mg/L	Water quality standards for sewage discharged into urban sewers (GB/T31962-2015)	500 mg/L	32.42	208.35	No	Discontinuous, indirect emissions	1	In the factory	
		Ammonia nitrogen	3.13 mg/L		45 mg/L	3.25	34.725	No				
		Total nitrogen	18.9 mg/L		70 mg/L	11.98	97.23	No				
	Gas exhaust	SO <sub>2</sub>	Not detected	Comprehensive Emission Standard of Regional Air Pollutants (DB37/2376-2019)	50 mg/m <sup>3</sup>	0.38	/	No	Organized emission	117	In the factory	
		NO <sub>x</sub>	48mg/m <sup>3</sup>		100 mg/m <sup>3</sup>	1.76	/	No				
Process waste gas	VOCs	5.94mg/m <sup>3</sup>	Volatile Organic Compound Emission Standard Part 5 Surface Coating Industry (DB37/2801.5-2018)	70 mg/m <sup>3</sup>	14.31	/	No	Organized emission	296	In the factory		
		Particulates		3.53mg/m <sup>3</sup>	Comprehensive Emission Standard of Regional Air Pollutants (DB37/2376-2019)	10 mg/m <sup>3</sup>	96.6				/	No
		Hazardous waste		Hazardous waste		/	/				/	1326.11
CRRC Zhuzhou	Industrial wastewater	COD	34.2mg/L	Integrated Wastewater Discharge Standard (GB8978-1996)	100 mg/L	2.35	12	No	Discontinuous, indirect emissions	1	In the factory	
		Ammonia nitrogen	9.23mg/L		15 mg/L	0.093	1.8	No				
	Gas Boiler Exhaust	Particulates	1.93mg/m <sup>3</sup>	Boiler Air Pollutant Emission Standard (GB13271-2014)	20 mg/m <sup>3</sup>	0.026	/	No	Organized emission	3	In the factory	
			SO <sub>2</sub>		34mg/m <sup>3</sup>	50 mg/m <sup>3</sup>	0.30	1.62				No
			NO <sub>x</sub>		112mg/m <sup>3</sup>	150 mg/m <sup>3</sup>	1.24	/				No
	Process waste gas	VOCs	5.01mg/m <sup>3</sup>	Emission standard of volatile organic compounds and nickel for surface coating (DB43/1356-2017)	80 mg/m <sup>3</sup>	12.43	/	No	Organized emission	182	In the factory	
			Particulates		15.2mg/m <sup>3</sup>	Comprehensive emission standard of air pollutants (GB16297-1996)	120 mg/m <sup>3</sup>	85.1				/
Hazardous waste	Hazardous waste	/	/	/	688.8		/	No	Entrusted disposal	/	/	



# Report of Directors

Name of company	Name of pollutants	Main typical pollutants	Emission concentration	Pollutant emission standards in effect	Total emission (t/a)	Approved total emission (t/a)	Excessive emission	Emission method	Number of Emission outlets	Distribution of emission outlets	
CRRC Tangshan	Wastewater	COD	196.5 mg/L	Integrated Wastewater Discharge Standard (GB8978-1996)	500 mg/L	75.72	/	No	Discontinuous, indirect emissions	5	In the factory
		Ammonia nitrogen	33.78 mg/L	Water quality standards for sewage discharged into urban sewers (GB/T31962-2015)	45 mg/L	11.65	/	No			
	Waste gas	Non-methane hydrocarbons	2.54 mg/m <sup>3</sup>	Control Standard for Volatile Organic Compound Emissions of Industrial Enterprises (DB13/2322-2016)	70 mg/m <sup>3</sup>	82.86	/	No	Organized emission	433	In the factory
		Particulates	18.6 mg/m <sup>3</sup>	Comprehensive emission standard of air pollutants (GB16297-1996)	120 mg/m <sup>3</sup>	118.31	/	No			
Hazardous waste	Hazardous waste	/	/	/	1272.2245	/	No	Entrusted disposal	/	/	

CRRC effectively treated pollutants and the pollution treatment facilities were in normal operation. All subsidiaries have built sewage treatment facilities, which reached the national or local emission standards. According to the existing plan, coal-fired boilers were gradually cancelled and outsourced steam or social heating was adopted; corresponding enterprises implemented coal-to-gas or coal-to-electricity, and air pollutant emissions met the national or local emission requirements. Starting from the source, the Company strongly promoted the use of water-based coatings in our affiliated enterprises, and all or some of railway freight wagons, railway locomotives, railway passenger cars, urban rail metro vehicles used water-based coatings. Hazardous wastes were stored and managed strictly in accordance with regulations, and qualified units were entrusted to implement innocuous and safe disposal in accordance with the law.

CRRC strengthened environmental risk control from source and strictly complied with the Environmental Impact Assessment Law (《環境影響評價法》) and the requirements of our environmental protection system of "Three Simultaneity" when carrying out construction projects, and more thorough review were made on technology plans, environmental protection investment, and governance technologies of construction projects. EIA approval were obtained from local government for all construction projects of each of its affiliated companies before construction, ecological protection and pollution prevention measures were implemented, and environmental acceptance works according to the Regulations on the Environmental Protection Administration of Construction Project (《建設項目環境保護管理條例》) were carried out.

# Report of Directors

CRRC issued the Contingency Plan for Emergency Environmental Incidents (《突發環境事件應急預案》), made classification of emergency environmental incidents, and strengthened the emergency management of environmental emergencies. Each of the affiliated companies formulated its own environmental contingency plans according to requirements, revised and recorded the contingency plans, equipped them with emergency facilities or supplies, conducted environmental emergency drills regularly, evaluated the operability of the plans, and effectively improved emergency capabilities.

CRRC strengthened environmental inspections or review on each of its affiliated companies, organized internal experts and environmental monitoring teams to conduct 65 environment inspections and environment monitoring. Some of the affiliated companies have installed waste water and exhaust gas online monitoring systems in accordance with local government requirements, realized networking with environmental protection departments, and strengthened online real-time monitoring management. Each of the affiliated companies conducted pollutant monitoring in accordance with monitoring plans to ensure the effective operation of the environmental management system.

Each of the affiliated companies of CRRC has disclosed relevant environmental information on the website of the local environmental protection department or its own company website pursuant to the requirements of the local environmental protection department.

## **(XVIII) Relationship with employees, customers and suppliers**

For details, please refer to the sections headed “Report of Directors-B. Management Discussion and Analysis” and “Directors, Supervisors, Senior Management and Staff-Staff of the Parent Company and Principal Subsidiaries” of this annual report.

## **(XIX) Compliance with laws, regulations and rules**

The Company is aware of the importance of complying with legal and regulatory requirements. The Company has established a relatively sophisticated system to ensure persistent compliance with applicable laws, regulations and rules. More specifically, the legal department of the Company and other relevant departments are primarily responsible for reviewing whether the Group’s operations have complied with the relevant laws and regulations. The Company has also deployed corresponding departments and sufficient manpower and resources to monitor the compliance situation at the subsidiary level. For the year ended 31 December 2020, to the best of our knowledge, the Company has complied with the laws and regulations of the relevant areas in all material respects, including but not limited to laws and regulations such as the Railway Law of the People’s Republic of China (《中華人民共和國鐵路法》), the Law of the People’s Republic of China on Work Safety (《中國人民共和國安全生產法》), the Environmental Protection Law of the People’s Republic of China (《中華人民共和國環境保護法》) and Regulation on the Administration of Railway Safety (《鐵路安全管理條例》), which have great significance or impact on the operation of the Company in aspects such as rail transit equipment production, safety and environmental protection etc. The Company is listed on the SSE and the Stock Exchange. For the year ended 31 December 2020, the Company complied with the listing rules and all applicable laws and regulations of its places of listing.

# Directors, Supervisors, Senior Management and Staff

As at the latest practicable date prior to the printing of this report, members of the Board include:

Sun Yongcai

**Chairman, Executive Director, President**

Lou Qiliang

**Executive Director**

Li Guo'an

**Independent non-executive Director**

Sun Patrick

**Independent non-executive Director**

Shi Jianzhong

**Independent non-executive Director**

Zhu Yuanchao

**Independent non-executive Director**

# Directors, Supervisors, Senior Management and Staff

## I. Shareholding Changes and Remuneration

### (I) Shareholding changes and remuneration of current and retired Directors, Supervisors and Senior Management during the reporting period

Name	Position	Gender	Age	Commencement of term of office	Expiration of term of office	Number of shares held at the beginning of the year	Number of shares held at the end of the year	Changes in number of shares for the year	Reason of the change	Remuneration	Welfare	Total	Whether receiving remuneration from related parties of the Company
										received from the Company during the reporting period	expenses including basic pension insurance	remuneration before tax received from the Company during the reporting period	
										(RMB'0,000)	(RMB'0,000)	(RMB'0,000)	
Liu Hualong <sup>Note</sup>	Executive Director, Chairman	Male	58	31 May 2018	22 March 2021	50,000	50,000	0	-	-	-	-	Yes
Sun Yongcai <sup>Note</sup>	Executive Director, President	Male	56	31 May 2018	30 March 2021	111,650	111,650	0	-	84.91	7.38	92.29	No
	Executive Director, Chairman, President			30 March 2021	30 May 2021								
Lou Qiliang	Executive Director	Male	57	27 December 2019	30 May 2021	0	0	0	-	76.11	7.38	83.49	No
Li Guo'an	Independent non-executive Director	Male	68	31 May 2018	30 May 2021	0	0	0	-	6.00	-	6.00	No
Sun Patrick	Independent non-executive Director	Male	62	31 May 2018	30 May 2021	0	0	0	-	15.20	-	15.20	No
Shi Jianzhong	Independent non-executive Director	Male	63	18 June 2020	30 May 2021	0	0	0	-	3.00	-	3.00	No
Zhu Yuanchao	Independent non-executive Director	Male	64	18 June 2020	30 May 2021	0	0	0	-	3.00	-	3.00	No
Zhao Hu	Employee Representative Supervisor Chairman of Supervisory Committee	Male	53	28 October 2019	30 May 2021	0	0	0	-	78.24	7.38	85.62	No
				5 December 2019									
Chen Zhenhan	Supervisor	Male	46	25 June 2019	30 May 2021	0	0	0	-	65.97	7.38	73.35	No
Chen Xiaoyi	Supervisor	Male	57	27 December 2019	30 May 2021	0	0	0	-	63.16	7.38	70.54	No
Wang Jun	Vice President	Male	57	1 June 2018	30 May 2021	0	0	0	-	75.88	7.38	83.26	No
Wei Yan <sup>Note</sup>	Vice President	Male	57	28 August 2020	30 May 2021	0	0	0	-	15.34	2.63	17.97	Yes
Yu Weiping	Vice President	Male	54	1 June 2018	30 May 2021	0	0	0	-	69.71	7.38	77.09	No
Li Zheng	Chief Financial Officer	Female	48	30 October 2019	30 May 2021	0	0	0	-	50.85	7.38	58.23	No



# Directors, Supervisors, Senior Management and Staff

Name	Position	Gender	Age	Commencement of term of office	Expiration of term of office	Number of shares held at the beginning of the year	Number of shares held at the end of the year	Changes in number of shares for the year	Reason of the change	Remuneration	Welfare	Total remuneration	Whether receiving remuneration from related parties of the Company
										received from the Company during the reporting period	expenses including basic pension insurance	before tax received from the Company during the reporting period	
										(RMB'0,000)	(RMB'0,000)	(RMB'0,000)	
Ma Yunshuang	Vice President	Male	50	30 October 2019	30 May 2021	0	0	0	-	56.68	7.38	64.06	No
Wang Gongcheng	Vice President	Male	48	30 October 2019	30 May 2021	0	0	0	-	56.68	7.38	64.06	No
Xie Jilong	Secretary to the Board	Male	54	1 June 2018	30 May 2021	73,288	73,288	0	-	79.88	7.38	87.26	No
Liu Zhiyong <sup>Note</sup>	Former non-executive Director	Male	63	31 May 2018	19 February 2020	0	0	0	-	-	-	-	No
Wu Zhuo <sup>Note</sup>	Former independent non-executive Director	Male	70	31 May 2018	18 June 2020	0	0	0	-	3.00	-	3.00	No
Total	/	/	/	/	/	234,938	234,938	0	/	803.61	83.81	887.42	/

## Notes:

1. The remuneration of Liu Hualong during the Reporting Period was expensed by CRRCG. On 22 March 2021, Liu Hualong resigned from the positions of chairman, executive director, chairman and member of the Strategic Committee, and member of the Nomination Committee of the Board of the Company due to work adjustment reason. For details, please refer to the "Announcement of Resignation of Director of CRRC Corporation Limited" dated 22 March 2021 of the Company.
2. On 30 March 2021, Sun Yongcai was elected as the chairman of the Company at the 27th meeting of the second session of the Board. For details, please refer to the "Announcement of the Resolutions at the 27th Meeting of the Second Session of the Board of CRRC Corporation Limited" dated 30 March 2021 of the Company.
3. The remuneration of Wei Yan from January to August was expensed by CRRCG.
4. On 19 February 2020, Liu Zhiyong resigned as a non-executive Director, vice chairman and member of the Strategy Committee of the Board, member of the Audit and Risk Management Committee of the Board and member of the Remuneration and Evaluation Committee of the Board of the Company due to his age. For details, please refer to the "Announcement of Resignation of Director of CRRC Corporation Limited" of the Company dated 19 February 2020.
5. On 18 June 2020, Wu Zhuo resigned as an independent non-executive Director, chairman and member of the Remuneration and Evaluation Committee of the Board, member of the Audit and Risk Management Committee of the Board and member of the Nomination Committee of the Board of the Company due to his age. For details, please refer to the "Announcement of Resignation of Director of CRRC Corporation Limited" of the Company dated 18 June 2020.

# Directors, Supervisors, Senior Management and Staff

## (II) Major work experiences of the current Directors, Supervisors and Senior Management for the recent five years

### Directors

**Mr. Liu Hualong**, born in 1962, a Chinese national with no right of abode overseas, is a holder of bachelor's degree, MBA degree, a professorate senior engineer and a member of the 19th session of the CPC Central Commission for Discipline Inspection. Mr. Liu served as the deputy general manager, vice chairman and general manager, deputy Party secretary, chairman and general manager, deputy Party secretary of CNRG Qiqihar Railway Rolling Stock (Group) Co. Ltd., the deputy general manager, the deputy Party secretary and the secretary to the disciplinary committee, chairman of the labor union, the Party secretary of CSRG, the director, general manager, deputy Party secretary of CRRCG, the chairman of the board and Party secretary of CRRCG. From December 2007 to September 2011, he was an executive director, deputy Party secretary and the secretary of the disciplinary committee of CSR. From September 2011 to October 2012, he served as an executive director, a vice president and a standing member of the Party Committee of CSR. From October 2012 to May 2015, he served as an executive director, the president and the deputy Party secretary of CSR. He has served as the vice chairman, executive Director and the deputy Party Secretary of the Company from May 2015 to December 2016, and the Chairman of the Board, an executive Director and the Party Secretary of the Company from December 2016 to March 2021.

**Mr. Sun Yongcai**, born in 1964, a Chinese national with no right of abode overseas, is a holder of doctoral degree and is a professorate senior engineer. He currently serves as the Party Secretary of the Party Committee, the chairman, an executive Director and the President of the Company, and also serves as the Party Secretary of the Party Committee, the chairman and the general manager of CRRCG. Mr. Sun once served as a director and deputy general manager, the Party secretary, vice chairman and deputy general manager of Dalian Railway Transportation Equipment Company Limited and the chief engineer of CNR, as well as a standing member of the Party Committee of CNRG. From December 2010 to May 2015, he served as a standing member of the Party Committee and vice president of CNR. He has served as a standing member of the Party Committee of the Company from May 2015 to September 2017, a Vice President of the Company from June 2015 to June 2017, an executive Director of the Company since June 2017, the President of the Company and the general manager of CRRCG since September 2017, the deputy secretary of the Party Committee of the Company, deputy secretary of the Party Committee and director of CRRCG from September 2017 to March 2021. He has served as the secretary of the Party Committee of the Company, secretary of the Party Committee and chairman of CRRCG since March 2021. Mr. Sun is entitled to special government allowance granted by the State Council, was awarded the First Prize for State Scientific Technology Advancement (國家科學技術進步一等獎), the National Innovation Award (全國創新爭先獎) and the special prize and the first prize from China Railway Society. He has been awarded the title of "Reform Pioneer" of the 40th Anniversary of Reform and Opening Up by the Central Committee of the Communist Party of China and the State Council and awarded as the host of the research and development of "Fuxing" high-speed train in 2018, and has been awarded the title of "most beautiful struggler" of the 70th Anniversary of the Founding of the People's Republic of China by nine departments such as the Publicity Department and the Organization Department of the Communist Party of China in 2019.

## Directors, Supervisors, Senior Management and Staff

**Mr. Lou Qiliang**, alias Lou Suidong, born in 1963, a Chinese national with no right of abode overseas, is a holder of bachelor's degree and a professorate senior engineer. He serves as a deputy secretary of the Party Committee and an Executive Director of the Company, and as a deputy secretary of the Party Committee and an employee representative director of CRRC Group. Mr. Lou once served as the deputy head, head and deputy secretary of the Party Committee of CSR Group Nanjing Puzhen Rolling Stock Factory (中國南車集團南京浦鎮車輛廠), as well as the executive director, general manager and deputy secretary of the Party Committee of Puzhen Rolling Stock Co., Ltd. (浦鎮車輛有限公司), and a standing member of the Party Committee of CSRG. From October 2012 to May 2015, he served as a vice president and a standing member of the Party Committee of CSR. He has served as a standing member of the Party Committee of the Company since May 2015. From June 2015 to October 2019, he served as a vice president of the Company. He has been serving as a deputy secretary of the Party Committee of the Company since October 2019, and an executive director of the Company since December 2019.

**Mr. Li Guo'an**, born in 1952, a Chinese national with no right of abode overseas, is a holder of bachelor's degree and a research fellow. He serves as an independent non-executive Director of the Company and an external director of China Baowu Steel Group Corporation Limited. Mr. Li once served as the deputy Party secretary, the deputy Party secretary and concurrently the secretary of the Party Discipline Inspection Committee of Wuhan Ship Development & Design Institute of the No. 7 Research Institute of China State Shipbuilding Corporation (中國船舶工業總公司第七研究院), assistant to the dean and concurrently the director of the Science and Technology Division, vice dean, member of the Party Group, vice dean and deputy secretary of the Party Group of the No. 7 Research Institute of China Shipbuilding Industry Corporation (中國船舶重工集團公司第七研究院), the deputy general manager and member of the Party Group of China Shipbuilding Industry Corporation and an external director of Wuhan Iron & Steel (Group) Corporation (武漢鋼鐵(集團)公司). From June 2014 to May 2015, he served as an independent non-executive director of CSR. Since May 2015, he has served as an independent non-executive Director of the Company.

**Mr. Sun Patrick**, born in 1958, is a citizen of Hong Kong, the PRC and a holder of bachelor's degree. He serves as an independent non-executive Director of the Company, an independent non-executive director of China Railway Construction Corporation Limited, an independent non-executive director of Sihuan Pharmaceutical Holdings Group Ltd. and an independent non-executive director of Kunlun Energy Company Limited. Mr. Sun once served as a president of Hong Kong Region at J.P. Morgan and the head of Hong Kong investment banking department at J.P. Morgan, an executive director and the president of Value Convergence Holdings Limited, an executive director of SW Kingsway Capital Holdings Limited, the chairman of the global strategy committee of Financial International Holdings Ltd., an executive director and the head of investment banking department of Jardine Fleming Holdings Limited, an executive director of Sunwah Kingsway Capital Holdings Limited, an independent non-executive director of China Railway Corporation Limited, an independent non-executive director of China Railway Signal & Communication Corporation Limited, an independent non-executive director of China NT Pharma Group Company Limited, an independent non-executive director of Trinity Limited, a honorary secretary-general of the Chamber of Hong Kong Listed Companies, the vice chairman and a member of the Listing Committee of the Hong Kong Stock Exchange and a member of the SFC Takeovers and Mergers Panel. Mr. Sun is a fellow member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants of UK. From February 2012 to May 2015, he served as an independent non-executive director of CNR. Since May 2015, he has served as an independent non-executive Director of the Company.

# Directors, Supervisors, Senior Management and Staff

**Mr. Shi Jianzhong**, born in 1957, a Chinese national with no right of abode overseas, is a holder of doctorate degree and a senior engineer (researcher level). He serves as an independent non-executive Director of the Company, an external director of China Electronics Technology Group Corporation Limited (中國電子科技集團有限公司), and a director of Aero Engine Corporation of China (中國航空發動機集團有限公司). Mr. Shi was a deputy general manager of Nanchang Hongdu Aviation Industry Group Company (南昌洪都航空工業集團公司), a deputy chief engineer of China Aviation Industry Corporation II (中國航空工業第二集團公司), a deputy general manager and a member of the Party Group of China Aviation Industry Corporation II, the assistant to the governor of Guizhou Province (temporary position for one year), a deputy general manager and a member of the Party Committee of Commercial Aircraft Corporation of China, Ltd. (中國商用飛機有限責任公司), and a vice chairman of China-Russia Commercial Aircraft International Co., Ltd. (中俄國際商用飛機有限責任公司). Since June 2020, he has served as an independent non-executive Director of the Company.

**Mr. Zhu Yuanchao**, born in 1956, a Chinese national with no right of abode overseas, is a holder of postgraduate degree at the Party School of the Central Committee of CPC (中央黨校) and a senior engineer (researcher level). He serves as an independent non-executive Director of the Company, an external director of China Huaneng Group Co., Ltd. (中國華能集團有限公司) and an independent director of China First Heavy Industries Co., Ltd. (中國第一重型機械股份有限公司). Mr. Zhu was a deputy general manager, a deputy general manager and a member of the Party Group of Dongfang Electric Group Corporation (中國東方電氣集團公司), a member of the Party Group of Dongfang Electric Corporation (中國東方電氣集團有限公司), a director and a senior vice president of Dongfang Electric Co., Ltd. (東方電氣股份有限公司), a deputy general manager and a member of the Party Group of Dongfang Electric Corporation, and a director of Dongfang Electric Co., Ltd. Since June 2020, he has served as an independent non-executive Director of the Company.

## Supervisors

**Mr. Zhao Hu**, born in 1967, a Chinese national with no right of abode overseas, is a holder of bachelor's degree, MBA degree and a senior political officer. He is currently the employee representative supervisor, the chairman of the Supervisory Committee and the chairman of the labor union of the Company. He also serves as the chairman of the labor union of CRRCG. Mr. Zhao once served as the deputy director of general office (office of the Party Committee) of CNRG and the director of the board office and the deputy director of office of the Party Committee of CNR. He was originally the deputy secretary of the Party Committee as well as secretary to the disciplinary committee, and then served as the director, deputy secretary of the Party Committee, secretary to the disciplinary committee as well as the chairman of the labor union of Tangshan Railway Vehicle Co., Ltd., the director of general office (office of the Party Committee) of CNRG and CNR, the chief economist assistant of CNR. From June 2015 to May 2020, he successively served as the deputy chief economist and the director of president's office of the Company, the director of office of the Party Committee and the head of the organization department of the Party Committee of the Company and CRRCG. He has served as the employee representative supervisor and the chairman of the labor union since October 2019. He has served as the chairman of the Supervisory Committee since December 2019.



# Directors, Supervisors, Senior Management and Staff

**Mr. Chen Zhenhan**, born in 1974, a Chinese national with no right of abode overseas, is a holder of bachelor's degree and a master degree. He is a professorate senior accountant and is currently the supervisor, director of the Audit Risk and Legal Center of the Company. Mr. Chen was the deputy director of the audit second division of the audit department, the deputy director, director of the audit division of the audit and risk department of CSR, the deputy director of the audit and risk department and director of the internal control division of CRRC, and the vice general manager and chief financial officer of CRRC Environmental & Technology Co., Ltd. From October 2018 to May 2020, he has served as the head of the audit and risk department of the Company. He has been serving as the supervisor since June 2019 and the director of the Audit Risk and Legal Center of the Company since May 2020.

**Mr. Chen Xiaoyi**, born in 1963, a Chinese national with no right of abode overseas, is a holder of bachelor's degree and is a senior engineer, the supervisor, deputy director (minister level) of the Audit Risk and Legal Center of the Company. Mr. Chen also serves as the employee representative supervisor of CRRCG. He used to serve as the deputy director and director of the forging department, head of the business planning office and the planning management office of Beijing Erqi Locomotive Factory (北京二七機車廠), senior engineer of the integrated management department and senior engineer and head assistant of the enterprise management department of CNRG, deputy head and head of the legal affairs department of CNR. From June 2015 to May 2020, he has successively served as the head of the legal affairs department of the Company, deputy head (minister level) of the legal affairs department and head of the legal affairs department of the Company. He has served as the supervisor, head of the legal affairs department of the Company since December 2019, and the deputy director (minister level) of the Audit Risk and Legal Center of the Company since May 2020.

## Senior Management

**Mr. Sun Yongcai**, whose major work experience is the same as what stated above.

**Mr. Wang Jun**, born in 1963, a Chinese national with no right of abode overseas, is a holder of bachelor's degree and MBA degree and is a professorate senior engineer. He serves as a standing member of the Party Committee and a Vice President of the Company. He also serves as a standing member of the Party Committee of CNRG. Mr. Wang once served as a director and the chief engineer, a director and the general manager and deputy Party secretary, vice chairman and general manager and deputy Party secretary, chairman and the Party secretary of Sifang Co., Ltd. (四方股份公司), and a standing member of the Party Committee of CSRG. From October 2012 to May 2015, he served as a vice president and a standing member of the Party Committee of CSR. He has served as a standing member of the Party Committee of the Company since May 2015, and a Vice President of the Company since June 2015. Mr. Wang has been selected as a candidate of National Hundred Talents Program (國家百千萬人才工程) and is a National Young to Middle-aged Expert with Outstanding Contributions (國家有突出貢獻中青年專家). He was also granted the award of Zhan Tianyou Railway Science and Technology Award (詹天佑鐵道科學技術大獎), and is entitled to a special government allowance from the State Council.

**Mr. Wei Yan**, born in 1963, a Chinese national with no right of abode overseas, is a holder of postgraduate degree and is a professorate senior engineer. He serves as a standing member of the Party Committee and the Vice President of the Company. He also serves as a standing member of the Party Committee of CRRCG. Mr. Wei served as the deputy general manager of CNRG Qiqihar Railway Vehicle (Group) Co., Ltd. (北車集團齊齊哈爾鐵路車輛(集團)有限責任公司), the chairman, general manager and deputy party secretary of Qiqihar Railway Vehicle (Group) Co., Ltd., the chairman, general manager and deputy party secretary of Qiqihar Railway Vehicle (Group) Co., Ltd. and the chairman and general manager of Qiqihar Railway Rolling Stock Co., Ltd. (齊齊哈爾軌道交通裝備有限責任公司), the assistant to president and general manager of the freight wagon business division of CNR, the chairman and party secretary of Qiqihar Railway Rolling Stock Co., Ltd., the assistant to president of CNR and the chairman, general manager and deputy party secretary of Qiqihar Railway Rolling Stock Co., Ltd., the standing member of the Party Committee of CNRG, the vice president and the standing member of the Party Committee of CNR, and the deputy general manager of CRRCG. He has served as the standing member of the Party Committee and the Vice President of the Company since August 2020.

# Directors, Supervisors, Senior Management and Staff

**Mr. Yu Weiping**, born in 1966, a Chinese national with no right of abode overseas, is a holder of doctoral degree and a professorate senior engineer. He serves as a Vice President of the Company. Mr. Yu once served as a deputy general manager of Changchun Railway Vehicle Co., Ltd., and the chairman and the Party secretary, the chairman and general manager and deputy Party secretary, the chairman and deputy Party secretary of Tangshan Railway Vehicle Co., Ltd., as well as a standing member of the Party Committee of CNRG. From November 2013 to May 2015, he served as a vice president and a standing member of the Party Committee of CNR. From May 2015 to September 2020, he served as a standing member of the Party Committee of the Company. He has served as a Vice President of the Company since June 2015.

**Ms. Li Zheng**, born in 1972, a Chinese national with no right of abode overseas, is a holder of bachelor's degree, Master of Accounting, professorate Senior Accountant, a member of the standing committee of the Company's Party Committee and Chief Financial Officer (Chief Accountant) of the Company. She also acts as the member of the standing committee of the Party Committee of CRRCG. Ms. Li previously served as the deputy general manager of China Engineering and Agriculture Machinery Import and Export Co., Ltd. (中國工程與農業機械進出口有限公司), deputy chief accountant and assistant general manager of Sinohydro International Engineering Co., Ltd. (中國水電建設集團國際工程有限公司), chief accountant, chairman of the labor union of Sinohydro Overseas Investment Co., Ltd. (中國水電海外投資有限公司), deputy general manager, chief accountant of Powerchina Resources Limited (中國電建集團海外投資有限公司). Since October 2019, she has served as a member of the standing committee of the Party Committee and Chief Financial Officer (Chief Accountant) of the Company.

**Mr. Ma Yunshuang**, born in 1970, a Chinese national with no right of abode overseas, is a holder of doctoral degree, professorate senior engineer, a member of the standing committee of the Party Committee and Vice President of the Company. He also serves as a standing member of the Party Committee of CRRCG. Mr. Ma previously served as the deputy general manager, vice chairman, general manager and deputy secretary of the Party Committee of CSR Qingdao Sifang Locomotive & Rolling Stock Co., Ltd., the director, general manager, deputy secretary of the Party Committee of CRRC Qingdao Sifang Co., Ltd. Since October 2019, he has served as a member of the standing committee of the Party Committee and Vice President of the Company.

**Mr. Wang Gongcheng**, born in 1972, a Chinese national with no right of abode overseas, is a holder of bachelor's degree, senior engineer, a member of the standing committee of the Party Committee and Vice President of the Company. He also serves as a standing member of the Party Committee of CRRCG. Mr. Wang previously served as the deputy general manager of CSR Zhuzhou Electric Locomotive Co., Ltd., director of office (Party Committee Office) of CSR Group, deputy chief economist, director of the board office and director of the Propaganda Department of the Party Committee (Corporate Culture Department) of CSR, executive director, general manager and deputy secretary of the Party Committee of CSR Luoyang Locomotive Co., Ltd., director of Safety Production of CSR, assistant general manager of CSR, assistant general manager of CRRCG and chairman, general manager and deputy secretary of the Party Committee, and chairman, secretary of the Party Committee and secretary of the Disciplinary Committee, chairman and Party secretary and director of CRRC Industrial Investment Co., Ltd. Since October 2019, he has served as a member of the standing committee of the Party Committee and Vice President of the Company.

**Mr. Xie Jilong**, born in 1966, a Chinese national with no right of abode overseas, is a holder of bachelor's degree and master degree, and is a professorate senior economist. He serves as the Secretary to the Board and joint company secretary of the Company and a director of China United Insurance (中華聯合保險). Mr. Xie once served as a chief accountant, deputy head, head and deputy Party secretary of Changchun Locomotive Factory, a director and general manager and deputy Party secretary of Changchun Locomotive and Rolling Stock Company Limited, the Party secretary of Tianjin Locomotive & Rolling Stock Machinery Works, and the vice chairman of Tianjin JL Railway Transportation Equipment Co., Ltd. From August 2008 to December 2013, he served as the secretary to the board of CNR. From January 2014 to May 2015, he served as the secretary to the board and joint company secretary of CNR. Since June 2015, he has served as the Secretary to the Board and joint company secretary of the Company. Mr. Xie is a fellow member of the Institute of Chartered Secretaries and Administrators and a fellow member of the Hong Kong Institute of Chartered Secretaries. He is also the vice president of the fifth session of the Council of The Listed Companies Association of Beijing.

# Directors, Supervisors, Senior Management and Staff

## (III) Share incentive scheme 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.

## II. Positions Held by Current and Retired Directors, Supervisors and Senior Management During the Reporting Period

### (I) Positions held in shareholder's entity

Employee's name	Name of the shareholder's entity	Position held in the shareholder's entity	Commencement of term of office	Expiration of term of office
Liu Hualong	CRRCG	Chairman	November 2016	22 March 2021
		Director	September 2015	22 March 2021
Sun Yongcai	CRRCG	Director, general manager	September 2017	–
Lou Qiliang	CRRCG	Employee director	October 2019	–
Chen Xiaoyi	CRRCG	Employee representative supervisor	December 2017	–

### (II) Positions held in other entities

Employee's name	Name of other entities	Position held in other entities	Commencement of term of office	Expiration of term of office
Liu Zhiyong	SASAC	Professional external director	August 2013	February 2020
	China National Coal Group Corporation	Professional external director	August 2014	January 2020
Li Guo'an	China Baowu Steel Group Corporation Limited	External director	October 2016	–
Sun Patrick	China Railway Construction Corporation Limited	Independent non-executive director	October 2014	–
	Trinity Limited	Independent non-executive director	October 2008	November 2020
	Sihuan Pharmaceutical Holdings Group Ltd.	Independent non-executive director	October 2010	–
	Kunlun Energy Company Limited	Independent non-executive director	February 2016	–

# Directors, Supervisors, Senior Management and Staff

Employee's name	Name of other entities	Position held in other entities	Commencement of term of office	Expiration of term of office
Shi Jianzhong	China Electronics Technology Group Corporation Limited	External director	March 2020	–
	China-Russia Commercial Aircraft International Co., Ltd.	Vice chairman	May 2017	May 2020
	Aero Engine Corporation of China	Director	July 2016	–
Zhu Yuanchao	China Huaneng Group Co., Ltd.	External director	January 2018	–
	China First Heavy Industries Co., Ltd.	Independent director	June 2019	–
Xie Jilong	China United Insurance	Director	September 2016	–

Notes:

- (1) China Railway Construction Corporation Limited is a company listed on the SSE (stock code: 601186) and the Main Board of the Stock Exchange (stock code: 1186).
- (2) Trinity Limited is a company listed on the Main Board of the Stock Exchange (stock code: 891).
- (3) Sihuan Pharmaceutical Holdings Group Ltd. is a company listed on the Main Board of the Stock Exchange (stock code: 460).
- (4) Kunlun Energy Company Limited is a company listed on the Main Board of the Stock Exchange (stock code: 135).
- (5) China First Heavy Industries Co., Ltd. is a company listed on the SSE (stock code: 601106).

### III. Remuneration of Directors, Supervisors and Senior Management

Decision-making procedures of the remuneration of Directors, Supervisors and Senior Management

The Remuneration and Evaluation Committee of the Board submits proposals to the Board in respect of the remuneration for Directors and members of the Senior Management. The Board decides the remuneration, incentives and punishment matters for members of the management. The general meeting of the Company decides matters relating to the remuneration for the relevant Directors and Supervisors.

Determination basis of the remuneration of Directors, Supervisors and Senior Management

The Company determined the remuneration of Directors, Supervisors and Senior Management with reference to the Articles of Association and relevant requirements.



# Directors, Supervisors, Senior Management and Staff

Actual payment of the remuneration of Directors, Supervisors and Senior Management

The Company, pursuant to relevant provisions, paid remunerations to the Directors, Supervisors and Senior Management, except for Liu Zhiyong, a non-executive Director, who is concurrently a professional external director of SASAC and does not receive remuneration from the Company pursuant to the requirement of SASAC; Li Guo'an and Wu Zhuo, independent Directors, who received remuneration pursuant to the adjusted standard approved at the general meeting in accordance with the requirement of SASAC since July 2017; Liu Hualong, Chairman and executive Director, who has received remuneration from the CRRCG since November 2015.

Total actual remuneration of all the Directors, Supervisors and Senior Management at the end of the reporting period

RMB8,874,200 in aggregate.

During the reporting period, none of the Directors or the Supervisors waived or agreed to waive their respective emoluments.

## IV. Changes in Directors, Supervisors and Senior Management of the Company

1. On 19 February 2020, Mr. Liu Zhiyong resigned as a non-executive director, vice chairman and member of the Strategy Committee of the Board, member of the Audit and Risk Management Committee of the Board and member of the Remuneration and Evaluation Committee of the Board of the Company due to his age.
2. On 18 June 2020, Mr. Wu Zhuo resigned as an independent non-executive director, the chairman and member of the Remuneration and Evaluation Committee of the Board, a member of the Audit and Risk Management Committee of the Board and a member of the Nomination Committee of the Board of the Company due to his age.
3. On 18 June 2020, the Company held the 2019 Annual General Meeting to add Mr. Shi Jianzhong and Mr. Zhu Yuanchao to serve as independent non-executive directors of the second session of the Board, with a term of office until the expiry of the term of office of the second session of the Board.
4. On 18 June 2020, at the twentieth meeting of the second session of the Board held by the Company, Mr. Lou Qiliang and Mr. Shi Jianzhong were added as members of the Strategy Committee; Mr. Zhu Yuanchao was added as a member of the Nomination Committee; Mr. Shi Jianzhong and Mr. Zhu Yuanchao were added as members of the Remuneration and Evaluation Committee, among which, Mr. Shi Jianzhong was elected as the chairman of the Remuneration and Evaluation Committee; Mr. Zhu Yuanchao was added as a member of the Audit and Risk Management Committee. The above persons shall hold office until the expiry of the term of office of the second session of the Board.
5. On 28 August 2020, the Company held the twenty-second meeting of the second session of the Board, Mr. Wei Yan was appointed as the Company's Vice President with a term of office until the expiry of the term of office of the second session of the Board.

# Directors, Supervisors, Senior Management and Staff

6. On 22 March 2021, Mr. Liu Hualong resigned from the positions of chairman, executive director, chairman and member of the Strategic Committee, and member of the Nomination Committee of the Board of the Company due to work adjustment reason.
7. On 30 March 2021, the Company held the twenty-seventh meeting of the second session of the Board, Sun Yongcai was elected as the chairman of the Company, and chairman of the Strategic Committee of the Board of the Company.

## V. Staff of the Parent Company and Principal Subsidiaries

### (I) Staff information

Total number of staff with the parent company	201
Total number of staff with principal subsidiaries	163,976
Total number of staff	164,177
Number of employees whose retirement expenses are borne by the parent company and principal subsidiaries	126,362

#### By profession

Category of profession	Number of each profession
Production personnel	91,848
Technical personnel	35,273
Management personnel	31,594
Other personnel	5,462
<b>Total</b>	<b>164,177</b>

#### By education

Education level	Number (person)
Doctors	507
Masters	13,331
University graduates	53,313
Tertiary college graduates	37,451
Secondary school and below	59,575
<b>Total</b>	<b>164,177</b>

# Directors, Supervisors, Senior Management and Staff

## (II) Remuneration policies

In 2020, the Company continued to improve the salary management system. Firstly, formulated the two-way incentive assessment method for operating indicators in 2020. According to the completion situation of the key operating indicators of the subsidiaries, the positive and negative incentives were implemented for the total salary and the remuneration of the heads of the enterprises, to further strengthen the linkage between salary incentives and performance evaluation; secondly, promoted the implementation of differentiated remuneration management for enterprise leaders, amended and improved enterprise leaders' remuneration management methods and adopted differentiated linked indicators and management models according to the industry and business nature of the enterprises. We have studied, formulated and implemented the selection rights of the Board and the remuneration management measures for professional manager system pilot enterprises, promoted the continuous improvement of the marketization of enterprise remuneration management, which resulted in significant increase in business vitality; thirdly, provided special salary incentive policies to the scientific and technological research teams of affiliated enterprises and the core key talents required for the enterprise development, so as to provide a enabling policy environment for the enterprises to retain talents and accelerate technological innovation.

## (III) Personnel training

According to the human resources strategic plan and talent training and development plan of Company during the "13th Five-Year", the Company formulated the 2020 Main Points of Human Resources of CRRC (《中國中車2020年人力資源工作要點》) to coordinate our 2020 talent training and development program. To satisfy the target for the establishment of talent teams and key tasks for annual talent training, the Company continued to optimize the construction of its training management system, training course system, trainer system and internet academy platform, enhanced the innovativeness, perspectiveness, pertinence and effectiveness of talent cultivation, to satisfy its development needs of the industrial digitization and digital industry, the Company sped up the development of leadership series, core talent (management, technology, skills) series, and international and digital talent teams. Combining the requirements of pandemic prevention and control work and personnel training work plan, the Company actively overcame the influences of the pandemic. By leveraging on online courses and the advantageous resources of domestic key universities and benchmarking enterprises, the Company systematically designed specific training projects, carefully planned project programs, and organised online and offline training.

In 2020, the Company organized a total of 71 company-level online and offline key trainings with over 6,000 participants, and focused on organizing and implementing training programs in relation to leadership, digital talents, internationalized talents, and core talents and headquarters department. In 2020, there were 275,000 employees who participated in subsidiary-level trainings and workshop-level trainings, of which approximately 38,000 participants were management personnel, approximately 51,000 participants were professional technicians and 186,000 participants were technical personnel. The orderly and thorough implementation of personnel training development has provided a solid human resource guarantee for the high-quality development of the Company and achieving the development goals of "13th Five-Year".

# Corporate Governance Report

## I. Explanation of Related Circumstance of 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.

The Company established its corporate governance rules according to the Corporate Governance Code (the “Code”) as set out in Appendix 14 to the Hong Kong Listing Rules. In certain aspects, the corporate governance practices adopted by the Company are more stringent than the code provisions set out in the Code. After reviewing the corporate governance documents adopted by the Company, the Board is of the opinion that the Company’s corporate governance is in compliance with all the principles, code provisions and part of the recommended best practices in the Code.

## II. Shareholders and General Meetings

### (I) Shareholders and general meetings

Safeguarding shareholders’ interests and promoting their values always serve as the Company’s goal of development. The general meeting is the highest authority of the Company, through which shareholders may exercise their powers. The Company convened and held general meetings to resolve related matters in strict compliance with relevant laws and regulations as well as the requirements under the Rules of Procedure for General Meetings of the Company. The Company ensured that all shareholders, especially minority shareholders, are entitled to their legal interest based on their shareholdings in the Company and to fully exercise their rights.

### (II) Relationship between the controlling shareholder and the Company

The Company is strictly independent from its controlling shareholder in terms of assets, business, organization, finance and personnel. The Board, Supervisory Committee and internal departments are able to operate independently. The controlling shareholder of the Company places stringent constraint on individual behaviors and exercised rights and undertook obligations as a shareholder pursuant to laws. The Company is not aware of any appropriation of the Company’s capital and assets by the controlling shareholder.



# Corporate Governance Report

## III. Directors and the Board

### (I) Directors and the Board

Currently, the Company consists of seven Directors, including four independent non-executive Directors. The Board acts in the best interests of the Company and shareholders and is responsible for the consideration and approval of business strategies and material investment and other significant matters of the Company. The main duties of the Board shall also include consideration and approval of the Company's regular announcements on results and operating condition. The convening, holding, voting and other relevant procedures of the Company's Board meetings were executed in strict compliance with relevant laws and regulations as well as requirements of the Rules of Regular Meetings of the Board and the Rules of Procedure for the Board of Directors. All Directors are familiar with their rights, obligations and responsibilities as Directors and are capable of performing their functions with due diligence in a faithful and diligent manner. All Directors were punctual at Board meetings. They duly considered every resolution proposed at the Board meetings and the general meetings and gave constructive advice thereof, bringing into full play their decision-making roles in corporate governance as Directors. The independent Directors of the Company actively participated in corporate governance and raised suggestions and advice for reform and development of the Company with their knowledge and rich work experiences, facilitating the Company with optimization of strategy, enhancement of management and improvement of operation.

The Board of the Company has established four special committees hereunder, namely the Strategy Committee, the Audit and Risk Management Committee, the Remuneration and Evaluation Committee and the Nomination Committee. During the reporting period, all the committees carried out work in a regular manner, presented work proposals from their respective professional perspectives independently for discussion and consideration, whereby providing strong support to the Board.

The Board is mainly responsible for formulating and reviewing the corporate governance policies and practices of the Company, and authorizing the special committees to perform specific functions of corporate governance. Details of the Board committees performing corporate governance functions are set out in the section headed "Board committees" in this chapter. The composition of the Board, biographical details of Directors and relationship between them are detailed in the chapter headed "Directors, Supervisors, Senior Management and Staff" and the section headed "Report of Directors-Financial, business or family relationship among members of the Board". Each Director was appointed for a term of three years. Upon expiry, such term is renewable upon re-election.

In 2020, the Company purchased liability insurance for Directors, Supervisors and Senior Management of the Company to provide security for the compensation liabilities that may rise during the performance of their duties in accordance with laws.

# Corporate Governance Report

## (II) Convening of the Board meetings during the reporting period

Number of Board meetings convened during the year	10
Of which: the number of on-site meetings	7
Number of meetings held by communication method	3
Number of meetings held on site by means of communication	0

## (III) Attendance of Directors at the Board meetings and the general meetings

Name of Directors	Independent Director or not	Required attendance during the year	Attendance at the Board meetings				Attendance at the general meetings	
			Attendance in person	Attendance by communication	Attendance by proxy	Absent	Absent from two consecutive meetings or not	Number of attendance at the general meetings
Liu Hualong	No	10	10	3	0	0	No	1
Sun Yongcai	No	10	10	3	0	0	No	0
Lou Qiliang	No	10	9	3	1	0	No	1
Li Guo'an	Yes	10	10	3	0	0	No	1
Sun Patrick	Yes	10	10	3	0	0	No	0
Shi Jianzhong <sup>Note 1</sup>	Yes	6	6	2	0	0	No	0
Zhu Yuanchao <sup>Note 1</sup>	Yes	6	6	2	0	0	No	0
Liu Zhiyong <sup>Note 2</sup>	No	0	0	0	0	0	No	0
Wu Zhuo <sup>Note 3</sup>	Yes	4	4	1	0	0	No	0

Note 1: At the 2019 annual general meeting of the Company held on 18 June 2020, Mr. Shi Jianzhong and Mr. Zhu Yuanchao were elected as the independent non-executive Directors of the second session of the Board, and their term of office shall commence from the date on which they were elected at the general meeting and end on the date of expiry of the term of office of the second session of the Board.

Note 2: On 19 February 2020, Mr. Liu Zhiyong resigned from the position of non-executive Director of the Company.

Note 3: On 18 June 2020, Mr. Wu Zhuo resigned from the position of independent non-executive Director of the Company.

# Corporate Governance Report

## (IV) Development and refreshment of knowledge and skills by Directors

The Board Office provided comprehensive services and sufficient information for the Directors, so that the Directors can understand the conditions of the Company in a timely manner. The Board Office delivered to Directors the latest information and bulletins relating to the business changes and development of the Company and the latest laws, rules and regulations in relation to their positions and responsibilities. The Board Office also arranged themed trainings and seminars for Directors. In 2020, pursuant to the requirements under code provision A.6.5 of the Code, Directors of the Company all participated in continuous professional development activities in relation to their positions and responsibilities, to develop and refresh their knowledge and skills, so as to ensure that their contribution to the Board remains informed and relevant. Based on the trainings arranged for the Directors by the Company and the records of learning and trainings submitted by the Directors personally, the trainings received by each Director in 2020 are as follows:

Name of Director	Trainings (Note)
<b>Executive Directors</b>	
Liu Hualong	ABC
Sun Yongcai	ABC
Lou Qiliang	ABC
<b>Non-executive Director</b>	
Liu Zhiyong	BC
<b>Independent Non-executive Directors</b>	
Li Guo'an	ABC
Wu Zhuo	BC
Sun Patrick	ABC
Shi Jianzhong	ABC
Zhu Yuanchao	ABC

Note:

1. A, B and C in the above table represent trainings of the following types respectively:
  - A. Attending trainings on corporate governance organized by regulatory institutes
  - B. Attending seminar trainings in aspects such as legal regulation, corporate governance and financial control organized by professional institutes
  - C. Studying and reading relevant laws and regulations (revised and amended) such as the Hong Kong Listing Rules
2. On 19 February 2020, Mr. Liu Zhiyong resigned from the position of non-executive Director of the Company. On 18 June 2020, Mr. Wu Zhuo resigned from the position of independent non-executive Director of the Company.

# Corporate Governance Report

## (V) Independent non-executive Directors and their independence

The Board currently comprises four independent non-executive Directors. All members of the Remuneration and Evaluation Committee and the Audit and Risk Management Committee under the Board are independent non-executive Directors. Independent non-executive Directors represent the majority of the members of the Nomination Committee, and the chairman of the Audit and Risk Management Committee, the Nomination Committee and the Remuneration and Evaluation Committee are all independent non-executive Directors.

The independent non-executive Directors of the Company have extensive expertise and experience, among whom Sun Patrick is an accounting professional. The independent non-executive Directors of the Company have submitted written confirmations of their independence as required by Rule 3.13 of the Hong Kong Listing Rules. The Company considers that the independence of each of the independent non-executive Directors has been established. During the reporting period, the independent non-executive Directors did not raise objections to the relevant matters of the Company.

## (VI) Responsibilities of the Board

The Board is the decision-making institution of the Company, who reports to the general meeting and exercises several powers in accordance with the Articles of Association, mainly including, but not limited to the following: (1) to convene general meetings and implement resolutions of the general meetings; (2) to decide on the Company's business plans and investment plans; (3) to formulate the Company's annual financial budget plan, final accounts, profit distribution plan and plan for recovery of losses; (4) to formulate proposals for material acquisition, share repurchase by the Company, or merger, division, dissolution and transformation of the Company form; (5) to appoint or remove senior management members and, to decide on their remuneration and award and punishment matters; (6) to formulate the Company's basic management system; (7) to decide on the establishment of special committees of the Board and to consider and approve the proposals proposed by each special committee of the Board; and (8) to manage information disclosure matters of the Company, etc.

## (VII) Board committees

### 1. Strategy Committee

During the reporting period, the Strategy Committee, in strict compliance with requirements of the Working Rules for Strategy Committee of the Board of the Company, performed its duties in an independent and objective manner. The Strategy Committee currently comprises Mr. Liu Hualong, Mr. Sun Yongcai and Mr. Lou Qiliang, the executive Directors, and Mr. Li Guo'an and Mr. Shi Jianzhong, the independent non-executive Directors. Mr. Liu Hualong serves as the chairman of the committee. The Strategy Committee shall be held accountable to the Board and its primary responsibilities are to study and make recommendations on the long-term development strategies and major investment decisions of the Company, and to supervise and examine the implementation of the annual business plan and investment plan under the authorization of the Board.



# Corporate Governance Report

During the reporting period, the Strategy Committee of the Board of the Company held two meetings in total, at which considering three proposals, including, among others, the Proposal on Investment Budget of CRRC Corporation Limited for 2020, and listening to the report on the preparation of the Company's "14th Five-Year Plan" development strategy. The attendance of each member is as follows:

<b>Name of Directors</b>	<b>Number of attendance/ Number of meeting</b>	<b>Attendance rate</b>
Liu Hualong	2/2	100%
Sun Yongcai	2/2	100%
Lou Qiliang	1/1	100%
Li Guo'an	2/2	100%
Shi Jianzhong	1/1	100%

Note: Mr. Liu Zhiyong resigned from his positions as the vice chairman and member of the Strategy Committee on 19 February 2020. On 18 June 2020, the twentieth meeting of the second session of the Board of the Company considered and approved to add Mr. Lou Qiliang and Mr. Shi Jianzhong as members of the Strategy Committee of the second session of the Board of the Company, their term of office shall commence from the date of consideration and approval by the Board and end on the date of expiry of the term of office of the second session of the Board.

## 2. Audit and Risk Management Committee

During the reporting period, the Audit and Risk Management Committee of the Board, in strict compliance with requirements of the Working Rules for Audit and Risk Management Committee of the Board and the Annual Report Working Procedures for the Audit and Risk Management Committee of the Board, performed its duties in an independent and objective manner. The Audit and Risk Management Committee of the Board of the Company comprises Mr. Sun Patrick, Mr. Li Guo'an and Mr. Zhu Yuanchao, who are independent non-executive Directors. Mr. Sun Patrick has extensive professional knowledge and experience in accounting and are certified public accountants serving as the chairman of the Audit and Risk Management Committee. The Audit and Risk Management Committee shall be held accountable to the Board and its primary responsibilities are to propose the appointment or replacement of external auditors, to supervise and evaluate the work of external auditors, to review the Company's financial information and its disclosure, to monitor the Company's internal audit system and its implementation, to review the Company's internal control and risk management system as well as communication between internal auditors and external auditors. During the reporting period, the Audit and Risk Management Committee successfully accomplished the following work: (1) Supervising external audit procedures and quality. The Audit and Risk Management Committee communicated with auditors for annual audit plan in respect of the 2019 annual audit arrangement and timetable. Having been debriefed special reports from the accounting firms, respectively, the committee determined the audit work arrangement of the Company for 2020. (2) Reviewing the financial information of the Company and the disclosure thereof. The Audit and Risk Management Committee examined and studied the financial information as disclosed in the Company's report and financial statements, and carefully reviewed the resolutions in relation to the financial report of the Company. (3) Providing guidance to the Company's internal audit. The Audit and Risk Management Committee considered the proposals submitted by the audit department and reviewed and approved the internal audit work plan put forward by the Company and gave guidance and lay down requirements for carrying out internal audit. (4) Reviewing the Company's implementation of internal control and risk management. The Audit and Risk Management Committee considered the proposals regarding internal control and risk management submitted by the Company and expressed review opinions on the internal control audit report of the Company for 2019.

# Corporate Governance Report

On 19 February 2020, Mr. Liu Zhiyong, the non-executive Director of the Company, resigned as a non-executive Director, vice chairman and member of the Strategy Committee of the Board, member of the Audit and Risk Management Committee of the Board, and member of the Remuneration and Evaluation Committee of the Board of the Company due to his age. After the resignation of Mr. Liu Zhiyong, the Audit and Risk Management Committee of the Board of the Company only consisted of two members, which was less than the minimum number required by Rule 3.21 of the Hong Kong Listing Rules and thereby was unable to meet the requirements of the Rule 3.21 of the Hong Kong Listing Rules regarding the composition of the audit committee on a temporarily basis. The Company did its utmost to fulfill the corresponding internal procedures as soon as possible, and on 12 March 2020, it held a board meeting to add Mr. Wu Zhuo, the independent non-executive Director of the Company, as a member of the Audit and Risk Management Committee. On 18 June 2020, Mr. Wu Zhuo ceased to serve as an independent non-executive Director, chairman and member of the Remuneration and Evaluation Committee, member of the Audit and Risk Management Committee, and member of the Nomination Committee of the Company due to his age. On the same day, the Company held a board meeting to add Mr. Zhu Yuanchao, the independent non-executive Director of the Company, as a member of the Audit and Risk Management Committee.

During the reporting period, the Audit and Risk Management Committee of the Board of the Company held six meetings in total, at which 18 proposals were considered and approved, including, among others, the Proposal on the 2019 Annual Report of CRRC Corporation Limited and the Proposal on the 2020 First Quarterly Report of CRRC Corporation Limited. The attendance of each member is as follows:

<b>Name of Directors</b>	<b>Number of attendance/ Number of meeting</b>	<b>Attendance rate</b>
Sun Patrick	6/6	100%
Li Guo'an	6/6	100%
Zhu Yuanchao	3/3	100%
Wu Zhuo	3/3	100%

Note: On 19 February 2020, Mr. Liu Zhiyong resigned from his positions of member of the Audit and Risk Management Committee of the Board. On 12 March 2020, the sixteenth meeting of the second session of the Board of the Company considered and approved the resolution in relation to the appointment of Mr. Wu Zhuo as a member of the Audit and Risk Management Committee of the Board of the Company, for a term from the date of consideration and approval by the Board, and until the date of expiry of the term of office of the second session of the Board of the Company. Mr. Wu Zhuo resigned his position as a member of the Audit and Risk Management Committee on 18 June 2020. On 18 June 2020, the twentieth meeting of the second session of the Board of the Company considered and approved to add Mr. Zhu Yuanchao as a member of the Audit and Risk Management Committee of the second session of the Board of the Company, his term of office shall commence from the date of consideration and approval by the Board and end on the date of expiry of the term of office of the second session of the Board.

# Corporate Governance Report

## 3. Remuneration and Evaluation Committee

During the reporting period, the Remuneration and Evaluation Committee of the Board, in strict compliance with requirements of the Working Rules for Remuneration and Evaluation Committee of the Board, performed its duties in an independent and objective manner. The Remuneration and Evaluation Committee of the Board of the Company comprises Mr. Shi Jianzhong, Mr. Sun Patrick and Mr. Zhu Yuanchao, the independent non-executive Directors. Mr. Shi Jianzhong serves as the chairman of the committee. The Remuneration and Evaluation Committee shall be held accountable to the Board and its primary responsibilities are to submit proposals to the Board on the Company's remuneration policy and structure for all Directors and Senior Management and on the establishment of a formal and transparent procedure for developing remuneration policy; to review the remuneration policies and schemes for the Directors and Senior Management; to formulate the evaluation criteria for them and to evaluate their performance of duties; to submit proposals to the Board on the formulation of the remuneration packages for certain executive Directors and Senior Management; to review and monitor the continuing professional development of the Directors and Senior Management; and to monitor the implementation of the Company's remuneration system. During the reporting period, the Remuneration and Evaluation Committee successfully accomplished the following work: Determining the remuneration for the Directors and Senior Management for 2019 based on the remuneration policies for the Directors and Senior Management, and submitting the proposal to the Board for consideration and approval.

During the reporting period, the Remuneration and Evaluation Committee of the Board of the Company held two meetings in total, at which two proposals were considered and approved, including, among others, the Proposal on Remuneration to Directors of CRRC Corporation Limited for 2019. The attendance of each member is as follows:

<b>Name of Directors</b>	<b>Number of attendance/ Number of meeting</b>	<b>Attendance rate</b>
Shi Jianzhong	1/1	100%
Sun Patrick	2/2	100%
Zhu Yuanchao	1/1	100%
Wu Zhuo	1/1	100%

Note: On 19 February 2020, Mr. Liu Zhiyong resigned from his position of member of the Remuneration and Evaluation Committee of the Board. Mr. Wu Zhuo resigned his positions as the chairman and member of the Remuneration and Evaluation Committee on 18 June 2020. On 18 June 2020, the twentieth meeting of the second session of the Board of the Company considered and approved to add Mr. Shi Jianzhong and Mr. Zhu Yuanchao as members of the Remuneration and Evaluation Committee of the second session of the Board of the Company, of which, Mr. Shi Jianzhong was elected as the chairman of the Remuneration and Evaluation Committee, their term of office shall commence from the date of consideration and approval by the Board and end on the date of expiry of the term of office of the second session of the Board.

# Corporate Governance Report

## 4. Nomination Committee

During the reporting period, the Nomination Committee of the Board, in strict compliance with requirements of the Working Rules for Nomination Committee of the Board, performed its duties in an independent and objective manner. The Nomination Committee of the Board of the Company comprises Mr. Li Guo'an, Mr. Sun Patrick and Mr. Zhu Yuanchao, the independent non-executive Directors, and Mr. Liu Hualong and Mr. Sun Yongcai, the executive Directors. Mr. Li Guo'an serves as the chairman of the committee. The Nomination Committee is held accountable to the Board and its primary responsibilities are to formulate the nomination procedures and selection standards of the Directors and Senior Management and to preliminarily review the eligibility and other qualifications of the candidates for the Directors and Senior Management. The standards for recommendation on the nomination of the Directors include suitable professional knowledge and industry experience, personal conduct, integrity and skills and commitment to devote sufficient time; and to monitor the implementation of the Board Diversity Policy and to review and amend the policy, as appropriate, to ensure its effectiveness. During the reporting period, the Nomination Committee successfully accomplished the following work: Reviewing the independence of the independent non-executive Directors and considering each independent non-executive Director being independent; nominating Mr. Shi Jianzhong and Mr. Zhu Yuanchao as the candidates for the independent non-executive Directors of the second session of the Board; nominating Mr. Wei Yan as the Vice President of the Company.

During the reporting period, the Nomination Committee adopted the Board Diversity Policy. When reviewing the size and composition of the Board and searching for and recommending candidates for Directors, the Nomination Committee should take into account relevant factors to achieve the diversity of the Board in accordance with the Company's business model and specific needs. The Committee may consider the diversity of the Board from various aspects, including but not limited to, gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service and so forth. Upon consideration of the above factors, the Nomination Committee shall make a final recommendation to the Board based on merit and contribution that the selected candidates will bring to the Board.

During the reporting period, the Nomination Committee of the Board of the Company held three meetings in total, at which four proposals were considered and approved, including, among others, the Proposal on the Assessment of the Independence of the Independent Non-executive Directors. The attendance of each member is as follows:

<b>Name of Directors</b>	<b>Number of attendance/ Number of meeting</b>	<b>Attendance rate</b>
Li Guo'an	3/3	100%
Liu Hualong	3/3	100%
Sun Yongcai	2/3	67%
Sun Patrick	3/3	100%
Zhu Yuanchao	1/1	100%
Wu Zhuo	2/2	100%



# Corporate Governance Report

Note: Mr. Sun Yongcai did not attend the ninth meeting of the Nomination Committee of the second session of the Board of the Company in person due to other business engagement, and appointed Mr. Liu Hualong as proxy to vote on his behalf and to execute documents including resolutions and minutes of the meeting in relation to each resolution proposed at the meeting of Nomination Committee. Mr. Wu Zhuo resigned his position as a member of the Nomination Committee on 18 June 2020. On 18 June 2020, the twentieth meeting of the second session of the Board of the Company considered and approved to add Mr. Zhu Yuanchao as a member of the Nomination Committee of the second session of the Board of the Company, his term of office shall commence from the date of consideration and approval by the Board and end on the date of expiry of the term of office of the second session of the Board.

## IV. Chairman and President

To ensure the balanced distribution of power and authorization and to avoid excessive concentration of power, the positions of the chairman and the president are assumed by different persons, so as to improve independence, accountability and responsibility. The chairman and the president are two distinctly different positions, with clean division of responsibilities as set out in the Articles of Association.

As the legal representative of the Company, the chairman presides over the operations of the Board, with the aim to ensure that the Board acts in the best interests of the Company and operates effectively, performs its responsibilities accordingly and has discussion over various important and appropriate matters so that the Directors have access to accurate, timely and clear data. The president, on the other hand, leads the management and is responsible for the management of the day-to-day operations of the Company, including the implementation of the policies adopted by the Board, and reporting to the Board on the Company's overall operation. The Articles of Association set out in detail the respective responsibilities of the chairman and the president.

On 12 October 2017, having been considered and approved at the twenty-sixth meeting of the first session of the Board of the Company, Mr. Sun Yongcai, the general manager of CRRCG (controlling shareholder of the Company), has been appointed as the president of the Company. In February 2018, CRRCG has received the letter on the Waiver of the Senior Management of CRRC GROUP Co., Ltd. From Part-time Job Limit (letter from Listing Department [2018]No.193) (《關於同意豁免中國中車集團有限公司高級管理人員兼職限制的函》(上市部函[2018]193號)), according to which it agreed to waive Mr. Sun Yongcai, the Senior Management, from part time job limit.

The independent Directors of the Company expressed the independent view on the performance status of Mr. Sun Yongcai during the period of his concurrent post as the general manager of CRRCG (controlling shareholder of the Company), which is as follows: Mr. Sun Yongcai presided in the production and operation work in the Company, paid close attention to relevant events in relation to the finance management and business development of the Company, implemented the resolutions of the general meeting and the Board and performed the presidential duties and exercised the presidential power pursuant to the laws and regulations of the PRC and the requirement from regulatory documents and the Articles of Association of CRRC Corporation Limited and the authorization from the Board of the Company, which demonstrated that he really performed the due diligent obligation that should be performed by the president of the Company. Mr. Sun Yongcai strictly observed the relevant commitments such as avoiding horizontal competition, ensuring compliance of related transaction and guarantying the independence of the Company made by CRRC GROUP Co., Ltd. He carried out work with diligence and responsibility and performed the presidential duties of the Company in priority, and protected the interest of the Company and its minority shareholders.

# Corporate Governance Report

## V. Supervisors and the Supervisory Committee

The Supervisory Committee is the supervisory body of the Company, who reports to the general meeting of the Company and is responsible for supervising the Company's financial condition and compliance of the performance of duties by Directors and Senior Management, so as to protect the interests of the Company and shareholders under the laws. The Company has convened and held meetings of the Supervisory Committee in accordance with the Rules of Procedures for the Supervisory Committee, and taken effective measures to ensure the Supervisor's rights to be informed. All Supervisors were able to duly discharge their respective duties and acted in the interests of the shareholders. Besides, they supervised all significant events, financial affairs of the Company as well as the legal compliance of the performance of duties by the Directors and senior management of the Company.

## VI. Responsibilities of the Management

The Board is responsible for reviewing and approving the overall strategies and significant events of the Company. The Board delegates to the management of the Company to be in charge of the management of the daily operation and strategy implementation of the Company. The main responsibilities of the management include taking charge of the operation and management of the Company, organizing the implementation of the resolutions of the Board, and reporting its work to the Board. The management also organizes the implementation of the annual business and investment plans of the Company. In addition, the management proposes the annual targets and a development plan of the Company based on the national industry policies and the demand of markets, and organizes the implementation of the same upon consideration and approval at the Board meetings and general meetings. The Board gives clear guidelines on the delegation to the management and regularly reviews the responsibilities delegated to the management and their performance so as to ensure the overall interest of the Group. The management of the Company submits briefing reports to the Board on a monthly basis, which set out the financial position and significant operating performance of the Company. Issues such as the significant activities and decisions in the operation and management will also be reported to the Board or Supervisory Committee by the management.

## VII. Shareholders' Rights

### (I) Convening of an extraordinary general meeting by shareholders

Pursuant to the Articles of Association, shareholders individually or collectively holding more than ten percent (10%) of the issued shares of the Company with voting rights are entitled to propose to the Board for convening the extraordinary general meeting or separate meeting of class shareholders by written request. Feedback on whether agreeing to convene the extraordinary general meeting or separate meeting of class shareholders shall be given by the Board within ten (10) days upon receipt of the request.

Shareholders proposed to convene the extraordinary general meeting or separate meeting of class shareholders by written request are entitled to propose to the Supervisory Committee for convening the extraordinary general meeting or separate meeting of class shareholders by written request upon disagreement or no feedback on convening the extraordinary general meeting or separate meeting of class shareholders from the Board within ten (10) days upon receipt of the request. Notice on convening the meeting shall be issued by the Supervisory Committee within five (5) days upon receipt of request where the committee agrees to convene the meeting. The Supervisory Committee is deemed as not to convene and host the general meeting if notice on convening the meeting is not issued by the committee within the stipulated period. Shareholders individually or collectively holding more than ten percent (10%) of the shares of the Company for a consecutive period of ninety (90) days can convene and host the meeting by themselves.

# Corporate Governance Report

## (II) Putting enquiry to the Board by shareholders

Shareholders can make enquiries to the Board at any time by contacting the Board Office. Shareholders who raise enquiries shall provide evidence on their interests in the Company's shares, such as documents of shareholding. Written means such as email, facsimile and post with sufficient contact details are recommended by the Company for timely and appropriately handling and recording of the enquiries.

Contact details of the Board Office of the Company are as follows:

Tel: (8610) 5186 2188

Fax: (8610) 6398 4785

Email: [crrc@crrcgc.cc](mailto:crrc@crrcgc.cc)

Postal address: No.16-5, Central West Fourth Ring Road, Haidian District, Beijing, the PRC

## (III) Submission of proposals to the general meetings by shareholders

Shareholders individually or collectively holding more than three percent (3%) of the shares of the Company can submit additional proposal(s) in writing to the convenor on or before ten (10) days prior to the date of the general meeting. The additional proposal(s) should be within the terms of reference of the general meeting and with explicit subject and specific matters to be resolved on. Shareholders can contact the Board Office of the Company for submitting proposal(s) to the general meeting, the contact details of which are set out in the section headed "Putting enquiry to the Board by shareholders".

## VIII. Significant Change in the Articles of Association During the Reporting Period

In order to further improve its corporate governance and satisfy relevant regulatory requirements, pursuant to the Corporate Governance Guidelines for Listed Companies, the Reply of the State Council on Adjustment of the Notice Period for General Meeting and Other Matters Applicable to Overseas Listed Company, the Securities Law of the People's Republic of China and other relevant laws, regulations and regulatory documents, and based on the Company's needs in its actual production and operation, the Board proposed to amend the Articles of Association (including the amendments to the Rules of Procedure for General Meetings of CRRC Corporation Limited and the Rules of Procedure for the Board of Directors of CRRC Corporation Limited which are appendices thereto). For details, please refer to the announcement dated 30 March 2020 published by the Company on the websites of the Stock Exchange.

## IX. Establishment and Implementation on the Evaluation and Incentive System for the Senior Management During the Reporting Period

The Company conducts annual evaluation on the performance of the Senior Management by focusing on the evaluation and appraisal made on work performance, personal objective and behavior as well as teamwork. The remuneration of the Senior Management, including basic salary and performance bonus is determined based on performance evaluations made by the Company in the year.

# Corporate Governance Report

## X. Directors' Responsibilities in Respect of Financial Statements

The Directors confirm that they are responsible for the preparation of the financial statements of the Company for the year ended 31 December 2020, in order to truly and impartially report the financial conditions and business results of the Company, and undertake relevant responsibilities for preparation of the financial statements of the Company. The Audit and Risk Management Committee of the Company has reviewed the financial statements of the Company for the year ended 31 December 2020.

With the assistance of the accounting department, the Directors ensure that the financial statements of the Company were prepared in accordance with relevant laws, regulations and applicable accounting standards. The Directors also ensure that the financial statements will be published in due course.

The responsibility statement made by the Company's auditors in respect of the financial statements is set out in the section headed "Financial Report" of this annual report.

## XI. Code of Conduct Regarding 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 transaction 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.

As of 31 December 2020, after making specific inquiries with all Directors and Supervisors, the Company confirmed that all Directors and Supervisors had complied with the relevant codes on securities transactions by Directors and Supervisors as set out in the Model Code and the Management Method Regarding the Shareholding of Directors, Supervisors and Senior Management of the Company.

## XII. Auditors

Pursuant to the relevant requirements in the Notice on the Issues Relating to Accounting Firms Undertaking Audit of Final Financial Accounts of Central Enterprises (Cai Kuai [2011] No. 24) (《關於會計師事務所承擔中央企業財務決算審計有關問題的通知》(財會[2011] 24號)) issued by the Ministry of Finance of the PRC and the SASAC, accounting firms that undertake audit of final financial accounts for a central enterprise shall be under consecutive terms of not less than 2 years and not more than 5 years; the audit period for accounting firms that rank among the top 15 of the National Comprehensive Evaluation Ranking of Accounting Firms (全國會計師事務所綜合評價) with excellent audit quality may be extended as appropriate subject to application by relevant enterprises and approval by the SASAC, but the consecutive audit period shall not exceed 8 years. As Deloitte Touche Tohmatsu Certified Public Accountants LLP and Deloitte Touche Tohmatsu have provided audit services for the Company for 6 consecutive years, in order to ensure the independence and objectivity of the audit work of the Company, as well as meet the needs of its business development, the Company proposed to change the accounting firms. Upon approval at the 2019 annual general meeting of the Company convened on 18 June 2020, the Company appointed KPMG Huazhen LLP as the financial report auditors and internal control auditors of the Company for the year 2020.



# Corporate Governance Report

In 2020, the Company had paid the auditors an aggregate fee (tax inclusive) of RMB28.00 million, which included advance payments such as travel expenses and communication costs etc. In particular, the audit fees (tax inclusive) paid in respect of financial statements amounted to RMB26.00 million, audit fees (tax inclusive) paid in respect of internal control amounted to RMB2.00 million.

In accordance with Article 20ZT of the Hong Kong Financial Reporting Council Ordinance (Cap. 588) (effective from 1 October 2019), KPMG Huazhen LLP, auditor of the Company for the year 2020, is an eligible Mainland audit firm.

## XIII. Risk Management and Internal Control

Basing on the Company's core values, the Company has defined a unified risk concept, and through the combination of training and system promotion, the Company has continuously created a risk management culture that strictly implements risk management and internal control processes, and has formed a good working environment and atmosphere for risk internal control. The Company has established a Three Defense Lines for risk management and has established a "classification, layering and centralized management and control" model for major risks. In order to guarantee the standardized development and systematic implementation of risk management and internal control, the Company has continuously established and improved its risk management system. So far, two basic risk management systems have been formulated and 64 internal control guidelines and guidebooks for risk management and internal control have been released.

The Company has established appropriate policies and monitoring procedures to ensure that no assets will be used or disposed of without authorization. The Company maintains reliable financial and accounting records in accordance with relevant accounting standards and regulatory reporting procedures, and properly identifies major risks which may affect the Company's performance and reasonably ensures that the level of risk is within the acceptable scope of the Company. The Company embeds risk management and internal control into daily business management activities and major project decision-making processes, and establishes an all-round risk management and control mechanism, i.e., pre-assessment and control of major risks, dynamic in-process control, post-control response evaluation, and rectification. The Company establishes a relatively complete internal control organization, working system and processes, and uses a closed-loop mechanism of "process streamlining-internal control assessment-defect identification-defect rectification", and internal control self-evaluation and internal control audit work are carried out.

The Board is responsible for ongoing supervision of the Company's risk management and internal control and shall ensure that the risk management and internal control of functional departments and affiliated entities of the Company shall be assessed at least annually. The Board shall ensure that the risk management and internal control is assessed on sufficiency of resources, staff qualification and experience, relevant training and relevant budget on an annual basis. The Company has disclosed the risk management and internal control assessment in compliance with the relevant requirements under the Guidelines on Comprehensive Risk Management of Central Enterprises, the Basic Practices of Internal Control of Enterprises and the Hong Kong Listing Rules, etc.

The Company has established its internal auditing function, and the Board is responsible for supervising the Company's risk management and internal control systems and reviewing their effectiveness through the Audit and Risk Management Committee. The Audit and Risk Management Committee shall assist the Board in the performance of its supervision of the Company's resources in finance, operation, compliance, risk management and internal control and financial and internal auditing functions as well as its role in corporate governance.

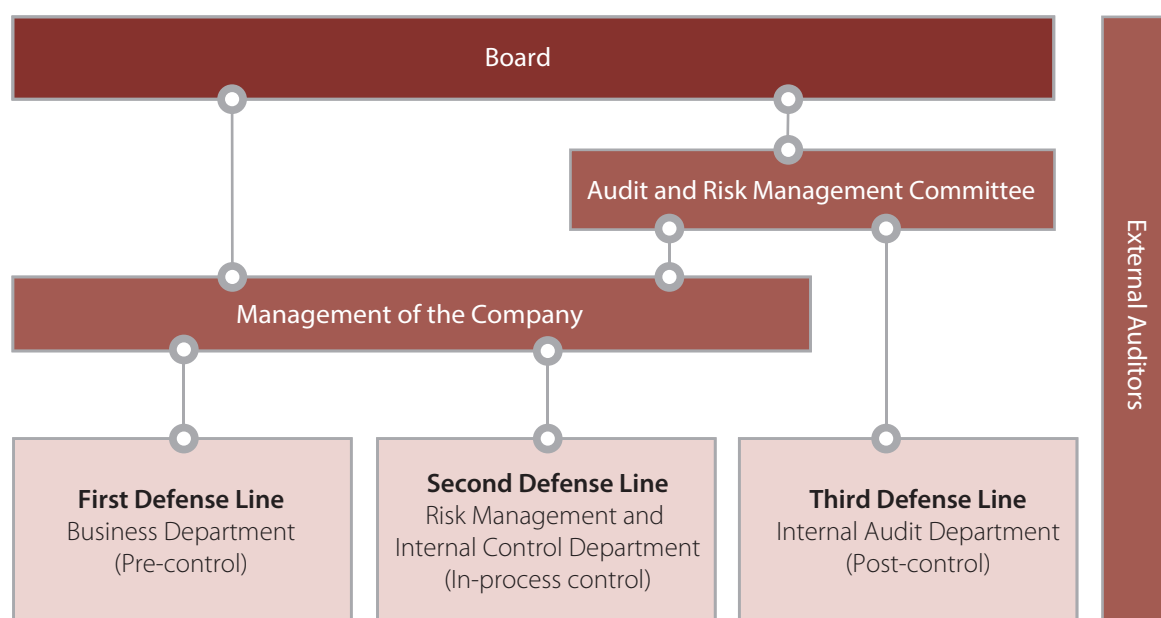
# Corporate Governance Report

The Company has established a clearly defined organization structure with proper authorization, and has strict rules of procedure and reporting procedures in place. The Audit Risk and Legal Center of the Company assists the Board and the Audit and Risk Management Committee in the ongoing supervision and improvement of the effectiveness of the risk management and internal control systems. The Board is regularly informed of material risks which may affect the Company's performance through the Audit and Risk Management Committee.

The Board is responsible for the risk management and internal control systems mentioned above, and is responsible for reviewing the effectiveness of such systems. The Board further clarifies that the abovementioned systems were established to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide a reasonable but not absolute assurance against misstatement or loss.

The Company regulates the handling and dissemination of inside information in accordance with the obligation policy and various supplementary procedures of the Company so that inside information remains confidential until their disclosure is duly approved, and such information can be published effectively and consistently.

The risk management and internal control structure of the Company is guided under the following "Three Defense Lines (三道防線)" model.



The risk management and internal control department of the Company organizes the functional departments and affiliated entities of the Company to conduct annual risk assessment, prepare risk assessment report and report to the Audit and Risk Management Committee annually on a regularly basis. The functional departments and affiliated entities of the Company implement responding measures in respect of material risks in accordance with their respective responsibilities and report to the risk management and internal control department of the Company annually. Matters to be assessed include, among other things, risk management and internal control work scope of operation management, reporting of risk management and internal control work by operation management to the Board or the Audit and Risk Management Committee, changes in nature and severity of material risks subsequent to review in the previous year, the Company's abilities to respond to business transformation and changes in external environment and assessment on material risk management and internal control errors or material risk management and internal control defects identified during the period.

# Corporate Governance Report

The Audit Risk and Legal Center of the Company reports to the Audit and Risk Management Committee on a regularly basis, including annual work plan, important audit report, material risks and responding measures implemented.

The Audit Risk and Legal Center of the Company carries out the work based on risks and problems. The annual work plan of the Audit Risk and Legal Center of the Company covers the Company's operation, business and finance and major procedures of its affiliated entities, and reports the audit findings to the Board and management of the Company. The Audit Risk and Legal Center of the Company urges relevant entities to rectify the problems identified in the audit process and reports the progress of rectification to the Audit and Risk Management Committee and the management on a regularly basis.

The Audit Risk and Legal Center of the Company reports the sufficiency and effectiveness of its monitoring to the Board, the Audit and Risk Management Committee, the president and chief finance officer of the Company.

The management of the Company, with assistance of the risk management and internal control department and the internal audit department, is responsible for the design, implementation and monitoring of the risk management and internal control systems, and submitting the report on the effectiveness of risk management and internal control to the Board and the Audit and Risk Management Committee.

The Company has adopted various policies and procedures to evaluate and enhance the effectiveness of the risk management and internal control systems, including requiring the management of the Company to conduct assessment on a regular basis and control the risks at a level which is acceptable to the Company to ensure that the risk management and internal control systems operate effectively, which the Company believes will enhance the future corporate governance and improve the risk management and internal control capacities of the Company.

The Company has integrated risk management and internal control into its daily operations. The functional departments and affiliated entities of the Company continuously conduct risk assessment, formulate risk management strategies and risk responding measures, assess residual risk and report risk events and responding measures implemented to the risk management and internal control department of the Company on a seasonal basis. The risk management department of the Company summarizes the possibility and effect of risk events, analyses the effectiveness of risk management strategies and responding measures and reports to the management and the Board of the Company on a regular basis.

In 2020, the risk management and internal control department of the Company organized various departments and affiliated entities to continuously conduct risk management and internal control activities to improve the effectiveness of risk management and internal control, including but not limited to the following: organized and conducted annual risk assessment and responding management; organized and conducted annual internal control evaluation; carried out risk management and internal control consultation in respect of its affiliated entities in order to improve their risk management and internal control capacities; focused on risk evaluation of significant investment, overseas merger & acquisition and export-related project. The risk management department submitted the latest report on risk management and internal control to the Board and the Audit and Risk Management Committee during the year, and assisted the Directors in reviewing the effectiveness of the risk management and internal control systems of the Company.

In 2020, the internal audit department of the Company carried out special inspection and monitoring on the effectiveness of the risk management and internal control systems of the Company in terms of finance, operation and compliance monitoring and reported the relevant findings to the management and the Board of the Company.

# Corporate Governance Report

The Audit and Risk Management Committee and the Board have not identified any risk event which materially affects the Company's financial condition or operating results and consider that the risk management and internal control systems are reasonably designed and operated effectively, and there are sufficient resources, staff qualification and experience for accounting, internal audit and financial reporting functions as well as sufficient staff training programs and budget.

In addition to monitoring and inspection of the risk management and internal control implemented by the Company, external auditors also evaluate the sufficiency and effectiveness of the risk management and internal control of the Company as part of its statutory audit. The Company will adopt the relevant recommendations of external auditors to enhance its risk management and internal control.

In 2020, KPMG Huazhen LLP audited the financial statements and the effectiveness of relevant internal control of the Company, and issued an audit report with unqualified opinion. Relevant report has been reviewed and approved by the Audit and Risk Management Committee.

## **XIV. Dividend Policy**

Pursuant to the Articles of Association, the specific policy for dividend distribution of the Company is as follows:

1. When formulating a dividend distribution plan, the Company takes into account the interests of Shareholders and development needs of the Company;
2. The Company maintains a stable dividend level every year, and the cumulative profit distributed during the last three years is not less than 30% of the profits available for distribution in the last three years;
3. The Company prefers to distribute dividends in cash, and only considers non-cash dividends when special and significant investment needs arise.



# Relevant Information of Corporate Bonds

## I. Basic Information of Corporate Bonds

During the reporting period, the Company holds a 2013 ten-year corporate bond of CSR Corporation Limited (first tranche), a 2016 corporate bond of CRRC Corporation Limited (first tranche) and the 2020 publicly issued corporate bond of CRRC Corporation Limited (first tranche).

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

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

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

### Interests payment for corporate bonds

On 15 April 2020, the Company disclosed the Announcement in relation to Interest Payment of 13 CSR 02 Corporate Bond of CRRC Corporation Limited (《中國中車股份有限公司關於13南車02公司債券的付息公告》) and paid the interest on 13 CSR 02 for the period from 22 April 2019 to 21 April 2020 on 22 April 2020.

On 25 August 2020, the Company disclosed the Announcement in relation to 2020 Interest Payment of 2016 Corporate Bond of CRRC Corporation Limited (first tranche) (《中國中車股份有限公司2016年公司債券(第一期)2020年付息公告》) and paid the interest on 16 CRRC 01 for the period from 30 August 2019 to 29 August 2020 on 31 August 2020.

During the reporting period, 20 CRRC 01 did not have any interest payment.

### Description of other matters in relation to corporate bonds

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

# Relevant Information of Corporate Bonds

## II. Enhancing Bond Credit Mechanism of the Company During the Reporting Period

During the reporting period, there was no change on the enhancing bond credit mechanism of the 2013 ten-year corporate bond of CSR Corporation Limited (first tranche).

On 5 August 2015, with the approval from SASAC, CNRG and CSRG signed the Merger Agreement of China Northern Locomotive & Rolling Stock Industry (Group) Corporation and CSR Group (《中國北方機車車輛工業集團公司與中國南車集團公司之合併協議》). It was agreed that CNRG will merge with CSRG by way of absorption, CSRG will be de-registered, CNRG will be renamed as “CRRC Group” (中國中車集團公司) and all assets, liabilities, businesses, employees, contracts, qualifications and all other rights and obligations of CSRG will be assumed by CRRCG, the postmerger corporation. On 7 September 2015, the trustee, China International Capital Corporation Limited (中國國際金融股份有限公司), convened the second meeting of bondholders of 2013 corporate bond of CSR Corporation Limited (first tranche) in 2015 at meeting room No. 2810 of China International Capital Corporation Limited at 28th Floor, China World Office 2, 1 Jianguomenwai Avenue, Beijing, P.R. China, where the Proposal on CRRC Group’s Assumption of CSR Group’s Obligation of Guarantee for this Tranche of Bond (《關於中國中車集團公司承繼中國南車集團公司對本期債券擔保義務的議案》) was considered and approved. On 24 September 2015, CNRG completed the registration of change of name and changed its name to “CRRC Group (中國中車集團公司)”. The obligation of a guarantor for the 2013 ten-year corporate bond of CSR Corporation Limited (first tranche) was assumed by CRRCG.

On 14 December 2017, CRRC Corporation Limited published the Announcement of CRRC Corporation Limited on the Restructuring and Renaming of Its Controlling Shareholders and Change of Industrial and Commercial Registration Matters Thereof (《中國中車股份有限公司關於控股股東改制更名及相關工商登記事項變更的公告》). Subject to the approval of SASAC, CRRCG was transformed into a wholly state-owned enterprise (國有獨資公司) from an enterprises owned by the whole people (全民所有制企業). After restructuring, the full name of CRRCG is “中國中車集團有限公司(CRRC GROUP Co., Ltd.)”, and SASAC shall perform its duties as an investor on behalf of the State Council. All claims and debts, various professional and special qualifications and licenses of CRRCG shall be assumed by CRRC GROUP Co., Ltd.

# Relevant Information of Corporate Bonds

## III. Accounting Data and Financial Indicators of the Company for Last Two Years as at the End of the Reporting Period

Unit: '000 Currency: RMB

Major indicator	2020	2019	Change between the period and same period last year (%)
EBITDA	24,502,407	22,886,225	7.06
Current ratio	1.27	1.26	0.79
Quick ratio	0.96	0.80	20.00
Gearing ratio (%)	56.89	58.59	Decreased by 1.70%
EBITDA of total debt ratio (%)	10.98	10.18	Increased by 0.80%
Interest coverage multiple	18.39	14.05	30.89
Cash interest coverage multiple	0.81	26.40	-96.93
EBITDA interest coverage multiple	26.64	20.61	29.26
Loan repayment rate (%)	100	100	-
Interest paid coverage (%)	107.18	116.25	Decreased by 9.07%

# Relevant Information of Corporate Bonds

## IV. Bank Credit Facilities During the Reporting Period

As of 31 December 2020, table below sets forth details on the amount of bank credit facilities, the utilized amount and the outstanding credit facilities of the Company:

Unit: '000 Currency: RMB

Name of bank	Amount of credit facilities	Outstanding credit facilities	Utilized amount
China Development Bank	25,000,000	25,000,000	–
Bank of Communications	10,000,000	8,007,834	1,992,166
Bank of China	18,250,000	16,524,712	1,725,288
China Minsheng Bank Corp., Ltd.	15,000,000	10,095,995	4,904,005
China Merchants Bank Beijing Branch	10,000,000	7,585,326	2,414,674
China Construction Bank Corporation	13,000,000	8,796,479	4,203,521
Industrial and Commercial Bank of China Limited	5,000,000	4,969,990	30,010
China Zheshang Bank	8,000,000	8,000,000	–
Bank of Beijing	6,000,000	6,000,000	–
Everbright Bank	6,600,000	6,600,000	–
Agricultural Bank of China	5,060,000	5,000,000	60,000
CITIC Bank Beijing Branch	15,000,000	14,510,983	489,017
Postal Savings Bank of China Co., Ltd.	6,000,000	6,000,000	–
Beijing Rural Commercial Bank	4,500,000	4,500,000	–
Industrial Bank Beijing Branch	8,000,000	8,000,000	–
Bank of Kunlun	1,000,000	1,000,000	–
Bank of Ningbo Beijing Branch	2,000,000	2,000,000	–
Shanghai Pudong Development Bank	7,880,000	7,880,000	–
The Export-Import Bank of China	13,400,000	11,950,000	1,450,000
Societe Generale (China) Limited	350,000	146,510	203,490
<b>Total</b>	<b>180,040,000</b>	<b>162,567,829</b>	<b>17,472,171</b>

Unit: '000 Currency: USD

Name of bank	Amount of credit facilities	Outstanding credit facilities	Utilized amount
SCB	30,000	25,971	4,029
DBS	100,000	100,000	–
Citibank	124,500	124,500	–
<b>Total</b>	<b>254,500</b>	<b>250,471</b>	<b>4,029</b>

# Relevant Information of Corporate Bonds

## **V. Explanation of the Execution of Relevant Covenants or Undertaking Set Out in the Prospectus of Corporate Bonds of the Company During the Reporting Period**

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

## **VI. Significant Events of the Company and Their Impact on the Operation and Solvency of the Company**

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



# Investor Relations

We aim to promote investors' recognition of the value of the Company, maintain the Company's capital market image, increase the Company's market value, and realise the coordination and unity of maximizing shareholder benefits and enhancing the Company's intrinsic value, all of those are the core of the Company's investor relations work.

In 2020, the Company communicated with investors and analysts by organising presentation conferences, roadshows and reverse roadshows, shareholder meetings, participating in investment forums, conducting company visits and telephone conference, etc. to expand the Company's influence in the capital market. Firstly, establishing a market value management work mechanism to convene the market value management work meeting every quarter. Through the meeting, an interactive communication platform for capital markets, financial public relations companies, and related departments of the Company has been built to carry out various developments and businesses of the Company in a more purposeful, pertinent, and effective manner, so as to strive to maximize the value of the Company and shareholders as well as to continuously increase the Company's market value. Secondly, organising roadshows. At the beginning of April, the Company's 2019 annual results presentation conference was successfully held. At the meeting, the Company released its business performance in 2019 and answered to the concerns of capital markets and investors. Thirdly, organising reverse roadshows activities. In September, the Company organised nearly 30 investors and analysts from nearly 23 domestic and foreign institutions to carry out reverse roadshow activities in Qingdao. Through the roadshow, analysts and fund managers learned closely about the Company's achievements and highlights in high-speed MUs, high-speed maglev trains, urban rail transit, etc., enhancing confidence and value recognition of the Company's development prospects through the comprehensive demonstration on the Company's new technologies, new products and new models. Fourthly, holding an investor reception day. In September, the Company participated in the investor reception day for listed companies in Beijing. Leaders of the Company communicated with investors on corporate governance, development strategies, business conditions, financing plans, equity incentives, and sustainable development and other concerns of investors through internet and online communication, enhancing investor's confidence in the Company. Fifthly, participating in the strategic meetings and forums organised by securities companies. The Company participated in strategic meetings organised by influential securities companies, and communicated with investors face-to-face through one-to-one or one-to-many way. During the year, the Company participated in 8 strategic meetings of CICC, Bank of America Merrill Lynch, and Citigroup, and communicated with about 70 major institutions. Sixthly, cultivating significant institutional investors. The core institutional investors are the basis for the stability of the Company's stock prices and the basis for increasing the Company's market value. The Company conducted daily telephone communication or visits to key institutional investors to introduce them the development of the Company and the industry in details, which strengthened their confidence in investing the Company's stocks. Seventhly, being well prepared for crisis management and stabilising stock price. By measures such as monitoring the development of public opinion, leveraging on the positive news such as the Company's stable performance and stable railway investment, communicating with key analysts and raising expectations for the Company through analysts' reports, the stock price has been stabilised which has been no major fluctuations.

# Investor Relations

Except for the abovementioned major work, the Company continued to enhance the daily work of investor relationships. Firstly, the Company organized domestic and foreign financial public relation companies, edited and circulated daily monitoring information from the media, weekly reports on capital market and analyzed the public events to provide the information support for the members of the Board, the Supervisory Committee and senior management in a timely and accurate way. Secondly, it tracked the share price and analyzed the structure of shareholders, the movement of shareholdings of substantial shareholders. Thirdly, it continued to update investors' profiles, established an analyst library of the capital market, especially for more than 10 analysts focusing on the Company for years, conducted daily management and maintenance, and regularly updated the library about investors' concerns. Fourthly, it updated Q&A every quarter and convened a performance presentation conference on the date of announcing the Company's performance to analyse the Company's current performance, business highlights and future development to the capital markets in a timely manner. Fifthly, it timely updated the special column of investor relationships at the website of the Company, enabled the investors to keep up with the company information. Sixthly, it engaged knowledgeable staff to answer the phone from investors, receive their emails, record and answer the questions in a patient and meticulous way. Seventhly, it strengthened communication, arranged interviews and provided report materials for major media such as China Securities Journal to play the role of the media and guide public opinion reasonably.

Over the past year, the Company was accredited with various recognitions in the capital market. The Company was accredited as A class company in the evaluation of information disclosure of the listed company of the year in SSE for the fifth consecutive year. The Company was awarded 10 important awards such as Outstanding Listed Company for the 30th Anniversary of the Capital Market of 2020 China Securities Golden Bauhinia Awards and China Top 100 Special Contribution Enterprises for Twenty Years Award of the 20th China Top 100 List Companies Summit Forum.

The Company proactively promoted the investor relations management work, strengthened communication with investors through adequate information disclosure, promoted investor's understanding and recognition of the Company, and promoted benign interaction between the Company and investors. The Company established an investor relationship management system to build up a good image of the Company in the capital markets, and realize a high degree of coordination between investors and the Company in the Company's development planning and operation.

# Changes in Shares and Particulars of Shareholders

## I. Changes in Share Capital

### (I) Changes in ordinary shares

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

### (II) Changes in shares subject to trading moratorium

Unit: share

Name of shareholder	Number of shares subject to trading moratorium at the beginning of the year	Number of shares released from trading moratorium in the year	Number of additional shares subject to trading moratorium in the year	Number of shares subject to trading moratorium at the end of the year	Reasons for trading moratorium	Release date of trading moratorium
CRRCG	705,052,878	705,052,878	0	0	36 months after the completion date of the Non-public Issuance	17 January 2020
Shanghai Xinghan Asset – Industrial Bank – China Industrial International Trust Limited (上海興翰資產—興業銀行—興業國際信託有限公司)	235,017,626	235,017,626	0	0	36 months after the completion date of the Non-public Issuance	17 January 2020
China Development Bank Capital Co., Ltd. (國開金融有限責任公司)	176,263,219	176,263,219	0	0	36 months after the completion date of the Non-public Issuance	17 January 2020
Shanghai Zhaoyin Equity Investment Fund Management Co., Ltd. (上海招銀股權投資基金管理有限公司)	117,508,813	117,508,813	0	0	36 months after the completion date of the Non-public Issuance	17 January 2020
China Development Bank Jingcheng (Beijing) Investment Fund Co., Ltd. (國開精誠(北京)投資基金有限公司)	117,508,813	117,508,813	0	0	36 months after the completion date of the Non-public Issuance	17 January 2020
China Development Bank Siyuan (Beijing) Investment Fund Co., Ltd. (國開思遠(北京)投資基金有限公司)	58,754,406	58,754,406	0	0	36 months after the completion date of the Non-public Issuance	17 January 2020
Total	1,410,105,755	1,410,105,755	0	0	/	/

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

# Changes in Shares and Particulars of Shareholders

## II. Issue and Listing of Securities

### (I) Issue of securities during the reporting period

Type of shares and derivative equities	Date of issue	Issue price (or interest rate)	Number of shares issued	Date of listing	Number of shares permitted to be traded	Trade termination date
Type of corporate bond						
The 2020 publicly issued corporate bond of CRRC Corporation Limited (first tranche)	1 April 2020	2.95%	RMB1 billion	8 April 2020	RMB1 billion	31 March 2023

On 1 April 2020, the 2020 publicly issued corporate bond of CRRC Corporation Limited (first tranche) was issued by the Company with the issue price of RMB1.0 billion, a term of three years and an interest rate of 2.95%. For details, please refer to the “Announcement on the Public Issuance of the 2020 Corporate Bond of CRRC Corporation Limited (First Tranche) (For Eligible Investors)”, the “Prospectus of the 2020 Publicly Issued Corporate Bond of CRRC Corporation Limited (First Tranche) (For Eligible Investors)”, the “Summary of Prospectus of the 2020 Publicly Issued Corporate Bond of CRRC Corporation Limited (First Tranche) (For Eligible Investors)”, and the “Coupon Rate Announcement on the 2020 Publicly Issued Corporate Bond of CRRC Corporation Limited (First Tranche) (For Eligible Investors)” disclosed by the Company.

### (II) Existing internal employee shares

The Company has no internal employee shares.

# Changes in Shares and Particulars of Shareholders

## III. Particulars of Shareholders and Ultimate Controller

### (I) Total number of shareholders

Total number of shareholders of ordinary shares as of the end of the reporting period (shareholder)<sup>Note</sup> 745,167

Total number of shareholders of ordinary shares as at the end of the last month before the disclosure date of the annual report (shareholder) 801,882

Note: As of the end of the reporting period, the Company had 742,473 holders of A Shares and 2,694 holders of H Shares; as of the end of the month prior to the date of the annual report, the Company has 799,203 holders of A Shares and 2,679 holders of H Shares.

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

Unit: share

#### Shareholdings of the top ten shareholders

Name of shareholder (full name)	Change during the reporting period	Number of shares held at the end of the reporting period	Percentage (%)	Number of shares subject to trading moratorium held	Shares pledged or frozen		Nature of shareholder
					Pledged or frozen	Number	
CRRC <sup>Note 1</sup>	128,871,427	14,558,389,450	50.73	0	Nil	0	State-owned legal person
HKSCC NOMINEES LIMITED <sup>Note 2</sup>	-1,104,743	4,359,016,346	15.19	0	Unknown	-	Overseas legal person
China Securities Finance Corporation Limited (中國證券金融股份有限公司)	0	858,958,326	2.99	0	Unknown	-	State-owned legal person
Central Huijin Asset Management Ltd. (中央匯金資產管理有限責任公司)	0	304,502,100	1.06	0	Unknown	-	State-owned legal person
Shanghai Xinghan Asset – Industrial Bank – China Industrial International Trust Limited (上海興瀚資產 – 興業銀行 – 興業國際信託有限公司)	0	235,017,626	0.82	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



# Changes in Shares and Particulars of Shareholders

## Shareholdings of the top ten shareholders

Name of shareholder (full name)	Change during the reporting period	Number of shares held at the end of the reporting period	Percentage (%)	Number of shares subject to trading moratorium held	Shares pledged or frozen		Nature of shareholder
					Pledged or frozen	Number	
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

# Changes in Shares and Particulars of Shareholders

Unit: share

## Shareholdings of the top ten shareholders not subject to trading moratorium

Name of shareholders	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>	4,359,016,346	Overseas listed foreign shares	4,359,016,346
China Securities Finance Corporation Limited (中國證券金融股份有限公司)	858,958,326	Ordinary shares denominated in RMB	858,958,326
Central Huijin Asset Management Ltd. (中央匯金資產管理有限責任公司)	304,502,100	Ordinary shares denominated in RMB	304,502,100
Shanghai Xinghan Asset – Industrial Bank – China Industrial International Trust Limited (上海興瀚資產 – 興業銀行 – 興業國際信託有限公司)	235,017,626	Ordinary shares denominated in RMB	235,017,626
Bosera Funds – Agricultural Bank of China – Bosera China Securities and Financial Assets Management Plan (博時基金 – 農業銀行 – 博時中證金融資產管理計劃)	234,982,900	Ordinary shares denominated in RMB	234,982,900
E Fund – Agricultural Bank of China – E Fund China Securities and Financial Assets Management Plan (易方達基金 – 農業銀行 – 易方達中證金融資產管理計劃)	234,982,900	Ordinary shares denominated in RMB	234,982,900
Dacheng Fund – Agricultural Bank of China – Dacheng China Securities and Financial Assets Management Plan (大成基金 – 農業銀行 – 大成中證金融資產管理計劃)	234,982,900	Ordinary shares denominated in RMB	234,982,900
Harvest Fund – Agricultural Bank of China – Harvest China Securities and Financial Assets Management Plan (嘉實基金 – 農業銀行 – 嘉實中證金融資產管理計劃)	234,982,900	Ordinary shares denominated in RMB	234,982,900
GF Fund – Agricultural Bank of China – GF China Securities and Financial Assets Management Plan (廣發基金 – 農業銀行 – 廣發中證金融資產管理計劃)	234,982,900	Ordinary shares denominated in RMB	234,982,900

# Changes in Shares and Particulars of Shareholders

## Shareholdings of the top ten shareholders not subject to trading moratorium

Name of shareholders	Number of tradable shares held not subject to trading moratorium	Class and number of shares	
		Class	Number
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

Note 1: Within 12 months since 10 November 2020, CRRCG will increase its shareholding of H shares in the Company via the Shanghai-Hong Kong Stock Connect trading system when appropriate. For details, please refer to the “Voluntary Announcement in relation to Increase of Shareholding by the Controlling Shareholder” of the Company dated 10 November 2020. As of the end of the reporting period, the increased shareholding of 131,687,000 H shares by CRRCG were registered under the name of HKSCC NOMINEES LIMITED. In addition, CRRC Financial and Securities, a wholly-owned subsidiary of CRRCG, transferred all of its 128,871,427 A shares in the Company to CRRCG at no consideration. The above-mentioned registration of transfer of shares for no consideration has been completed. For details, please refer to the “Announcement in relation to the Completion of Transfer and Registration of the Company’s Shares Held by the Persons Acting in Concert of Controlling Shareholder at No Consideration by CRRC Corporation Limited” of the Company dated 19 November 2020. As of the end of the reporting period, CRRCG in aggregate held 14,690,076,450 shares (including 14,558,389,450 A shares and 131,687,000 H shares) in total, representing approximately 51.19% of the total number of issued shares of the Company.

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

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

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

# Changes in Shares and Particulars of Shareholders

## (III) Shareholding interests of Directors, Supervisors and Chief Executive

As at 31 December 2020, the following Directors and Supervisors have interests in the A Shares and H Shares of the Company and relevant details are set out as follows:

Name	Position	Class of shares	Number of shares
Liu Hualong	Chairman, Executive Director	A Shares	50,000
Sun Yongcai	President, Executive Director	A Shares	111,650

Save as disclosed in the annual report, as at 31 December 2020, none of the Directors, Supervisors or chief executive of the Company had interests or short positions in the shares or underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were required to be entered in the register maintained by the Company under section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code by the Directors or Supervisors.

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

As at 31 December 2020, the persons set out in the table below had an interest or short position in the Company's shares as recorded in the register required to be kept under section 336 of the SFO:

Name of Shareholders	Capacity	H Shares or A Shares	Nature of Interest	Number of H shares or A shares held	Percentage of H shares or A shares held in	Percentage of total share capital of the Company
					the total issued H shares or total issued A shares	
					(%)	(%)
CRRC GROUP Co., Ltd.	Beneficial owner	A Shares	Long position	14,558,389,450	59.84	50.73
	Beneficial owner	H Shares	Long position	131,687,000	3.01	0.46
BlackRock, Inc.	Interest of corporation controlled by the substantial shareholder	H Shares	Long position	249,211,802	5.70	0.87
	Interest of corporation controlled by the substantial shareholder	H Shares	Short position	4,821,000	0.11	0.02

Save as disclosed above, as far as the Directors are aware, as at 31 December 2020, no other person had interests and/or short positions in the shares or underlying shares (as the case may be) of the Company which were required to be recorded in the register pursuant to section 336 of Part XV of the SFO, or was otherwise a substantial shareholder (as defined in the Hong Kong Listing Rules) of the Company.

# Changes in Shares and Particulars of Shareholders

## IV. Particulars of Controlling Shareholder and the Ultimate Controller

### (I) Controlling shareholder

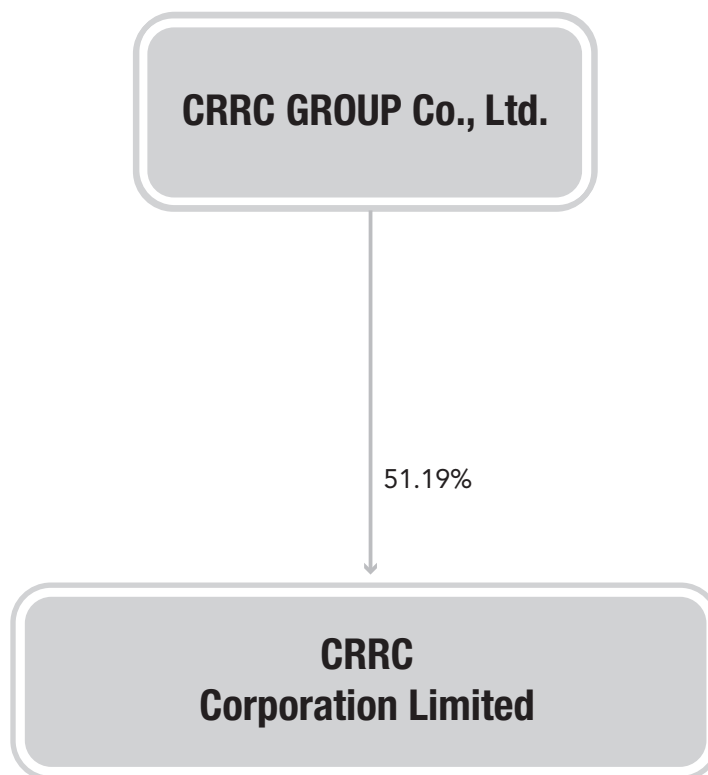
#### 1. Legal person

Name	CRRC GROUP Co., Ltd. (中國中車集團有限公司)
Responsible personnel or Legal representative	Sun Yongcai
Establishment date	1 July 2002
Principal business	Research and development, manufacturing, sales, refurbishment and leasing of locomotives, passenger carriages, freight wagons, MUs, rapid transit vehicles and key components as well as other businesses that utilize proprietary rolling stock technologies.
Equity interest in other controlling and investee companies listed in the PRC or overseas during the reporting period	Directly holds 14,783,251 shares of Bank of Guiyang Co., Ltd. (601997) as of 31 December 2020.



## Changes in Shares and Particulars of Shareholders

2. Framework of ownership and controlling relationship between the Company and the controlling shareholder as at the end of the reporting period

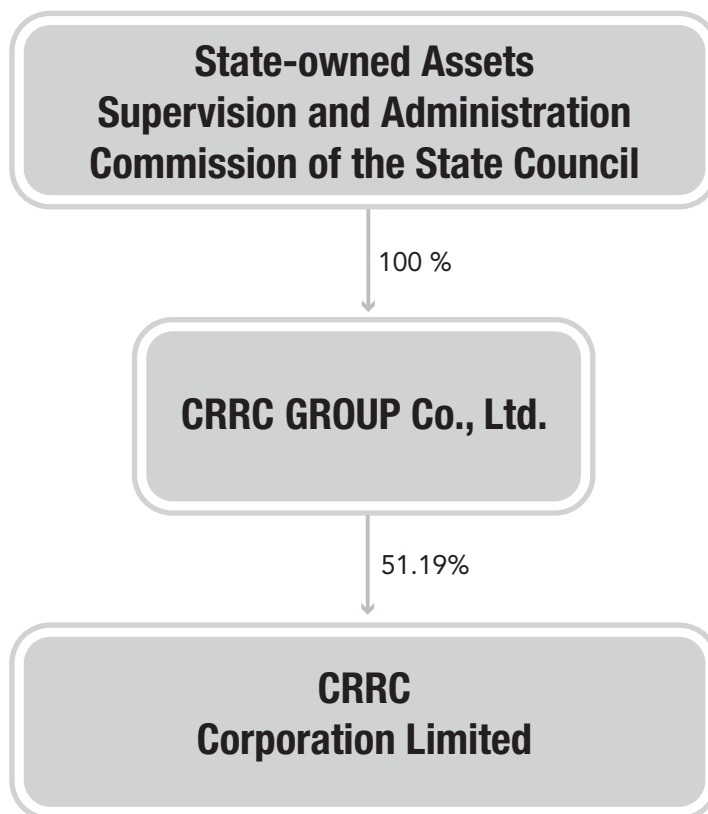


Note: As of the end of the reporting period, CRRCG in aggregate held 14,690,076,450 shares of the Company, including 14,558,389,450 A shares and 131,687,000 H shares (registered under the name of HKSCC NOMINEES LIMITED) of the Company, representing approximately 51.19% of the total issued shares of the Company.

# Changes in Shares and Particulars of Shareholders

## (II) Ultimate controller

1. The ultimate controller of the Company is the SASAC.
2. Framework of ownership and controlling relationship between the Company and the ultimate controller



Note: As of the end of the Reporting Period, CRRG in aggregate held 14,690,076,450 shares of the Company, including 14,558,389,450 A shares and 131,687,000 H shares (registered under the name of HKSCC NOMINEES LIMITED) of the Company, representing approximately 51.19% of the total issued shares of the Company.

# Changes in Shares and Particulars of Shareholders

## V. Other Corporate Shareholders with Over 10% Shareholdings

There were no other corporate shareholders holding over 10% shares of the Company as of the end of the reporting period.

## VI. Sufficient Public Float

As at the latest practicable date prior to the printing of this annual report, based on public information and as far as the Directors are aware, the Directors believe that the Company has sufficient public float which satisfies the minimum public float requirement under Rule 8.08 of the Hong Kong Listing Rules.

## VII. Purchase, Sale or Redemption of Securities of the Company

During the year ended 31 December 2020, the Company or any of its subsidiaries did not purchase, sell or redeem any of the listed securities of the Company.

# 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	Covenantors	Undertakings	Validity period	Whether duration specified	Whether timely and strictly performed	If not performed timely, describe the specific reasons	If not performed timely, describe plans in next steps
Material assets reorganization related commitment	Resolution of same industry competitions	CRRC	Non-competition undertaking with Times New Material: on 5 August 2015, CRRC issued the Letter of Undertaking of Non-competition with Zhuzhou Times New Material Technology Co., Ltd. (《關於避免與株洲時代新材料科技股份有限公司同業競爭的承諾函》) 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.).	Undertakings dated 5 August 2015, term is 5 years commencing from the date of issuance of this letter of undertaking. On 9 July 2020, the term has been extended to 31 December 2022.	Yes	Yes	In July 2020, Times New Material and Qingdao Sri Technology Co., Ltd. (hereinafter referred to as "Sri Technology"), a wholly-owned subsidiary of Qingdao Sifang, have been implementing a restructuring plan related to competing business. Sri Technology will inject assets, business and staff involved in competition into Times New Material.	Qingdao Sifang has made a written commitment to Times New Material: after the completion of the construction and completion inspections of the Intelligent Manufacturing Project, by 31 December 2022, it will transfer the Intelligent Manufacturing Project to Qingdao Borui Zhiyuan Damping Technology Co., Ltd. (青島博銳智遠減振科技有限公司), a subsidiary of Times New Material, in compliance with the assets evaluation value confirmed by asset evaluation methods approved by the SASAC and other regulatory authorities by way of transfer by agreement; at the same time, it will not engage in competing business through Intelligent Manufacturing Project before the transfer.

# Significant Events

Background	Type	Covenantors	Undertakings	Validity period	Whether duration specified	Whether timely and strictly performed	If not performed timely, describe the specific reasons	If not performed timely, describe plans in next steps
							<p>The "Application project of intelligent manufacturing new model of high-speed rail oscillating damper products" (hereinafter referred to as the "Intelligent Manufacturing Project") implemented by Qingdao Sifang falls within the category of assets of competing business and it is currently under construction and the construction as well as the completion inspections are expected to be completed before 31 December 2021.</p> <p>The Intelligent Manufacturing Project is temporarily not included in the scope of this restructuring plan, mainly due to the fact that the Intelligent Manufacturing Project is currently under construction. A series of equipment procurement and engineering construction contracts were signed for the project by Qingdao Sifang as the legal entity, and any changes of implementing entities in the process can affect the normality in the implementation of the project resulting in a delay in the project construction. In order to ensure the continuity of project construction, to ensure that the project is completed on time with great quality, and achieve the project's expected goals, it is not suitable to change the project implementing entities during the project construction period.</p>	<p>The Company extends the validity period of the original Letter of Undertaking of Non-competition with Zhuzhou Times New Material Technology Co., Ltd. (《關於避免與株洲時代新材料科技股份有限公司同業競爭的承諾函》) to 31 December 2022. Except for the change of the term of undertakings, other undertakings remain unchanged.</p> <p>Times New Materials also approved the "Proposal on Partial Extension of Commitments of Indirect Controlling Shareholders to Avoid Same Industry Competition" at the first extraordinary general meeting in 2020.</p>



# Significant Events

Background	Type	Covenants	Undertakings	Validity period	Whether duration specified	Whether timely and strictly performed	If not performed timely, describe the specific reasons	If not performed timely, describe plans in next steps
							<p>For the above reasons, it is not suitable to inject the assets of the Intelligent Manufacturing Project into Times New Material before the completion of the construction and the completion inspections of the Intelligent Manufacturing Project (i.e. before the aforesaid commitment expiry date of 4 August 2020). In addition, as the Intelligent Manufacturing Project will effectively improve production efficiency and reduce operating costs after its completion, it will not be conducive to the future development of Times New Material if the project is terminated or transferred to other parties to resolve the same industry competitions.</p> <p>In summary, the Company is of the view that under the premise of resolving the same industry competitions and protecting the interests of Times New Material, the current preferred plan is to inject Intelligent Manufacturing Project into Times New Material after the completion of construction and completion inspections of Intelligent Manufacturing Project of Qingdao Sifang.</p>	

# Significant Events

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

# Significant Events

Background	Type	Covenants	Undertakings	Validity period	Whether duration specified	Whether timely and strictly performed	If not performed timely, describe the specific reasons	If not performed timely, describe plans in next steps
	Resolution of same industry competitions	CRRCG	Non-competition undertaking with CRRC: CNRG issued the Letter of Undertaking of Non-competition with CRRC Corporation Limited (《關於避免與中國中車股份有限公司同業競爭的承諾函》) on 5 August 2015 in order to avoid competition between CNRG (has completed restructuring and renamed as CRRCG) and CRRC after completion of merger of CNRG with CSRG. Pursuant to the Letter of Undertaking: (1) CRRCG undertook that CRRCG itself will not engage, and will, through legal procedures, procure its wholly owned and non-wholly owned subsidiaries to not engage in any businesses which might directly compete with the current operating businesses of CRRC; (2) subject to the aforesaid undertaking (1), if CRRCG (including its wholly owned subsidiaries and non-wholly owned subsidiaries or other related entities) provide any products or services that might be in competition with the principal products or services of CRRC in the future, CRRCG will agree to grant CRRC pre-emptive right to acquire the assets or its entire equity interests in such subsidiaries related to such products or services from CRRCG; (3) subject to the aforesaid undertaking (1), CRRCG may develop advanced and lucrative projects in the future which fall within the business scope of CRRC, but it should preferentially transfer any achievement on such projects to CRRC for its own operation on equal terms of transfer; and (4) CRRCG should compensate CRRC for its actual losses arising from any failure to comply with the aforesaid undertakings.	Undertakings dated 5 August 2015, during the course of performance	No	Yes	-	-

# Significant Events

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

# Significant Events

Background	Type	Covenants	Undertakings	Validity period	Whether duration specified	Whether timely and strictly performed	If not performed timely, describe the specific reasons	If not performed timely, describe plans in next steps
	Resolution of related-party transactions	CRRCG	Undertaking for regulating related-party transactions with CRRC in order to regulate related-party transaction 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	-	-



# Significant Events

Background	Type	Covenantors	Undertakings	Validity period	Whether duration specified	Whether timely and strictly performed	If not performed timely, describe the specific reasons	If not performed timely, describe plans in next steps
Undertakings in relation to the initial public issuance	Others	CRRCG	Undertakings on property ownership issues: CSR (has completed restructuring and renamed as CRRC) disclosed in its prospectus that CSR has not yet obtained proper property ownership certificates for 326 properties with a total gross floor area of 282,019.03 square meters, representing 7.85% of the total gross floor area of the property in use of CSR. As at 31 December 2020, there are still 6 properties with a total gross floor area of 8,583.10 square meters 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 and, which were included in the asset injection to CRRC by CRRCG, CRRCG undertook that such properties satisfy the usage requirements necessary for the production and operations of CRRC. Moreover, if there is any loss incurred to CRRC due to such properties, CRRCG shall under take all compensation liabilities and all economic losses that CRRC incurred.	Undertakings dated 18 August 2008, during the course of performance	No	Yes	-	-
	Others	CRRCG	Undertakings on the state-owned land use certificate without specifying the land use terms or termination date: CNR (the relevant matters were inherited by CRRC after the merger) disclosed in the prospectus that the land use terms or termination date were not specified in the state-owned land use certificate for part of the authorized lands acquired by CNR. As such, CNRG (has completed restructuring and renamed as 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	Covenantors	Undertakings	Validity period	Whether duration specified	Whether timely and strictly performed	If not performed timely, describe the specific reasons	If not performed timely, describe plans in next steps
Undertakings in relation to the refinancing	Others	Directors, Senior Management of the Company	Undertaking to adopt measures of mitigating the potential dilution of return for the current period: the Directors and Senior Management of the Company have made the following undertakings on 27 May 2016: (1) not to transfer interests to other entities or individuals without consideration or with unfair consideration nor otherwise damage the Company's interests in any other ways; (2) to constrain expenses relating to the performance of their duties; (3) not to use the Company's assets for investments and consumption activities unrelated to the performance of their duties; (4) that the remuneration system formulated by the Board or the Remuneration and Evaluation Committee is in line with implementation of the remedial measures for the returns by the Company; (5) that the vesting conditions of share incentives to be formulated by the Company will be in line with the implementation of the remedial measures for returns by the Company if the Company were to make such share incentive plans in the future; (6) to perform the remedial measures for returns formulated by the Company as well as any commitment made by them for such remedial measures. The Directors and Senior Management will be liable for indemnifying the Company or the investors for their losses in the event of failure to perform the commitment.	Undertakings dated 27 May 2016, during the course of performance	No	Yes	-	-
	Others	CRRCG	Undertaking to adopt measures of mitigating the potential dilution of return for the current period: on 27 May 2016, CRRCG committed not to intervene in the operation and management activities of the Company or unlawfully infringe upon the Company's interests.	Undertakings dated 27 May 2016, during the course of performance	No	Yes	-	-

# Significant Events

## II Explanation of Integrity of the Company and Its Controlling Shareholders and Actual Controllers During the Reporting Period

During the reporting period, the Company, its controlling shareholders and actual controllers enjoyed a reputation of sound integrity. There was no failure to comply with the effective judgments of the court, outstanding liabilities due with a significant amount or other circumstances.

## III Share Option Scheme, Employee Stock Ownership Scheme and Other Staff Incentives of the Company and Their Impacts

During the reporting period, the Company has no related share option scheme and employee stock ownership scheme.

## IV Significant Contracts and Their Implementation

### (I) Entrusting, contracting or leasing

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

### (II) Guarantees

Unit: '000 Currency: RMB

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

Guarantor	Relationship between the guarantor and the listed company		Guaranteed amount	Date of guarantee			Guarantee type	Whether the guarantee has been fulfilled	Whether the guarantee is overdue or no	Outstanding amount of guarantee	Counter guarantee	Whether the guarantee is provided to a related-party or not	Related relationship
	Guaranteed	Guaranteed		(Date of signing agreement)	Commencement date	Maturity 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 (無湖市運通軌道交通建設運營有限公司)	3,295,932	27 April 2017	20 June 2017	20 June 2047	Joint and several liability guarantee	No	No	-	No	No	-
Total guarantee amount provided during the reporting period (excluding guarantees provided by the Company in favour of its subsidiaries)													-
Total guarantee balance at the end of the reporting period (A) (excluding guarantees provided by the Company in favour of its subsidiaries)													3,295,932

# Significant Events

	Guarantees provided by the Company and its subsidiaries in favour of its subsidiaries	
Total guarantee amount provided to the Company's subsidiaries during the reporting period		9,216,177
Total guarantee balance provided to the Company's subsidiaries at the end of the reporting period (B)		49,525,669
	Aggregate guarantee amount provided by the Company (including guarantees provided by the Company in favour of its subsidiaries)	
Total guarantee amount (A+B)		52,821,601
Percentage of total guarantee amount to net assets of the Company (%)		36.93
In which:		
Provision of guarantee to shareholders, ultimate controller and their respective related persons (C)		-
Amount of guarantees directly or indirectly provided in favour of parties with gearing ratio over 70% (D)		21,878,959
The total amount of guarantees provided which exceeds 50% of the net asset (E)		-
Total amount of the three above-stated guarantees (C+D+E)		21,878,959
Explanation on guarantees undue that might be involved in any joint and several liability	/	
Explanation on guarantees		

Percentage of total guarantee amount to net assets of the Company=Total guarantee amount/equity attributable to owners of the Company. As of 31 December 2020, total guarantee balance was RMB52.822 billion, representing 36.93% of the Company's net assets. Out of such guarantee balance, RMB24.716 billion and RMB24.810 billion were provided to the Company's wholly-owned subsidiaries and non-wholly-owned subsidiaries respectively. Guarantee balance of RMB3.296 billion was provided to Wuhu Yunda Rail Transport Construction and Operation Limited. As far as guarantee type is concerned, RMB2.179 billion was provided for bank acceptance bills, RMB5.248 billion was provided for loans and medium-term notes, and RMB45.395 billion was provided for letters of guarantee, letters of credit and credit facilities, etc.

The Company did not provide any guarantees in favour of its controlling shareholders, ultimate controller and their related parties. As at the end of the reporting period, the Company provided guarantee in favour of its wholly-owned subsidiaries and non-wholly-owned subsidiaries with gearing ratio over 70%. Approval procedures have been complied with at the Board meetings and the general meetings as required by the Articles of Associations.

## (III) Entrusted Cash Assets Management

### 1. Status of entrusted wealth management

#### (1) Overall status of entrusted wealth management

Unit: '000 Currency: RMB

Type	Capital source	Amounts	Outstanding balance	Amounts overdue but not yet recovered
Corporate wealth management product	Self-owned fund	1,939,300	11,671	-
Other types	Self-owned fund	720,000	-	-

## (IV) Other material contracts

During the reporting period, the Company signed a number of sales contracts. For details, please refer to announcements dated 16 January 2020, 20 April 2020, 29 June 2020, 29 September 2020 and 30 November 2020 published by the Company on the websites of the SSE and the Stock Exchange.

## V. Other Significant Events

### (I) Particulars of interbank debt financing instruments

During the reporting period, the Company issued 23 tranches of super short-term financing bills with the total issuance amount of RMB67 billion. Details are as follows:

On 13 March 2020, the Company issued 2020 First Tranche of 31-day Super Short-term Financing Bills in a total amount of RMB3 billion, which were due and settled on 13 April 2020. On 10 April 2020, the Company issued 2020 Second Tranche of 31-day Super Short-term Financing Bills in a total amount of RMB3 billion, which were due and settled on 11 May 2020. On 14 April 2020, the Company issued 2020 Third Tranche of 90-day Super Short-term Financing Bills in a total amount of RMB3 billion, which were due and settled on 13 July 2020. On 7 May 2020, the Company issued 2020 Fourth Tranche of 29-day Super Short-term Financing Bills in a total amount of RMB3 billion, which were due and settled on 5 June 2020. On 7 June 2020, the Company issued 2020 Fifth Tranche of 59-day Super Short-term Financing Bills in a total amount of RMB3 billion, which were due and settled on 6 August 2020. On 19 June 2020, the Company issued 2020 Sixth Tranche of 31-day Super Short-term Financing Bills in a total amount of RMB3 billion, which were due and settled on 20 July 2020. On 19 June 2020, the Company issued 2020 Seventh Tranche of 90-day Super Short-term Financing Bills in a total amount of RMB3 billion, which were due and settled on 17 September 2020. On 19 June 2020, the Company issued 2020 Eighth Tranche of 90-day Super Short-term Financing Bills in a total amount of RMB3 billion, which were due and settled on 17 September 2020. On 27 July 2020, the Company issued 2020 Ninth Tranche of 30-day Super Short-term Financing Bills in a total amount of RMB3 billion, which were due and settled on 26 August 2020. On 12 August 2020, the Company issued 2020 Tenth Tranche of 30-day Super Short-term Financing Bills in a total amount of RMB3 billion, which were due and settled on 11 September 2020. On 14 August 2020, the Company issued 2020 Eleventh Tranche of 30-day Super Short-term Financing Bills in a total amount of RMB3 billion, which were due and settled on 14 September 2020. On 15 September 2020, the Company issued 2020 Twelfth Tranche of 30-day Super Short-term Financing Bills in a total amount of RMB3 billion, which were due and settled on 15 October 2020. On 16 September 2020, the Company issued 2020 thirteenth Tranche of 30-day Super Short-term Financing Bills in a total amount of RMB3 billion, which were due and settled on 16 October 2020. On 18 September 2020, the Company issued 2020 fourteenth Tranche of 30-day Super Short-term Financing Bills in a total amount of RMB5 billion, which were due and settled on 18 October 2020. On 16 October 2020, the Company issued 2020 fifteenth Tranche of 30-day Super Short-term Financing Bills in a total amount of RMB3 billion, which were due and settled on 15 November 2020. On 19 October 2020, the Company issued 2020 sixteenth Tranche of 30-day Super Short-term Financing Bills in a total amount of RMB3 billion, which were due and settled on 18 November 2020. On 20 October 2020, the Company issued 2020 seventeenth Tranche of 23-day Super Short-term Financing Bills in a total amount of RMB3 billion, which were due and settled on 12 November 2020. On 26 October 2020, the Company issued 2020 eighteenth Tranche of 30-day Super Short-term Financing Bills in a total amount of RMB2 billion, which were due and settled on 25 November 2020. On 28 October 2020, the Company issued 2020 nineteenth Tranche of 30-day Super Short-term Financing Bills in a total amount of RMB2 billion, which were due and settled on 27 November 2020. On 12 November 2020, the Company issued 2020 twentieth Tranche of 38-day Super Short-term Financing Bills in a total amount of RMB3 billion, which were due and settled on 21 December 2020. On 18 November 2020, the Company issued 2020 twenty-first Tranche of 30-day Super Short-term Financing Bills in a total amount of RMB3 billion, which were due and settled on 21 December 2020. On 23 November 2020, the Company issued 2020 twenty-second Tranche of 30-day Super Short-term Financing Bills in a total amount of RMB2 billion, which were due and settled on 24 December 2020. On 24 November 2020, the Company issued 2020 twenty-third Tranche of 30-day Super Short-term Financing Bills in a total amount of RMB2 billion, which were due and settled on 25 December 2020.



# Significant Events

As at the disclosure date of this report, the Company also issued the following Super Short-term Financing Bills:

On 27 January 2021, the Company issued 2021 first Tranche of 29-day Super Short-term Financing Bills in a total amount of RMB2 billion, which were due and settled on 26 February 2021. On 27 January 2021, the Company issued 2021 second Tranche of 33-day Super Short-term Financing Bills in a total amount of RMB2 billion, which were due and settled on 2 March 2021. On 24 February 2021, the Company issued 2021 third Tranche of 33-day Super Short-term Financing Bills in a total amount of RMB2 billion, which will be due on 30 March 2021. On 4 March 2021, the Company issued 2021 fourth Tranche of 35-day Super Short-term Financing Bills in a total amount of RMB3 billion, which will be due on 9 April 2021. On 16 March 2021, the Company issued 2021 fifth Tranche of 35-day Super Short-term Financing Bills in a total amount of RMB2 billion, which will be due on 21 April 2021. On 25 March 2021, the Company issued 2021 sixth Tranche of 102-day Super Short-term Financing Bills in a total amount of RMB3 billion, which will be due on 6 July 2021. On 26 March 2021, the Company issued 2021 seventh Tranche of 30-day Super Short-term Financing Bills in a total amount of RMB2 billion, which will be due on 28 April 2021.

## VI. Information on the Convertible Corporate Bonds

On 5 February 2016, the Company issued H Share convertible bonds in an aggregate principal amount of US\$600,000,000 (the **"Convertible Bonds"** or **"Bonds"**), which were due on 5 February 2021. The Convertible Bonds have a par value of US\$250,000 each and are issued at 100% of its par value with zero coupon. The initial conversion price of the Convertible Bonds is HK\$9.65 per H Share, and the adjusted conversion price is HK\$8.77 per H Share as of 31 December 2020. Proceeds from the issuance of the Bonds will be used to satisfy the production and international operation needs of the Company, including but not limited to adjusting its debt structure, increasing the capital contribution to its subsidiaries, replenishing working capital and project investments etc., which may be utilized at sole discretion of the Company both inside and outside of the PRC according to actual circumstances. For the actual use of the Convertible Bonds, please refer to "Report of Directors – B. Management Discussion and Analysis – II. Major operation results during the reporting period – (IX) Use of Proceeds from H Shares" of the report.

On 5 February 2019, as required by the bondholders, the Company redeemed the Convertible Bonds with an aggregate principal amount of US\$240,000,000 pursuant to the terms and conditions of the Convertible Bonds. Upon the completion of abovementioned redemption, the H Share Convertible Bonds of an aggregate principal amount of US\$360,000,000 remained outstanding, representing 60% of the total principal amount of the Bonds originally issued. According to the adjusted conversion price of HK\$8.77 per H share as of 31 December 2020, the maximum number of H Shares that the Company can issue will be 319,780,159 H Shares if the Bonds are fully converted.

On 5 February 2021, the Convertible Bonds were due, and no principal amount of the Convertible Bonds have been converted into H Shares of the Company. Pursuant to the terms and conditions of the Convertible Bonds, the Company redeemed all outstanding Convertible Bonds with an aggregate principal amount of US\$360,000,000 on 5 February 2021. Upon the completion of the above redemption, the Company do not have any outstanding Convertible Bonds, and the Company's Convertible Bonds have been cancelled and delisted from the Stock Exchange.

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

# Significant Events

## (I) Dilution effect of the convertible bonds on shares

As of 31 December 2020, the outstanding principal amount of the Convertible Bonds was US\$360,000,000. Based on the adjusted conversion price of HK\$8.77 per H Share, the maximum number of H Shares issuable by the Company upon full conversion of the Convertible Bonds will be 319,780,159 H Shares. The following table sets out the shareholding structure of the Company upon full conversion of the Convertible Bonds with reference to the shareholding structure of the Company as at 31 December 2020 and assuming no further issuance of Shares by the Company:

<b>Name of Shareholders</b>	<b>Number of Shares</b>	<b>Percentage of issued share capital enlarged by the issuance of Conversion Shares</b>
CRRCG and its associates	14,558,389,450 A Shares	50.17%
	131,687,000 H Shares	0.45%
Public Shareholders:		
Subscribers of the Bonds	319,780,159 H Shares	1.10%
Other public Shareholders	4,355,060,040 H Shares	15.01%
	9,769,408,598 A Shares	33.67%

An analysis of the impact on the earnings per share if the Convertible Bonds were fully converted into Shares of the Company as at 31 December 2020 is set out in Note "XV. Other Significant Events – 5. Basic earnings per share and the calculation of diluted earnings per share" to the financial statements in this annual report.

# Significant Events

## (II) Principal terms of convertible bonds

The principal terms of the Convertible Bonds are as follows:

### 1. Conversion right

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

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

## 2. Redemption option of issuer

### (1) *Redemption at maturity*

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

### (2) *Conditional redemption*

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

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

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

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

# Significant Events

## (III) Accounting for the Convertible Bonds

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

Unit: '000 Currency: RMB

Item	Debt component	Derivative component	Total
1 January 2020	2,445,097	5,396	2,450,493
Amortization of premiums or discounts	61,112	–	61,112
Exchange gains or losses	-161,746	43	-161,703
Redemption during the current period	–	–	–
Gains or losses on changes in fair value	–	-5,439	-5,439
31 December 2020	2,344,463	–	2,344,463

## (IV) Others

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

## VII. Fulfilment of Social Responsibility

For details of the fulfilment of social responsibility by the Group during the reporting period, please see the 2020 Social Responsibility Report of CRRC Corporation Limited disclosed by the Company on the websites of the SSE and the Stock Exchange at the same date.

## VIII. Other Subsequent Significant Events

### Profit Distribution of Ordinary Shares

On 30 March 2021, the Company held the twenty-seventh meeting of the second session of the Board, at which the "2020 Proposal for Profit Distribution Plan of CRRC Corporation Limited" was considered and approved, pursuant to which the Company would distribute cash dividends to all shareholders based on the total share capital registered on the registration date for dividend distribution (the specific date will be clarified in the announcement on the implementation of dividend distribution). As of 31 December 2020, the total share capital of the Company was 28,698,864,088 shares, base on which and calculating at cash dividend of RMB0.18 (tax inclusive) per share, the Company is proposed to distribute cash dividend of RMB5.166 billion (tax inclusive) in aggregate, and the remaining undistributed profit will be carried forward for next year's distribution. The Company's cash dividends for the year accounted for 46% of the Company's net profit attributable to shareholders of listed company in 2020. In case from the date of disclosure of announcement on profit distribution plan to the date of registration date for dividend distribution, there are changes in the total share capital of the Company due to the conversion of convertible bonds, repurchase of shares, cancellation of repurchased shares granted under equity incentive schemes, cancellation of repurchased shares due to material asset restructuring, etc., the Company proposes to remain the total distribution amount unchanged, and to adjust the distribution proportion per share accordingly. If the total share capital of the Company changes subsequently, specific adjustments will be announced separately. The profit distribution plan is subject to the consideration and approval at the 2020 annual general meeting of the Company.



## I. AUDITOR'S REPORT

KPMG HZ Shen Zi No. 2102354

The Shareholders of CRRC Corporation Limited:

### 1. OPINION

We have audited the accompanying financial statements of CRRC Corporation Limited (["CRRC"]), which comprise the consolidated and company balance sheets as at 31 December 2020, the consolidated and company income statements, the consolidated and company cash flow statements, the consolidated and company statements of changes in shareholders' equity for the year then ended, and notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated and company financial position of CRRC as at 31 December 2020, and the consolidated and company financial performance and cash flows of CRRC for the year then ended in accordance with Accounting Standards for Business Enterprises issued by the Ministry of Finance of the People's Republic of China.

### 2. BASIS FOR OPINION

We conducted our audit in accordance with China Standards on Auditing for Certified Public Accountants (["CSAs"]). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of CRRC in accordance with the China Code of Ethics for Certified Public Accountants (["the Code"]), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### 3. KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Revenue recognition	
Refer to the accounting policy described in Note 24 under "V. Significant Accounting Policies and Accounting Estimates", as well as Note "53. Revenue and operating costs" under "VII. Notes of Consolidated Financial Statements" and Note "4. Revenue and operating costs" under "XVI. Notes to the Key Items in the Company's Financial Statements" to the financial statements.	
The Key Audit Matter	How the matter was addressed in our audit
For the year ended 31 December 2020, CRRC Corporation Limited and its subsidiaries (hereinafter referred to as "CRRC" or the "Group") generated revenue totalling RMB227,656,041,000, mainly arising from railway equipment business, urban rail transit vehicles and urban infrastructure business, new industry business and modern service business. The Group's customers mainly include China State Railway Group Co., Ltd. (hereinafter referred to as "State Railway Group") and its subsidiaries and investees, as well as urban rail transit groups within China and abroad.	<p>Our audit procedures to evaluate revenue recognition included the following:</p> <ol style="list-style-type: none"> <li>(1) Understanding and evaluating the design and operating effectiveness of key internal controls over financial reporting related to revenue recognition;</li> <li>(2) Selecting sales contracts to identify clauses related to the transfer of control of goods, and evaluating whether CRRC's revenue recognition policy meets the relevant requirements of the Accounting Standards for Business Enterprises;</li> </ol>

# Financial Report

## I. AUDITOR'S REPORT *(Continued)*

KPMG HZ Shen Zi No. 2102354

The Key Audit Matter	How the matter was addressed in our audit
<p>For rail transportation 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. For rail transportation equipment and its extended services, the Group recognises revenue over 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.</p> <p>We identified the cut-off risk arising from revenue recognition as a key audit matter, because revenue is one of the Group's key performance indicators and there may be cases of early or delayed revenue recognition by the management to meet targets or expectations.</p>	<p>(3) Selecting revenue from sales of rail transport equipment and its extended products recorded during the year and agreeing it to the supporting documents such as sales contracts, acceptance certificates, acceptance and delivery notes and invoices, in order to evaluate whether the relevant revenue was recognised in accordance with CRRC's revenue recognition accounting policy;</p> <p>(4) Selecting revenue from rail transport equipment and its extended services recorded during the year, obtaining an understanding of the performance of service contracts during the year, and inspecting and agreeing to the relevant contracts, third-party supervision reports, bills to customer, records of receipt of goods, or records of labour hours, in order to evaluate the reasonableness of the progress of performance determined by the management;</p> <p>(5) Selecting revenue transactions recorded before and after the balance sheet date, inspecting supporting documents related to revenue recognition, and evaluating whether the relevant revenue was recorded in the appropriate accounting period;</p> <p>(6) Reviewing revenue accounting entries recorded after the balance sheet date to identify whether there was any significant sales return; if any, checking against the relevant supporting documents to evaluate whether the relevant revenue was recorded in the appropriate accounting period;</p> <p>(7) Selecting revenue accounting entries that meet specific risk criteria during the year and reviewing the relevant supporting documents.</p>

## I. AUDITOR'S REPORT (Continued)

KPMG HZ Shen Zi No. 2102354

<b>Contingencies related to the overseas supply of locomotives</b>	
Refer to Note "2. Contingencies" under "XIII. Commitments and Contingencies" to the financial statements.	
<b>The Key Audit Matter</b>	<b>How the matter was addressed in our audit</b>
<p>As explained in Note "2. Contingencies" under "XIII. Commitments and Contingencies" to the financial statements, there have been media reports in 2017 in South Africa of violations of laws related to multiple procurements of locomotives by Transnet, the South African train operator.</p> <p>As at 31 December 2020, bank balances totalling ZAR4.65 billion, equivalent to approximately RMB2.1 billion (31 December 2019: ZAR4.45 billion, equivalent to approximately RMB2.2 billion) held in three local bank accounts of the Group's subsidiary in South Africa are subject of blocking orders issued by the South African Reserve Bank and the South African Revenue Service ("SARS"), relating to alleged contraventions of the Exchange Control Regulations and relevant Tax Administration Act in South Africa. These bank balances may be subject to forfeiture by the South African Reserve Bank or SARS under relevant regulations.</p> <p>On 9 March 2021, Transnet and Special Investigating Unit under the South African State Institutions have launched an application in the High Court in South Africa in respect of Transnet's locomotive suppliers, including the Group's South African subsidiaries. The Group's South African subsidiaries are preparing replies and responses regarding the motion of notice of High Court mentioned above. As the matter is still in progress, the final conclusion contains uncertainty.</p> <p>We identified the contingencies related to the overseas supply of locomotives as a key audit matter due to the significant management judgments and estimation involved in evaluating the potential impacts of the matter on the Group and the consolidated statements.</p>	<p>Our audit procedures regarding the contingencies related to the overseas supply of locomotives included the following:</p> <ol style="list-style-type: none"> <li>(1) Understanding and evaluating the internal controls implemented by the Group to identify and evaluate the impacts of contingencies on the consolidated financial statements;</li> <li>(2) In terms of the Group's internal controls over financial reporting, obtaining an understanding of the Group's internal processes implemented for ensuring compliance with the laws and regulations of the various jurisdictions in which it operates, as well as the design and implementation of internal controls implemented for evaluating the impacts on the consolidated financial statements (including disclosures) of any potential non-compliance identified in the internal processes mentioned above;</li> <li>(3) Making inquiries regarding public information related to these matters, and communicating with the management to understand and evaluate management's judgements made regarding the nature and progress of the matters and their basis, as well as their consideration of the potential impacts on the Group's consolidated financial statements and the relevant disclosures in the financial statements.</li> <li>(4) Inspecting relevant documentations such as local regulatory inquires and related correspondences, review the management's opinions and analysis and relevant documents on these matters;</li> <li>(5) Communicating with external lawyers regarding the potential impacts of these matters;</li> <li>(6) Verifying whether the relevant bank accounts had been blocked through bank confirmation procedures;</li> <li>(7) Evaluating the appropriateness of disclosures of the relevant contingencies.</li> </ol>

# Financial Report

## I. AUDITOR'S REPORT *(Continued)*

KPMG HZ Shen Zi No. 2102354

## 4. OTHER INFORMATION

CRRC's management is responsible for the other information. The other information comprises all the information included in 2020 annual report of CRRC, other than the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## 5. RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Accounting Standards for Business Enterprises, and for the design, implementation and maintenance of such internal control necessary to enable that the financial statements are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing CRRC's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate CRRC or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing CRRC's financial reporting process.

## I. AUDITOR'S REPORT *(Continued)*

KPMG HZ Shen Zi No. 2102354

### 6. AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with CSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with CSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on CRRC's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause CRRC to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within CRRC to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



# Financial Report

## I. AUDITOR'S REPORT *(Continued)*

KPMG HZ Shen Zi No. 2102354

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

KPMG Huazhen LLP

Certified Public Accountants  
Registered in the People's  
Republic of China

Beijing, China

Lei Jiang (Engagement Partner)

Lin Ying

30 March 2021

# Consolidated Balance Sheet

31 December 2020

## II. FINANCIAL STATEMENTS

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 VII	31 December 2020	31 December 2019
<b>Net current assets</b>			
Cash and bank balances	1	33,492,359	44,904,764
Placements with banks and other financial institutions	2	–	139,524
Held-for-trading financial assets	3	5,799,390	9,180,616
Bills receivable	4	12,779,393	14,245,965
Accounts receivable	5	71,969,626	59,712,424
Receivables at fair value through other comprehensive income	6	8,164,214	13,085,613
Prepayments	7	8,481,942	9,909,219
Other receivables	8	4,711,395	2,599,055
Inventories	9	62,966,123	60,833,768
Contract assets	10	18,885,381	16,364,966
Assets classified as held for sale		9,877	2,779
Non-current assets due within one year	11	17,124,785	14,416,293
Other current assets	12	5,342,740	5,820,129
Total current assets		249,727,225	251,215,115
<b>Non-current assets</b>			
Loans and advances to customers	13	–	180,588
Debt investments	14	1,169,010	1,658,234
Long-term receivables	15	13,248,792	10,518,918
Long-term equity investments	16	16,119,503	15,570,696
Investments in other equity instruments	17	2,662,850	2,654,602
Other non-current financial assets	18	578,293	616,855
Investment properties	19	1,065,399	1,109,477
Fixed assets	20	57,970,551	59,090,886
Construction in progress	21	8,675,163	7,243,849
Right-of-use assets	22	1,449,416	1,261,467
Intangible assets	23	16,024,380	16,014,314
Development expenditures	24	444,024	334,394
Goodwill	25	328,749	462,158
Long-term deferred expenses		225,532	192,460
Deferred tax assets	26	3,631,981	3,400,751
Other non-current assets	27	19,059,500	12,047,721
Total non-current assets		142,653,143	132,357,370
<b>TOTAL ASSETS</b>		<b>392,380,368</b>	<b>383,572,485</b>

# Consolidated Balance Sheet

31 December 2020

Prepared by: CRRC Corporation Limited

ITEM	Note VII	31 December 2020	31 December 2019
<b>Current liabilities</b>			
Short-term borrowings	28	11,782,170	10,530,416
Borrowings from the central bank		–	222,317
Bills payable	29	22,291,992	27,339,474
Accounts payable	30	106,572,210	106,602,413
Receipts in advance	31	212,951	5,827
Contract liabilities	32	27,841,813	28,167,471
Deposits from banks and other financial institutions	33	4,122,366	5,577,269
Employee benefits payable	34	1,972,045	2,194,417
Tax payable	35	2,318,069	2,554,947
Other payables	36	9,950,181	9,176,397
Non-current liabilities due within one year	37	7,569,139	3,778,474
Other current liabilities	38	2,859,975	4,015,089
Total current liabilities		197,492,911	200,164,511
<b>Non-current liabilities</b>			
Long-term borrowings	39	4,202,602	2,589,644
Bonds payable	40	2,500,000	4,534,817
Lease liabilities	41	1,292,313	960,501
Long-term payables	42	64,758	85,484
Long-term employee benefits payable	43	3,480,229	3,686,239
Provisions	44	7,205,296	5,854,124
Deferred income	45	6,751,075	6,551,494
Deferred tax liabilities	26	163,231	142,756
Other non-current liabilities	46	86,389	174,433
Total non-current liabilities		25,745,893	24,579,492
<b>TOTAL LIABILITIES</b>		<b>223,238,804</b>	224,744,003
<b>Shareholders' equity</b>			
Share capital	47	28,698,864	28,698,864
Capital reserve	48	40,957,401	40,747,823
Other comprehensive income	49	(1,292,910)	(1,084,770)
Special reserve	50	49,957	49,957
Surplus reserve	51	4,308,789	3,815,330
General risk reserve		562,411	551,265
Retained earnings	52	69,736,835	63,115,162
Total equity attributable to shareholders of the Company		143,021,347	135,893,631
Non-controlling interests		26,120,217	22,934,851
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>169,141,564</b>	158,828,482
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>392,380,368</b>	383,572,485

Legal representative:  
Sun Yongcai

Chief Accountant:  
Li Zheng

Person in Charge of the Accounting Department:  
Wang Jian

# The Company's Balance Sheet

31 December 2020

Prepared by: CRRC Corporation Limited

RMB'000

ITEM	Note XVI	31 December 2020	31 December 2019
<b>Current assets</b>			
Cash and bank balances	1	965,176	12,375,161
Accounts receivable		51,844	225,077
Other receivables	2	18,878,404	17,081,153
Non-current assets due within one year		614,200	505,900
Other current assets		91	–
Total current assets		20,509,715	30,187,291
<b>Non-current assets</b>			
Long-term receivables		5,733,313	4,481,919
Long-term equity investments	3	105,409,452	103,551,976
Investments in other equity instruments		75,000	25,000
Fixed assets		14,110	18,002
Construction in progress		96,824	75,261
Right-of-use assets		33,406	45,940
Intangible assets		93,021	95,638
Other non-current assets		132,280	374,940
Total non-current assets		111,587,406	108,668,676
<b>TOTAL ASSETS</b>		<b>132,097,121</b>	<b>138,855,967</b>
<b>Current liabilities</b>			
Short-term borrowings		3,137,689	5,550,110
Accounts payable		52,969	226,571
Contract liabilities		11,180	11,180
Employee benefits payable		66,197	61,582
Taxes payable		1,651	10,850
Other payables		19,833,100	26,963,026
Non-current liabilities due within one year	VII、37	3,021,602	71,729
Total current liabilities		26,124,388	32,895,048

# The Company's Balance Sheet

31 December 2020

Prepared by: CRRC Corporation Limited

ITEM	Note XVI	31 December 2020	31 December 2019
<b>Non-current liabilities</b>			
Long-term borrowings		1,451,108	–
Bonds payable	VII · 40	2,500,000	4,534,817
Lease liabilities		27,181	33,534
Long-term payables		240	240
Long-term employee benefits payable		180	1,010
Other non-current liabilities		–	5,396
Total non-current liabilities		3,978,709	4,574,997
<b>TOTAL LIABILITIES</b>		<b>30,103,097</b>	<b>37,470,045</b>
<b>Shareholders' equity</b>			
Share capital		28,698,864	28,698,864
Capital reserve		62,808,801	62,803,844
Other comprehensive income		(36,654)	(10,037)
Surplus reserve		4,308,789	3,815,330
Retained earnings		6,214,224	6,077,921
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>101,994,024</b>	<b>101,385,922</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>132,097,121</b>	<b>138,855,967</b>

Legal representative:  
Sun Yongcai

Chief Accountant:  
Li Zheng

Person in Charge of the Accounting Department:  
Wang Jian

# Consolidated Income Statement

From January to December 2020

Prepared by: CRRC Corporation Limited

RMB'000

ITEM	Note VII	2020	2019
I. Operating income	53	<b>227,656,041</b>	229,010,833
II. Total operating costs		<b>215,346,420</b>	213,439,699
Including: Operating costs	53	<b>176,954,601</b>	176,149,897
Taxes and surcharges	54	<b>1,756,246</b>	1,938,170
Selling expenses	55	<b>8,683,345</b>	8,516,415
Administrative expenses	56	<b>13,773,241</b>	14,444,854
Research and development expenses	57	<b>13,349,896</b>	12,017,162
Financial expenses	58	<b>829,091</b>	373,201
Including: Interest expenses		<b>919,640</b>	1,020,702
Interest income		<b>749,795</b>	723,563
Add: Other income	59	<b>2,253,502</b>	1,274,943
Investment income	60	<b>739,658</b>	2,153,377
Including: Gains from investments in associates and joint ventures		<b>(93,873)</b>	347,616
Loss arising from derecognition of financial assets measured at amortised cost		<b>(353,995)</b>	(303,182)
Gains from changes in fair value	61	<b>77,121</b>	233,737
Impairment losses under expected credit loss model	62	<b>(390,040)</b>	(3,613,736)
Assets impairment losses	63	<b>(864,794)</b>	(1,549,953)
Gains on disposal of assets	64	<b>1,193,045</b>	1,753,202
III. Operating profit		<b>15,318,113</b>	15,822,704
Add: Non-operating income	65	<b>1,304,009</b>	978,881
Less: Non-operating expenses	66	<b>631,032</b>	193,260
IV. Total profit		<b>15,991,090</b>	16,608,325
Less: Income tax expenses	67	<b>2,168,030</b>	2,784,624
V. Net profit		<b>13,823,060</b>	13,823,701
(I) Net profit classified by operating continuity			
1. Net profit from continuing operations		<b>13,823,060</b>	13,823,701
(II) Net profit classified by ownership			
1. Net profit attributable to shareholders of the Company		<b>11,331,053</b>	11,794,929
2. Net profit attributable to non-controlling interests		<b>2,492,007</b>	2,028,772



# Consolidated Income Statement

From January to December 2020

Prepared by: CRRC Corporation Limited

ITEM	Note VII	2020	2019
VI. Other comprehensive income, net of income tax	49	<b>(120,550)</b>	(306,798)
(I) Other comprehensive income attributable to shareholders of the Company, net of income tax		<b>(108,085)</b>	(163,558)
1. Items that will not be reclassified to profit or loss		<b>70,689</b>	(225,199)
(1) Remeasurement of the changes in net liabilities or net assets of defined benefit plan		<b>51,364</b>	(115,969)
(2) Changes in fair value of investments in other equity instruments		<b>19,325</b>	(109,230)
2. Items that may be reclassified to profit or loss		<b>(178,774)</b>	61,641
(1) Other comprehensive income that may be reclassified to profit or loss under equity method		<b>(18,695)</b>	21,662
(2) Changes in fair value of other debt investments		<b>71,833</b>	(94,468)
(3) Provision for credit impairments of other debt investments		<b>119</b>	3,656
(4) Translation differences arising from translation of foreign currency financial statements		<b>(232,031)</b>	130,791
(II) Other comprehensive income attributable to non-controlling interests, net of income tax		<b>(12,465)</b>	(143,240)
VII. Total comprehensive income		<b>13,702,510</b>	13,516,903
(I) Total comprehensive income attributable to shareholders of the Company		<b>11,222,968</b>	11,631,371
(II) Total comprehensive income attributable to minority interests		<b>2,479,542</b>	1,885,532
VIII. Earnings per share:			
(I) Basic earnings per share (RMB/per share)		<b>0.39</b>	0.41
(II) Diluted earnings per share (RMB/per share)		<b>0.38</b>	0.40

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 December 2020

Prepared by: CRRC Corporation Limited

RMB'000

ITEM	Note XVI	2020	2019
I. Operating income	4	<b>428,085</b>	617,300
Less: Operating costs	4	<b>11,127</b>	192,854
Taxes and surcharges		<b>2,807</b>	3,682
Selling expenses		<b>16,320</b>	21,470
Administrative expenses		<b>246,810</b>	283,125
Research and development expenses		<b>276,234</b>	192,674
Financial expenses		<b>(47,608)</b>	(172,875)
Including: Interest expenses		<b>837,904</b>	845,657
Interest income		<b>899,439</b>	1,049,392
Add: Investment income	5	<b>5,004,078</b>	5,105,629
Including: Income from investment in associates and joint ventures		<b>165,879</b>	106,018
Gains from changes in fair value		<b>5,439</b>	155,048
Impairment losses under expected credit loss model		<b>(1,281)</b>	(7,908)
II. Operating profit		<b>4,930,631</b>	5,349,139
Add: Non-operating income		<b>3,961</b>	6,243
Less: Non-operating expenses		<b>-</b>	2,000
III. Total profit		<b>4,934,592</b>	5,353,382
Less: Income tax expenses		<b>-</b>	-
IV. Net profit		<b>4,934,592</b>	5,353,382
(I) Net profit from continuing operations		<b>4,934,592</b>	5,353,382
V. Other comprehensive income, net of tax		<b>(26,617)</b>	22,952
(I) Items that will not be reclassified to profit or loss		<b>970</b>	1,290
1. Remeasurement of defined benefit plan		<b>970</b>	1,290
(II) Items that may be reclassified to profit or loss		<b>(27,587)</b>	21,662
1. Other comprehensive income that may be reclassified to profit or loss under equity method		<b>(27,587)</b>	21,662
VI. Total comprehensive income for the year		<b>4,907,975</b>	5,376,334

Legal representative:  
Sun Yongcai

Chief Accountant:  
Li Zheng

Person in Charge of the Accounting Department:  
Wang Jian

# The Consolidated Cash Flow Statement

From January to December 2020

Prepared by: CRRC Corporation Limited

RMB'000

ITEM	Note VII	2020	2019
<b>I. Cash flows from operating activities:</b>			
Cash receipts from the sale of goods and the rendering of services		<b>242,379,468</b>	252,542,468
Net increase in deposits from banks and other financial institutions		–	2,781,987
Net decrease in placements with banks and other financial institutions		<b>139,524</b>	–
Receipts of tax refunds		<b>973,703</b>	1,388,569
Other cash receipts relating to operating activities	68	<b>4,480,394</b>	3,447,164
Sub-total of cash inflows from operating activities		<b>247,973,089</b>	260,160,188
Cash payments for goods purchased and services received		<b>188,444,202</b>	173,870,259
Net decrease in deposits from banks and other financial institutions		<b>1,454,903</b>	–
Cash payments to and on behalf of employees		<b>30,858,156</b>	32,190,753
Payment of various taxes		<b>12,206,794</b>	14,624,108
Other cash payments relating to operating activities	68	<b>17,041,427</b>	16,944,532
Sub-total of cash outflows from operating activities		<b>250,005,482</b>	237,629,652
Net cash flow (used in) from operating activities	69	<b>(2,032,393)</b>	22,530,536
<b>II. Cash flows from investing activities:</b>			
Cash receipts from recovery of investments		<b>66,837,677</b>	69,239,448
Cash receipts from investment income		<b>686,995</b>	628,440
Net cash receipts from disposals of fixed assets, intangible assets and other long-term assets		<b>1,206,900</b>	2,675,535
Net cash receipts from disposal of subsidiaries and other business		<b>332,748</b>	588,830
Sub-total of cash inflows from investing activities		<b>69,064,320</b>	73,132,253
Cash payments to acquire or construct fixed assets, intangible assets and other long-term assets		<b>7,775,493</b>	8,064,827
Cash payments to acquire investments		<b>60,800,183</b>	69,627,844
Net cash paid for acquisition of subsidiaries not under common control		<b>175,865</b>	–
Cash paid for disposal of subsidiaries		–	8,450
Sub-total of cash outflows from investing activities		<b>68,751,541</b>	77,701,121
Net cash flow used in operating activities		<b>312,779</b>	(4,568,868)

# The Consolidated Cash Flow Statement

From January to December 2020

Prepared by: CRRC Corporation Limited

ITEM	Note VII	2020	2019
<b>III. Cash flows from financing activities:</b>			
Cash receipts from capital contributions		313,301	895,110
Including: Cash receipts from capital contributions by non-controlling interests of subsidiaries		313,301	895,110
Cash receipts from borrowings		60,552,618	142,162,080
Cash receipts from bonds issuing		70,200,000	43,000,000
Sub-total of cash inflows from financing activities		131,065,919	186,057,190
Cash repayments of borrowings		128,349,914	192,283,239
Cash payments for distribution of dividends or profits or settlement of interest expenses		6,015,131	6,044,864
Including: Payments for distribution of dividends or profits or non-controlling interests of subsidiaries		670,852	743,941
Other cash payments relating to financing activities		653,726	422,224
Sub-total of cash outflows from financing activities		135,018,771	198,750,327
Net cash flow used in financing activities		(3,952,852)	(12,693,137)
<b>IV. Effect of foreign exchange rate changes on cash and cash equivalents</b>		(306,742)	260,961
<b>V. Net (Decrease)/Increase in Cash and Cash Equivalents</b>	69	(5,979,208)	5,529,492
Add: Opening Balance of Cash and Cash Equivalents	69	35,819,586	30,290,094
<b>VI. Closing Balance of Cash and Cash Equivalents</b>	69	29,840,378	35,819,586

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 December 2020

Prepared by: CRRC Corporation Limited

RMB'000

ITEM	Note XVI	2020	2019
<b>I. Cash flows from operating activities:</b>			
Cash receipts from the sale of goods and the rendering of services		631,867	659,395
Receipts of tax refunds		19,297	22,020
Other cash receipts relating to operating activities		11,919,853	10,663,917
Sub-total of cash inflows from operating activities		12,571,017	11,345,332
Cash payments for goods purchased and services received		212,342	239,066
Cash payments to and on behalf of employees		144,908	163,059
Payment of various taxes		12,984	25,926
Other cash payments relating to operating activities		10,581,739	11,490,864
Sub-total of cash outflows from operating activities		10,951,973	11,918,915
Net cash flow from (used in) operating activities	6	1,619,044	(573,583)
<b>II. Cash flows from investing activities:</b>			
Cash receipts from recovery of investments		38,535,347	83,600,904
Cash receipts from investment income		5,474,683	4,901,391
Other cash receipts relating to investing activities		242,660	450,967
Sub-total of cash inflows from investing activities		44,252,690	88,953,262
Cash payments to acquire or construct fixed assets, intangible assets and other long-term assets		40,219	42,700
Cash payments to acquire investments		44,498,399	77,407,318
Cash payments for other investing activities		-	121,264
Sub-total of cash outflows from investing activities		44,538,618	77,571,282
Net cash flow (used in) from investing activities		(285,928)	11,381,980
<b>III. Cash flows from financing activities:</b>			
Cash receipts from borrowings		122,347,000	168,856,364
Cash receipts from bonds issuing		68,000,000	42,000,000
Other cash receipts relating to financing activities		134,155,549	132,065,324
Sub-total of cash inflows from financing activities		324,502,549	342,921,688
Cash repayments of borrowings		192,394,944	218,208,445
Cash payments for distribution of dividends or profits or settlement of interest expenses		5,048,372	5,233,598
Other cash payments relating to financing activities		139,300,804	126,382,803
Sub-total of cash outflows from financing activities		336,744,120	349,824,846
Net cash flow used in financing activities		(12,241,571)	(6,903,158)
<b>IV. Effect of Foreign Exchange Rate Changes on Cash and Cash Equivalents</b>		2,531	(5,736)
<b>V. Net (Decrease)/Increase in Cash and Cash Equivalents</b>	6	(10,905,924)	3,899,503
Add: Opening Balance of Cash and Cash Equivalents	6	11,369,799	7,470,296
<b>VI. Closing Balance of Cash and Cash Equivalents</b>	6	463,875	11,369,799

Legal representative:  
Sun Yongcai

Chief Accountant:  
Li Zheng

Person in Charge of the Accounting Department:  
Wang Jian

# The Consolidated Statement of Changes in Shareholders' Equity

From January to December 2020

Prepared by: CRR Corporation Limited

RMB'000

ITEM	For the year ended 31 December 2020										
	Equity attributable to shareholders of the Company								Sub-total	Non-controlling interests	Total shareholders' equity
	Share capital	Capital reserve	Other comprehensive income	Special reserve	Surplus reserve	General risk reserve	Retained earnings				
I. Balance at the end of the previous year	28,698,864	40,747,823	(1,084,770)	49,957	3,815,330	551,265	63,115,162	135,893,631	22,934,851	158,828,482	
II. Balance at the beginning of the current year	28,698,864	40,747,823	(1,084,770)	49,957	3,815,330	551,265	63,115,162	135,893,631	22,934,851	158,828,482	
III. Changes for the year	-	209,578	(208,140)	-	493,459	11,146	6,621,673	7,127,716	3,185,366	10,313,082	
(I) Total comprehensive income	-	-	(108,085)	-	-	-	11,331,053	11,222,968	2,479,542	13,702,510	
(II) Shareholders' contributions and reduction in capital	-	209,578	-	-	-	-	-	209,578	1,385,333	1,594,911	
1. Capital contribution from shareholders	-	-	-	-	-	-	-	-	1,440,948	1,440,948	
2. Others	-	209,578	-	-	-	-	-	209,578	(55,615)	153,963	
(III) Profit distribution	-	-	-	-	493,459	11,146	(4,809,435)	(4,304,830)	(679,509)	(4,984,339)	
1. Appropriation for surplus reserve	-	-	-	-	493,459	-	(493,459)	-	-	-	
2. Appropriation to general risk reserve	-	-	-	-	-	11,146	(11,146)	-	-	-	
3. Distributions to shareholders	-	-	-	-	-	-	(4,304,830)	(4,304,830)	(679,509)	(4,984,339)	
(IV) Transfers within shareholders' equity	-	-	(100,055)	-	-	-	100,055	-	-	-	
1. Other comprehensive income carried forward to retained earnings	-	-	(100,055)	-	-	-	100,055	-	-	-	
(V) Special reserve	-	-	-	-	-	-	-	-	-	-	
1. Appropriation of special reserve	-	-	-	662,331	-	-	-	662,331	97,785	760,116	
2. Amount utilised in the year	-	-	-	(662,331)	-	-	-	(662,331)	(97,785)	(760,116)	
IV. Balance at the end of the 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	



# The Consolidated Statement of Changes in Shareholders' Equity

From January to December 2020

Prepared by: CRRC Corporation Limited

ITEM	For the year ended 31 December 2019										
	Equity attributable to shareholders of the Company									Non-controlling interests	Total shareholders' equity
	Share capital	Capital reserve	Other comprehensive income	Special reserve	Surplus reserve	General risk reserve	Retained earnings	Sub-total			
I. Balance at the end of the previous year	28,698,864	40,628,708	(866,748)	49,957	3,279,992	551,265	56,115,657	128,457,695	21,226,932	149,684,627	
II. Balance at the beginning of the current year	28,698,864	40,628,708	(866,748)	49,957	3,279,992	551,265	56,115,657	128,457,695	21,226,932	149,684,627	
III. Changes for the year	-	119,115	(218,022)	-	535,338	-	6,999,505	7,435,936	1,707,919	9,143,855	
(I) Total comprehensive income	-	-	(163,558)	-	-	-	11,794,929	11,631,371	1,885,532	13,516,903	
(II) Shareholders' contributions and reduction in capital	-	119,115	-	-	-	-	(9,720)	109,395	573,052	682,447	
1. Capital contribution from shareholders	-	(58,103)	-	-	-	-	-	(58,103)	934,584	876,481	
2. Acquisitions of non-controlling interests	-	(19,698)	-	-	-	-	(9,720)	(29,418)	(356,596)	(386,014)	
3. Others	-	196,916	-	-	-	-	-	196,916	(4,936)	191,980	
(III) Profit distribution	-	-	-	-	535,338	-	(4,840,168)	(4,304,830)	(750,665)	(5,055,495)	
1. Appropriation for surplus reserve	-	-	-	-	535,338	-	(535,338)	-	-	-	
2. Distributions to shareholders	-	-	-	-	-	-	(4,304,830)	(4,304,830)	(750,665)	(5,055,495)	
(IV) Transfers within shareholders' equity	-	-	(54,464)	-	-	-	54,464	-	-	-	
1. Other comprehensive income carried forward to retained earnings	-	-	(54,464)	-	-	-	54,464	-	-	-	
(V) Special reserve	-	-	-	-	-	-	-	-	-	-	
1. Appropriation of special reserve	-	-	-	617,809	-	-	-	617,809	87,605	705,414	
2. Amount utilised in the year	-	-	-	(617,809)	-	-	-	(617,809)	(87,605)	(705,414)	
IV. Balance at the end of the year	28,698,864	40,747,823	(1,084,770)	49,957	3,815,330	551,265	63,115,162	135,893,631	22,934,851	158,828,482	

Legal representative:  
Sun Yongcai

Chief Accountant:  
Li Zheng

Person in Charge of the Accounting Department:  
Wang Jian

# The Company's Statement of Changes in Shareholders' Equity

From January to December 2020

Prepared by: CRRC Corporation Limited

RMB'000

ITEM	For the year ended 31 December 2020					
	Share capital	Capital reserve	Other comprehensive income	Surplus reserve	Retained earnings	Total shareholders' equity
I. Balance at the end of the previous year	28,698,864	62,803,844	(10,037)	3,815,330	6,077,921	101,385,922
II. Balance at the beginning of the current year	28,698,864	62,803,844	(10,037)	3,815,330	6,077,921	101,385,922
III. Changes in equity during the year	-	4,957	(26,617)	493,459	136,303	608,102
(I) Total comprehensive income	-	-	(26,617)	-	4,934,592	4,907,975
(II) Shareholders' contributions and reduction in capital	-	4,957	-	-	-	4,957
1. Others	-	4,957	-	-	-	4,957
(III) Profit distribution	-	-	-	493,459	(4,798,289)	(4,304,830)
1. Appropriation for surplus reserve	-	-	-	493,459	(493,459)	-
2. Distributions to shareholders	-	-	-	-	(4,304,830)	(4,304,830)
IV. Balance at the end of the year	28,698,864	62,808,801	(36,654)	4,308,789	6,214,224	101,994,024

ITEM	For the year ended 31 December 2019					
	Share capital	Capital reserve	Other comprehensive income	Surplus reserve	Retained earnings	Total shareholders' equity
I. Balance at the end of the previous year	28,698,864	62,804,362	(32,989)	3,279,992	5,564,707	100,314,936
II. Balance at the beginning of the current year	28,698,864	62,804,362	(32,989)	3,279,992	5,564,707	100,314,936
III. Changes in equity during the year	-	(518)	22,952	535,338	513,214	1,070,986
(I) Total comprehensive income	-	-	22,952	-	5,353,382	5,376,334
(II) Shareholders' contributions and reduction in capital	-	(518)	-	-	-	(518)
1. Other changes in equity of associates	-	(518)	-	-	-	(518)
(III) Profit distribution	-	-	-	535,338	(4,840,168)	(4,304,830)
1. Appropriation for surplus reserve	-	-	-	535,338	(535,338)	-
2. Distributions to shareholders	-	-	-	-	(4,304,830)	(4,304,830)
IV. Balance at the end of the year	28,698,864	62,803,844	(10,037)	3,815,330	6,077,921	101,385,922

Legal representative:  
Sun Yongcai

Chief Accountant:  
Li Zheng

Person in Charge of the Accounting Department:  
Wang Jian

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## III. 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.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

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

### 1. General information (continued)

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.

### 2. Scope of consolidated financial statements

Company name	Principal place of business	Registered office	Type of legal entity	Legal representative	Business scope/Nature of business	Unified social credit code	Paid-in capital (RMB'000)	Shareholding proportion (%)	Voting proportion (%)
CRRC Changchun Railway Vehicles Co. Ltd. ("CRRC Changchun")	China	Changchun	limited company	Wang Run	Manufacturing	91220000735902224D	5,807,947	93.54	93.54
CRRC Zhuzhou Institute Co., Ltd. ("CRRC Zhuzhou Institute")	China	Zhuzhou	limited liability company	Li Donglin	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	limited company	Tian Xuehua	Manufacturing	91370200740365750X	4,322,565	97.81	97.81
CRRC Tangshan Co., Ltd. ("CRRC Tangshan")	China	Tangshan	limited liability company	Hou Zhigang	Manufacturing	911302216636887669	3,990,000	100.00	100.00
CRRC Dalian Co., Ltd. ("CRRC Dalian")	China	Dalian	limited liability company	Lin Cunzeng	Manufacturing	91210200241283929E	4,180,000	100.00	100.00
CRRC Qiqihar Group Co., Ltd. ("CRRC Qiqihar Group")	China	Qiqihar	limited liability company	Gu Chunyang	Manufacturing	91230200057435769W	7,000,000	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	5,674,458	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	Yao Guosheng	Manufacturing	913204006638182170	2,298,020	100.00	100.00
CRRC Qishuyan Institute Co., Ltd. ("CRRC Qishuyan Institute")	China	Changzhou	limited liability company	Wang Hongnian	Manufacturing	91320400137168058A	2,079,200	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	91320191663764650N	4,255,630	100.00	100.00

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

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

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

Company name	Principal place of business	Registered office	Type of legal entity	Legal representative	Business scope/Nature of business	Unified social credit code	Paid-in capital (RMB'000)	Shareholding proportion (%)	Voting proportion (%)
CRRC Hong Kong Capital Management Co., Ltd. ("CRRC Hong Kong Capital Management") (Note 1)	China	Hong Kong	limited liability company	Li Jin	Investment and capital operation	N/A	3,503,568	100.00	100.00
CRRC Construction Engineering Co., Ltd. ("CRRC Construction Engineering") (Note 2)	China	Beijing	limited liability company	Wang Hongwei	Housing industry	91110106590663663T	1,500,000	50.00	50.00
CRRC Yongji Moto Co., Ltd. ("CRRC Yongji Moto") (Note 3)	China	Yongji	limited liability company	Xiao Anhua	Manufacturing	91140881664458751J	1,290,000	100.00	100.00
CRRC 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 Moto Co., Ltd. ("CRRC Zhuzhou Moto")	China	Zhuzhou	limited liability company	Zhou Junjun	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	Sun Kai	Manufacturing	91110000664625580F	805,000	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	Jiang Dong	Manufacturing	91210200243024402A	350,000	100.00	100.00
CRRC Sifang Co., Ltd. ("CRRC Sifang")	China	Qingdao	limited liability company	Lan Yuzhen	Manufacturing	9137020016357624X1	343,095	100.00	100.00
CRRC Logistics Co., Ltd. ("CRRC Logistics")	China	Beijing	limited liability company	Liu Zhenqing	Logistics and trade	91110108737682982M	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	200,000	100.00	100.00
CRRC International Co., Ltd. ("CRRC International")	China	Beijing	limited liability company	Luo Chongfu	Trading	911101067109217367	700,000	100.00	100.00
Beijing CNR CR Transportation Equipment Co., Ltd. ("Beijing CNR CR Transportation Equipment")	China	Beijing	limited liability company	Zhang Yan	Manufacturing	91110106684367734P	20,000	51.00	51.00
CRRC Information Technology Co., Ltd. ("CRRC Information Technology")	China	Beijing	limited liability company	Tang Xiankang	Software development	91110108700035941C	50,000	100.00	100.00

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## III. BASIC INFORMATION ABOUT THE COMPANY *(continued)*

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

Company name	Principal place of business	Registered office	Type of legal entity	Legal representative	Business scope/Nature of business	Unified social credit code	Paid-in capital (RMB'000)	Shareholding proportion (%)	Voting proportion (%)
CRRC SA (PTY) LTD	South Africa	South Africa	limited liability company	Han Xiaobo	Manufacturing	N/A	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 4)	China	Zhuzhou	limited company	Li Donglin	Manufacturing	914300007808508659	1,175,477	53.19	53.19
Zhuzhou Times New Material Technology CO., LTD. (Times New Material*) (Note 5)	China	Zhuzhou	limited company	Yang Jun	Manufacturing	91430200712106524U	802,798	39.55	51.02

Note 1: During the year, the Company injected its 69.62% equity in CRRC Hong Kong Co., Ltd. in the form of non-monetary assets to CRRC Hong Kong Capital Management, a wholly-owned subsidiary of the Company. Upon the completion of capital injection, CRRC Hong Kong became a wholly-owned subsidiary of CRRC Hong Kong Capital Management, with its financial statements consolidated accordingly.

Note 2: CRRC Construction Engineering is a subsidiary of the Company. During the year, the Company transferred 50% of CRRC Construction Engineering's equity to CRRC Rail Transit Construction and Investment Co., Ltd., a subsidiary of CRRC Group, the controlling shareholder of the Company. After the transfer, the Company still controls CRRC Construction Engineering.

Note 3: During the year, CRRC Yongji Moto, a subsidiary of the company, is entrusted by the Company to conduct overall management of CRRC Dalian R&D Co., Ltd., ("CRRC Dalian R&D") on the basis of holding 50% equity of CRRC Dalian R&D. CRRC Dalian R&D became a subsidiary of CRRC Yongji Moto.

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

Note 5: Times new material is a subsidiary of Zhuzhou Institute. The equity interests of Times new material held by the Company was 39.55%. Since CRRCG held 11.47% equity interest of Times new material and has authorised the Company to exercise its voting rights, the voting rights of Times new material held by the Company became 51.02%.



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## IV. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

### 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 the fiscal year of 2019, 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 is 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 31 December 2020 and found no matters or circumstances that could raise serious doubts about the going concern capability. These financial statements have been prepared on a going concern basis.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## V. 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 31 December 2020, and consolidated and the Company's operating results and cash flows for the year then ended.

### 2. Accounting period

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

### 3. Business cycle

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

### 4. Reporting currency

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

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

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

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

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

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

### 5. Basis of accounting and principle of measurement *(continued)*

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 and 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.

#### (1) Business combinations involving enterprises under common control

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## V. 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 enterprises under common control *(continued)*

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

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

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

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

The cost of combination is the 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.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## V. 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.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

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

### 7. Basis for preparation of consolidated financial statements *(continued)*

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 V, 14.

### 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.



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

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

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

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.

### 11. Financial instruments

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

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

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

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

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.

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.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## V. 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 are presented under held-for-trading financial assets. Financial assets due over one year since the balance sheet date or without a fixed expiring date are presented under other non-current financial assets

Upon initial recognition, the Group may irrevocably designate non-tradable equity instrument investment as financial assets measured at FVTOCI, except for contingent considerations recognised in the business combination not under the common control. Such type of financial assets shall be presented as 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 liabilities are derivatives, except for derivatives that meet the definition of a financial guarantee contract and that are 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.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

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

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

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

##### *(b) Categorised into 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 included 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) 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) 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.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

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

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

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

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.

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.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

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

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

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

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

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

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

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

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

- Significant financial difficulty of the issuer or the borrower;
- A breach of contract by the debtor, such as a default or delinquency in interest or principal payments;
- The creditor, for economic or legal reasons relating to the debtor's financial difficulty, granting a concession to the debtor;



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## V. 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 *(continued)*

- 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.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## V. 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.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

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

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

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

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.

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:

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## V. 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)*

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

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

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

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

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

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.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

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

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

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

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

The Group 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.

#### (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.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

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

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

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

- 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 of 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 Consolidated Financial Statements

For the year ended 31 December 2020

## V. 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. Reusable 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.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

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

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

#### (1) Assets held for sale *(continued)*

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.

#### (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.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

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

### 14. Long-term equity investments

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

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

#### (2) Determination of investment cost

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

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

#### (3) Subsequent measurement and recognition of profit or loss

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

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

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

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

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

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

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

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

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

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

The Group discontinues 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.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## V. 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 V, 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 V, 20.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

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

### 16. Fixed assets

#### (1) Recognition criteria

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

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

#### (2) Depreciation method

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

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

If a fixed asset is upon disposal or no future economic benefits are expected to be generated from its use or disposal, the fixed asset is 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 V, 20.



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

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

### 17. Construction in progress

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

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

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

### 18. Borrowing Costs

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

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

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

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

During the 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.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

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

### 18. Borrowing Costs *(continued)*

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.

The useful lives of the intangible assets are as follows:

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

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

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

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

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

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

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

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## V. 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.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

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

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

#### (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.

#### (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 remeasurement of net liabilities or net assets of defined benefit plans (including actuarial gains and losses).

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

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

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

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

#### (3) Accounting for termination benefits

When the Group terminates the employment relationship with employees before the end of the employment contracts or provides compensation as an offer to encourage employees to accept voluntary redundancy, a provision shall be 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.

### 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.



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

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

### 24. Revenue

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

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

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

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

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

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

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

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

### 24. Revenue *(continued)*

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

If the contract includes 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.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

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

### 24. Revenue *(continued)*

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

- (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.

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

Contract asset refers to the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer when that right is conditioned on something other than the passage of time. Accounting policies relating to contract asset are specified in Note V, 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 Note V, 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, e.g. an incremental sales commission. 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.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

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

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

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.

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.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

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

### 26. Government grants *(continued)*

#### (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.

### 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.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

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

### 27. Deferred tax assets/Deferred tax liabilities *(continued)*

#### (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 realised 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.



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## V. 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 leases 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.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

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

### 28. Leases *(continued)*

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

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

##### (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.

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 V.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.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

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

### 28. Leases *(continued)*

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

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

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

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.

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.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

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

### 28. Leases *(continued)*

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

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

##### (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.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

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

### 28. Leases *(continued)*

#### (1) Recognition and accounting of leases under new leases 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 V.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;

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

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

### 28. Leases *(continued)*

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

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

###### (b) Classification of lease *(continued)*

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

- 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.

###### (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.



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

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

### 28. Leases *(continued)*

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

##### (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 V.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 V.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.

### 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.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

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

### 29. Other significant accounting policies and accounting estimates *(continued)*

#### (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 V, 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.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

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

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

#### (1) Impairment of goodwill

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

#### (2) Credit loss allowance for receivables and contract assets

Except for that the Group recognises credit loss for receivables and contract assets that are individually significant or have credit impaired on an individually basis, the Group determines the expected credit loss of receivables and contract assets on a collectively basis using a provision matrix. For receivables and contract assets whose credit loss are determined individually, the Group determines the credit loss by estimating the expected cash flows based on reasonable and evidenced information available on the balance sheet date with forward-looking information taken into consideration. For receivables and contract assets other than the above, the Group, based on the historical collection condition, determines the proportion of corresponding loss provision for each type of receivables and contract assets with similar credit risk characteristics on a portfolio basis. The provision matrix is based on the Group's historical credit loss experience and is based on reasonable and evidence-based forward-looking information that is available without undue cost or effort. As at 31 December 2020, the Group has reassessed the historical actual credit loss rate and considered changes in forward-looking information.

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

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

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

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

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

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

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

#### (8) Warranties for product quality

Based on the recent experience in product maintenance, the Group will estimate the provisions for aftersales 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.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

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

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

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

The following accounting standards take effect for annual periods beginning on or after 1 January 2020 and are relevant to the Group:

- CAS Bulletin No.13 (Cai Kuai [2019] No. 21) (“CAS Bulletin No.13”)
- The Accounting Treatment of COVID-19-Related Rent Concessions (Caikuai [2020] No.10)

#### (a) **CAS Bulletin No.13**

CAS Bulletin No.13 has amended the three elements of constituting a business, provides specific guidance on the determination of a business, and introduces an optional concentration test when the acquirer determine whether an acquired set of assets that not involving enterprises under common control constitute a business.

In addition, CAS Bulletin No.13 further clarifies that related parties of an enterprise shall also include the joint ventures or associates of other member entities (including the parent and subsidiaries) of the group which the enterprise belongs to, as well as other joint ventures or associates of the investors who exercise joint control over the enterprise

CAS Bulletin No.13 takes effect on 1 January 2020. The Group has adopted the accounting policy change prospectively. The adoption of CAS Bulletin No.13 does not have any significant effect on the financial position, financial performance or related party disclosures of the Group.

#### (b) **Cai Kuai [2020] No.10**

Cai Kuai [2020] No. 10 introduces a practical expedient for rent concessions occur as a direct consequence of the COVID-19 pandemic where specific criteria are met. If an enterprise elects to apply the practical expedient, there is no need to assess whether there are any lease modifications nor to reassess lease classification.

Caikuai [2020] No.10 takes effect on 24 June 2020 (the implementation date). The entity is allowed to adjust the related rent concessions that occurred between 1 January 2020 and the implementation date. The adoption of Caikuai [2020] No.10 does not have any significant effect on the financial position or financial performance of the Group.

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

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## VI. 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
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 Company, CRRC Zhuzhou Institute and its holding subsidiaries sell their self-developed and self-produced software products in 2020.

#### (2) Enterprise income tax

As approved by relevant Provincial Department of Science and Technology, Provincial Department of Finance, Provincial Office of the State Administration of Taxation, and Provincial Local Taxation Bureau, CRRC Nanjing Puzhen and CRRC Industrial Institute obtained high-tech enterprise certificate in 2018, and is subject to an enterprise income tax at a reduced rate of 15% from 2018 to 2020. The Group expected that they would remain the reduced rate of 15% in 2021.



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## VI. TAXES (continued)

### 2. Tax incentive (continued)

#### (2) Enterprise income tax (continued)

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

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

As approved by relevant Municipal Department of Science and Technology, Municipal Department of Finance, Municipal Office of the State Administration of Taxation, and Municipal Local Taxation Bureau, CRRC Sifang and CRRC Dalian obtained high-tech enterprise certificate in 2018, and is subject to an enterprise income tax at a reduced rate of 15% from 2018 to 2020. The Group expected that they would remain the reduced rate of 15% in 2021.

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 is subject to an enterprise income tax at a reduced rate of 15% from 2020 to 2022.

According to the Notice of the MoF, the General Administration of Customs and the State Administration of Taxation on Tax Policy Issues concerning Further Implementing the Western China Development Strategy (Cai Shui [2011] No. 58), From 1 January 2011 to 31 December 2020, the enterprise income tax on an enterprise in an encouraged industry established in western China shall be paid at the reduced rate of 15%. As approved by Sichuan State Taxation Bureau, the principal operations of CRRC Ziyang are defined as state encouraged projects which levied at a reduced rate of 15%. The Group expected that they would remain the reduced rate of 15% in 2021.

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.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## VI. TAXES (continued)

### 2. Tax incentive (continued)

#### (2) Enterprise income tax (continued)

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

Pursuant to the Inland Revenue (Amendment) (No. 2) Ordinance 2016 of the Hong Kong SAR, CRRC Hong Kong capital management Ltd 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%.

## VII. NOTES OF CONSOLIDATED FINANCIAL STATEMENTS

### 1. Cash and bank balances

RMB'000

Item	Closing balance	Opening balance
Cash on hand	1,950	2,027
Bank deposits	32,531,417	40,656,503
Other cash and bank balances	958,992	4,246,234
Total	33,492,359	44,904,764
Including: Total amount deposited overseas	3,907,479	5,171,079

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

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

### 1. Cash and bank balances (continued)

Other descriptions:

Restricted funds of the Group:

RMB'000

Item	Closing balance	Opening balance
Statutory reserve deposited by CRRC Finance at central bank	1,370,913	1,513,236
Guarantee deposits for acceptances	620,083	1,137,930
Guarantee deposits for letter of credit	26,991	16,942
Guarantee deposits for letter of guarantee	194,140	294,707
Pledge of bank borrowings for the Group	1,667	809
Deposits subject to government regulation or special restrictions and others (Note)	120,080	2,795,807
Total	2,333,874	5,759,431

Note: Between 2017 and 2020, certain bank balances held by the Group's South African subsidiary in local bank accounts in South Africa were blocked by the South African Reserve Bank and the South African Revenue Service on the grounds that the Group's South African subsidiary may be suspected of violating the South African exchange control regulations and tax regulations. As at 31 December 2019, the blocked funds totalled ZAR4.45 billion (equivalent to RMB2.2 billion), and was included in the "Cash and bank balances". As at 31 December 2020, the blocked funds totalled ZAR4.65 billion (equivalent to RMB2.1 billion), and was included in "Other non-current assets". Disclosures of the related contingencies are set out in Note XIII.2

As at 31 December 2020, the term deposits that have not been pledged or restricted for use for three months or over three months is RMB1,318,107,000 (as at 31 December 2019: RMB3,325,747,000).

### 2. Placements with banks and other financial institutions

RMB'000

Item	Closing balance	Opening balance
Placements with other financial institutions of CRRC Finance	–	139,524
Total	–	139,524

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

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

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

RMB'000

Item	Closing balance	Opening balance
Investments in equity instruments	1,606,487	1,174,225
Derivatives	2,428	2,550
Others (Note)	4,190,475	8,003,841
Total	5,799,390	9,180,616

Other descriptions:

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

### 4. Bills receivable

#### (1) Category of bills receivable

RMB'000

Item	Closing balance	Opening balance
Bank acceptances	4,503,501	5,098,282
Commercial acceptances	8,308,230	9,189,560
Less: Credit loss allowance	(32,338)	(41,877)
Total	12,779,393	14,245,965

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

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

### 4. Bills receivable *(continued)*

#### (2) Bills receivable pledged at the end of the year

	RMB'000
	Amount pledged as at 31 December 2020
Item	
Bank acceptances	137,630
Commercial acceptances	74,000
Total	211,630

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

	RMB'000
	Amount not derecognised as at 31 December 2020
Item	
Bank acceptances	1,282,186
Commercial acceptances	3,181,892
Total	4,464,078

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

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

### 4. Bills receivable *(continued)*

#### (4) Details of provision for credit loss allowance

RMB'000

Credit loss allowance	12-month ECL (Non-credit impaired)	Total
Balance at 31 December 2019	41,877	41,877
Provision	32,338	32,338
Reversal	(41,877)	(41,877)
Balance at 31 December 2020	32,338	32,338

(5) As at 31 December 2020, bills receivable due from related parties are set out in Note XII, 5.

### 5. Accounts receivable

#### (1) Aging analysis of accounts receivable

RMB'000

Ageing	Closing book value	Opening book value
Within 1 year	<b>68,444,167</b>	54,186,217
1-2 years	<b>3,328,013</b>	4,754,799
2-3 years	<b>1,379,345</b>	2,274,474
3-4 years	<b>1,274,251</b>	1,202,072
4-5 years	<b>442,791</b>	1,434,048
Over 5 years	<b>1,802,039</b>	1,736,162
Sub-total	<b>76,670,606</b>	65,587,772
Less: Credit loss allowance	<b>(4,700,980)</b>	(5,875,348)
Total	<b>71,969,626</b>	59,712,424

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

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

### 5. Accounts receivable (continued)

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

RMB'000

Category	Closing balance					Opening balance				
	Book value		Credit loss allowance		Carrying amount	Book value		Credit loss allowance		Carrying amount
	Amount	Proportion (%)	Amount	Proportion (%)		Amount	Proportion (%)	Amount	Proportion (%)	
Provision on individual basis	7,462,031	9.7	(3,286,937)	44.0	4,175,094	10,279,644	15.7	(4,092,819)	39.8	6,186,825
Provision on portfolio basis	69,208,575	90.3	(1,414,043)	2.0	67,794,532	55,308,128	84.3	(1,782,529)	3.2	53,525,599
Total	76,670,606	100.0	(4,700,980)	/	71,969,626	65,587,772	100.0	(5,875,348)	/	59,712,424

#### (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	Proportion (%)	
Accounts receivable 1	213,676	(213,676)	100.0	Note
Accounts receivable 2	177,790	(177,790)	100.0	Note
Accounts receivable 3	150,712	(150,712)	100.0	Note
Accounts receivable 4	123,818	(123,198)	99.5	Note
Accounts receivable 5	203,416	(120,768)	59.4	Note
Others	6,592,619	(2,500,793)	37.9	Note
Total	7,462,031	(3,286,937)	44.0	/

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 Consolidated Financial Statements

For the year ended 31 December 2020

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

### 5. Accounts receivable (continued)

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

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

Items provided on a portfolio basis:

RMB'000

Ageing	Expected credit loss rate (%)	Book value at 31 December 2020	Credit loss allowance	Carrying amount at 31 December 2020
Within 1 year	0.1-2.0	64,552,538	(500,317)	64,052,221
1-2 years	1.0-10.0	2,704,205	(164,565)	2,539,640
2-3 years	5.0-25.0	739,537	(102,450)	637,087
3-4 years	20.0-30.0	329,236	(88,554)	240,682
4-5 years	35.0-50.0	192,904	(87,571)	105,333
Over 5 years	60.0-70.0	690,155	(470,586)	219,569
Total	/	69,208,575	(1,414,043)	67,794,532

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

RMB'000

Credit loss allowance	Lifetime ECL (Non-credit impaired)	Lifetime ECL (Credit loss occurred)	Total
At 1 January 2020	1,956,289	3,919,059	5,875,348
Transfer to Phase 2	–	–	–
Transfer to Phase 3	(191,279)	191,279	–
Provision	374,121	271,410	645,531
Reversal	(574,329)	(433,839)	(1,008,168)
Write-off	–	(487,102)	(487,102)
Other changes	(33,498)	(291,131)	(324,629)
At 31 December 2020	1,531,304	3,169,676	4,700,980

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

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

### 5. Accounts receivable (continued)

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

RMB'000

Company name	Relationship with the Group	Closing book value	Proportion to total accounts receivable (%)
Top five accounts receivable	Third party	46,108,920	60.14

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

RMB'000

Item	Ways to transfer accounts receivable	Amount derecognised during January to December 2020
CRRC Trust Assets-backed Notes	Securitisation	5,571,911
Accounts receivable factoring	Factoring	11,169,146
Total	/	16,741,057

Other descriptions:

As at 31 December 2020, the Group has accounts receivable with carrying amount equivalent to RMB9,283,000 (31 December 2019: RMB53,105,000) as pledge for bank loans.

As at 31 December 2020, amounts due from related parties of the Group are set out in Note XII, 5.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

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

### 6. Receivables at FVTOCI

RMB'000

Item	Closing balance	Opening balance
Bills receivable	6,693,055	11,494,707
Accounts receivable	1,471,159	1,590,906
Total	8,164,214	13,085,613

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

RMB'000

Item	Closing balance
Cost	8,298,238
Fair value	8,164,214
Fair value changes accumulated included in other comprehensive income	(134,024)

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

RMB'000

Item	Pledged amount at the end of the year
Bank acceptances	286,893
Total	286,893

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

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

### 6. Receivables at FVTOCI (continued)

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

RMB'000

Item	Amount derecognised at end of the year
Bank acceptances	17,345,897
Commercial acceptances	168,213
Total	17,514,110

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

RMB'000

Credit loss allowance	Phase 1 12-month ECL (No credit loss occurred)	Total
Balance at 1 January 2020	7,054	7,054
Provision	7,162	7,162
Reversal	(7,054)	(7,054)
Balance at 31 December 2020	7,162	7,162

(5) As at 31 December 2020, amounts due from related parties of the Group are set out in Note XII, 5.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

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

### 7. Prepayments

#### (1) Prepayments presented by ageing

RMB'000

Ageing	Closing balance		Opening balance	
	Amount	Proportion (%)	Amount	Proportion (%)
Within 1 year	6,547,564	77.2	7,708,551	77.8
1-2 years	628,342	7.4	860,367	8.7
2-3 years	481,048	5.7	383,324	3.9
Over 3 years	824,988	9.7	956,977	9.6
Total	8,481,942	100.0	9,909,219	100.0

#### (2) Details of prepayments with Top five closing balance

RMB'000

Company name	Relationship with the Group	Closing balance	Proportion to total prepayments (%)
Top 5 prepayments	Third party	1,489,031	17.56

#### (3) As at 31 December 2020, prepayments made to related parties of the Group are set out in Note XII, 5.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

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

### 8. Other receivables

#### Presentation by categories

RMB'000

Item	Closing balance	Opening balance
Interest receivable	15,946	45,355
Dividends receivable	117,946	148,563
Other receivables	4,577,503	2,405,137
Total	4,711,395	2,599,055

#### Interest receivable

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

RMB'000

Item	Closing balance	Opening balance
Bonds investment	14,875	16,656
Others	1,071	28,699
Total	15,946	45,355

#### Dividends receivable

##### (1) Dividends receivable

RMB'000

Item (or investee)	Closing balance	Opening balance
Related party	117,716	92,074
Third party	230	56,489
Total	117,946	148,563

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

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

### 8. Other receivables (continued)

#### Other receivables

##### (1) Analysis by aging

RMB'000

Ageing	Closing book value	Opening book value
Within 1 year	4,214,115	1,756,099
1-2 years	270,363	725,883
2-3 years	228,534	294,238
3-4 years	292,816	54,800
4-5 years	27,740	58,588
Over 5 years	339,736	572,822
Sub-total	5,373,304	3,462,430
Less: Credit loss allowance	(795,801)	(1,057,293)
Total	4,577,503	2,405,137

##### (2) Categorised by nature:

RMB'000

Nature	Closing book value	Opening book value
Advances paid for others	1,173,561	840,371
Deposits and securities	670,641	525,761
Land transfer receivables	51,523	51,525
Receivables from equity disposal	1,330,721	-
Others	1,351,057	987,480
Total	4,577,503	2,405,137



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

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

### 8. Other receivables (continued)

#### Other receivables (continued)

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

RMB'000

Credit loss allowance	12-month ECL (Non-credit impaired)	Lifetime ECL (Non-credit impaired)	Lifetime ECL (Credit impaired)	Total
Balance at 1 January 2020	31,062	7,772	1,018,459	1,057,293
Transfer to Phase 2	–	–	–	–
Transfer to Phase 3	(2,207)	(7,164)	9,371	–
Provision	8,107	–	66,899	75,006
Reversal	(8,892)	(578)	(17,305)	(26,775)
Write-off	–	(30)	(215,038)	(215,068)
Other changes	3,245	–	(97,900)	(94,655)
Balance at 31 December 2020	31,315	–	764,486	795,801

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

RMB'000

Company name	Nature	Closing balance	Proportion to total closing balance of other receivables (%)
Top 5 other receivables	Related party/Third party	2,590,683	48.21

(5) As at 31 December 2020, other receivables due from related parties of the Group are set out in Note XII, 5.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

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

### 9. Inventories

#### (1) Category of inventories

RMB'000

Item	Book value	Closing balance		Book value	Opening balance	
		Provision for impairment of inventories	Carrying amount		Provision for impairment of inventories	Carrying amount
Raw materials	16,248,833	(816,253)	15,432,580	18,130,578	(876,486)	17,254,092
Work in progress	34,059,680	(1,055,595)	33,004,085	33,453,471	(1,126,267)	32,327,204
Finished goods	14,841,727	(591,879)	14,249,848	11,606,037	(675,696)	10,930,341
Turnover materials	228,520	(14,852)	213,668	202,546	(15,307)	187,239
Commissioned processing materials	66,068	(126)	65,942	135,468	(576)	134,892
<b>Total</b>	<b>65,444,828</b>	<b>(2,478,705)</b>	<b>62,966,123</b>	<b>63,528,100</b>	<b>(2,694,332)</b>	<b>60,833,768</b>

#### (2) Provision for impairment of inventories

RMB'000

Item	Opening balance	Increases			Decreases		Closing balance
		Provision	Others	Reversal	Write-off	Others	
Raw materials	876,486	178,765	2,105	(130,867)	(110,120)	(116)	<b>816,253</b>
Work in progress	1,126,267	129,086	10,266	(69,016)	(141,008)	-	<b>1,055,595</b>
Finished goods	675,696	208,592	1,329	(50,684)	(235,110)	(7,944)	<b>591,879</b>
Turnover materials	15,307	2,861	1,431	(3,395)	(1,352)	-	<b>14,852</b>
Commissioned processing materials	576	90	-	-	(540)	-	<b>126</b>
<b>Total</b>	<b>2,694,332</b>	<b>519,394</b>	<b>15,131</b>	<b>(253,962)</b>	<b>(488,130)</b>	<b>(8,060)</b>	<b>2,478,705</b>

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

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

### 10. Contract assets

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

RMB'000

Item	Closing balance	Opening balance
Sale of goods related (Note 1)	29,743,283	23,824,746
Project contracting related (Note 2)	4,429,120	2,312,863
Less: Credit loss allowance on contract assets	(332,135)	(231,803)
Sub-total	33,840,268	25,905,806
Less: Contract assets presented under other non-current assets (Note VII, 27)	(14,954,887)	(9,540,840)
Total	18,885,381	16,364,966

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

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

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

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

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

### 10. Contract assets (continued)

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

RMB'000

Credit loss allowance	Lifetime ECL (Non-credit impaired)	Lifetime ECL (Credit impaired)	Total
Balance at 1 January 2020	230,536	1,267	231,803
Transfer to Phase 2	–	–	–
Provision	118,190	402	118,592
Reversal	(18,966)	(319)	(19,285)
Other changes	1,025	–	1,025
Balance at 31 December 2020	330,785	1,350	332,135

(3) As at 31 December 2020, book value of contract assets of related parties of the Group are set out in Note XII, 5.

### 11. Non-current assets due within one year

RMB'000

Item	Closing balance	Opening balance
Long-term receivables due within one year (Note VII, 15)	5,574,780	6,415,374
Loans and advances due within one year (Note VII, 13)	10,820,712	7,966,056
Debt investments due within one year (Note VII, 14)	721,949	34,863
Other non-current assets due within one year (Note VII, 27)	7,344	–
Total	17,124,785	14,416,293

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

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

### 12. Other current assets

RMB'000

Item	Closing balance	Opening balance
Withholding VAT	4,734,884	5,157,028
Bond investment	567,758	567,789
Others	40,098	95,312
Total	5,342,740	5,820,129

### 13. Loans and advances to customers

RMB'000

Item	Closing balance	Opening balance
Loans and advances made by CRRC Finance	10,965,024	8,272,417
Less: Credit loss allowance	(144,312)	(125,773)
Sub-total	10,820,712	8,146,644
Including: Loans and advances due within one year (Note VII, 11)	10,820,712	7,966,056
Loans and advances due after one year	–	180,588

As at 31 December 2020, the details of loans and advances (inclusive of the portion due within one year) to related parties are set out in Note XII, 5.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

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

### 14. Debt investments

#### (1) Details of debt investments

Item	Closing balance			Opening balance		
	Book value	Credit loss allowance	Carrying amount	Book value	Credit loss allowance	Carrying amount
Five-year USD Notes of China Merchants Group	195,746	–	195,746	209,285	–	209,285
Five-year Medium Term Notes of Minsheng Financial Leasing Co., Ltd.	193,637	–	193,637	209,284	–	209,284
Three-year Bonds of Tongfang Co., Ltd.	195,435	–	195,435	207,719	–	207,719
Seven-year Medium Term Notes of China Aircraft Leasing Group Holdings Limited	177,597	–	177,597	187,673	–	187,673
Related to "Built-transfer"-Nanjing Qilin Modern Tram Construction Co., Ltd.	82,248	–	82,248	174,660	–	174,660
Five-year Medium Term Notes of China Aircraft Leasing Group Holdings Limited	130,025	–	130,025	145,952	–	145,952
Five-year Bonds of Qingdao City Construction Investment (Group) Co., Ltd.	130,688	–	130,688	139,387	–	139,387
Others	786,183	(600)	785,583	419,737	(600)	419,137
Sub-total	1,891,559	(600)	1,890,959	1,693,697	(600)	1,693,097
Less: Debt investment included in non-current assets due within one year (Note VII, 11)	(721,949)	–	(721,949)	(34,863)	–	(34,863)
Total	1,169,610	(600)	1,169,010	1,658,834	(600)	1,658,234

RMB'000

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

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

### 14. Debt investments (continued)

#### (2) Provision for credit loss allowance:

RMB'000

Credit loss allowance	Phase 3 Lifetime ECL (Credit impaired)	Total
Balance at 1 January and 31 December 2020	600	600

### 15. 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	15,323,376	(2,721,918)	12,601,458	14,437,312	(2,947,657)	11,489,655	4.9%-14%
Sales by instalments	3,114,890	(622,308)	2,492,582	3,015,135	(535,743)	2,479,392	4%-6%
Construction payment and Built-transfer receivables	3,985,400	(255,868)	3,729,532	3,217,432	(252,187)	2,965,245	3.5%-6%
Total	22,423,666	(3,600,094)	18,823,572	20,669,879	(3,735,587)	16,934,292	/
Less: Long-term receivables due within one year (Note VII, 11)	/	/	(5,574,780)	/	/	(6,415,374)	/
Long-term receivables due after one year	/	/	13,248,792	/	/	10,518,918	/



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

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

### 15. Long-term receivables (continued)

#### (2) Provision for credit loss allowance:

RMB'000

Credit loss allowance	Phase 2 Lifetime ECL (Non-credit impaired)	Stage 3 Lifetime ECL (Credit impaired)	Total
At 1 January 2020	331,364	3,404,223	3,735,587
Provision	193,825	571,170	764,995
Reversal	(2,789)	(96,353)	(99,142)
Write-off	–	(882,229)	(882,229)
Other changes	12,699	68,184	80,883
At 31 December 2020	535,099	3,064,995	3,600,094

#### (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	<b>8,635,845</b>	10,581,337
2nd year after the balance sheet date	<b>3,529,382</b>	2,231,130
3rd year after the balance sheet date	<b>2,705,892</b>	1,807,093
4th year after the balance sheet date	<b>1,381,131</b>	1,088,612
5th year after the balance sheet date	<b>649,459</b>	624,604
Years afterwards	<b>943,175</b>	922,540
Total of the minimum amount of the lease receivable	<b>17,844,884</b>	17,255,316
Less: Unrealised financing income	<b>(2,521,508)</b>	(2,818,004)
Credit loss allowance	<b>(2,721,918)</b>	(2,947,657)
Financing lease receivable	<b>12,601,458</b>	11,489,655
Including: Financing lease receivable due within one year	<b>5,014,176</b>	5,840,285
Financing lease receivable due after one year	<b>7,587,282</b>	5,649,370

As at 31 December 2020, the Group has long-term receivables with carrying amount equivalent to RMB1,068,174,000 (31 December 2019: RMB371,694,000) as pledge for the Group to obtain bank loans.

As at 31 December 2020, long-term receivables (inclusive of the portion due within one year) due from related parties of the Group are set out in Note XII, 5.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

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

### 16. Long-term equity investments

RMB'000

Investee	Opening balance	Increasing investment	Decreasing investment	Changes during the year			Announcement of cash dividends or profits	Provision for impairment loss	Others (Note II)	Closing balance
				Investment gains or losses under equity method	Adjustment of other comprehensive income	Other equity changes (Note I)				
<b>I. Joint ventures</b>										
Wuhu Yunda Rail Transit Construction And Operation Co., Ltd. ("Wuhu Yunda")	473,000	33,530	-	-	-	-	-	-	-	506,530
Dalian Toshiba Locomotive Electric Equipment Co., Ltd.	371,251	-	-	11,281	-	-	(20,146)	-	-	362,386
Changchun Bombardier Railway Vehicles Company Ltd.	277,614	-	-	23,086	-	-	-	-	-	300,700
Zhuzhou Times Mitsubishi Transportation Equipment Co., Ltd.	208,280	-	-	(22,116)	-	-	-	-	-	186,164
Zhuzhou CRRC Times High-tech Investment & Trusting Co., Ltd.	207,642	-	-	10,251	-	-	-	-	-	217,893
Qingdao Sifang Faiveley Railway Brake Co., Ltd.	113,819	-	-	22,869	-	-	(17,500)	-	-	119,188
Others	1,163,119	17,212	(39,768)	(14,330)	(8,091)	-	(14,001)	(1,602)	(1,989)	1,100,550
Sub-total	2,814,725	50,742	(39,768)	31,041	(8,091)	-	(51,647)	(1,602)	(1,989)	2,793,411
<b>II. Associates</b>										
China United Insurance Holding Company ("China United Insurance")	5,145,343	-	-	154,871	(27,587)	-	(22,000)	-	-	5,250,627
CRRC Hunan Times Electric Vehicle Co., Ltd.	1,797,733	-	-	(320,962)	-	-	-	-	-	1,476,771
Jinan-Qingdao High-speed Railway Co., Ltd.	1,256,381	-	-	(47,907)	-	-	-	-	-	1,208,474
Beijing Time New Park Property Management Co., Ltd.	-	-	-	-	-	-	-	-	456,903	456,903
CRRC Ziyang Electric Technology Co., Ltd.	488,905	-	-	(135,513)	-	-	-	-	-	353,392
CRRC Foshan Investment Development Co., Ltd.	317,500	-	-	-	-	-	-	-	-	317,500
Tianjin Electric Locomotive Co., Ltd. ("Tianjin Electric Locomotive")	316,734	-	-	1,361	-	4,700	-	-	-	322,795
CRRC Tianjin Jintpu Industrial Park Management Co., Ltd.	264,310	-	-	62,099	-	-	-	-	-	326,409
Shanghai Alstom Communications Electric Co. Ltd.	166,748	-	-	44,454	-	-	(17,783)	-	-	193,419
Huaneng Tieling Daxing Wind Power Co., Ltd.	149,990	-	-	16,551	-	-	-	-	-	166,541
Others	2,852,327	237,301	(56,891)	100,132	16,707	123,780	(165,005)	-	144,910	3,253,261
Sub-total	12,755,971	237,301	(56,891)	(124,914)	(10,880)	128,480	(204,788)	-	601,813	13,326,092
Total	15,570,696	288,043	(96,659)	(93,873)	(18,971)	128,480	(256,435)	(1,602)	599,824	16,119,503

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.

Note 2: Other adjustments are mainly due to the Group's disposal of part of subsidiaries' equity and loss of control over the original subsidiaries in the current year. Such companies are changed into joint ventures or associates of the Group. The fair value of the remaining equity at the date of loss of control is RMB645,788,000 (Note VIII, 4).

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

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

### 17. Investments in other equity instruments

#### (1) Details of investments in other equity instruments:

RMB'000

Item	Closing balance	Opening balance
Listed equity instrument investments	1,131,167	1,398,150
Unlisted equity instruments	1,531,683	1,256,452
<b>Total</b>	<b>2,662,850</b>	2,654,602

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

RMB'000

Item	Dividend income recognised in this year	Accumulative gains	Accumulative losses	Amount of other comprehensive income transferred to retained earnings	Reason for being designated as at FVTOCI	Reason of other comprehensive income transferred to retained earnings
Listed equity instrument investments	1,788	109,144	850,108	31,793	Note	Disposal
Unlisted equity instruments	42,433	65,730	42,611	68,262	Note	Disposal
<b>Total</b>	<b>44,231</b>	<b>174,874</b>	<b>892,719</b>	<b>100,055</b>	<b>/</b>	<b>/</b>

Other descriptions:

Note: The non-tradable 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 Consolidated Financial Statements

For the year ended 31 December 2020

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

### 18. Other non-current financial assets

RMB'000

Item	Closing balance	Opening balance
Financial assets investments: such as preference shares	578,293	616,855
Total	578,293	616,855

### 19. Investment properties

RMB'000

Item	Buildings	Land use rights	Total
I. COST			
1. Opening balance	1,294,956	107,444	1,402,400
2. Increases	247,948	2,981	250,929
(1) Transfer from fixed assets (Note VII, 20)	242,542	–	242,542
(2) Transfer from construction in progress (Note VII, 21)	4,255	–	4,255
(3) Transfer from intangible assets (Note VII, 23)	–	2,981	2,981
(4) Additions	1,151	–	1,151
3. Decreases	254,833	–	254,833
(1) Transfer to fixed assets (Note VII, 20)	17,772	–	17,772
(2) Sales and retirement	237,061	–	237,061
4. Closing balance	1,288,071	110,425	1,398,496
II. Accumulated depreciation and amortisation			
1. Opening balance	261,298	19,564	280,862
2. Increases	71,185	2,945	74,130
(1) Provision or amortisation	41,841	2,192	44,033
(2) Transfer from fixed assets (Note VII, 20)	29,344	–	29,344
(3) Transfer from intangible assets (Note VII, 23)	–	753	753
3. Decreases	33,956	–	33,956
(1) Transfer to fixed assets (Note VII, 20)	10,395	–	10,395
(2) Sales and retirement	23,561	–	23,561
4. Closing balance	298,527	22,509	321,036
III. Provision for impairment			
1. Opening balance	12,061	–	12,061
2. Closing balance	12,061	–	12,061
IV. Carrying amount			
1. Carrying amount at the end of the year	977,483	87,916	1,065,399
2. Carrying amount at the beginning of the year	1,021,597	87,880	1,109,477

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

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

### 20. Fixed assets

#### Presentation by item

RMB'000

Item	Closing balance	Opening balance
Fixed assets	57,946,565	59,065,583
Disposal of fixed assets	23,986	25,303
Total	57,970,551	59,090,886

#### Fixed assets

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

RMB'000

Item	Land assets	Buildings	Machinery and equipment	Transportation vehicles	Office equipment and other equipment	Total
I. COST						
1. Opening balance	285,454	48,187,601	47,197,070	2,740,775	5,868,537	104,279,437
2. Increases	2,655	2,135,406	3,612,700	92,496	695,685	6,538,942
(1) Additions	-	202,563	1,239,963	27,865	308,084	1,778,475
(2) Transfer from construction in progress (Note VII, 21)	-	1,901,273	2,340,321	61,988	367,969	4,671,551
(3) Increase from business combinations involving enterprises not under common control	-	2,065	24,009	372	15,499	41,945
(4) Transfer from investment properties (Note VII, 19)	-	17,772	-	-	-	17,772
(5) Translation differences arising from translation of foreign currency financial statements	2,655	11,733	8,407	2,271	4,133	29,199
3. Decreases	7,584	996,746	1,651,506	83,659	164,892	2,904,387
(1) Disposal or retirement	-	467,871	1,413,531	68,473	126,653	2,076,528
(2) Disposal of subsidiaries	-	75,106	68,996	3,393	3,494	150,989
(3) Transfer to investments in other units	-	401	34,132	339	3,314	38,186
(4) Transfer to construction in progress (Note VII, 21)	-	83,626	86,786	10,235	4,397	185,044
(5) Transfer to investment properties (Note VII, 19)	-	242,542	-	-	-	242,542
(6) Translation differences arising from translation of foreign currency financial statements	7,584	127,200	48,061	1,219	27,034	211,098
4. Closing balance	280,525	49,326,261	49,158,264	2,749,612	6,399,330	107,913,992
II. Accumulated depreciation						
1. Opening balance	-	12,525,355	26,562,741	1,832,878	3,836,951	44,757,925

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

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

### 20. Fixed assets (continued)

#### Fixed assets (continued)

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

Item	Land assets	Buildings	Machinery and equipment	Transportation vehicles	Office equipment and other equipment	Total
2. Increases	-	1,728,589	3,624,706	165,857	583,306	6,102,458
(1) Provision	-	1,712,386	3,618,172	163,052	565,374	6,058,984
(2) Transfer from investment properties (Note VII, 19)	-	10,395	-	-	-	10,395
(3) Translation differences arising from translation of foreign currency financial statements	-	5,808	6,534	2,805	17,932	33,079
3. Decreases	-	245,800	1,167,604	68,828	108,435	1,590,667
(1) Disposal or retirement	-	145,263	1,046,510	56,437	88,725	1,336,935
(2) Disposal of subsidiaries	-	14,059	35,907	2,018	2,098	54,082
(3) Transfer to investments in other units	-	381	12,560	165	1,881	14,987
(4) Transfer to construction in progress (Note VII, 21)	-	44,762	54,791	9,398	2,639	111,590
(5) Transfer to investment properties (Note VII, 19)	-	29,344	-	-	-	29,344
(6) Translation differences arising from translation of foreign currency financial statements	-	11,991	17,836	810	13,092	43,729
4. Closing balance	-	14,008,144	29,019,843	1,929,907	4,311,822	49,269,716
III. Provision for impairment						
1. Opening balance	-	58,876	348,275	44,687	4,091	455,929
2. Increases	-	6,887	277,355	-	13,901	298,143
(1) Provision	-	6,887	277,354	-	12,292	296,533
(2) Translation differences arising from translation of foreign currency financial statements	-	-	1	-	1,609	1,610
3. Decreases	-	35	55,228	120	978	56,361
(1) Disposal or retirement	-	35	54,240	120	976	55,371
(2) Disposal of subsidiaries	-	-	-	-	2	2
(3) Transfer to construction in progress (Note VII, 21)	-	-	988	-	-	988
4. Closing balance	-	65,728	570,402	44,567	17,014	697,711
IV. Carrying amount						
1. Carrying amount at the end of the year	280,525	35,252,389	19,568,019	775,138	2,070,494	57,946,565
2. Carrying amount at the beginning of the year	285,454	35,603,370	20,286,054	863,210	2,027,495	59,065,583

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

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

### 20. Fixed assets (continued)

#### Fixed assets (continued)

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

	RMB'000
Item	31 December 2020
Machinery and equipment	304,210
Transportation vehicles	170,649
Office equipment and other equipment	115
Total	474,974

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

	RMB'000	
Item	Carrying amount	Reasons for having not obtained the property right certificates
Buildings	5,260,388	In process



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

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

### 20. Fixed assets (continued)

#### Disposal of fixed assets

RMB'000

Item	Closing balance	Opening balance
Buildings	8,521	8,489
Machinery and equipment	10,998	12,445
Transportation vehicles	562	889
Office equipment and other equipment	3,905	3,480
Total	23,986	25,303

Other descriptions:

As at 31 December 2020, the Group had buildings, machinery, and equipment with carrying amount equivalent to RMB151,556,000 (31 December 2019: RMB134,440,000) as collateral for the Group to obtain bank loans. Except for the fixed assets used as collateral, there was no other restriction on the ownership of fixed assets as at 31 December 2020.

### 21. Construction in progress

#### Presentation by item

RMB'000

Item	Closing balance	Opening balance
Construction in progress	8,623,281	7,193,679
Materials for construction of fixed assets	51,882	50,170
Total	8,675,163	7,243,849

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

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

### 21. Construction in progress (continued)

#### Construction in progress

##### (1) Details of construction in progress

RMB'000

Item	Closing balance			Opening balance		
	Book value	Credit loss allowance	Carrying amount	Book value	Credit loss allowance	Carrying amount
Construction in progress	8,631,837	(8,556)	8,623,281	7,199,664	(5,985)	7,193,679
Total	8,631,837	(8,556)	8,623,281	7,199,664	(5,985)	7,193,679

##### (2) Changes in significant construction in progress for the year

RMB'000

Item	Budget	Opening balance	Increases	Transfers to fixed assets (Note VII, 20)	Transfer to intangible assets (Note VII, 23)	Transfer to investment properties (Note VII, 19)	Transfer from fixed assets (Note VII, 20)	Others	Closing balance	Percentage of actual cost to budget (%)	Project progress (%)	Cumulative capitalisation of interests	Including: capitalisation of interests for the year	Capitalisation rate of interests (%)	Source of funding
Lushun project	4,774,000	1,794,506	479,901	(786,734)	-	-	-	(847)	1,486,826	80.00	80.00	63,952	31,401	5.25	Loan
Automobile component supporting construction project	3,337,700	1,371	1,293,741	-	-	-	-	(14,517)	1,280,595	53.00	53.00	-	-	-	Self-raised
Construction of new plant in Shajingyi	1,700,000	618,038	411,960	-	-	-	-	15,374	1,045,372	66.00	66.00	57,757	35,945	5.40	Loan
Camel hill wind power plant	347,285	330,921	6,813	-	-	-	-	-	337,734	97.25	97.25	354	280	4.35	Loan, self-raised
Beijing Erqi rail vehicle industrial park construction project	480,000	219,372	65,302	(19,527)	-	-	-	-	265,147	95.00	95.00	20,125	12,187	4.41	Loan
Project on high-voltage IGBT chip production line transformation and medium and low-voltage module production line expansion	354,004	28,000	235,971	(10,257)	-	-	-	-	253,714	74.57	74.57	-	-	-	Self-raised
New base project (phase I)	320,000	109,863	26,998	(497)	-	-	-	-	136,364	43.00	43.00	-	-	-	Self-raised
Comprehensive treatment of waters in Danling County (PPP project)	580,000	85,233	4,877	-	-	-	-	-	90,110	15.00	15.00	-	-	-	Self-raised
Testing line and storage line construction project	1,249,471	28,095	58,982	-	-	-	-	-	87,077	83.76	83.76	-	-	-	Self-raised
Changzhou rail transit vehicle repair and construction base construction project (phase I)	265,500	56,662	17,962	-	-	-	-	-	74,624	55.00	55.00	6,561	741	4.06	Loan
Others	19,343,147	3,927,603	3,851,900	(3,854,536)	(296,678)	(4,255)	72,466	(122,226)	3,574,274	/	/	41,418	9,160	/	Loan, self-raised
Total	32,751,107	7,199,664	6,454,407	(4,671,551)	(296,678)	(4,255)	72,466	(122,216)	8,631,837	/	/	190,167	89,714	/	/

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

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

### 21. Construction in progress *(continued)*

#### Materials for construction of fixed assets

##### *(1) Details of materials for construction of fixed assets*

RMB'000

Item	Closing balance			Opening balance		
	Book value	Credit loss allowance	Carrying amount	Book value	Credit loss allowance	Carrying amount
Specialised materials	275	-	275	2	-	2
Specialised equipment	51,000	-	51,000	49,560	-	49,560
Others	607	-	607	608	-	608
Total	51,882	-	51,882	50,170	-	50,170

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

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

### 22. Right-of-use assets

RMB'000

Item	Buildings	Machinery and equipment	Transportation vehicles	Office equipment and other equipment	Total
I. COST					
1. Opening balance	1,217,534	288,202	60,214	10,384	1,576,334
2. Increases	585,381	150,780	7,676	13,046	756,883
(1) Newly rented	455,885	55,520	7,113	4,537	523,055
(2) Translation differences arising from translation of foreign currency financial statements	5,313	5,351	563	331	11,558
(3) Increase from business combinations involving enterprises not under common control	124,183	89,909	–	8,178	222,270
3. Decreases	140,970	72,411	1,587	486	215,454
(1) Expiry of lease contract	127,434	71,274	1,259	444	200,411
(2) Translation differences arising from translation of foreign currency financial statements	13,536	1,137	328	42	15,043
4. Closing balance	1,661,945	366,571	66,303	22,944	2,117,763
II. Accumulated depreciation					
1. Opening balance	202,150	89,832	19,888	2,997	314,867
2. Increases	323,645	92,094	15,941	15,159	446,839
(1) Provision	320,764	88,436	15,511	15,159	439,870
(2) Translation differences arising from translation of foreign currency financial statements	2,881	3,658	430	–	6,969
3. Decreases	33,520	58,067	1,306	466	93,359
(1) Expiry of lease contract	32,504	58,011	1,065	444	92,024
(2) Translation differences arising from translation of foreign currency financial statements	1,016	56	241	22	1,335
4. Closing balance	492,275	123,859	34,523	17,690	668,347
III. Carrying amount					
1. Carrying amount at the end of the year	1,169,670	242,712	31,780	5,254	1,449,416
2. Carrying amount at the beginning of the year	1,015,384	198,370	40,326	7,387	1,261,467

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

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

### 23. Intangible assets

#### (1) Details of intangible assets

RMB'000

Item	Land use rights	Proprietary technology and technical know-how	Software licences	Customer relationship	Backlog orders and service contracts	Total
<b>I. COST</b>						
1. Opening balance	16,486,329	4,628,099	2,890,306	357,838	54,371	24,416,943
2. Increases	1,083,408	639,314	313,858	-	-	2,036,580
(1) Transfer from construction in progress (Note VII, 21)	16,374	106,846	173,458	-	-	296,678
(2) Additions	1,067,034	352,433	134,906	-	-	1,554,373
(3) Transfer from acquisition of subsidiaries	-	10,067	5,434	-	-	15,501
(4) Transfer from development expenditure (Note VII, 24)	-	130,975	60	-	-	131,035
(5) Translation differences arising from translation of foreign currency financial statements	-	38,993	-	-	-	38,993
3. Decreases	645,466	863,764	32,766	2,246	-	1,544,242
(1) Transfer to investment properties (Note VII, 19)	2,981	-	-	-	-	2,981
(2) Disposal	503,683	856,011	28,768	-	-	1,388,462
(3) Disposal of subsidiaries	137,838	7,753	261	-	-	145,852
(4) Translation differences arising from translation of foreign currency financial statements	964	-	3,737	2,246	-	6,947
4. Closing balance	16,924,271	4,403,649	3,171,398	355,592	54,371	24,909,281
<b>II. Accumulated amortisation</b>						
1. Opening balance	3,200,540	2,529,189	1,952,343	194,377	54,371	7,930,820
2. Increases	370,435	281,373	250,376	26,619	-	928,803
(1) Provision	368,903	252,642	250,143	22,898	-	894,586
(2) Transfer from acquisition of subsidiaries	1,532	28,731	233	3,721	-	34,217
3. Decreases	140,257	129,571	19,593	-	-	289,421
(1) Disposal	115,631	129,442	19,192	-	-	264,265
(2) Transfer to investment properties (Note VII, 19)	753	-	-	-	-	753
(3) Disposal of subsidiaries	23,873	129	157	-	-	24,159
(4) Translation differences arising from translation of foreign currency financial statements	-	-	244	-	-	244
4. Closing balance	3,430,718	2,680,991	2,183,126	220,996	54,371	8,570,202
<b>III. Provision for impairment</b>						
1. Opening balance	-	349,100	1,731	120,978	-	471,809

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

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

### 23. Intangible assets (continued)

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

Item	Land use rights	Proprietary technology and technical know-how	Software licences	Customer relationship	Backlog orders and service contracts	Total
2. Increases	-	1,224	-	-	-	1,224
(1) Provision	-	1,224	-	-	-	1,224
3. Decreases	-	152,441	-	5,893	-	158,334
(1) Write-off	-	152,441	-	-	-	152,441
(2) Translation differences arising from translation of foreign currency financial statements	-	-	-	5,893	-	5,893
4. Closing balance	-	197,883	1,731	115,085	-	314,699
IV. Carrying amount						
1. Carrying amount at the end of the year	13,493,553	1,524,775	986,541	19,511	-	16,024,380
2. Carrying amount at the beginning of the year	13,285,789	1,749,810	936,232	42,483	-	16,014,314

#### (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	186,102	In progress

Other descriptions:

As at 31 December 2020, the Group had no intangible assets (31 December 2019: Nil) as collateral for the Group to obtain bank loans.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

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

### 24. Development expenditures

RMB'000

Item	Opening balance	Increases		Decreases		Closing balance
		Internal development expenditures	Others	Recognised as intangible assets (Note V, 23)	Transfer to profit or loss	
Development expenditures	334,394	13,579,237	11,324	131,035	13,349,896	444,024

### 25. Goodwill

#### (1) Book value of goodwill

RMB'000

Name of investee	Opening balance	Increases	Decreases	Changes in foreign exchange rates	Closing balance
CRRC Zhuzhou Moto and its subsidiaries	20,156	36,674	–	104	56,934
CRRC Tangshan and its subsidiaries	36,379	–	–	–	36,379
CRRC Zhuzhou Institute and its subsidiaries	1,401,864	–	–	(45,383)	1,356,481
Others	21,519	–	–	–	21,519
Total	1,479,918	36,674	–	(45,279)	1,471,313



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

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

### 25. Goodwill (continued)

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

RMB'000

Name of investee or items forming goodwill	Opening balance	Increases	Decreases	Changes in foreign exchange rates	Closing balance
CRRC Zhuzhou Moto and its subsidiaries	20,156	–	–	–	<b>20,156</b>
CRRC Ziyang and its subsidiaries	1,814	–	–	–	<b>1,814</b>
CRRC Zhuzhou Institute and its subsidiaries	995,790	154,724	–	(29,920)	<b>1,120,594</b>
Total	1,017,760	154,724	–	(29,920)	<b>1,142,564</b>

As at 31 December 2020, the Group assessed the recoverable amount of the asset group giving rise to SMD goodwill, and identified that SMD goodwill suffered from impairment, the provision amounted to RMB154,724,000 for the current period (provision for impairment for 2019: RMB68,000,000). The main reason for the impairment of the asset group is that the global economic environment has declined due to the Covid-19 epidemic, which has affected the overall development of SMD's future business. Except that, there is no provision for impairment loss of other assets in the asset group.

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

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

### 26. 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	7,946,743	1,226,182	7,407,903	1,144,234
Provision for assets impairment	2,220,015	411,080	1,260,148	244,811
Provision for credit losses	2,651,945	450,428	2,998,742	492,422
Unrealised profit from internal transactions	1,920,845	326,544	1,952,416	316,522
Estimated losses	811,256	121,963	740,896	111,134
Government grants	2,124,264	328,007	1,879,857	290,269
Accrued expenses	1,519,463	274,401	1,678,424	303,107
Unpaid employee salaries	251,047	40,194	336,906	53,940
Deductible losses	1,746,460	260,340	1,015,736	152,965
Changes in fair value of investments in other equity instruments	604,443	108,860	374,880	67,372
Changes in fair value of receivables under financing	113,304	19,863	207,103	36,307
Others	1,040,006	216,182	1,316,519	273,661
<b>Total</b>	<b>22,949,791</b>	<b>3,784,044</b>	<b>21,169,530</b>	<b>3,486,744</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	389,772	74,056	437,099	78,952
Depreciation difference due to inconsistency of depreciation period between tax law and accounting	779,352	132,490	577,311	93,973
Changes in fair value of investments in other equity instruments	299,238	52,367	207,055	35,764
Gains on changes in fair value during the holding period of the financial assets at fair value through profit or loss	102,636	25,659	75,110	18,778
Others	180,718	30,722	8,091	1,282
<b>Total</b>	<b>1,751,716</b>	<b>315,294</b>	<b>1,304,666</b>	<b>228,749</b>

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

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

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

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

RMB'000

Item	Amount of offsetting of deferred tax assets and liabilities at the end of the year	Balances of deferred tax assets or liabilities after offsetting at the end of the year	Amount of offsetting of deferred tax assets and liabilities at the beginning of the year	Balances of deferred tax assets or liabilities after offsetting at the beginning of the year
Deferred tax assets	152,063	3,631,981	85,993	3,400,751
Deferred tax liabilities	152,063	163,231	85,993	142,756

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

RMB'000

Item	Closing balance	Opening balance
Deductible temporary differences	12,280,955	10,784,601
Deductible losses	15,704,460	15,704,049
Total	27,985,415	26,488,650

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

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

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

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

RMB'000

Year	Closing balance	Opening balance
2020	–	582,286
2021	1,105,983	1,163,430
2022	839,092	936,888
2023	3,638,770	3,681,772
2024	2,325,563	2,537,718
2025	1,991,045	1,503,714
2026	1,273,432	1,506,996
2027	1,360,831	1,461,674
2028	1,154,905	1,184,627
2029	1,136,623	1,144,944
2030	878,216	–
Total	15,704,460	15,704,049

### 27. Other non-current assets

RMB'000

Item	Closing balance	Opening balance
Contract assets (Note VII, 10)	14,954,887	9,540,840
Prepayment of intangible assets	862,548	1,150,429
Prepayment of engineering equipment	879,877	974,921
Restricted funds (Note)	2,070,791	–
Others	298,741	381,531
Sub-total	19,066,844	12,047,721
Less: Other non-current assets due within one year (Note VII, 11)	7,344	–
Total	19,059,500	12,047,721

As at 31 December 2020, prepayments made to related parties of the Group in the balance of other non-current assets are set out in Note XII, 5.

Note: The desposit information subject to special restrictions is set out in Note VII,1.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

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

### 28. Short-term borrowings

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

RMB'000

Item	Closing balance	Opening balance
Credit loans	11,181,837	8,519,291
Guaranteed loans	–	1,612,939
Pledged loans	600,333	398,186
Total	11,782,170	10,530,416

Description of short-term loans classification:

As at 31 December 2020, the annual interest rate of short-term borrowings ranged from 0.16%-9.00% (31 December 2019: 0.16%-5.90%).

As at 31 December 2020, short-term borrowings from related party of the Group are set out in Note XII, 5.

### 29. Bills payable

RMB'000

Category	Closing balance	Opening balance
Bank acceptances	21,237,395	23,693,154
Commercial acceptances	1,054,597	3,646,320
Total	22,291,992	27,339,474

As at 31 December 2020, details of related party bills payable due to related parties are set out in Note XII, 5.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

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

### 30. Accounts payable

(1) Details of accounts payable:

RMB'000

Item	Closing balance	Opening balance
Related parties	4,423,998	5,967,774
Third party	102,148,212	100,634,639
Total	106,572,210	106,602,413

(2) Aging analysis of accounts payable:

RMB'000

Item	Closing balance	Opening balance
Within 1 year	100,193,803	100,026,536
1-2 years	4,043,500	4,572,376
2-3 years	1,051,832	641,717
Over 3 years	1,283,075	1,361,784
Total	106,572,210	106,602,413

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

(3) As at 31 December 2020, details of accounts payable due to related parties are set out in Note XII, 5.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

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

### 31. Receipts in advance

#### Details of receipts in advance:

RMB'000

Item	Closing balance	Opening balance
Related parties	2,000	2,000
Third party	210,951	3,827
Total	212,951	5,827

As at 31 December 2020, details of receipts payable due to related parties are set out in Note XII, 5.

### 32. Contract liabilities

#### (1) Details of contract liabilities

RMB'000

Item	Closing balance	Opening balance
Sale of goods related (Note 1)	27,566,107	27,930,959
Project contracting related (Note 2)	296,913	328,820
Sub-total	27,863,020	28,259,779
Less: Contract liabilities presented under other non-current liabilities	(21,207)	(92,308)
Total	27,841,813	28,167,471

Note 1: As at 31 December 2020, the acceptance and transfer of certain sales of goods of the Group was later than the customer's payment, generating contract liabilities related to the contract on sales of goods.

Note 2: As at 31 December 2020, the Group's contract liabilities related to the project contracting service contracts represented the excess of the settled amount over revenue recognised based on the progress of construction.

(2) As at 31 December 2020, details of current account balances with related parties included in the balance of contract liabilities are set out in Note XII, 5.



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

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

### 33. Deposits from banks and other financial institutions

RMB'000

Item	Closing balance	Opening balance
Customer deposits of CRRC Finance	4,122,366	5,577,269
Total	4,122,366	5,577,269

As at 31 December 2020, details of related party deposits are set out in Note XII, 5.

### 34. Employee benefits payable

#### (1) Details of employee benefits payable

RMB'000

Item	Opening balance	Increases	Decreases	Closing balance
I. Short-term employee benefits	1,886,191	26,984,996	27,165,925	1,705,262
II. Post-employment benefits-Defined contribution plan	60,154	2,705,852	2,711,294	54,712
III. Labour expenditures	5,376	1,385,140	1,387,145	3,371
IV. Post-employment benefits due within one year-Net liabilities in defined benefit plan (Mainland China)	219,041	184,945	204,831	199,155
V. Post-employment benefits due within one year-Net liabilities in defined benefit plan (other countries and regions)	23,655	2,522	16,632	9,545
Total	2,194,417	31,263,455	31,485,827	1,972,045

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

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

### 34. 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	730,962	20,749,928	20,981,058	<b>499,832</b>
II. Welfare benefits	348,507	1,471,967	1,429,817	<b>390,657</b>
III. Social insurances	75,672	1,525,022	1,500,203	<b>100,491</b>
Including: Medical insurance	68,252	1,383,907	1,357,641	<b>94,518</b>
Employment injury insurance	6,941	100,239	101,295	<b>5,885</b>
Maternity insurance	479	40,876	41,267	<b>88</b>
IV. Housing funds	34,957	2,009,697	2,007,822	<b>36,832</b>
V. Employee union funds and staff education funds	267,369	624,784	600,809	<b>291,344</b>
VI. Others	428,724	603,598	646,216	<b>386,106</b>
<b>Total</b>	<b>1,886,191</b>	<b>26,984,996</b>	<b>27,165,925</b>	<b>1,705,262</b>

#### (3) Details of defined contribution plan

RMB'000

Item	Opening balance	Increases	Decreases	Closing balance
1. Basic pension insurance	39,303	1,853,000	1,865,845	<b>26,458</b>
2. Unemployment insurance	3,980	68,152	70,445	<b>1,687</b>
3. Enterprise annuity	16,871	784,700	775,004	<b>26,567</b>
<b>Total</b>	<b>60,154</b>	<b>2,705,852</b>	<b>2,711,294</b>	<b>54,712</b>

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

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

### 35. Tax payable

RMB'000

Item	Closing balance	Opening balance
VAT	1,099,177	1,204,332
Enterprise income tax	716,497	801,829
Individual income tax	243,931	221,642
City maintenance and construction tax	72,302	91,099
Education surcharges	52,944	66,501
Property tax	37,695	39,088
Land use tax	23,136	23,033
Others	72,387	107,423
Total	2,318,069	2,554,947

### 36. Other payables

#### (1) Presentation by item

RMB'000

Item	Closing balance	Opening balance
Interests payable	3,751	43,113
Dividends payable	393,754	385,098
Other payables	9,552,676	8,748,186
Total	9,950,181	9,176,397

#### (2) Interests payable

RMB'000

Item	Closing balance	Opening balance
Loan interests	3,751	41,412
Interests on corporate bonds	-	1,701
Total	3,751	43,113

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

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

### 36. Other payables (continued)

#### (3) Dividends payable

RMB'000

Item	Closing balance	Opening balance
Related parties	18,750	18,144
Third party	375,004	366,954
Total	393,754	385,098

#### (4) Other payables

RMB'000

Item	Closing balance	Opening balance
Collections on behalf of other parties	2,649,103	2,472,203
Payments for equipment and projects	1,490,807	1,608,739
Deposits and securities, housing fund, and public facilities maintenance funds	1,499,091	1,183,157
Technology royalties and research expenditures	561,147	681,060
Utilities, repair and transportation expenses	407,871	399,646
Others	2,944,657	2,403,381
Total	9,552,676	8,748,186

(5) As at 31 December 2020, details of other payables due to related parties are set out in Note XII, 5.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

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

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

RMB'000

Item	Closing balance	Opening balance
Long-term borrowings due within one year	1,643,270	699,809
Bonds payable due within one year	3,013,438	58,279
Long-term payables due within one year	3,036	4,897
Lease liabilities due within one year	344,668	297,387
Provisions due within one year	2,564,727	2,712,162
Other non-current liabilities due within one year	–	5,940
Total	7,569,139	3,778,474

As at 31 December 2020, details of current account balances with related parties included in the balance of non-current liabilities due within one year are set out in Note XII, 5.

### 38. Other current liabilities

RMB'000

Item	Closing balance	Opening balance
Super short-term financing bills	–	500,000
Output VAT tax to be transferred and received VAT in advance	2,859,975	3,515,089
Total	2,859,975	4,015,089

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

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

### 38. Other current liabilities (continued)

Changes in short-term bonds payable :

									RMB'000
Name of bonds	Par value	Issuing date	Bond duration (days)	Issuance amount	Opening balance	Issued in the year	Accrued interests at par value	Repayment in the year	Closing balance
Times New Material's Phase II Super short-term financing bills in 2019	500,000	25 November 2019	90	500,000	500,000	-	4,303	(504,303)	-
Times New Material's Phase I Super short-term financing bills in 2020	500,000	19 February 2020	30	500,000	-	500,000	1,209	(501,209)	-
Times New Material's Phase II Super short-term financing bills in 2020	500,000	16 March 2020	90	500,000	-	500,000	3,723	(503,723)	-
Times New Material's Phase III Super short-term financing bills in 2020	500,000	2 June 2020	90	500,000	-	500,000	3,452	(503,452)	-
Times New Material's Phase IV Super short-term financing bills in 2020	200,000	29 September 2020	30	200,000	-	200,000	460	(200,460)	-
Times New Material's Phase V Super short-term financing bills in 2020	300,000	27 October 2020	30	300,000	-	300,000	678	(300,678)	-
Times New Material's Phase VI Super short-term financing bills in 2020	200,000	24 November 2020	30	200,000	-	200,000	450	(200,450)	-
CRRC's Phase I Super short-term financing bills in 2020	3,000,000	13 March 2020	31	3,000,000	-	3,000,000	4,459	(3,004,459)	-
CRRC's Phase II Super short-term financing bills in 2020	3,000,000	10 April 2020	31	3,000,000	-	3,000,000	3,695	(3,003,695)	-
CRRC's Phase III Super short-term financing bills in 2020	3,000,000	14 April 2020	90	3,000,000	-	3,000,000	11,096	(3,011,096)	-
CRRC's Phase IV Super short-term financing bills in 2020	3,000,000	7 May 2020	29	3,000,000	-	3,000,000	2,860	(3,002,860)	-
CRRC's Phase V Super short-term financing bills in 2020	3,000,000	7 June 2020	59	3,000,000	-	3,000,000	5,819	(3,005,819)	-
CRRC's Phase VI Super short-term financing bills in 2020	3,000,000	19 June 2020	31	3,000,000	-	3,000,000	3,822	(3,003,822)	-
CRRC's Phase VII Super short-term financing bills in 2020	3,000,000	19 June 2020	90	3,000,000	-	3,000,000	12,575	(3,012,575)	-
CRRC's Phase VIII Super short-term financing bills in 2020	3,000,000	19 June 2020	90	3,000,000	-	3,000,000	12,575	(3,012,575)	-
CRRC's Phase VIII Super short-term financing bills in 2020	3,000,000	27 July 2020	30	3,000,000	-	3,000,000	3,205	(3,003,205)	-
CRRC's Phase X Super short-term financing bills in 2020	3,000,000	12 August 2020	30	3,000,000	-	3,000,000	2,959	(3,002,959)	-
CRRC's Phase XI Super short-term financing bills in 2020	3,000,000	14 August 2020	30	3,000,000	-	3,000,000	3,058	(3,003,058)	-
CRRC's Phase XII Super short-term financing bills in 2020	3,000,000	15 September 2020	30	3,000,000	-	3,000,000	2,910	(3,002,910)	-

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

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

### 38. Other current liabilities (continued)

Name of bonds	Par value	Issuing date	Bond duration (days)	Issuance amount	Opening balance	Issued in the year	Accrued interests at par value	Repayment in the year	Closing balance
CRRC's Phase XIII Super short-term financing bills in 2020	3,000,000	16 September 2020	30	3,000,000	-	3,000,000	3,205	(3,003,205)	-
CRRC's Phase XIV Super short-term financing bills in 2020	5,000,000	18 September 2020	30	5,000,000	-	5,000,000	9,452	(5,009,452)	-
CRRC's Phase XV Super short-term financing bills in 2020	3,000,000	16 October 2020	30	3,000,000	-	3,000,000	4,685	(3,004,685)	-
CRRC's Phase XVII Super short-term financing bills in 2020	3,000,000	19 October 2020	30	3,000,000	-	3,000,000	3,896	(3,003,896)	-
CRRC's Phase XVII Super short-term financing bills in 2020	3,000,000	20 October 2020	23	3,000,000	-	3,000,000	3,592	(3,003,592)	-
CRRC's Phase XVIII Super short-term financing bills in 2020	2,000,000	26 October 2020	30	2,000,000	-	2,000,000	2,466	(2,002,466)	-
CRRC's Phase XIX Super short-term financing bills in 2020	2,000,000	28 October 2020	30	2,000,000	-	2,000,000	3,616	(2,003,616)	-
CRRC's Phase XX Super short-term financing bills in 2020	3,000,000	12 November 2020	38	3,000,000	-	3,000,000	5,934	(3,005,934)	-
CRRC's Phase XXI Super short-term financing bills in 2020	3,000,000	18 November 2020	30	3,000,000	-	3,000,000	4,685	(3,004,685)	-
CRRC's Phase XXII Super short-term financing bills in 2020	2,000,000	23 November 2020	30	2,000,000	-	2,000,000	3,616	(2,003,616)	-
CRRC's Phase XXIII Super short-term financing bills in 2020	2,000,000	24 November 2020	30	2,000,000	-	2,000,000	2,466	(2,002,466)	-
Total	/	/	/	69,700,000	500,000	69,200,000	130,921	(69,830,921)	-



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

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

### 39. Long-term borrowings

#### (1) Category of long-term borrowings

RMB'000

Item	Closing balance	Opening balance
Credit loans	4,207,570	2,711,906
Pledged loans	1,511,889	436,554
Mortgage loans	126,413	133,880
Guaranteed loans	–	7,113
<b>Total</b>	<b>5,845,872</b>	<b>3,289,453</b>
Less: Long-term borrowings due within one year (Note VII, 37)	(1,643,270)	(699,809)
Including: Credit loans	(1,281,132)	(653,398)
Pledged loans	(347,438)	(32,065)
Mortgage loans	(14,700)	(14,346)
Guaranteed loans	–	–
Long-term borrowings due after one year	4,202,602	2,589,644
Including: Credit loans	2,926,438	2,058,508
Pledged loans	1,164,451	404,489
Mortgage loans	111,713	119,534
Guaranteed loans	–	7,113

Other descriptions:

Analysis of long-term borrowings due after one year is as follows:

Subsequent to the balance sheet date	Closing balance	Opening balance
Within a period of more than one year but not exceeding two years	2,112,063	1,997,779
Within a period of more than two years but not exceeding five years	590,018	290,992
Within a period of more than five years	1,500,521	300,873
<b>Total</b>	<b>4,202,602</b>	<b>2,589,644</b>

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

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

### 40. Bonds payable

#### (1) Bonds payable

RMB'000

Item	Closing balance	Opening balance
2016 Convertible Bonds	2,344,463	2,445,097
Corporate bonds	3,168,975	2,147,999
<b>Total</b>	<b>5,513,438</b>	4,593,096
Less: Bonds payable due within one year (Note VII, 37)	(3,013,438)	(58,279)
Bonds payable due after one year	2,500,000	4,534,817

#### (2) Changes in bonds payable:

RMB'000

Name of bonds	Par value	Issuing date	Bond duration	Issuing amount	Opening balance	Issued in the year	Accrued interests at par value	Amortisation of premium or discounts	Exchange gains or losses	Repayment in the year	Closing balance
CSR 2013 Corporate Bonds (Phase I) (Ten-year Term)	1,500,000	22 April 2013	10	1,500,000	1,551,145	-	73,750	-	-	(75,000)	1,549,895
CRRC 2016 Phase I Corporate Bonds	2,000,000	30 August 2016	5	2,000,000	596,854	-	20,050	-	-	(20,050)	596,854
2016 Convertible Bonds	3,918,840	5 February 2016	5	3,918,840	2,445,097	-	-	61,112	(161,746)	-	2,344,463
CRRC 2020 Phase I Corporate Bonds	1,000,000	1 April 2020	3	1,000,000	-	1,000,000	22,226	-	-	-	1,022,226
<b>Total</b>	/	/	/	8,418,840	4,593,096	1,000,000	116,026	61,112	(161,746)	(95,050)	5,513,438
Less: Bonds payable due within one year (Note VII, 37)	/	/	/	/	(58,279)	/	/	/	/	/	(3,013,438)
Bonds payable due after one year	/	/	/	/	4,534,817	/	/	/	/	/	2,500,000

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

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

### 40. Bonds payable *(continued)*

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

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

##### (i) *Right of conversion*

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

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

##### (ii) *Issuer's rights of redemption*

###### *Redemption upon maturity*

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

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

### 40. Bonds payable *(continued)*

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

##### *(ii) Issuer's rights of redemption (continued)*

###### *Conditional redemption*

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

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

##### *(iii) Bond holders' right of resale*

Holders of 2016 Convertible Bonds are entitled to request the Company to redeem all or part of the bonds of the holders on the date of the resale right (i.e. 5 February 2019) at 100% of the outstanding principal of bonds. After the expiration of the exercise period of relevant rights, holder of the bonds with a total principal of USD240 million (the "redeemed bonds") had notified the exercise of the right of resale. Accordingly, the redeemed bonds were redeemed on the basis of 100% of the principal of bonds on 5 February 2019, and were cancelled in real time after redemption. As at 31 December 2020, bonds with a total principal of USD360 million were not redeemed, equivalent to 60% of total principal of bonds originally issued.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

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

### 40. Bonds payable (continued)

#### (4) Accounting of convertible corporate bonds

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

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

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

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

Item	31 December 2020	31 December 2019
Current price of stock	HK\$2.67	HK\$5.70
Exercise price of option	HK\$8.77	HK\$9.00
Risk-free interest rate	0.180%	1.907%
Weekly volatility of stock price	4.2942%	3.2649%

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

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

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

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

### 40. Bonds payable (continued)

#### (4) Accounting of convertible corporate bonds (continued)

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

Item	Debt	Embedded derivatives (Note VII, 46)	Total
Balance at 1 January 2020	2,445,097	5,396	2,450,493
Amortisation of premium/discount	61,112	–	61,112
Exchange gains or losses	(161,746)	43	(161,703)
Redemption	–	–	–
Gains on changes in fair value (Note VII, 61)	–	(5,439)	(5,439)
Balance at 31 December 2020	2,344,463	–	2,344,463
Including: Portion due within 1 year	2,344,463	–	2,344,463

### 41. Lease liabilities

RMB'000

Item	Closing balance	Opening balance
Lease liabilities	<b>1,636,981</b>	1,257,888
Less: Lease liabilities due within one year (Note VII, 37)	<b>(344,668)</b>	(297,387)
Lease liabilities due over one year	<b>1,292,313</b>	960,501

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

RMB'000

Subsequent to the balance sheet date:	Closing balance
1-2 years	<b>392,792</b>
2-5 years	<b>729,005</b>
Over 5 years	<b>461,392</b>
Total undiscounted payments	<b>1,583,189</b>
Less: Unrecognised financing expenses	<b>(290,876)</b>
Lease liabilities due over one year	<b>1,292,313</b>

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

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

### 41. Lease liabilities (continued)

As at 31 December 2020, the lease liability (including the one-year maturity) due to the related parties are set out in Note XII, 6.

### 42. Long-term payables

#### (1) Presented by item

RMB'000

Item	Closing balance	Opening balance
Long-term payables	65,448	80,662
Special payables	2,346	9,719
Total	67,794	90,381
Less: Non-current liabilities due within one year (Note VII, 37)	(3,036)	(4,897)
Portion due over one year	64,758	85,484

#### (2) Long-term payables

RMB'000

Item	Closing balance	Opening balance
Purchase of fixed assets by instalment	65,448	80,662
Less: Long-term payables due within one year	(930)	(1,418)
Portion due over one year	64,518	79,244



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

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

### 42. Long-term payables

#### (3) Special payables

RMB'000

Item	Opening balance	Increases	Decreases	Closing balance
Special fund for industrial transformation of Gansu Province in 2016	6,000	–	6,000	–
Research & development of the overall solution and prototype system of embedded system of the rail transit equipment	1,010	–	163	847
Others	2,709	–	1,210	1,499
<b>Total</b>	<b>9,719</b>	<b>–</b>	<b>7,373</b>	<b>2,346</b>
Less: Special payables due within one year	(3,479)	/	/	(2,106)
Special payables due over one year	6,240	/	/	240

### 43. Long-term employee benefits payable

#### (1) Table of long-term employee benefits payable

RMB'000

Item	Closing balance	Opening balance
I. Post-employment benefits-liabilities in defined benefit plan (Mainland China) (Note 1)	1,647,654	1,875,343
II. Post-employment benefits-liabilities in defined benefit plan (Other countries and regions) (Note 2)	1,303,866	1,173,816
III. Others	528,709	637,080
<b>Total</b>	<b>3,480,229</b>	<b>3,686,239</b>

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

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

### 43. Long-term employee benefits payable (continued)

#### (2) Changes in defined benefit plan (Mainland China)

Present value of the defined benefit plan obligation:

	RMB'000	
Item (Note 1)	Current year	Prior year
I. Opening balance	<b>2,094,384</b>	2,247,321
II. Defined benefit cost recognised in profit or loss	<b>30,102</b>	51,685
1. Net interests	<b>59,072</b>	68,755
2. Cost of service in the current year	–	–
3. Cost of service in prior years	<b>(28,270)</b>	(17,070)
4. Settlement gains	<b>(700)</b>	–
III. Defined benefit cost recognised in other comprehensive income	<b>(72,846)</b>	23,454
1. Actuarial (gains)/losses	<b>(72,846)</b>	23,454
IV. Other changes	<b>(204,831)</b>	(228,076)
1. Paid benefits	<b>(204,831)</b>	(228,076)
V. Closing balance	<b>1,846,809</b>	2,094,384
Less: Post-employment benefits due within one year—liabilities in defined benefit plan (Note VII, 34)	<b>(199,155)</b>	(219,041)
VI. Post-employment benefits due after one year—liabilities in defined benefit plan	<b>1,647,654</b>	1,875,343

Other descriptions:

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. 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.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

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

### 43. Long-term employee benefits payable (continued)

#### (2) Changes in defined benefit plan (Mainland China) (continued)

The defined benefit plan exposes the Group to actuarial risks, including interest rate risk, longevity risk and inflation risk. A decrease in the rate of return of national debt will result in an increase in the present value of the defined benefit plan obligations. The present value of the defined benefit plan obligations is calculated based on the optimal estimate of the mortality rate of the participating employees, and an increase in the life expectancy of the plan members will result in an increase in the liabilities in the plan. In addition, the present value of the defined benefit plan obligation is related to the planned future payment standard, and the payment standard is determined based on the inflation rate. Therefore, the increase in the inflation rate will also result in an increase in the liabilities in the plan.

The average period of defined benefit plan obligations as at 31 December 2020 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	31 December 2020 (%)	31 December 2019 (%)
Discount rate	3.25	3.00
Average growth rate of medical cost	7.00/12.00/8.00	7.00/12.00/8.00

The following sensitivity analysis is based on reasonably possible changes in the corresponding assumptions at the end of the year (all other assumptions remain unchanged):

Item	Decrease in liabilities recognised under defined benefit plan	Increase in liabilities recognised under defined benefit plan
Discount rate (increases) decreases by 1%	(118,370)	137,420
Average growth rate of medical cost increases (decreases) by 1%	23,930	(21,050)

The above sensitivity analysis is an inference based on the impact of key assumptions on the net defined benefit plan when there is a reasonable change on the balance sheet date. Because some of the assumptions may be relevant and one assumption cannot be changed in isolation, the above sensitivity analysis may not necessarily reflect the actual changes in the present value of the defined benefit plan obligations.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

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

### 43. Long-term employee benefits payable (continued)

#### (3) Changes in defined benefit plan (Other countries and regions)

RMB'000		
Item (Note 2)	Current year	Prior year
I. Opening balance	1,197,471	1,018,538
II. Defined benefit cost recognised in profit or loss	20,662	40,717
1. Net interests	16,109	22,054
2. Cost of service in the current year	1,713	18,663
3. Cost of service in prior years	2,840	–
III. Defined benefit cost recognised in other comprehensive income	68,613	231,369
1. Actuarial losses	35,307	232,987
2. Foreign exchange rates difference	33,306	(1,618)
IV. Other changes	26,665	(93,153)
1. Paid benefits	(16,632)	(93,153)
2. Net increase in defined benefit plan liabilities from business combinations involving enterprises not under common control	43,297	–
V. Closing balance	1,313,411	1,197,471
Less: Post-employment benefits due within one year-liabilities in defined benefit plan (other countries and regions) (Note VII, 35)	(9,545)	(23,655)
VI. Post-employment benefits due after one year-liabilities in defined benefit plan (other countries and regions)	1,303,866	1,173,816

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 Group"), to their employees.

The principal pension plan of Germany BOGE provides a defined benefit plan for all eligible employees in Germany. As at 31 December 2020, the defined benefit plan is in the net liability position of RMB1.24 billion (31 December 2019: net liability of RMB1.15 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.

The Blue Group's post-employment benefit plan is a defined benefit plan for all eligible employees in Italy under the Italian Civil Code 2120 (2120 del codice civile italiano).

The 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.

The average period of defined benefit plan obligations as at 31 December 2020 is 22 years.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

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

### 43. Long-term employee benefits payable (continued)

#### (3) Changes in defined benefit plan (Other countries and regions) (continued)

The actuarial valuation of the present value of the defined benefit plan obligations is determined using the expected cumulative benefit unit method. In addition to the assumptions for life expectancy, other significant assumptions are as follows:

Item	31 December 2020 (%)	31 December 2019 (%)
Discount rate	0.34-1.17	0.80-1.30
Expected increase in wages and salaries	0.50-3.00	0.50-2.70
Increase in pension	1.30-2.10	1.30
Volatility	1.00-6.00	1.00

The expected increase in wages and salaries depends primarily on factors such as inflation, salary standards and the company's operating conditions.

### 44. Provisions

RMB'000

Item	Closing balance	Opening balance	Reason
Warranty provisions	8,890,193	7,624,284	Agreement on after-sales service
Others	879,830	942,002	Estimated liquidated damages and onerous contracts to be executed
Total	9,770,023	8,566,286	/
Less: Provisions expected to due within one year (Note VII, 37)	(2,564,727)	(2,712,162)	/
Provisions due after one year	7,205,296	5,854,124	/

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

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

### 45. Deferred income

#### Details of deferred income

RMB'000

Item	Opening balance	Increases	Decreases	Closing balance
Government grants related to assets	4,840,952	702,298	428,528	<b>5,114,722</b>
Government grants related to income	1,710,542	1,170,342	1,244,531	<b>1,636,353</b>
<b>Total</b>	<b>6,551,494</b>	<b>1,872,640</b>	<b>1,673,059</b>	<b>6,751,075</b>

#### Items related to government grants:

RMB'000

Item	Opening balance	Additional subsidies in the year	Amount recognised in non-operating income during the year	Amount recognised in other income during the year	Other decreases	Closing balance	Related to assets/Related to income
Fund of science and technology projects and innovation enterprise awards	1,982,682	1,084,159	7,528	999,572	14,558	2,045,183	Assets/Income
Compensation for demolition	2,261,507	610,324	255,291	57,294	–	2,559,246	Assets/Income
Land subsidy refund	1,037,766	45,008	23,418	8,277	4,369	1,046,710	Assets/Income
Infrastructure subsidies	661,529	1,554	30,498	15,943	–	616,642	Assets
Discount on imported products	26,733	910	–	6,368	1,240	20,035	Assets/Income
Others	581,277	130,685	38,373	206,476	3,854	463,259	Assets/Income
<b>Total</b>	<b>6,551,494</b>	<b>1,872,640</b>	<b>355,108</b>	<b>1,293,930</b>	<b>24,021</b>	<b>6,751,075</b>	<b>/</b>

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

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

### 46. Other non-current liabilities

RMB'000

Item	Closing balance	Opening balance
Contract liabilities (Note VII, 32)	21,207	92,308
2016 Convertible Bonds (Embedded derivative financial instruments) (Note VII, 40)	–	5,396
Others	65,182	82,669
Less: Other non-current liabilities due within one year (Note VII, 37)	–	(5,940)
<b>Total</b>	<b>86,389</b>	<b>174,433</b>

### 47. Share capital

RMB'000

	Opening balance	Changes during the year (+/-)		Closing balance
		Restriction lifted	Sub-total	
Total shares	28,698,864	–	–	<b>28,698,864</b>
Shares with restrictions for sales				
1. RMB ordinary shares	1,410,106	(1,410,106)	(1,410,106)	–
Shares without restrictions for sales				
1. RMB ordinary shares	22,917,692	1,410,106	1,410,106	<b>24,327,798</b>
2. Overseas listed ordinary shares	4,371,066	–	–	<b>4,371,066</b>

### 48. Capital reserve

RMB'000

Item	Opening balance	Increases	Decreases	Closing balance
Capital premium (Share capital premium)	40,482,504	–	–	<b>40,482,504</b>
Other capital reserve	265,319	209,578	–	<b>474,897</b>
<b>Total</b>	<b>40,747,823</b>	<b>209,578</b>	<b>–</b>	<b>40,957,401</b>

Note: The increase in other capital reserves this year was mainly due to the movement of other equity that the Group shared with joint ventures and associates.



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

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

### 49. Other comprehensive income

Item	RMB'000							Closing balance
	Opening balance	Amount incurred before income tax in the year	Less: Amount recognised in other comprehensive income in the prior year but transferred to profit or loss for the year	Amount incurred for the year		Less: Amount recognised in other comprehensive income in the prior year but transferred to retained earnings for the year		
				Less: Income tax expenses	Net-of-tax amount attributable to shareholders of the Company			
I. Other comprehensive income that will not be reclassified to profit or loss	(1,004,793)	60,735	-	3,871	70,689	(13,825)	100,055	(1,034,159)
Including: Remeasurement of defined benefit plan	(449,847)	37,539	-	-	51,364	(13,825)	-	(398,483)
Changes in fair value of investments in other equity instruments	(554,946)	23,196	-	3,871	19,325	-	100,055	(635,676)
II. Other comprehensive income that may be reclassified to profit or loss	(79,977)	(163,644)	229	13,541	(178,774)	1,360	-	(258,751)
Including: Other comprehensive income recognised under equity method	(8,262)	(18,971)	-	-	(18,695)	(276)	-	(26,957)
Translation differences arising from translation of foreign currency financial statements	83,011	(249,855)	229	-	(232,031)	(18,053)	-	(149,020)
Changes in fair value of other debt investments	(158,396)	105,074	-	13,593	71,833	19,648	-	(86,563)
Credit losses of debt investments	3,670	108	-	(52)	119	41	-	3,789
Total other comprehensive income	(1,084,770)	(102,909)	229	17,412	(108,085)	(12,465)	100,055	(1,292,910)

Other description: Changes in the fair value of other bond investments and other bond credit impairment provisions are all due to changes of receivables at FVTOCI.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

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

### 50. Special reserve

RMB'000

Item	Opening balance	Increases in the year	Decreases in the year	Closing balance
Production safety expenses	49,957	662,331	662,331	<b>49,957</b>

### 51. Surplus reserve

RMB'000

Item	Opening balance	Increases in the year	Decreases in the year	Closing balance
Statutory surplus reserve	3,815,330	493,459	–	<b>4,308,789</b>
Total	3,815,330	493,459	–	<b>4,308,789</b>

### 52. Retained earnings

RMB'000

Item	Current year	Prior year
Retained earnings at the beginning of the year	<b>63,115,162</b>	56,115,657
Add: Net profit attributable to shareholders of the Company in the current year	<b>11,331,053</b>	11,794,929
Less: Appropriation for statutory surplus reserve	<b>(493,459)</b>	(535,338)
Appropriation for general risk reserve	<b>(11,146)</b>	–
Ordinary share dividends payable (Note 1)	<b>(4,304,830)</b>	(4,304,830)
Other comprehensive income carried forward to retained earnings	<b>100,055</b>	54,464
Others	–	(9,720)
Retained earnings at the end of the year	<b>69,736,835</b>	63,115,162

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

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

### 52. Retained earnings (continued)

Note 1: The Company's profit distribution plan for 2019 was approved at the 2019 Annual General Meeting of Shareholders held on 18 June 2020. Based on the total Company's share capital of 28,698,864,000 shares as at 31 December 2019, the annual dividends for 2019 were distributed to all shareholders, and a cash dividend of RMB0.15 (including tax) per share was distributed, totalling approximately RMB4,304,830,000.

The Company's profit distribution plan for 2018 was approved at the 2018 Annual General Meeting of Shareholders held on 25 June 2019. Based on the total Company's share capital of 28,698,864,000 shares as at 31 December 2018, the annual dividends for 2018 were distributed to all shareholders, and a cash dividend of RMB0.15 (including tax) per share was distributed, totalling approximately RMB4,304,830,000.

Note 2: As at 31 December 2020, the balance of the Group's retained earnings included the surplus reserve already appropriated by the subsidiaries of RMB15,940,162,000 (31 December 2019: RMB14,804,576,000).

### 53. Revenue and operating costs

#### (1) Details of revenue and operating costs

RMB'000

Item	Current year		Prior year	
	Income	Cost	Income	Cost
Principal operating activities	223,876,282	174,379,267	225,438,308	173,484,072
Other operating activities	3,779,759	2,575,334	3,572,525	2,665,825
Total	227,656,041	176,954,601	229,010,833	176,149,897

#### (2) Category of revenue and operating costs by business type

RMB'000

Item	Current year		Prior year	
	Income	Cost	Income	Cost
Sale of goods	184,874,450	142,862,580	179,588,091	139,466,748
Rendering of services	41,240,960	33,604,423	48,102,382	36,252,688
Sub-total	226,115,410	176,467,003	227,690,473	175,719,436
Interest income	456,546	115,968	526,132	113,684
Lease income	1,084,085	371,630	794,228	316,777
Total	227,656,041	176,954,601	229,010,833	176,149,897

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

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

### 53. Revenue and operating costs *(continued)*

#### (3) Details of revenue from contracts

	RMB'000	
Rail transit equipment and extended products and services	Current year	Prior year
Categorised by sales region		
Mainland China	<b>209,119,031</b>	207,849,397
Other countries and regions	<b>16,996,379</b>	19,841,076
Total	226,115,410	227,690,473

#### (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.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

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

### 54. Taxes and surcharges

RMB'000

Item	Current year	Prior year
City maintenance and construction tax	489,750	610,033
Education surcharges	350,324	440,409
Property tax	378,083	369,003
Land use tax	263,989	267,066
Vehicle and vessel use tax	1,379	1,433
Stamp duty	192,120	182,024
Others	80,601	68,202
Total	1,756,246	1,938,170

### 55. Selling expenses

RMB'000

Item	Current year	Prior year
Expected warranty provisions	3,868,196	3,548,021
Employee benefits	1,904,771	1,820,246
Transportation and handling expenses	989,623	1,074,706
Travel expenses	226,652	318,480
Others	1,694,103	1,754,962
Total	8,683,345	8,516,415

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

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

### 56. Administrative expenses

RMB'000

Item	Current year	Prior year
Employee benefits (excluding employee benefits under the defined benefit plan)	7,202,076	7,494,854
Settlement allowance for employees	164,751	416,778
Depreciation charge	879,238	889,649
Amortisation of intangible assets	643,146	655,369
Others	4,884,030	4,988,204
Total	13,773,241	14,444,854

For the year ended 2020, the audit expense of RMB28,000,000 (2019: RMB28,600,000) is included in aforementioned administrative expenses.

### 57. Research and development expenses

RMB'000

Item	Current year	Prior year
Employee benefits	5,218,022	4,658,809
Depreciation charge	617,595	528,998
Amortisation of intangible assets	189,887	125,286
Others	7,324,392	6,704,069
Total	13,349,896	12,017,162

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

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

### 58. Financial expenses

RMB'000

Item	Current year	Prior year
Interest expenses	935,668	1,060,190
Less: Capitalisation of interest	(89,714)	(89,751)
Interest expense on lease liabilities	73,686	50,263
Interest income	(749,795)	(723,563)
Exchange gains or losses	603,886	(114,556)
Handling charge of financial institutions	232,024	258,003
Actuarial interest adjustment	95,429	111,134
Others	(272,093)	(178,519)
Total	829,091	373,201

### 59. Other income

RMB'000

Item	Current year	Prior year
VAT Refund	210,986	230,854
Scientific and technological projects fund	1,100,941	594,936
Others	941,575	449,153
Total	2,253,502	1,274,943



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

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

### 60. Investment income

RMB'000

Item	Current year	Prior year
Income from long-term equity investment accounted for under equity method (Note VII, 16)	(93,873)	347,616
Investment income from disposal of subsidiaries	425,266	1,294,486
Investment loss from disposal of associates and joint ventures	17,381	126
Dividend income from investments in other equity instruments during the holding period	44,231	38,511
Investment income from debt investments during the holding period	37,406	56,023
Investment income from changes in the fair value and disposal of held-for-trading financial assets	229,513	204,857
Loss from derecognition of financial assets measured at amortised cost	(353,995)	(303,182)
Income from disposal of subsidiaries' rest equity re-measured at fair value	430,902	456,952
Fair value adjustment of the Group's previously held interest	(2,352)	-
Gains on debt restructuring	-	53,357
Others	5,179	4,631
<b>Total</b>	<b>739,658</b>	<b>2,153,377</b>

### 61. Gains from changes in fair value

RMB'000

Sources of gains from changes in fair value	Current year	Prior year
Held-for-trading financial assets	71,682	77,447
Including: (Losses)gains on fair value changes of derivative financial instruments	(122)	35
Gains from changes in fair value of investments in equity instruments	74,445	64,799
Gains from changes in fair value of investments in debt instruments	1,275	8,175
Others	(3,916)	4,438
Gains on changes in fair value of 2016 Convertible Bonds-embedded derivative financial instruments (Note VII, 40)	5,439	156,290
<b>Total</b>	<b>77,121</b>	<b>233,737</b>

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

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

### 62. Impairment losses under expected credit loss model

RMB'000

Item	Current year	Prior year
Losses of credit impairment on bills receivable	(9,539)	(20,612)
Losses of credit impairment on accounts receivable	(362,637)	1,500,182
Losses of credit impairment on other receivables	48,231	372,075
Losses of credit impairment on contract assets	–	3,489
Losses of credit impairment on receivables at FVTOCI	108	7,035
Losses of credit impairment on loans and advances	18,539	26,055
Losses of credit impairment on long-term receivables	665,853	1,691,286
Losses of credit impairment on other non-current assets	27,636	35,051
Losses of credit impairment on part of loan commitments and financial guarantee contracts	1,849	(825)
Total	390,040	3,613,736

### 63. Assets impairment losses

RMB'000

Item	Current year	Prior year
1. Loss on decline in value of inventories	265,432	941,574
2. Impairment losses of fixed assets	296,533	77,810
3. Impairment losses of construction in progress	3,686	2,410
4. Impairment losses of long-term equity investments	1,602	–
5. Impairment losses of intangible assets	1,224	189,453
6. Impairment losses of goodwill	154,724	260,735
7. Impairment losses of contract assets	99,307	–
8. Others	42,286	77,971
Total	864,794	1,549,953

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

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

### 64. Gains on disposal of assets

RMB'000

Item	Current year	Prior year
Gains on disposal of fixed assets	542,414	524,056
Gains from disposal of intangible assets	650,631	1,229,146
<b>Total</b>	<b>1,193,045</b>	1,753,202

### 65. Non-operating income

RMB'000

Item	Current year	Prior year	Amount included in non-recurring gain or loss for the year
Government grants	684,784	586,417	684,784
Liquidated damages, fines and compensation	205,344	60,381	205,344
Unpayable amount	25,946	22,000	25,946
Gains on retirement of assets	11,394	–	11,394
Claim income	203,612	139,770	203,612
Others	172,929	170,313	172,929
<b>Total</b>	<b>1,304,009</b>	978,881	1,304,009

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

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

### 65. Non-operating income (continued)

#### Government grants included in profit or loss

Item	Current year	Prior year	RMB'000
			Related to assets/Related to income
Compensation for demolition	255,291	103,808	Assets
Land subsidy return	23,418	29,514	Assets
Infrastructure subsidy	30,498	30,203	Assets
Resettlement subsidy	215,356	248,836	Income
Subsidy for environmental protection	3,033	944	Income
Others	157,188	173,112	Assets/Income
<b>Total</b>	<b>684,784</b>	<b>586,417</b>	/

### 66. Non-operating expenses

Item	Current year	Prior year	RMB'000
			Amount included in non-recurring gain or loss for the year
Penalty expenses	63,265	32,062	63,265
Relocation expenditure	198,214	30,394	198,214
Losses on retirement of assets	166,449	69,642	166,449
Donation expenditure	31,226	16,984	31,226
Flood control fund	29,527	30,240	29,527
Others	142,351	13,938	142,351
<b>Total</b>	<b>631,032</b>	<b>193,260</b>	<b>631,032</b>

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

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

### 67. Income tax expenses

#### (1) Table of income tax expenses

RMB'000

Item	Current year	Prior year
Current income tax expenses	2,395,625	2,562,839
Deferred income tax expenses	(227,595)	221,785
<b>Total</b>	<b>2,168,030</b>	<b>2,784,624</b>

#### (2) Reconciliation of accounting profits and income tax expenses

RMB'000

Item	Current year	Prior year
Profit before tax	15,991,090	16,608,325
Income tax expenses at statutory tax rate (25%)	3,997,773	4,152,081
Effect of different tax rates applied by subsidiaries	(1,291,188)	(1,543,854)
Effect of adjustment of income tax in the previous year	19,939	11,066
Effect of income free of tax	(7,683)	(9,960)
Effect of joint ventures and associates	23,469	(86,903)
Effect of non-deductible costs, expense and losses	669,700	427,553
Effect of using deductible losses for which no deferred tax assets were recognised for the prior year	(185,075)	(543,132)
Effect of deductible temporary differences or deductible losses for which no deferred tax assets were recognised in the current year	645,469	1,925,859
Other tax incentives (Note)	(1,704,444)	(1,548,086)
<b>Income tax expenses</b>	<b>2,168,030</b>	<b>2,784,624</b>

Other description:

Note: Other tax incentives are mainly weighted deduction performed on technology research and development expenditures.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

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

### 68. Items in the cash flow statement

#### (1) Other cash receipts relating to operating activities

RMB'000

Item	Current year	Prior year
Government grants	2,882,880	1,986,001
Interest income	545,093	608,545
Others	1,052,421	852,618
<b>Total</b>	<b>4,480,394</b>	<b>3,447,164</b>

#### (2) Other cash payments relating to operating activities

RMB'000

Item	Current year	Prior year
Development and design expenses of products	7,316,935	6,421,276
Net increase in loans and advances to customers by Finance Company	2,692,607	1,634,817
Transportation, packing and insurance expenses of products	1,447,633	1,513,309
Marketing expenses	1,044,765	1,225,635
Expenditures on warranty provisions	706,691	658,316
Administrative office expenditure	633,975	626,957
Expenditure on water, electricity and energy, etc.	139,743	210,090
Others	3,059,078	4,654,132
<b>Total</b>	<b>17,041,427</b>	<b>16,944,532</b>

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

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

### 69. Supplementary information to the cash flow statement

#### (1) Supplementary information to the cash flow statement

	RMB'000	
Supplementary information	Current year	Prior year
1. Reconciliation of net profit to cash flow from operating activities:		
Net profit	13,823,060	13,823,701
Add: Assets impairment losses	864,794	1,549,953
Impairment losses under expected credit loss model	390,040	3,613,736
Depreciation of fixed assets and amortisation of investment properties	6,103,017	5,982,724
Depreciation of right-of-use assets	439,870	268,745
Amortisation of intangible assets	894,586	905,206
Amortisation of long-term deferred expenses	152,819	102,129
Losses on disposal of fixed assets, intangible assets and other long term assets	(1,037,990)	(1,683,560)
Gains on fair value changes	(77,121)	(233,737)
Financial expenses	817,325	788,554
Investment income	(739,658)	(2,480,617)
Changes in deferred tax assets and liabilities	(240,970)	221,785
Increase in inventories	(1,821,594)	(6,660,928)
Increase in operating receivables	(22,866,498)	(16,601,909)
Increase in operating payables	(2,159,630)	23,666,519
Changes in restricted cash and bank balances	3,425,557	(731,765)
Net cash flow from (used in) operating activities	(2,032,393)	22,530,536
2. Net changes in cash and cash equivalents		
Closing balance of cash and cash equivalents	29,840,378	35,819,586
Less: Opening balance of cash and cash equivalents	35,819,586	30,290,094
Net (decrease) increase in cash and cash equivalents	(5,979,208)	5,529,492

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

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

### 69. Supplementary information to the cash flow statement

#### (2) Composition of cash and cash equivalents

RMB'000

Item	Closing balance	Opening balance
I. Cash	<b>29,840,378</b>	35,819,586
Including: Cash on hand	<b>1,950</b>	2,027
Bank deposits available on demand	<b>29,838,428</b>	35,817,559
II. Closing balance of cash and cash equivalents	<b>29,840,378</b>	35,819,586

### 70. Assets with restrictive ownership title or right of use

RMB'000

Item	Carrying amount as at the end of the year	Reason for restriction
Cash at bank and on hand	<b>2,333,874</b>	Note VII.1
Bills receivable	<b>4,675,708</b>	Note VII.4
Accounts receivable	<b>9,283</b>	Note VII.5
Receivables at FVTOCI	<b>286,893</b>	Note VII.6
Long-term receivables (including those due within one year)	<b>1,068,174</b>	Note VII.15
Fixed assets	<b>151,556</b>	Note VII.20
Other non-current assets	<b>2,070,791</b>	Note VII.27
Total	<b>10,596,279</b>	/



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

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

### 71. Foreign-currency monetary items

#### (1) Foreign-currency monetary items

Item	Foreign currency balance as at the end of the year	Exchange rate	Translated RMB balance as at the end of the year
			RMB'000
Cash at bank and on hand			
Including: USD	<b>402,806</b>	6.5249	2,628,269
EUR	<b>144,048</b>	8.0250	1,155,985
HKD	<b>218,241</b>	0.8416	183,672
AUD	<b>44,616</b>	5.0163	223,807
ZAR	<b>2,667,012</b>	0.4458	1,188,953
Others	/	/	1,393,129
Financial assets held for trading			
Including: USD	<b>35,888</b>	6.5249	234,166
EUR	<b>303</b>	8.0250	2,432
Accounts receivable			
Including: USD	<b>277,460</b>	6.5249	1,810,399
EUR	<b>101,064</b>	8.0250	811,039
HKD	<b>168,062</b>	0.8416	141,441
AUD	<b>65,782</b>	5.0163	329,982
ZAR	<b>2,813</b>	0.4458	1,254
Others	/	/	180,076
Other current assets			
Including: USD	<b>60,194</b>	6.5249	392,760
Other receivables			
Including: USD	<b>18,164</b>	6.5249	118,518
EUR	<b>7,521</b>	8.0250	60,356
HKD	<b>206,892</b>	0.8416	174,120
AUD	<b>1,471</b>	5.0163	7,379
ZAR	<b>1,967</b>	0.4458	877
Others	/	/	93,108
Other non-current assets			
Including: ZAR	<b>4,645,112</b>	0.4458	2,070,791
Debt investments (including those due within one year)			
Including: USD	<b>191,817</b>	6.5249	1,251,587
Long-term receivables (including those due within one year)			
Including: USD	<b>96,596</b>	6.5249	630,279
EUR	<b>2,082</b>	8.0250	16,708

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

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

### 71. Foreign-currency monetary items (continued)

#### (1) Foreign-currency monetary items (continued)

Item	Foreign currency balance as at the end of the year	Exchange rate	Translated RMB balance as at the end of the year
Short-term loans			
Including: USD	<b>189,147</b>	6.5249	1,234,167
EUR	<b>140,796</b>	8.0250	1,129,884
HKD	<b>8,009</b>	0.8416	6,741
AUD	<b>5,081</b>	5.0163	25,487
Others	/	/	444,328
Accounts payable			
Including: USD	<b>115,784</b>	6.5249	755,482
EUR	<b>158,407</b>	8.0250	1,271,220
HKD	<b>137,503</b>	0.8416	115,728
AUD	<b>46,091</b>	5.0163	231,206
Others	/	/	1,384,476
Other payables			
Including: USD	<b>455,670</b>	6.5249	2,973,201
EUR	<b>40,298</b>	8.0250	323,393
HKD	<b>77,109</b>	0.8416	64,898
AUD	<b>1,295</b>	5.0163	6,498
Others	/	/	443,556
Long-term borrowings (including those due within one year)			
Including: USD	<b>951</b>	6.5249	6,206
EUR	<b>17,275</b>	8.0250	138,633
HKD	<b>89,457</b>	0.8416	75,291
Bonds payable (2016 Convertible Bonds-liability portion)			
Including: USD	<b>359,310</b>	6.5249	2,344,463
Lease liabilities (including those due within one year)	-	/	-
Including: USD	<b>1,128</b>	6.5249	7,362
EUR	<b>65,320</b>	8.0250	524,191
Others	/	/	85,272

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

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

### 71. Foreign-currency monetary items *(continued)*

#### (2) Significant overseas operating entities

Name of overseas business entity	Main business place	Functional currency
CSR NEW MATERIAL TECHNOLOGIES GMBH	German	EUR
Specialist Machine Developments	Britain	GBP

## VIII. CHANGE IN CONSOLIDATION SCOPE

### 1. Business combination involving entities not under common control

#### (1) Business combinations involving entities not under common control occurred during the year

Name of acquiree	Acquisition date of equity investment	Cost of equity investment	Equity acquired proportion (%)	Acquisition method	Acquisition date	Basis of acquisition date determination	RMB'000	
							Acquiree's income from acquisition date to the end of year	Acquiree's net profit from acquisition date to the year end
Vossloh Locomotives GmbH	1 June 2020	198,680	100.00	Cash acquisition	1 June 2020	Substantially obtained the control	424,938	(119,080)

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## VIII. CHANGE IN CONSOLIDATION SCOPE *(continued)*

### 1. Business combination involving entities not under common control *(continued)*

#### (2) Acquisition cost and goodwill

RMB'000

Acquisition cost	Vossloh Locomotives GmbH
– Cash	198,680
– Fair value at acquisition date of equity interests held before acquisition date	–
Total acquisition cost	198,680
Less: Share of the fair value of the identifiable net assets acquired	162,006
Goodwill/Amount of acquisition cost less than share of the fair value of the identifiable net assets acquired	36,674

#### (3) Identifiable assets and liabilities of the acquiree at the acquisition date

RMB'000

	Vossloh Locomotives GmbH Fair value at acquisition date	Carrying amount at acquisition date
Assets	1,396,335	1,387,072
Liabilities	1,234,329	1,234,329
Net assets	162,006	152,743

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## VIII. CHANGE IN CONSOLIDATION SCOPE (continued)

### 2. Disposal of subsidiaries

RMB'000												
Name of the Subsidiary	Consideration	Equity disposal		Time point of losing control	Determination basis for time point of losing control	Difference between consideration received and the related share of net assets in consolidated financial statements	Proportion of remaining shareholding on the date of losing control (%)	Carrying amount of remaining equity interests on the date of losing control	Fair value of remaining equity interests on the date of losing control	Gain or loss from remeasurement of remaining equity interests to fair value	Method and key assumptions for determining the fair value of remaining equity interests	Investment income or loss transferred from other comprehensive income related to previous equity investments in subsidiaries
		proportion (%)	Equity disposal approach									
Beijing Times New Park Property Management Co., Ltd. (Times New Park)	475,552	51.00	Equity transfer	31 December 2020	Transfer of control	410,609	49.00	56,756	456,903	400,147	Assessment method: asset-based approach. Key assumption: cash flow and discount rate.	-
Others	65,000	/	/	/	Transfer of control	14,657	/	158,130	188,885	30,755	/	-
Total	540,552	/	/	/	/	425,266	/	214,886	645,788	430,902	/	-

#### Other explanation:

##### (i) Times New Park

CRRC Beijing Heavy Industry Mechanics Co., Ltd. signed an equity transfer agreement with CRRC Technology Park Development Co., Ltd. to transfer 51% equity of Times New Park to it. On 31 December 2020, after the completion of the above equity transfer transaction, the Group lost control of Times New Park and no longer included it in the scope of the Group's consolidated financial statements.

RMB'000	
Disposal price	475,552
Including: cash and cash equivalents	475,552
Less: Net assets of Times New Park disposal day (51%)	64,943
Gain on disposal	410,609
Cash and cash equivalents received for disposal of subsidiaries in the current year	285,331
Less: cash and cash equivalents held by subsidiaries	255
Net cash receipts from disposal of subsidiaries	285,076

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## VIII. CHANGE IN CONSOLIDATION SCOPE (continued)

### 2. DISPOSAL OF SUBSIDIARIES (continued)

#### (ii) Other subsidiaries

	RMB'000
Cash and cash equivalents received for disposal of subsidiaries in the current year	65,000
Less: cash and cash equivalents held by subsidiaries	17,328
Net cash payment from disposal of subsidiaries	47,672

#### (iii) Summary of cash flow from disposal of subsidiaries

	RMB'000
Cash and cash equivalents received for disposal of subsidiaries in the current year	350,331
Less: cash and cash equivalents held by subsidiaries	17,583
Add: Amount received in the current year from disposal of subsidiaries in previous year	–
Net cash receipts from disposal of subsidiaries	332,748

## IX. INTERESTS IN OTHER ENTITIES

### 1. Interests in subsidiaries

#### (1) Composition of the Group

The details of the Company's subsidiaries are set out in Note III, 2.

#### (2) Significant non-wholly owned subsidiaries

	RMB'000			
Name of the Subsidiary	Proportion of non-controlling interest (%)	Net profit attributable to non-controlling interests	Dividends distributed to non-controlling interests	Non-controlling interests at 31 December 2020
CRRC Times Electric	46.81	1,178,718	247,608	11,572,463
Zhuzhou Times New Material	60.45	192,654	12,132	3,048,099
CRRC Changchun Railway Vehicles Co., Ltd.	6.46	247,840	93,324	2,313,753

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## IX. INTERESTS IN OTHER ENTITIES (continued)

### 1. Interests in subsidiaries (continued)

#### (3) Key financial information of significant non-wholly owned subsidiaries

RMB'000

Name of the Subsidiary	Balance at the end of the year						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
CRRC Times Electric	26,425,482	7,440,239	33,865,721	7,877,341	1,728,790	9,606,131	26,774,622	6,210,993	32,985,615	9,381,868	1,407,468	10,789,336
Zhuzhou Times New Material	10,631,875	5,364,553	15,996,428	8,666,373	2,391,729	11,058,102	9,563,890	5,460,719	15,024,609	7,477,309	3,002,608	10,479,917
CRRC Changchun Railway Vehicles Co., Ltd.	47,401,433	14,185,270	61,586,703	38,428,655	1,662,194	40,090,849	45,300,238	13,601,510	58,901,748	37,420,307	1,815,772	39,236,079

Name of the Subsidiary	2020				2019			
	Operating income	Net profit	Total comprehensive income	Cash flows from operating activities	Operating income	Net profit	Total comprehensive income	Cash flows from operating activities
CRRC Times Electric	16,033,899	2,496,557	2,484,676	1,747,348	16,304,207	2,657,559	2,654,777	1,837,950
Zhuzhou Times New Material	15,080,116	321,823	311,888	2,418,190	11,245,613	21,157	(214,962)	1,220,812
CRRC Changchun Railway Vehicles Co., Ltd.	38,038,408	2,990,504	2,979,080	(385,624)	36,010,080	2,622,794	2,612,624	3,109,914

### 2. Transactions that cause changes in the Group's interests in subsidiaries that do not result in loss of control

#### (1) Changes in the Group's interests in subsidiaries:

During the year, the Company transferred 50% of its equity interests in its subsidiary, CRRC Construction Engineering Co., Ltd. ("CRRC Construction"), to CRRC Rail Transit Construction and Investment Co., Ltd. After the transfer, the Company's shareholding in CRRC Construction decreased from 100% to 50%.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## IX. INTERESTS IN OTHER ENTITIES *(continued)*

### 3. Equity in associates or joint ventures *(continued)*

#### (1) Significant associates or joint ventures

RMB'000

Name of associate	Main business place	Place of incorporation	Nature of business	Shareholding proportion (%)		Accounting methods for investment in associates
				Direct	Indirect	
China United Insurance	Beijing	Beijing	Finance	13.0633	–	Equity method

The Group holds 13.0633% voting power of China United Insurance. The Group assigns one director to the board of directors of China United Insurance and has substantive power of decision-making participation, therefore has significant influence over China United Insurance.

#### (2) Key financial information of significant associates

RMB'000

China United Insurance	Balance at 31 December 2020/Amount for the current year	Balance at 31 December 2019/Amount for the prior year
Total assets	81,029,368	75,577,682
Total liabilities	61,561,810	56,988,414
Non-controlling interests	2,103,937	2,011,604
Equities attributable to shareholders of parent company	17,363,621	16,557,664
Group's share of net assets	2,268,262	2,162,978
– Goodwill	2,982,365	2,982,365
Carrying amount of equity investments in associates	5,250,627	5,145,343
Operating income	54,704,881	49,927,850
Net profit	1,324,037	1,292,409
Net profit attributable to shareholders of parent company	1,185,546	1,156,626
Other comprehensive income attributable to shareholders of parent company	(220,897)	165,827
Total comprehensive income attributable to shareholders of parent company	964,649	1,322,448
Dividends received from associates in the current year	22,000	–



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## IX. INTERESTS IN OTHER ENTITIES *(continued)*

### 3. Equity in associates or joint ventures *(continued)*

#### (3) Financial information of insignificant joint ventures and associates

	<b>Balance at 31 December 2020/Amount for the current year</b>	RMB'000 Balance at 31 December 2019/Amount for the prior year
Joint ventures:		
Aggregate carrying amount of investments	<b>2,793,411</b>	2,814,725
Total amounts calculated based on shareholding proportions		
– Net profit	<b>31,041</b>	48,609
– Other comprehensive income	<b>(8,091)</b>	–
– Total other comprehensive income	<b>22,950</b>	48,609
Associates:		
Total carrying amount of investment	<b>8,075,465</b>	7,610,628
Total amounts calculated based on shareholding proportions		
– Net profit	<b>(279,785)</b>	147,913
– Other comprehensive income	<b>16,707</b>	–
– Total other comprehensive income	<b>(263,078)</b>	147,913

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## IX. INTERESTS IN OTHER ENTITIES *(continued)*

### 4. Interests in structured entities that are not included in consolidated financial statements

Other descriptions about Interests in structured entities that are not included in consolidated financial statements:

On 31 December 2020, the structured entities that are related with the Group but not included in consolidated financial statements are special-purpose trusts, which are mainly engaged in CRRC trust asset-backed notes and manage, operates and handles the trust property for the benefit of the holder of trust asset-backed notes, and makes payments to the holder of trust asset-backed notes according to the trust contract. The Group, as a special-purpose initiator of the trust and asset service institution, only provides collection service according to the agreement and does not charge service fee. The Group holds no share in the special-purpose trust. At 31 December 2020, the structured entity has total assets of RMB6,309,875,000. The Group didn't provide financial support to the structured entity.

## X. RISKS RELATED TO FINANCIAL INSTRUMENTS

The Group's main financial instruments include cash and bank balances, loans to other banks and other financial institutions, held-for-trading financial assets, bills receivable, accounts receivable, receivables at FVTOCI, 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, short-term borrowings, loans from central bank, deposits from banks and other financial institutions, bills payable, accounts payable, other payables, a part of non-current liabilities due within one year, a part of other current liabilities, long-term borrowings, bonds payable, lease liabilities, a part of other long-term payables, a part of other non-current liabilities. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure the risks are monitored at a certain level.

The Group adopts sensitivity analysis technique to analyse how the profit and loss for the period and shareholders' equity would have been affected by reasonably possible changes in the relevant risk variables. As it is unlikely that risk variables will change in an isolated manner, and the interdependence among risk variables will have significant effect on the amount ultimately influenced by the changes in a single risk variable, the following are based on the assumption that the change in each risk variable is on a stand-alone basis.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## X. RISKS RELATED TO FINANCIAL INSTRUMENTS *(continued)*

### 1. Category of financial instruments

#### (1) Carrying amount of financial assets

RMB'000

Item	31 December 2020				Total
	At FVTPL	At amortised cost	Classified as at FVTOCI	Designed as at FVTOCI	
Cash at bank and on hand	–	33,492,359	–	–	33,492,359
Financial assets held for trading	5,799,390	–	–	–	5,799,390
Bills receivable	–	12,779,393	–	–	12,779,393
Accounts receivable	–	71,969,626	–	–	71,969,626
Receivables at FVTOCI	–	–	8,164,214	–	8,164,214
Other receivables (Except for government grant and advance to staffs)	–	4,503,603	–	–	4,503,603
Other current assets (Bond investment)	–	567,758	–	–	567,758
Loans and advances to customers (Include due within one year)	–	10,820,712	–	–	10,820,712
Debt investments (Include due within one year)	–	1,890,959	–	–	1,890,959
Long-term receivables (Include due within one year) (Except for finance lease)	–	6,222,114	–	–	6,222,114
Investments in other equity instruments	–	–	–	2,662,850	2,662,850
Other non-current financial assets	578,293	–	–	–	578,293
<b>Total</b>	<b>6,377,683</b>	<b>142,246,524</b>	<b>8,164,214</b>	<b>2,662,850</b>	<b>159,451,271</b>

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## X. RISKS RELATED TO FINANCIAL INSTRUMENTS *(continued)*

### 1. Category of financial instruments *(continued)*

#### (2) Carrying amount of financial liabilities

RMB'000

Item	31 December 2020		Total
	Financial liabilities at FVTPL	Financial liabilities at carrying amount	
Short-term borrowings	–	11,782,170	11,782,170
Deposits from banks and other financial institutions	–	4,122,366	4,122,366
Bills payable	–	22,291,992	22,291,992
Accounts payable	–	106,572,210	106,572,210
Employee benefits payable (Except for defined benefit plan)	–	1,763,345	1,763,345
Other payables	–	9,950,181	9,950,181
Long-term borrowings (including due within one year)	–	5,845,872	5,845,872
Bonds payable (Include due within one year)	–	5,513,438	5,513,438
Lease liabilities (Include due within one year)	–	1,636,981	1,636,981
Long-term payables (including due within one year) (Except for special accounts payable)	–	65,448	65,448
Total	–	169,544,003	169,544,003

### 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 31 December 2020, the Group's maximum exposure to credit risk which will cause losses of financial assets, contract assets and lease accounts receivables to the Group due to failure to discharge an obligation by the counterparties is arising from:

- (i) The carrying amount of the respective 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 XIII, 2.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## X. RISKS RELATED TO FINANCIAL INSTRUMENTS *(continued)*

### 2. Credit risk *(continued)*

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 V,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 31 December 2020, included in the Group's accounts receivable, the accounts receivable from the top one and top five customers respectively account for 53.4% (31 December 2019: 42.9%) and 60.14% (31 December 2019: 49.0%); as at 31 December 2020, 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 7.0% (31 December 2019: 6.1%) and 23.2% (31 December 2019: 26.0%) respectively.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## X. RISKS RELATED TO FINANCIAL INSTRUMENTS *(continued)*

### 2. Credit risk *(continued)*

#### (1) The credit risk exposure of the Group's financial assets and other items

RMB'000

Item	Note VII	Balance at 31 December 2020			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	33,492,359	–	–	33,492,359
Bills receivable	4	12,811,731	–	–	12,811,731
Accounts receivable	5	–	69,208,575	7,462,031	76,670,606
Other receivables	8	3,800,882	–	1,572,422	5,373,304
Other current assets (bonds investments)	12	567,758	–	–	567,758
Loans and advances to customers (Include due within one year)	13	10,965,024	–	–	10,965,024
Debt investments (including those due within one year)	14	–	–	1,891,559	1,891,559
Long-term receivables (Except for finance lease) (Include due within one year)	15	–	3,037,915	4,062,375	7,100,290
<b>Financial assets classified as at FVTOCI</b>					
Receivables at FVTOCI	6	8,164,214	–	–	8,164,214
<b>Other items:</b>					
Contract assets (Include non-current part)	10	–	34,068,330	104,073	34,172,403
Long-term receivables-Finance lease (Include due within one year)	15	–	10,186,000	5,137,376	15,323,376

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, debt investments and long-term receivables are detailed in Note VII 4, VII 5, VII 6, VII 8, VII 10, VII 14 and VII 15.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## X. RISKS RELATED TO FINANCIAL INSTRUMENTS *(continued)*

### 3. Liquidity risk

Liquidity risk represents the risk that the entity encounters shortage of funds when performing the obligation relating to financial liabilities. The Group's objective is to maintain the balance between the continuity and flexibility of financing by comprehensively using multiple financing measures such as settlement with notes, bank borrowing, short-term financing bonds and corporate bonds etc. and adopting proper combination of long-term and short-term financing as well as the method of optimizing financing structure. The Group has obtained bank credit from several commercial banks to meet its need of working capital and capital expenditures. The management has been monitoring the Group's liquidity so as to ensure the Group has sufficient liquidity to repay all the due debts and get maximum benefits from its financial resources.

#### (1) Maturity analysis of non-derivative financial liabilities and lease liabilities based on undiscounted contract cash flows

RMB'000

Item	31 December 2020				Total
	Within 1 year (inclusive)	1-2 years (inclusive)	2-5 years (inclusive)	Over 5 years	
Short-term loans	12,041,084	–	–	–	12,041,084
Deposits from banks and other financial institutions	4,122,366	–	–	–	4,122,366
Bills payable	22,291,992	–	–	–	22,291,992
Accounts payable	106,572,210	–	–	–	106,572,210
Other payables	9,950,181	–	–	–	9,950,181
Long-term borrowings (Include due within one year)	1,740,875	2,192,728	698,107	1,641,799	6,273,509
Bonds payable (Include due within one year)	2,971,251	103,103	2,603,102	–	5,677,456
Long-term payables (Include due within one year) (Except for special accounts payable)	1,605	10,215	62,528	1,234	75,582
Lease liabilities (Include due within one year)	344,668	392,792	729,005	461,392	1,927,857
<b>Total</b>	<b>160,036,232</b>	<b>2,698,838</b>	<b>4,092,742</b>	<b>2,104,425</b>	<b>168,932,237</b>

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## X. RISKS RELATED TO FINANCIAL INSTRUMENTS *(continued)*

### 4. Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to the changes in market price. The market risk mainly includes interest rate risk, currency risk and price risk.

#### (1) Interest rate risk

Interest risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to the changes in market interest rate. The risk of fluctuations in the fair value of the Group's financial instruments due to changes in market interest rates is primarily related to the Group's fixed-rate borrowings, bonds payable, other current assets, and long-term receivables. The risk of fluctuations in the future cash flows of the Group's financial instruments due to changes in market interest rates is primarily related to the Group's liabilities with floating interest rates.

The following table sets out the sensitivity analysis of interest rate risk, reflecting the effect of reasonably possible changes in interest rate on net profit (via effect on variable-rate borrowings) (with effect of capitalisation of borrowing costs considered) under the assumption that all the other variables held constant.

Item	January-December 2020		January-December 2019	
	Increase in 25 point	Decrease in 25 point	Increase in 25 point	Decrease in 25 point
Rate of variable-rate borrowings				
(Decrease)/increase in net profit (RMB'000)	(14,287)	14,287	(10,614)	10,614

#### (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.



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## X. RISKS RELATED TO FINANCIAL INSTRUMENTS *(continued)*

### 4. Market risk *(continued)*

#### (3) Currency risk *(continued)*

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.

#### (i) Foreign currency financial assets and financial liabilities

RMB'000

Item	31 December 2020	31 December 2019
<b>Foreign currency financial assets:</b>		
Cash at bank and on hand	6,773,815	8,804,755
Placements with other financial institutions	–	139,524
Held-for-trading financial assets	236,598	269,963
Accounts receivable	2,487,950	6,488,999
Other receivables	447,499	1,375,375
Other current assets	392,760	208,503
Debt investments (including those due within one year)	1,251,587	1,370,174
Long-term receivables (including those due within one year)	285,283	209,286
Other non-current assets	2,070,791	–
<b>Total</b>	<b>13,946,283</b>	<b>18,866,579</b>
<b>Foreign currency financial liabilities:</b>		
Short-term loans	2,840,607	4,071,758
Accounts payable	3,758,112	1,473,651
Other payables	3,811,546	3,784,741
Long-term borrowings (including those due within one year)	220,130	353,425
Bonds payable (Include due within one year)	2,344,463	2,445,097
Other non-current liabilities (inclusive of the portion due within one year)	–	5,396
<b>Total</b>	<b>12,974,858</b>	<b>12,134,068</b>

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## X. RISKS RELATED TO FINANCIAL INSTRUMENTS *(continued)*

### 4. Market risk *(continued)*

#### (3) Currency risk *(continued)*

##### (i) Foreign currency financial assets and financial liabilities *(continued)*

The following table sets out the sensitivity analysis on currency risk, reflecting the effect of reasonably possible changes in exchange rate of EUR, USD and ZAR on net profit under the assumption that all the other variables held constant. As the effect changes in exchange rate of other currencies is not significant, related sensitivity analysis is not presented.

EUR	31 December 2020		31 December 2019	
	Increase	Decrease	Increase	Decrease
Against RMB	7.49%	7.49%	4.54%	4.54%
(Decrease)/increase in net profit (RMB'000)	(53,193)	53,193	49,102	(49,102)
<b>USD</b>	<b>31 December 2020</b>		<b>31 December 2019</b>	
	<b>Increase</b>	<b>Decrease</b>	<b>Increase</b>	<b>Decrease</b>
Against RMB	8.50%	8.50%	5.95%	5.95%
(Increase)/Decrease in net profit (RMB'000)	87,318	(87,318)	(53,402)	53,402
<b>ZAR</b>	<b>31 December 2020</b>		<b>31 December 2019</b>	
	<b>Increase</b>	<b>Decrease</b>	<b>Increase</b>	<b>Decrease</b>
Against RMB	26.53%	26.53%	8.8%	8.8%
(Increase)/Decrease in net profit (RMB'000)	609,603	(609,603)	218,926	(218,926)

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## X. RISKS RELATED TO FINANCIAL INSTRUMENTS *(continued)*

### 5. Transfer of financial assets

At 31 December 2020, the Group endorsed receivables at FVTOCI of RMB13,515,648,000 (31 December 2019: RMB8,371,176,000) to its suppliers to pay the accounts payable; discounted bills receivable of RMB3,998,462,000 (31 December 2019: RMB3,301,604,000) to bank to obtain currency funds. The Group believes that the risk and rewards of the ownership of such endorsed or discounted bills receivable have been substantially transferred to the supplier or discounting bank, therefore 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 31 December 2020, if the acceptor fails to cash such notes upon maturity, i.e. the Group's maximum exposure to loss is equivalent to the amount that the Group should pay the supplier or discounting bank in respect of such endorsed or discounted notes. For all the bills receivable endorsed to suppliers or discounted to bank, the maturity is within 1 year after the end of reporting year.

At 31 December 2020, the Group endorsed bills receivable of RMB4,353,031,000 (31 December 2019: RMB3,928,611,000) to its suppliers to pay the accounts payable; discounted bills receivable of RMB111,047,000 (31 December 2019: RMB398,186,000) to bank to obtain currency funds. The Group believes that it retains substantially all risk and rewards of the ownership of such endorsed or discounted bills receivable (including relevant risk of default), therefore continues to 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 December 2020, the Group transferred accounts receivable of RMB11,169,146,000 (January to December 2019: RMB5,515,572,000) 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 RMB193,987,000 (January to December 2019: RMB153,607,000).

During 2020, the Group securitised accounts receivable of RMB5,571,911,000 (January to December 2019: RMB3,193,369,000). 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 RMB160,008,000 (January to December 2019: RMB149,575,000).

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## X. RISKS 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 31 December 2021 and 2019, the asset-liability proportion are as follows:

	31 December 2020	31 December 2019
Asset-liability proportion (%)	56.89	58.59

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## XI. DISCLOSURE OF FAIR VALUE

### 1. Closing fair value of assets and liabilities measured at fair value

RMB'000

Item	Fair value at 31 December 2020				Valuation technique 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	–	4,192,903	1,606,487	5,799,390	/	/
1. Derivative financial assets	–	2,428	–	2,428	Note 1	/
2. Bank wealth management products	–	4,190,475	–	4,190,475	Note 3	/
3. Unlisted equity instrument investments	–	–	1,606,487	1,606,487	Note 4	Note 4
(II) Receivables at FVTOCI	–	8,164,214	–	8,164,214	Note 3	/
(III) Equity instruments at fair value through other comprehensive income	1,131,167	–	1,531,683	2,662,850	/	/
1. Listed equity instrument investments	1,131,167	–	–	1,131,167	Note 2	/
2. Unlisted equity instrument investments	–	–	1,531,683	1,531,683	Note 5	Note 5
(IV) Other non-current financial assets	578,293	–	–	578,293	/	/
1. Preferred shares etc. investments	578,293	–	–	578,293	Note 1	/
<b>Total assets measured at fair value on recurring basis</b>	<b>1,709,460</b>	<b>12,357,117</b>	<b>3,138,170</b>	<b>17,204,747</b>	<b>/</b>	<b>/</b>

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.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## XI. DISCLOSURE OF FAIR VALUE *(continued)*

### 2. Reconciliation from the opening balances to the closing balances, and sensitivity analysis on unobservable inputs for items measured at recurring Level 3 fair value measurements

RMB'000

Item	Held-for-trading financial assets (unlisted equity instrument investments)	Equity instruments at FVTOCI (unlisted equity instruments)	Other non- current liabilities (convertible bonds- embedded derivative financial instruments)
1 January 2020	1,171,627	1,256,452	(5,396)
Additions	395,052	378,868	–
Disposals	(33,362)	(97,382)	–
Profits (losses)	73,170	7,300	5,439
Included in profit or loss	73,170	–	5,439
Included in other comprehensive income	–	7,300	–
Changes in foreign exchange rates	–	(13,555)	(43)
31 December 2020	1,606,487	1,531,683	–

### 3. For the current year, there is no transfer among level 1, level 2 and level 3 fair value measurement of the Group's financial assets.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## XI. DISCLOSURE OF FAIR VALUE *(continued)*

### 4. Fair value of financial assets and financial liabilities that are not measured at fair value

The Group's financial assets and financial liabilities measured at amortised cost are detailed in Note X, 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	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Fixed-rate debt investments	<b>1,169,010</b>	1,658,234	<b>1,076,366</b>	1,366,443
Fixed-rate long-term receivables	<b>13,248,792</b>	10,518,918	<b>12,328,873</b>	9,674,427
Fixed-rate long-term borrowings	<b>1,757,805</b>	615,003	<b>1,277,449</b>	597,865
Fixed-rate corporate bonds payable	<b>2,500,000</b>	4,534,817	<b>2,399,174</b>	3,888,944

The listed bonds in debt investments are publicly traded in active market and attributable to level 1 fair value measurement; fixed-rate 2016 convertible bonds are determined based on the latest transaction price published by BLOOMBERG PROFESSIONAL(R) and attributable to level 2 fair value measurement; the fair value of debt investments (exclusive of listed bonds), long-term receivables, long-term borrowings and corporate bonds payable(exclusive of 2016 convertible bonds) are determined based on discounted cash flow and attributable to level 2 fair value measurement, and using the discounting rate reflecting the credit risk of the issuer as the main inputs.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## XII. 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	51.19	51.19

#### Description of the parent company

Related party transactions between the Group and CRRC group, its subsidiaries and the Group's other subsidiaries and joint ventures constitute connected transactions or continuing connected transactions as defined in with Chapter 14 A of the Listing Rules by HKEx.

The ultimate controlling party of the Company is State-owned Assets Supervision and Administration Commission of the State Council (the "SASAC").

### 2. Subsidiaries of the Company

The Company's subsidiaries are detailed in Note III, 2.



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## XII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS *(continued)*

### 3. Joint ventures and associates of the Company

Please see Note IX, 3(1) for information of important joint ventures and associates of the Company.

The joint ventures and associates that have transactions with the Group in the current or prior year are as follows:

Name of joint ventures or associates	Relationship with the Company
Sichuan CRRC Railway Investment Rail Transit Co., Ltd.	Joint ventures
Changzhou Langrui Dongyang Driving Technology Co.,Ltd.	Joint ventures
Qingdao Sifang Kawasaki Vehicle technology Co., Ltd.	Joint ventures
Shenyang CRRC Urban Rail Transit Equipment CO., LTD.	Joint ventures
Shenzhen CNR Railway Vehicle Co., Ltd.	Joint ventures
Jiangsu Langrui Maoda Foundry Co.,Ltd.	Joint ventures
Changchun Changke Track Environmental Protection Equipment Co., Ltd.	Joint ventures
CRRC Ziyang Transmission Co., Ltd.	Joint ventures
Shentong CNR (Shanghai) Railway Transportation Vehicle Maintenance Co., Ltd.	Joint ventures
Changchun Bombardier Railway Vehicles Company Ltd.	Joint ventures
CREC Shenyang Railway Equipment Co., Ltd.	Joint ventures
Wuhan Digital Design & Manufacturing Innovation Co., Ltd.	Joint ventures
Zhuzhou Shiling Transportation Equipment Co.,Ltd.	Joint ventures
Dalian Toshiba Locomotive Electric Equipment Co.,Ltd.	Joint ventures
Hunan CRRC Honghui Technology Co., Ltd.	Joint ventures
Guangzhou CSR Sifang Railway Transportation Equipment Co.,Ltd.	Joint ventures
Xi'an Sifang Rail Transportation Equipment Co Ltd	Joint ventures
Shanghai Shentong CRRC Rail Transit Operation Safety Engineering Technology Research Co., Ltd.	Joint ventures
Wuxi CRRC Hofer Powertrain Co., Ltd.	Joint ventures
Beijing Sifang Tongchuang Rail Transit Equipment Co., Ltd.	Joint ventures
Wenzhou CRRC Electric Equipment Co., Ltd.	Joint ventures
Shanxi Jinlong Sifang Railway Vehicle Equipment Co., Ltd.	Joint ventures
Qingdao Sifang Kawasaki Rolling Stock Technology Co.,Ltd.	Joint ventures
Wuhu Yunda Railway Transportation Construction and Operation Co., Ltd.	Joint ventures
BWTON Technology Co., Ltd.	Associates
Tianjin Electric Locomotive Co., Ltd.	Associates
Hunan Motor Vehicle Inspection Technology Co., Ltd.	Associates
ALSTOM Railway Equipment Co. Ltd. (Qingdao, Shandong)	Associates
Jiangsu CRRC Digital Technology Co., Ltd.	Associates
Chengdu CRC Xinzhu Railway Transportation Equipment Co., Ltd.	Associates
Qiqihaer Sanyi Foundry Equipment Co., Ltd.	Associates
Beijing Beijiufang Science and Trade Co.,Ltd.	Associates

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## XII. 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
Xinyang Amsted Tonghe Wheels Co., Ltd.	Associates
Datong CRRC McCann Rail Transportation Equipment Co., Ltd.	Associates
Zhejiang CRRC Shangchi Electric Co., Ltd.	Associates
CRRC-CUEC Railway Equipment Co, Ltd.	Associates
Zhuzhou Times Engineering Plastics Technology Co., Ltd.	Associates
CREC Shenyang Railway Equipment Co., Ltd.	Associates
Datong Faiveley Railway Vehicle Equipment Ltd.	Associates
Zhuzhou Guochuang Rail Technology Co., Ltd.	Associates
Beijing Nankou SKF Railway Bearing Co., Ltd.	Associates
ABB Datong Traction Transformers Co., Ltd.	Associates
ALSTOM Transport Electric Equipment Co. Ltd. (Shanghai)	Associates
Guangzhou Electric Locomotive Co.,Ltd.	Associates
Zhuzhou CRRC Railway Transportation Journal Co., Ltd.	Associates
Anhui CRRC Ruida Electric Co., Ltd.	Associates
Hunan Maglev Transportation Development Co., Ltd.	Associates
CRRC Foshan Investment Development Co., Ltd.	Associates
Sichuan CSR Sharing Foundry Co., Ltd.	Associates
ALSTOM Yongji Electric Equipment Co. Ltd. (Xi'an, Shaanxi)	Associates
Foshan Gaoming Modern Rail Transport Construction & Investment Co., Ltd.	Associates
CNR Changke (Thailand) Co., Ltd	Associates
Huaneng Tieling Wind Power Generating Co.,Ltd.	Associates
Jinan-Qing High Speed Railway Co., Ltd.	Associates
Shentong CSR (Shanghai) Railway Transportation Vehicle Maintenance Co., Ltd.	Associates
Jinan Sirui Railway Vehicle Equipment Science Co., Ltd.	Associates
Tianjin Locomotive & Rolling Stock Steel Co., Ltd.	Associates
Zhuzhou Times Electric Insulation Limited Liability Company	Associates
Knorr Nankou Air Supply Equipment (Beijing) Co., Ltd.	Associates
Hunan CSR Westinghouse Railway Transportation Technology Co.,Ltd.	Associates
Shanghai CRRC Voith Transmission Technology Co., Ltd.	Associates
Shanghai Nanji Track Equipment Technology Development Co., Ltd.	Associates
Vertex Railcar Corporation	Associates
Qingdao Metro Rail Transit Intelligent Maintenance Co., Ltd.	Associates
Inner Mangolia First Machinery Group Like Plastic Products Co., Ltd.	Associates
Taizhou Taizhong Railway Transportation Co., Ltd.	Associates

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## XII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS *(continued)*

### 4. Related party transactions

#### (1) Purchases and sales of goods, rendering and receipt of services

##### *Purchase of goods/receipt of service*

RMB'000			
Related party	Content of related party transaction	January-December 2020	January-December 2019
Joint ventures	Purchase of goods	1,521,022	1,494,972
Associates	Purchase of goods	700,653	751,948
CRRC Group and subsidiaries (Note 1)	Purchase of goods	519,787	677,416
Joint ventures and associates of CRRC Group and subsidiaries (Note 2)	Purchase of goods	63,678	72,211
Joint ventures	Receipt of service	8,483	2,031
Associates	Receipt of service	3,494	1,146
CRRC Group and subsidiaries (Note 1)	Receipt of service	20,291	53,681
Joint ventures and associates of CRRC Group and subsidiaries (Note 2)	Receipt of service	420	5,148
<b>Total</b>	/	<b>2,837,828</b>	<b>3,058,553</b>

Note 1: These related party transactions are continuing connected transactions in accordance with Chapter 14A of the Listing Rules by HKEx.

Note 2: Transaction amounts of RMB6,204,000 constituted the continuing connected transactions in accordance with Chapter 14A of the Listing Rules by HKEx.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## XII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS *(continued)*

### 4. Related party transactions *(continued)*

#### (1) Purchases and sales of goods, rendering and receipt of services *(continued)*

##### *Sale of goods/rendering of service*

			RMB'000		
Related party	Nature of transaction	January- December 2020	January- December 2019		
Joint ventures	Sale of goods	2,344,401	1,069,875		
Associates	Sale of goods	2,142,405	1,772,452		
CRRC Group and its subsidiaries (Note 1)	Sale of goods	538,135	581,902		
Joint ventures and associates of CRRC Group and subsidiaries (Note 2)	Sale of goods	75,872	79,797		
Joint ventures	Rendering of services	324,447	32,893		
Associates	Rendering of services	155,850	74,116		
CRRC Group and its subsidiaries (Note 1)	Rendering of services	47,394	28,990		
Joint ventures and associates of CRRC Group and subsidiaries (Note 2)	Rendering of services	3,037,466	2,943,114		
<b>Total</b>	/	<b>8,665,970</b>	6,583,139		

Note 1: These related party transactions are continuing connected transactions in accordance with Chapter 14A of the Listing Rules by HKEx.

Note 2: Transaction amounts of RMB3,051,875,000 constituted the continuing connected transactions in accordance with Chapter 14A of the Listing Rules by HKEx.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## XII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS *(continued)*

### 4. Related party transactions *(continued)*

#### (2) Leases with related parties

##### *The Group as the lessor:*

		RMB'000	
Name of lessee	Type of assets leased	Lease income recognised in current year	Lease income recognised in prior year
Joint ventures	Fixed assets	1,012	1,010
Associates	Fixed assets	3,074	6,989
CRRC Group and its subsidiaries (Note 1)	Fixed assets	1,830	1,507
Joint ventures and associates of CRRC Group and subsidiaries (Note 2)	Fixed assets	2,390	1,615
Total	/	8,306	11,121

Note 1: These related party transactions are continuing connected transactions in accordance with Chapter 14A of the Listing Rules by HKEx.

Note 2: Transaction amounts of RMB1,485,000 constituted the continuing connected transactions in accordance with Chapter 14A of the Listing Rules by HKEx.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## XII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS *(continued)*

### 4. Related party transactions *(continued)*

#### (2) Leases with related parties *(continued)*

*The Group as the lessee:*

RMB'000

Name of lessor	Type of assets leased	Lease payment recognised in current year (Note 2)	Lease payment recognised in prior year
CRRC Group and its subsidiaries (Note 1)	Fixed assets	114,150	60,363
Total	/	114,150	60,363

Note 1: These related party transactions are continuing connected transactions in accordance with Chapter 14A of the Listing Rules by HKEx.

Note 2: Leasing expenses recognized in 2020 were short-term leases that applied the simplified approach and were charged to current profit or loss.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## XII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS *(continued)*

### 4. Related party transactions *(continued)*

#### (3) Guarantees with related parties

##### *The Company as the guarantor*

RMB'000

<b>The guaranteed company</b>	<b>Closing balance</b>	Opening balance
Wuhu Yunda	<b>3,295,932</b>	4,613,318

##### *The Company as the guarantee holder*

RMB'000

<b>Name of guarantor</b>	<b>Nature of transaction</b>	<b>Closing balance</b>	Opening balance
CRRC Group	Supply chain financial guarantee	–	12,784,962
CRRC Group	Bond guarantee	<b>1,500,000</b>	1,551,145
Total	/	<b>1,500,000</b>	14,336,107

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## XII. 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
<b>Funds received</b>				
CRRC Group and its subsidiaries	148,590	22/06/2020	21/06/2021	/
CRRC Group and its subsidiaries	13,130	29/07/2020	28/07/2021	/
CRRC Group and its subsidiaries	289,830	29/09/2020	28/09/2021	/
CRRC Group and its subsidiaries	100,000	13/11/2020	13/11/2021	/
CRRC Group and its subsidiaries	1,100,000	14/12/2020	13/12/2021	/
CRRC Group and its subsidiaries	44,556	13/11/2019	02/03/2021	/
CRRC Group and its subsidiaries	44,556	15/11/2019	02/03/2021	/
CRRC Group and its subsidiaries	44,496	07/12/2019	02/03/2021	/
CRRC Group and its subsidiaries	44,936	16/12/2019	02/03/2021	/
CRRC Group and its subsidiaries	44,960	02/03/2020	02/03/2021	/
CRRC Group and its subsidiaries	89,379	06/03/2020	02/03/2021	/
CRRC Group and its subsidiaries	23,000	23/01/2019	22/01/2021	/
<b>Total</b>	<b>1,987,433</b>	<b>/</b>	<b>/</b>	<b>/</b>



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## XII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS *(continued)*

### 4. Related party transactions *(continued)*

#### (5) Assets transfer/debt restructuring with related parties

RMB'000

Related party	Nature of transaction	January- December 2020	January- December 2019
Associates	Purchase of fixed assets from related parties	386	–
CRRC Group and its subsidiaries	Purchase of fixed assets from related parties	28,503	21,510
CRRC Group and its subsidiaries	Increase in Right-of-use assets	–	141,225
Associates	Purchase of intangible assets from related parties	1,091	–
CRRC Group and its subsidiaries	Sales of intangible assets from related parties	506,632	1,486,074
Total	/	536,612	1,648,809

#### (6) Related party equity transfer

During the year, the Group transferred 51% equity of Beijing Time New Park to CRRC Technology Park Development Co., Ltd.. Details are set out in Note VIII, 4(l). The Group transferred 50% equity of CRRC Construction Engineering to CRRC Rail Transit Construction Investment Co., Ltd.. Details are set out in Note IX, 2(1).

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## XII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS *(continued)*

### 4. Related party transactions *(continued)*

#### (7) Remuneration of key management personnel

Key management personnel represent the directors of the Company (executive directors and non-executive directors), supervisors, president, vice president, secretary of the Board and chief accountant. Compensation paid or payable to key management personnel for their employee service is as follows:

Item	RMB'000	
	January-December 2020	January-December 2019
Remuneration of key management personnel	8,874	13,445

#### (i) Directors', supervisors' and chief executive's emoluments

Item	RMB'000	
	January-December 2020	January-December 2019
Fees	302	261
Other emolument:		
Salaries	1,415	2,138
Performance-related bonuses (Note 1)	2,268	5,459
Social security contributions (other than pension scheme contributions) (Note 2)	250	554
Pension scheme contributions (Note 3)	120	347
Total	4,355	8,759

Note 1: The performance-related bonuses are determined by the remuneration committee in accordance with the relevant remuneration policies of the Company.

Note 2: The social security contributions (other than pension scheme contributions) represent the Company's statutory contributions directly to the PRC government, and are determined based on a certain percentage of the salaries of the directors, supervisors and the chief executive.

Note 3: The pension scheme contributions represent the Company's statutory contributions to a defined contribution pension scheme organized by the PRC government, and are determined based on a certain percentage of the salaries of the directors, supervisors and the chief executive.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## XII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS *(continued)*

### 4. Related party transactions *(continued)*

#### (7) Remuneration of key management personnel *(continued)*

##### (i) Directors', supervisors' and chief executive's emoluments *(continued)*

As at 31 December 2020, the names of the directors, supervisors and the chief executive and their emoluments are as follows:

RMB'000

	Fees	Salaries	Performance-related bonuses	Social security contribution (other than pension scheme contributions)	Pension scheme contributions	Total
Executive directors:						
Liu Hualong (Note 1)	-	-	-	-	-	-
Sun Yongcai	-	221	628	50	24	923
Lou Qiliang	-	199	562	50	24	835
Sub-total	-	420	1,190	100	48	1,758
Independent non-executive directors:						
Shi Jianzhong (Note 2)	30	-	-	-	-	30
Zhu Yuanchao (Note 2)	30	-	-	-	-	30
Li Guo'an	60	-	-	-	-	60
Wu Zhuo (Note 3)	30	-	-	-	-	30
Sun Patrick	152	-	-	-	-	152
Sub-total	302	-	-	-	-	302
Supervisors:						
Zhao Hu	-	389	393	50	24	856
Chen Zhenhan	-	302	358	50	24	734
Chen Xiaoyi	-	304	327	50	24	705
Sub-total	-	995	1,078	150	72	2,295
Total	302	1,415	2,268	250	120	4,355

Note 1: Mr. Liu Hualong holds the legal representative and the chairman of CRRCG and his remuneration has been borne by CRRCG.

Note 2: On 18 June 2020, Mr. Shi Jianzhong and Mr. Zhu Yuanchao were added as independent non-executive directors for the second session of the Board and their term of office shall end on the date of expiry of the term of office of the second session of the Board.

Note 3: On 18 June 2020, Mr. Wu Zhuo resigned from the position of Vice President. The disclosure period of aforementioned is from January to June 2020.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## XII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (continued)

### 4. Related party transactions (continued)

#### (7) Remuneration of key management personnel (continued)

##### (i) Directors', supervisors' and chief executive's emoluments (continued)

At at 31 December 2019, the names of the directors, supervisors and the chief executive and their emoluments are as follows:

	RMB'000					
	Fees	Salaries	Performance-related bonuses	Social security contribution (other than pension scheme contributions)	Pension scheme contributions	Total
Executive directors:						
Liu Hualong (Note 1)	-	-	-	-	-	-
Sun Yongcai (Note 2)	-	221	1,052	76	47	1,396
Lou Qiliang (Note 3)	-	197	964	76	47	1,284
Xu Zongxiang (Note 4)	-	180	964	70	43	1,257
Sub-total	-	598	2,980	222	137	3,937
Non-executive directors:						
Liu Zhiyong (Note 1)	-	-	-	-	-	-
Independent non-executive directors:						
Li Guo'an	60	-	-	-	-	60
Wu Zhuo	60	-	-	-	-	60
Sun Patrick	141	-	-	-	-	141
Sub-total	261	-	-	-	-	261
Supervisors:						
Wan Jun (Note 5)	-	116	975	43	28	1,162
Qiu Wei (Note 6)	-	291	373	43	28	735
Chen Fangping (Note 7)	-	166	352	18	13	549
Zhao Hu (Note 8)	-	361	375	76	47	859
Chen Zhenhan (Note 9)	-	302	100	76	47	525
Chen Xiaoyi (Note 10)	-	304	304	76	47	731
Sub-total	-	1,540	2,479	332	210	4,561
Total	261	2,138	5,459	554	347	8,759

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## XII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS *(continued)*

### 4. Related party transactions *(continued)*

#### (7) Remuneration of key management personnel *(continued)*

##### (i) Directors', supervisors' and chief executive's emoluments *(continued)*

Note 1: Mr. Liu Hualong holds the legal representative and the chairman of CRRCG and his remuneration has been borne by CRRCG. Mr. Liu Zhiyong holds the external director of the Company, his remuneration has been borne by the State-owned Assets Supervision and Administration Commission ("SASAC") of the State Council.

Note 2: Mr. Sun Yongcai has been the president of the Company since October 2017, and the salaries disclosed above include the remuneration paid for his service as the president.

Note 3: On 30 October 2019, Mr. Lou Qiliang resigned from the position of Vice President. On 27 December 2019, the Company convened an extraordinary general meeting and appointed Mr. Lou Qiliang as the executive director. The disclosure period of aforementioned is from January to December 2019.

Note 4: On 19 November 2019, Mr. Xu Zongxiang resigned from the position of the director, and the disclosure period of aforementioned remuneration is from January to November 2019.

Note 5: On 30 October 2019, Mr. Wan Jun resigned from the position of the supervisor, and the disclosure period of aforementioned remuneration is from January to October 2019.

Note 6: On 28 October 2019, Mr. Qiu Wei resigned from the position of the supervisor, and the disclosure period of aforementioned remuneration is from January to October 2019.

Note 7: On 29 April 2019, Mr. Chen Fangping resigned from the position of the supervisor, and the disclosure period of aforementioned remuneration is from January to April 2019.

Note 8: On 28 October 2019, Zhao Hu, the former director of the organisation department of the Party committee, was appointed as staff representative supervisor, and the disclosure period of aforementioned remuneration is from January to December 2019.

Note 9: On 1 June 2019, Chen Zhenhan, the former director of the audit and risk department, was appointed as supervisor, and the disclosure period of aforementioned remuneration is from January to December 2019.

Note 10: On 7 December 2019, Chen Xiaoyi, the former director of the legal affairs department, was appointed as supervisor, and the disclosure period of aforementioned remuneration is from January to December 2019.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## XII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS *(continued)*

### 4. Related party transactions *(continued)*

#### (7) Remuneration of key management personnel *(continued)*

##### (ii) Five highest paid employees

The five highest paid employees of the Group during the year are neither directors, supervisors nor chief executive.

Details of the remuneration of the five highest paid employees during the year are as follows:

	RMB'000	
	January- December 2020	January- December 2019
Salaries	1,780	1,697
Performance-related bonuses	8,682	8,212
Social security contribution (other than pension scheme contributions)	332	387
Pension scheme contributions	301	343
Total	11,095	10,639

The number of five highest paid employees whose remuneration fell within the following band is as follows:

	2020	2019
HKD2,000,001 to HKD2,500,000	2	4
HKD2,500,001 to HKD3,000,000	3	1

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## XII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS *(continued)*

### 4. Related party transactions *(continued)*

#### (8) Other related party transactions

		RMB'000	
Related party	Nature of transaction	January- December 2020	January- December 2019
CRRC Group and its subsidiaries (Note 1)	Financial service and interest income	<b>267,217</b>	254,398
Associates	Financial service and interest income	<b>10,074</b>	9,118
Joint ventures	Interest expenses	<b>52</b>	44
Associates	Interest expenses	<b>373</b>	412
CRRC Group and its subsidiaries	Interest expenses	<b>93,842</b>	48,896
Joint ventures and associates of CRRC Group and its subsidiaries	Interest expenses	<b>125</b>	–
<b>Total</b>	/	<b>371,683</b>	312,868

Note 1: The amount that constitutes a continuous related party transaction as defined in Chapter 14A of the Listing Rules of the Stock Exchange of Hong Kong Ltd. is RMB1,136,000.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## XII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS *(continued)*

### 5. Amounts due from/to related parties

#### (1) Receivables

RMB'000

Item	Related party	Balance at the end of the year		At the beginning of the year	
		Book value	Provisions for bad and doubtful debts	Book value	Provisions for bad and doubtful debts
Bills receivable	Joint ventures	11,821	–	7,816	–
Bills receivable	Associates	199,254	1,285	390,185	3,436
Bills receivable	CRRC Group and its subsidiaries	50,744	8,206	58,567	11
Accounts receivable	Joint ventures	517,110	140,758	781,124	109,947
Accounts receivable	Associates	1,043,864	104,050	1,285,470	117,656
Accounts receivable	CRRC Group and its subsidiaries	210,337	24,353	273,831	21,381
Accounts receivable	CRRC Group and the joint ventures and associates of its subsidiaries	302,517	11,209	174,859	10,505
Receivables at FVTOCI	Joint ventures	–	–	1,945	–
Receivables at FVTOCI	Associates	92,552	525	100,753	–
Receivables at FVTOCI	CRRC Group and its subsidiaries	93,246	6	212,003	4,165
Receivables at FVTOCI	CRRC Group and the joint ventures and associates of its subsidiaries	4,570	–	520	–
Prepayments	Joint ventures	338,861	–	261,698	–
Prepayments	Associates	286,379	84	125,128	–
Prepayments	CRRC Group and its subsidiaries	23,768	158	1,427	–
Prepayments	CRRC Group and the joint ventures and associates of its subsidiaries	1,871	–	–	–
Other receivables	Joint ventures	432,575	3	38,778	54
Other receivables	Associates	35,309	393	47,102	23



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## XII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS *(continued)*

### 5. Amounts due from/to related parties *(continued)*

#### (1) Receivables *(continued)*

Item	Related party	Balance at the end of the year		At the beginning of the year	
		Book value	Provisions for bad and doubtful debts	Book value	Provisions for bad and doubtful debts
Other receivables	CRRC Group and its subsidiaries	1,460,011	7,942	221,151	2,080
Contract assets	Joint ventures	806,566	14,897	342	7
Contract assets	Associates	46,069	468	171,631	3,020
Contract assets	CRRC Group and its subsidiaries	27,179	6,552	49,222	28
Contract assets	CRRC Group and the joint ventures and associates of its subsidiaries	46,010	393	87,072	87,072
Non-current assets due within one year	Associates	385,834	3,347	756,784	374,125
Non-current assets due within one year	CRRC Group and its subsidiaries	10,232,756	122,180	7,401,208	162,333
Long-term receivables	Associates	584,718	540,812	247,781	209,330
Long-term receivables	CRRC Group and its subsidiaries	179,227	179,227	128,019	128,019
Other non-current assets	Joint ventures	5,385	94	4,884	96
Other non-current assets	Associates	287,563	3,646	173,670	1,723
Other non-current assets	CRRC Group and its subsidiaries	24,484	155	6,405	7
Other non-current assets	CRRC Group and the joint ventures and associates of its subsidiaries	1,269,422	1,269	94,104	446
<b>Total</b>	<b>/</b>	<b>19,000,002</b>	<b>1,172,012</b>	<b>13,103,479</b>	<b>1,235,464</b>

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## XII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS *(continued)*

### 5. Amounts due from/to related parties *(continued)*

#### (2) Payables

		RMB'000	
Item	Related party	Closing book Value	Beginning book value
Short-term loans	CRRC Group and its subsidiaries	1,987,433	1,090,420
Customer deposits and deposits from banks and other financial institutions	Joint ventures	24,283	6,709
Customer deposits and deposits from banks and other financial institutions	Associates	49,946	76,924
Customer deposits and deposits from banks and other financial institutions	CRRC Group and its subsidiaries	4,040,655	5,481,773
Customer deposits and deposits from banks and other financial institutions	CRRC Group and the joint ventures and associates of its subsidiaries	272	10,390
Bills payable	Joint ventures	413,678	56,846
Bills payable	Associates	14,173	23,597
Bills payable	CRRC Group and its subsidiaries	20,205	103,830
Bills payable	CRRC Group and the joint ventures and associates of its subsidiaries	8,320	176,250
Accounts payable	Joint ventures	1,554,033	2,119,637
Accounts payable	Associates	1,486,208	1,611,856
Accounts payable	CRRC Group and its subsidiaries	1,345,006	1,658,522
Accounts payable	CRRC Group and the joint ventures and associates of its subsidiaries	38,751	577,759
Receipts in advance	CRRC Group and its subsidiaries	2,000	2,000
Contract liabilities	Joint ventures	5,799	11,558
Contract liabilities	Associates	197,711	452,301
Contract liabilities	CRRC Group and its subsidiaries	540,333	529,638
Contract liabilities	CRRC Group and the joint ventures and associates of its subsidiaries	405,202	13
Other payables	Joint ventures	6,154	3,358
Other payables	Associates	29,619	50,368
Other payables	CRRC Group and its subsidiaries	104,913	115,438

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## XII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS *(continued)*

### 5. Amounts due from/to related parties *(continued)*

#### (2) Payables *(continued)*

Item	Related party	Closing book Value	Beginning book value
Other payables	CRRC Group and the joint ventures and associates of its subsidiaries	1,584	1,626
Non-current liabilities due within one year	CRRC Group and its subsidiaries	–	39,291
Non-current liabilities due within one year	CRRC Group and the joint ventures and associates of its subsidiaries	222	–
Lease liabilities	CRRC Group and its subsidiaries	67,827	94,961
Total	/	12,344,327	14,295,065

### 6. Related party commitments

#### (1) Commitments relating to related parties that have been entered into but not necessary to be presented in the financial statements are as follows

RMB'000

Item	Related party	31 December 2020	31 December 2019
Selling goods to related parties	Associates	22,596	14,370
Selling goods to related parties	CRRC Group and its subsidiaries	–	21,105
Purchasing goods from related parties	Associates	–	2,329
Purchasing goods from related parties	CRRC Group and its subsidiaries	12,837	46,253
Total	/	35,433	84,057

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## XIII. COMMITMENTS AND CONTINGENCIES

### 1. Capital commitments

RMB'000

Item	31 December 2020	31 December 2019
Construction in progress, fixed assets and land use rights	2,752,027	3,047,826
Other intangible assets	29,653	14,237
Investment commitment	249	64,367
Total	2,781,929	3,126,430

### 2. Contingencies

#### (1) External guarantees

RMB'000

Related unit	Warrantee	Amount of guarantee	Type of guarantee
The Company	Wuhu Yunda	3,295,932	Guarantee for performance, financing and profit or loss

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## XIII. COMMITMENTS AND CONTINGENCIES *(continued)*

### 2. Contingencies *(continued)*

#### (2) Others

In 2017, there have been media reports in South Africa of violations of laws related to multiple procurements of locomotives by Transnet. From 2017, Transnet and the relevant state departments in South Africa established special investigation teams to investigate the relevant matters of the procurements of locomotives.

Between 2017 and 2020, South African Reserve Bank has blocked part of the fund deposited in three local bank accounts of the Group's subsidiary in South Africa on the ground that the Group's subsidiary in South Africa is suspected of alleged contraventions of the Exchange Control Regulations in South Africa. As at 31 December 2019, the blocked funds totalled ZAR4.45 billion (equivalent to RMB2.2 billion). On 8 December 2020, the South African Revenue Service ("SARS") lodged a request in the High Court in South Africa to block certain funds deposited in local bank accounts of the Group's subsidiary in South Africa on the ground that the subsidiary is suspected of failing to pay taxes in full in South Africa. As at 31 December 2020, the funds blocked by the South African Reserve Bank and the SARS totalled ZAR4.65 billion (equivalent to RMB2.1 billion). These blocked funds may be subject to forfeiture by the South African Reserve Bank or SARS under relevant regulations. Disclosures of the restricted bank balances are set out in Notes VII. 1 and VII. 27.

On 9 March 2021, Transnet and Special Investigating Unit under the South African State Institutions have launched an application in the High Court in South Africa in respect of Transnet's locomotive suppliers, including the Group's South African subsidiaries.

As at the reporting date, these matters are still in process. The Group's South African subsidiaries has engaged legal counsels to prepare replies and responses regarding the application mentioned above. According to the information learned by the Group, the Group cannot reasonably estimate the financial impact of the relevant events. The Group will continue to follow up the latest development of these events to assess the relevant potential impact (if any).

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## XIV. EVENTS AFTER THE BALANCE SHEET DATE

### 1. Description of other events after the balance sheet date

#### (i) Profit distribution

On 30 March 2021, the Company held the twenty-seventh meeting of the second session of the Board of Directors, at which the "Proposal on the 2020 Profit Distribution Plan of CRRC Corporation Limited" was considered and approved, pursuant to which the Company would distribute a cash dividend of RMB1.8 per 10 shares (tax inclusive) to all shareholders based on the 28,698,864,088 shares in the total share capital of the Company as at 31 December 2020. The profit distribution plan shall be considered and approved by the 2020 annual general meeting of the Company.

#### (ii) Issuance of bonds (Super Short-term Financing Bills)

As at the disclosure date of this report, the Company also issued the following Super Short-term Financing Bills:

On 27 January 2021, the Company issued 2021 first Tranche of Super Short-term Financing Bills in a total amount of RMB2 billion, which were due and settled on 26 February 2021.

On 27 January 2021, the Company issued 2021 second Tranche of Super Short-term Financing Bills in a total amount of RMB2 billion, which were due and settled on 2 March 2021.

On 24 February 2021, the Company issued 2021 third Tranche of Super Short-term Financing Bills in a total amount of RMB2 billion, which will be due on 30 March 2021.

On 4 March 2021, the Company issued 2021 fourth Tranche of Super Short-term Financing Bills in a total amount of RMB3 billion, which will be due on 9 April 2021.

On 16 March 2021, the Company issued 2021 fifth Tranche of Super Short-term Financing Bills in a total amount of RMB2 billion, which will be due on 21 April 2021.

On 25 March 2021, the Company issued 2021 sixth Tranche of Super Short-term Financing Bills in a total amount of RMB3 billion, which will be due on 6 July 2021.

On 26 March 2021, the Company issued 2021 seventh Tranche of Super Short-term Financing Bills in a total amount of RMB2 billion, which will be due on 28 April 2021.

#### (iii) The redemption of the Convertible Bonds

The Convertible Bonds with zero coupon at maturity were due on 5 February 2021, and no principal amount of the Convertible Bonds have been converted into H Shares of the Company. Pursuant to the terms and conditions of the Convertible Bonds, the Company redeemed all outstanding Convertible Bonds with an aggregate principal amount of US\$360,000,000 on 5 February 2021. Upon the completion of the above redemption, the Company do not have any outstanding Convertible Bonds, and the Company's Convertible Bonds have been cancelled and delisted from the Stock Exchange.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## XIV. EVENTS AFTER THE BALANCE SHEET DATE *(continued)*

### 1. Description of other events after the balance sheet date *(continued)*

#### (iv) Update on the South Africa matters

As of the disclosure date of this report, the subsequent update on the South Africa matters are set out in Note XIII, 2 (2).

#### (v) Disposal of Financial Leasing Company

On 16 March 2021, the Company held the twenty-sixth meeting of the second session of the Board of Directors, at which the "Proposal on CRRC Financial Leasing Co., Ltd through implementation of capital increase by means of open access trading" was considered and approved, pursuant to which the Company's holding subsidiary, CRRC financial leasing will introduce strategic investors through public listing and implement capital increase. Upon the completion of the capital increase, the company still holds the equity of CRRC financial leasing, but is no longer the controlling shareholder. The capital increase still needs to be approved by the China Banking Insurance Regulatory Commission

#### (vi) Description of other events after the balance sheet date

Since the outbreak of the novel coronavirus pneumonia epidemic (the "COVID-19 Epidemic") in January 2020, the prevention and control work of the COVID-19 Epidemic is continuing nationwide. In early 2021, the COVID-19 Epidemic recurred in many places across the country. As of the reporting date of this report, the COVID-19 Epidemic has been effectively controlled. The Group has been paying keen attention to the impact of the development of the COVID-19 Epidemic on its business operations and formulated countermeasures. The Group will continue to pay close attention to the development of the COVID-19 Epidemic, and evaluate and actively respond to the impact of the epidemic on the Group's financial status, operating results, etc. As of the reporting date of this report, no significant adverse impacts have been found.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## XV. OTHER SIGNIFICANT ITEMS

### 1. Segment information

#### (1) Basis for determining reporting segment and accounting policies

Based on the requirements of operation management, the Group's operating activities are classified in to one separate operating segment, mainly supplying the market with rail transit equipment and extended products and services, therefore the Group has no other operating segment.

#### (2) Financial information of reporting segment

##### (i) External revenue

RMB'000

Item	January- December 2020	January- December 2019
Products and services information:		
Rail transit equipment and extended products and services	227,656,041	229,010,833
Total	227,656,041	229,010,833
Geographical information:		
Mainland China	210,591,922	209,144,275
Other countries and regions	17,064,119	19,866,558
Total	227,656,041	229,010,833

##### (ii) Total specified non-current assets

RMB'000

Item	31 December 2020	31 December 2019
Mainland China	110,562,470	106,051,906
Other countries and regions	10,799,747	7,275,516
Total	121,362,217	113,327,422

The non-current assets are attributable to the regions where the assets are located, and exclude financial assets, financing lease receivable and deferred tax assets.



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## XV. OTHER SIGNIFICANT ITEMS *(continued)*

### 1. Segment information *(continued)*

#### (2) Financial information of reporting segment *(continued)*

##### *(iii) Major customers*

The Group's operating income from major customer China State Railway Group is RMB82,849,409,000 (January-December 2019: RMB116,305,501,000). The Group has no other single customer from which the revenue accounts for over 10% of the Group's operating income.

### 2. Net current assets and total assets less current liabilities

#### (1) Net current assets

	RMB'000	
Item	31 December 2020	31 December 2019
Current assets	249,727,225	251,215,115
Less: Current liabilities	197,492,911	200,164,511
Net current assets	52,234,314	51,050,604

#### (2) Total assets less current liabilities

	RMB'000	
Item	31 December 2020	31 December 2019
Total assets	392,380,368	383,572,485
Less: Current liabilities	197,492,911	200,164,511
Total assets less current liabilities	194,887,457	183,407,974

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## XV. OTHER SIGNIFICANT ITEMS *(continued)*

### 3. Basic earnings per share and the calculation of diluted earnings per share

#### (1) Basic earnings per share

Basic earnings per share is calculated at net profit attributable to the Company's ordinary shareholders divided by the weighted average number of outstanding ordinary shares:

Item	2020	2019
Net profit attributable to ordinary shareholders (RMB'000)	<b>11,331,053</b>	11,794,929
Weighted average number of outstanding ordinary shares (thousand shares)	<b>28,698,864</b>	28,698,864
Basic earnings per share (RMB/share)	<b>0.39</b>	0.41

#### (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	2020	2019
Net profit attributable to ordinary shareholders (RMB'000)	<b>11,331,053</b>	11,794,929
Add: Effect of convertible bonds (thousand shares)	<b>(106,030)</b>	(122,290)
Net profit used to calculate diluted earnings per share (RMB'000)	<b>11,225,023</b>	11,672,639
Weighted average number of outstanding ordinary shares (thousand shares)	<b>28,698,864</b>	28,698,864
Add: Effect of convertible bonds (thousand shares)	<b>315,705</b>	329,102
Number of outstanding ordinary shares used to calculate diluted earnings per share (thousand shares)	<b>29,014,569</b>	29,027,966
Diluted earnings per share (RMB/share)	<b>0.38</b>	0.40

Assuming that all the Group's outstanding convertible bonds have been converted to ordinary shares at the date of issuance, the earnings per share will decrease and the convertible bonds are diluted.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## XVI. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS

### 1. Cash and bank balances

RMB'000

Item	Closing balance	Opening balance
Cash on hand	319	318
Deposits with banks	463,556	11,369,481
Other monetary funds	501,301	1,005,362
Total	965,176	12,375,161

#### (i) Cash at bank and on hand with restrictive ownership title or right of use

RMB'000

	Closing balance	Opening balance
Deposit for bills receivable	501,301	1,005,362
Total	501,301	1,005,362

On 31 December 2020, the Company did not have unsecured and unrestricted time deposits with maturity of three months and above (December 31, 2019: None).

### 2. Other receivables

#### Presented by items

RMB'000

Item	Closing balance	Opening balance
Interest receivable	–	–
Dividends receivable	2,873,874	2,169,484
Other receivables	16,004,530	14,911,669
Total	18,878,404	17,081,153

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## XVI. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS *(continued)*

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

#### Other receivables

##### (1) Disclosure by aging analysis

RMB'000

Ageing	Closing balance	Opening balance
Within 1 year	11,964,634	10,465,167
1-2 years	1,537,178	3,155,287
2-3 years	2,503,207	68,251
Over 3 years	–	1,223,274
Sub-total	16,005,019	14,911,979
Less: Credit loss allowance	(489)	(310)
Total	16,004,530	14,911,669

##### (2) Categories of other receivables by nature

RMB'000

Nature of other receivables	Closing balance	Opening balance
Transactions between subsidiaries	14,370,630	14,738,543
Export rebate receivable	–	17,277
Others	1,633,900	155,849
Total	16,004,530	14,911,669

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## XVI. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (continued)

### 2. Other receivables (continued)

#### Other receivables (continued)

##### (3) Dividends receivable

	RMB'000	
Item (or investee)	Closing book balance	Opening book balance
Dividends receivable from subsidiaries	2,873,874	2,169,484
Total	2,873,874	2,169,484

##### (4) Top five entities with the largest balances of other receivables at 31 December 2020

	RMB'000		
Name	Closing balance	Proportion to total other receivables at 31 December 2020 (%)	Credit loss allowance at 31 December 2020
Top 5 Other receivables	9,376,876	58.59	–

### 3. Long-term equity investments

	Closing balance			Opening balance		
Item	Book value	Provision for impairment	Carrying amount	Book value	Provision for impairment	Carrying amount
Investments in subsidiaries	99,262,449	–	99,262,449	97,542,547	–	97,542,547
Investments in joint ventures and associates	6,147,003	–	6,147,003	6,009,429	–	6,009,429
Total	105,409,452	–	105,409,452	103,551,976	–	103,551,976

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## XVI. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (continued)

### 3. Long-term equity investments (continued)

#### (1) Investments in subsidiaries

	RMB'000			
Investee	Opening balance	Increases	Decreases	Closing balance
CRRC Changchun	11,538,846	–	–	11,538,846
CRRC Zhuzhou Institute	11,113,162	–	–	11,113,162
CRRC Zhuzhou Locomotive	5,214,002	455,544	–	5,669,546
CRRC Qingdao Sifang	4,649,445	245,790	–	4,895,235
CRRC Tangshan	8,429,399	–	–	8,429,399
CRRC Dalian	6,188,301	–	–	6,188,301
CRRC Qiqihar Group	7,894,071	–	–	7,894,071
CRRC Yangtze River Group	5,661,409	13,050	–	5,674,459
CRRC Investment & Leasing	3,214,106	–	–	3,214,106
CRRC Qishuyan	2,368,270	42,774	–	2,411,044
CRRC Qishuyan Institute	2,145,966	19,200	–	2,165,166
CRRC Capital Management	2,511,188	–	–	2,511,188
CRRC Nanjing Puzhen	2,276,757	2,000,000	–	4,276,757
CRRC Hong Kong Capital Management	2,508,426	672,060	–	3,180,486
CRRC Construction Engineering	1,690,747	–	845,375	845,372
CRRC Yongji Moto	2,266,438	–	–	2,266,438
CRRC Sifang Institute	3,119,677	–	–	3,119,677
CRRC Finance	2,434,613	–	–	2,434,613
CRRC Zhuzhou Moto	1,351,727	–	–	1,351,727
CRRC Ziyang	1,522,173	600,000	1,061,087	1,061,086
CRRC Beijing Nankou	524,412	–	–	524,412
CRRC Datong	1,313,207	–	–	1,313,207
CRRC Dalian R&D	196,206	–	–	196,206
CRRC Hong Kong	672,054	–	672,054	–
CRRC Dalian Institute	713,907	–	–	713,907
CRRC Sifang	593,645	–	–	593,645
CRRC Logistics	630,196	–	–	630,196
CRRC Industrial Institute	200,000	–	–	200,000
CRRC International	682,337	–	–	682,337
CRRC Information Technology	119,175	–	–	119,175
CRRC Financial Leasing	2,430,000	–	–	2,430,000
Other subsidiaries	1,368,685	250,000	–	1,618,685
<b>Total</b>	<b>97,542,547</b>	<b>4,298,418</b>	<b>2,578,516</b>	<b>99,262,449</b>

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## XVI. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (continued)

### 3. Long-term equity investments (continued)

#### (2) Investments in joint ventures and associates

RMB'000

Name of investee	Opening balance	Additional investment	Reduction in investment	Changes for the year		Changes in other equity	Cash dividend or profits declared	Closing balance
				Investment income or loss under equity method	Adjustments to other comprehensive income			
I. Joint ventures								
Wuhu Yunda	84,000	16,765	-	-	-	-	-	100,765
Sub-total	84,000	16,765	-	-	-	-	-	100,765
II. Associates								
China United Insurance	5,145,343	-	-	154,871	(27,587)	-	(22,000)	5,250,627
Others	780,086	-	-	11,008	-	4,957	(440)	795,611
Sub-total	5,925,429	-	-	165,879	(27,587)	4,957	(22,440)	6,046,238
Total	6,009,429	16,765	-	165,879	(27,587)	4,957	(22,440)	6,147,003

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## XVI. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (continued)

### 4. Revenue and operating costs

#### (1) Details of revenue and operating costs

RMB'000

Item	January-December 2020		January-December 2019	
	Income	Cost	Income	Cost
Principal operating activities	15,399	7,053	219,544	190,027
Other operating activities	412,686	4,074	397,756	2,827
Total	428,085	11,127	617,300	192,854

#### (2) Details of revenue from contracts

RMB'000

Type of contract	Rail transit equipment and extended products and services	Total
Categorised by sales region		
Mainland China	412,686	412,686
Other countries and regions	15,399	15,399
Total	428,085	428,085



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## XVI. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (continued)

### 5. Investment income

RMB'000

Item	January- December 2020	January- December 2019
Income from long-term equity investments accounted for using cost method	5,148,615	4,886,407
Income from long-term equity investment under equity method	165,879	106,018
Investment income on disposal of long-term equity investments	(310,416)	109,336
Investment income from disposal of held-for-trading financial assets	–	3,868
<b>Total</b>	<b>5,004,078</b>	<b>5,105,629</b>

### 6. Supplementary information to the cash flow statement

#### (1) Supplementary information to the cash flow statement

RMB'000

Supplementary information	January- December 2020	January- December 2019
1. Reconciliation of net profit to cash flow from operating activities:		
Net profit	4,934,592	5,353,382
Impairment losses under expected credit loss model	1,281	7,908
Depreciation of fixed assets	5,857	9,401
Depreciation of right-of-use assets	12,533	12,533
Amortisation of intangible assets	19,323	19,874
Gains from changes in fair value	(5,439)	(155,048)
Financial expenses	(39,209)	(180,214)
Investment income	(5,004,078)	(5,105,629)
Decrease (increase) in operating receivables	1,783,057	(51,543)
(Decrease) increase in operating payables	(88,873)	(484,247)
Net cash flow from operating activities	1,619,044	(573,583)
2. Net changes in cash and cash equivalents		
Closing balance of cash	463,875	11,369,799
Less: Opening balance of cash	11,369,799	7,470,296
Net decrease in cash and cash equivalents	(10,905,924)	3,899,503

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## XVI. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS *(continued)*

### 6. Supplementary information to the cash flow statement *(continued)*

#### (2) Composition of cash and cash equivalents

RMB'000

Item	Closing balance	Opening balance
I. Cash	<b>463,875</b>	11,369,799
Including: Cash on hand	<b>319</b>	318
Bank deposits available on demand	<b>463,556</b>	11,369,481
II. Cash equivalents	–	–
III. Closing balance of cash and cash equivalents	<b>463,875</b>	11,369,799

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## XVII.SUPPLEMENTARY INFORMATION

### 1. Breakdown of non-recurring gain or loss

RMB'000

Item	Amount	Note
Profit or loss on disposal of non-current assets	1,193,045	
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)	2,727,300	
Restructuring costs, such as staff compensation cost and integration expenses	(164,751)	
Profit or loss on changes in the fair value of held-for-trading financial assets, derivative financial assets, held-for-trading financial liabilities and derivative financial liabilities, and investment income on disposal of held-for-trading financial assets, derivative financial assets, held-for-trading financial liabilities, derivative financial liabilities and other debt investment, other than those used in the effective hedging activities relating to normal operating business	230,698	
Other non-operating income or expenses other than the above	(11,807)	
Gains on disposal of subsidiaries	425,266	
Gains from remeasurement of remaining equity interests in the subsidiaries to fair value upon disposal	430,902	
Other gains or losses that meet the definition of Non-recurring Gain or Loss	–	
Tax effects	(785,712)	
Effects attributable to minority interests	(362,380)	
<b>Total</b>	<b>3,682,561</b>	

Reason for defining items as non-recurring gain or loss items according to Information Disclosure and Presentation Rules for Companies Making Public Offering of Securities No.1 – Non-recurring Gain or Loss, and reasons for defining non-recurring gain or loss items illustrated in information Disclosure and Presentation Rules for Companies Making Public Offering of Securities No. 1 – Non-recurring Gain or Loss as recurring gain or loss items should be specified.

### 2. Return on net assets and earnings per share

Profit for the reporting period	Weighted average return on net assets (%)	Earnings per share:	
		Basic earnings per share	Diluted earnings per share
Net profit attributable to the Company's ordinary equity shareholders	7.93	0.39	0.38
Net profit excluding non-recurring gain and loss attributable to the Company's ordinary equity shareholders	5.35	0.27	0.26

## Definition

Articles of Association	the Articles of Association of the Company
A Share(s)	the Company's domestic share(s) listed on the Shanghai Stock Exchange
Board	the board of directors of the Company, unless the context requires otherwise
China United Insurance	China United Insurance Holding Corporation (中華聯合保險集團股份有限公司)
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)
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 Yangtze	CRRC Yangtze Transport Equipment Group Co., Ltd. (中車長江運輸設備集團有限公司)
CRRCG or CRRC GROUP	CRRC GROUP Co., Ltd. (中國中車集團有限公司)
CRRC or Company	CRRC Corporation Limited (中國中車股份有限公司)
CRRC Sifang	CRRC Qingdao Sifang Co., Ltd. (中車青島四方機車車輛股份有限公司)
CRRC Tangshan	CRRC Tangshan Co., Ltd. (中車唐山機車車輛有限公司)
CRRC ZELRI	CRRC Zhuzhou Electric Locomotive Research Institute Co., Ltd. (中車株洲電力機車研究所有限公司)
CRRC Zhuzhou Electric	CRRC Zhuzhou Electric Co., Ltd. (中車株洲电机有限公司)
CRRC Zhuzhou	CRRC Zhuzhou Locomotive Co., Ltd. (中車株洲電力機車有限公司)
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)
Director(s)	director(s) of the Company, unless the context requires otherwise

# Definition

Finance Company	CRRC Finance Co., Ltd. (中車財務有限公司)
Financial Leasing Company	CRRC Financial Leasing Co., Ltd. (中車金融租賃有限公司)
Group	the Company and its subsidiaries
Hong Kong Listing Rules	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
H Share(s)	the Company's foreign share(s) listed on the Stock Exchange
Model Code	Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Hong Kong Listing Rules
Qiqihar Group	CRRC Qiqihar Group Co., Ltd. (中車齊車集團有限公司)
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)
Senior Management	senior management of the Company, unless the context requires otherwise
SFO	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
SSE	Shanghai Stock Exchange
Stock Exchange	The Stock Exchange of Hong Kong Limited
Supervisor(s)	supervisor(s) of the Company, unless the context requires otherwise
Supervisory Committee	the supervisory committee of the Company, unless the context requires otherwise
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)

# Company Profile

CHINESE NAME	中國中車股份有限公司
ENGLISH NAME	CRRC Corporation Limited
REGISTERED OFFICE	No. 16 Central West Fourth Ring Road, Haidian District, Beijing 100036, the PRC
BUSINESS ADDRESS OF THE HEAD OFFICE	No. 16 Central West Fourth Ring Road, Haidian District, Beijing 100036, the PRC
PRINCIPAL PLACE OF BUSINESS IN HONG KONG	Unit H, 41/F., Office Tower, Convention Plaza, No. 1 Harbour Road, Wanchai, Hong Kong
LEGAL REPRESENTATIVE	Sun Yongcai
EXECUTIVE DIRECTORS	Sun Yongcai Lou Qiliang
INDEPENDENT NON-EXECUTIVE DIRECTORS	Li Guo'an Sun Patrick Shi Jianzhong Zhu Yuanchao
AUTHORIZED REPRESENTATIVE	Sun Yongcai TANG Tuong Hock
JOINT COMPANY SECRETARIES	Xie Jilong TANG Tuong Hock
SECRETARY TO THE BOARD	Xie Jilong
SECURITIES REPRESENTATIVE	Jin Yonggang
TELEPHONE FOR INFORMATION INQUIRY	(8610) 5186 2188
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H SHARE REGISTRAR	Computershare Hong Kong Investor Services Limited 17M Floor, Hopewell Centre 183 Queen's Road East Wanchai Hong Kong

# Company Profile

PLACES OF LISTING	The Stock Exchange of Hong Kong Limited Shanghai Stock Exchange
STOCK NAME	中國中車(CRRC)
STOCK CODE	1766 (Hong Kong) 601766 (Shanghai)
INDEPENDENT AUDITOR	KPMG Huazhen LLP Certified Public Accountants 8/F, Tower E2, Oriental Plaza 1 East Chang'an Avenue Dongcheng District Beijing, PRC
LEGAL ADVISERS	As to Hong Kong laws: Baker & McKenzie 14th Floor, One Taikoo Place 979 King's Road Quarry Bay Hong Kong  As to PRC laws: Jia Yuan Law Firm F408 Ocean Plaza 158 Fuxing Men Nei Avenue Beijing the PRC

