



2016
INTERIM REPORT



株洲中车时代电气股份有限公司
ZHUZHOU CRRC TIMES ELECTRIC CO., LTD.

(a joint stock company incorporated in the People's Republic of China with limited liability)
(Stock Code: 3898)

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Notes:

1. The financial data in this Interim Report is prepared under PRC Accounting Standards;
2. This Interim Report is prepared in Chinese and English. If there is any discrepancy between the Chinese version and the English version, the Chinese version shall prevail.



Results In Brief

The Board of the Company is pleased to announce the unaudited financial results of the Company and its subsidiaries (collectively, the "Group") for the six months ended 30 June 2016 which have been prepared in accordance with the PRC Accounting Standards. The interim financial statements in this interim report are unaudited, but have been reviewed by the Audit Committee of the Company.

The revenue of the Group for the six months ended 30 June 2016 amounted to RMB6,532,917,989 (for the six months ended 30 June 2015: RMB5,722,961,086), representing an increase of 14% over the same period of last year. Total profit amounted to RMB1,501,256,358 (for the six months ended 30 June 2015: RMB1,431,472,973), representing an increase of 5% over the same period of last year. Net profit attributable to shareholders of the Parent amounted to RMB1,286,335,985 (for the six months ended 30 June 2015: RMB1,219,829,085), representing an increase of 5% over the same period of last year. Basic earnings per share amounted to RMB1.09 (for the six months ended 30 June 2015: RMB1.04).

This interim report sets forth the unaudited consolidated interim financial statements of the Group and the notes thereto.

Business Review And Outlook

In the first half of 2016, the scale of investment in China's railway construction remained stable and railway construction projects in all regions kicked off successively. The urban railway market maintained rapid growth and overseas markets were highly competitive. CRRC continued to proceed with its business integration and the Company was granted the "China Quality Award" which is the highest honour in the area of national quality.

In respect of the traction systems for locomotives, China Railway Corporation (中國鐵路總公司) has slowed down its purchase tendering and the Group delivered the existing orders normally.

In respect of the traction systems for electric multiple units, the Group performed and delivered existing contracts smoothly and secured a batch order of inter-city electric multiple units.

In respect of metro market, the Group continued to strengthen the efforts in traction systems market expansion with steady development in emerging industries and smooth delivery of existing orders on schedule.

In respect of railway engineering machinery, the Group continued to promote research and development of new products.

In respect of train operation safety equipment, the evaluation of on-site operation of the proprietary new generation of LKJ was near completion.

In respect of parts and components, the asset transfer agreement for acquiring the IGBT Production Line of the Parent Company, has become effective and the Group promoted performance enhancement and spectrum expansion of the IGBT products.

The Government has promulgated the "Middle-to-Long Term Railway Network Plan (《中長期鐵路網規劃》)". In the face of the new railway network plan and increased railway network investment, the Company will strengthen its existing main businesses of railway transportation and cultivate emerging industries with business growth.

In the second half of 2016, in the field of locomotives, the Group will actively focus on new demands of the future and keep close track of overseas markets; in the field of electric multiple units, the Group will complete delivery of orders on-hand as scheduled, steadily push forward the inter-city electric multiple units project, and complete subsequent development and experiment of the standard EMU; in the field of metro, the Group will step up market development, optimize project management and complete orders on-hand as scheduled; in the field of railway engineering machinery, the Group will strengthen promotion and delivery of key products, push forward major research projects and consolidate technical advantages; in the field of parts and components, the Group will complete transaction of IGBT production line asset acquisition.

Consolidated Statement of Financial Position

30 June 2016

Renminbi Yuan

ASSETS	Note V	30 June 2016 (Unaudited)	31 December 2015 (Audited)
CURRENT ASSETS			
Cash and bank balances	1	5,987,193,589	3,403,680,982
Bills receivable	2	2,508,753,405	3,944,289,710
Trade receivables	3	5,842,690,094	3,967,858,997
Prepayments	4	286,653,990	194,032,905
Other receivables	5	74,593,965	154,434,789
Inventories	6	3,522,627,529	3,069,080,313
Other current assets	7	1,148,154,054	3,269,523,254
Total current assets		19,370,666,626	18,002,900,950
NON-CURRENT ASSETS			
Available-for-sale financial asset		900,000	900,000
Long-term receivables	8	38,694,076	11,178,796
Long-term equity investments	9	264,940,132	221,873,090
Fixed assets	10	1,692,687,654	1,762,830,047
Construction in progress	11	259,984,430	209,114,557
Intangible assets	12	627,724,571	689,151,256
Development expenditure		663,534	663,534
Goodwill	13	536,825,833	575,023,668
Deferred tax assets	14	333,113,459	279,780,338
Other non-current assets	15	66,393,532	58,910,923
Total non-current assets		3,821,927,221	3,809,426,209
TOTAL ASSETS		23,192,593,847	21,812,327,159

Consolidated Statement of Financial Position

30 June 2016

Renminbi Yuan

LIABILITIES AND SHAREHOLDERS' EQUITY	Note V	30 June 2016 (Unaudited)	31 December 2015 (Audited)
CURRENT LIABILITIES			
Short-term borrowings	16	112,269,449	53,636,349
Bills payable	17	997,688,102	1,733,675,268
Trade payables	18	2,837,537,173	2,432,533,665
Advances from customers	19	927,322,206	888,730,895
Employee benefits payable	20	239,967,144	50,365,378
Dividends payable	21	528,964,487	—
Interests payable		2,993,386	2,504,772
Taxes payable	22	259,816,224	250,178,115
Other payables	23	512,116,592	295,070,864
Current portion of non-current liabilities	24	10,729,523	16,207,531
Provisions	26	335,867,618	367,927,119
Deferred income	27	82,945,321	59,304,497
Total current liabilities		6,848,217,225	6,150,134,453
NON-CURRENT LIABILITIES			
Long-term borrowings	25	1,066,642,577	1,025,396,909
Long-term payables	18	107,507,290	116,298,371
Provisions	26	491,200,217	514,732,436
Deferred income	27	226,110,242	228,974,815
Deferred tax liabilities	14	86,809,210	100,187,611
Total non-current liabilities		1,978,269,536	1,985,590,142
Total liabilities		8,826,486,761	8,135,724,595
SHAREHOLDERS' EQUITY			
Share capital		1,175,476,637	1,175,476,637
Capital reserve		3,352,123,130	3,352,123,130
Other comprehensive income		(136,586,968)	(41,391,233)
Special reserve		13,049,459	7,520,445
Surplus reserve		1,287,411,227	1,149,501,481
Retained earnings	29	8,448,498,132	7,829,036,380
Total equity attributable to shareholders of the Parent		14,139,971,617	13,472,266,840
Non-controlling interests		226,135,469	204,335,724
Total shareholders' equity		14,366,107,086	13,676,602,564
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		23,192,593,847	21,812,327,159

Consolidated Statement of Profit or Loss

For the six months ended 30 June 2016

Renminbi Yuan

	Note V	For the six months ended 30 June 2016 (Unaudited)	For the six months ended 30 June 2015 (Unaudited)
Revenue	30	6,532,917,989	5,722,961,086
Less: Cost of sales	30	4,053,716,362	3,460,354,609
Business taxes and surcharges		39,416,907	36,579,048
Selling expenses		263,199,513	243,417,182
Administrative expenses		802,819,079	678,970,492
Finance costs	31	52,948,150	(45,259,183)
Asset impairment losses	32	120,862,668	55,855,484
Add: Investment income	33	73,412,981	72,799,724
including: share of profits and losses of associates and joint ventures	33	34,753,290	35,038,335
Operating profit		1,273,368,291	1,365,843,178
Add: Non-operating income	34	228,577,997	71,131,275
including: gains on disposal of non-current assets	34	1,391,246	277,906
Less: Non-operating expenses	35	689,930	5,501,480
including: losses on disposal of non-current assets	35	249,263	131,598
Total profit	36	1,501,256,358	1,431,472,973
Less: Income tax expense	37	206,936,487	211,523,560
Net profit		1,294,319,871	1,219,949,413
Net profit attributable to shareholders of the Parent		1,286,335,985	1,219,829,085
Non-controlling interests		7,983,886	120,328

Consolidated Statement of Profit or Loss

For the six months ended 30 June 2016

Renminbi Yuan

	Note V	For the six months ended 30 June 2016 (Unaudited)	For the six months ended 30 June 2015 (Unaudited)
Other comprehensive income, net of tax			
Other comprehensive income attributable to shareholders of the Parent, net of tax			
Other comprehensive income to be reclassified to profit or loss in subsequent periods			
Exchange fluctuation reserve		<u>(95,195,735)</u>	<u>7,415,073</u>
Total other comprehensive income attributable to non-controlling shareholders, net of tax		<u>(2,658,357)</u>	<u>(241,035)</u>
Total comprehensive income		<u><u>1,196,465,779</u></u>	<u><u>1,227,123,451</u></u>
Including:			
Total comprehensive income attributable to shareholders of the Parent		<u><u>1,191,140,250</u></u>	<u><u>1,227,244,158</u></u>
Total comprehensive income attributable to non-controlling interests		<u><u>5,325,529</u></u>	<u><u>(120,707)</u></u>
Earnings per share (Yuan/Share)	38		
Basic		<u><u>1.09</u></u>	<u><u>1.04</u></u>
Diluted		<u><u>1.09</u></u>	<u><u>1.04</u></u>

Consolidated Statement of Changes in Equity

For the six months ended 30 June 2016

Renminbi Yuan

	Attributable to shareholders of the Parent							Non-controlling interests	Total shareholders' equity
	Share capital	Capital reserve	Special reserve	Surplus reserve	Retained earnings	Other comprehensive income	Sub-total		
I. 1 January 2016 (audited)	1,175,476,637	3,352,123,130	7,520,445	1,149,501,481	7,829,036,380	(41,391,233)	13,472,266,840	204,335,724	13,676,602,564
II. Movements during the period									
(i) Total comprehensive income (unaudited)	—	—	—	—	1,286,335,985	(95,195,735)	1,191,140,250	5,325,529	1,196,465,779
(ii) Capital contribution and withdrawal by shareholders									
1. Capital contribution by shareholders (unaudited)	—	—	—	—	—	—	—	19,000,000	19,000,000
(iii) Profit appropriation									
1. Transfer to surplus reserve (unaudited)	—	—	—	137,909,746	(137,909,746)	—	—	—	—
2. Dividends paid (unaudited)	—	—	—	—	(528,964,487)	—	(528,964,487)	(2,680,544)	(531,645,031)
(iv) Special reserve									
1. Accrued during the period (unaudited)	—	—	19,768,067	—	—	—	19,768,067	634,937	20,403,004
2. Paid during the period (unaudited)	—	—	(14,239,053)	—	—	—	(14,239,053)	(480,177)	(14,719,230)
III. 30 June 2016 (unaudited)	<u>1,175,476,637</u>	<u>3,352,123,130</u>	<u>13,049,459</u>	<u>1,287,411,227</u>	<u>8,448,498,132</u>	<u>(136,586,968)</u>	<u>14,139,971,617</u>	<u>226,135,469</u>	<u>14,366,107,086</u>

For the six months ended 30 June 2015

Renminbi Yuan

	Attributable to shareholders of the Parent							Non-controlling interests	Total shareholders' equity
	Share capital	Capital reserve	Special reserve	Surplus reserve	Retained earnings	Other comprehensive income	Sub-total		
I. 1 January 2015 (audited)	1,175,476,637	3,352,499,586	2,920,995	859,087,844	5,631,283,306	(30,272,682)	10,990,995,686	179,770,190	11,170,765,876
II. Movements during the period									
(i) Total comprehensive income (unaudited)	—	—	—	—	1,219,829,085	7,415,073	1,227,244,158	(120,707)	1,227,123,451
(ii) Capital contribution and withdrawal by shareholders									
1. Others (unaudited)	—	(376,456)	—	—	—	—	(376,456)	376,456	—
(iii) Profit appropriation									
1. Transfer to surplus reserve (unaudited)	—	—	—	125,169,878	(125,169,878)	—	—	—	—
2. Dividends paid (unaudited)	—	—	—	—	(470,190,655)	—	(470,190,655)	(1,943,949)	(472,134,604)
(iv) Special reserve									
1. Accrued during the period (unaudited)	—	—	7,844,096	—	—	—	7,844,096	—	7,844,096
2. Paid during the period (unaudited)	—	—	(7,731,153)	—	—	—	(7,731,153)	—	(7,731,153)
III. 30 June 2015 (unaudited)	<u>1,175,476,637</u>	<u>3,352,123,130</u>	<u>3,033,938</u>	<u>984,257,722</u>	<u>6,255,751,858</u>	<u>(22,857,609)</u>	<u>11,747,785,676</u>	<u>178,081,990</u>	<u>11,925,867,666</u>

Consolidated Statement of Cash Flows

For the six months ended 30 June 2016

Renminbi Yuan

	Note V	For the six months ended 30 June 2016 (Unaudited)	For the six months ended 30 June 2015 (Unaudited)
1. Cash flows from operating activities			
Cash received from sale of goods or rendering of services		5,538,486,210	5,427,921,902
Refunds of taxes		202,000,864	51,140,648
Cash received relating to other operating activities		144,873,562	172,601,507
Sub-total of cash inflows from operating activities		5,885,360,636	5,651,664,057
Cash paid for goods and services		(3,672,490,194)	(3,319,894,699)
Cash paid to and on behalf of employees		(533,382,669)	(474,556,972)
Cash paid for all types of taxes		(642,020,787)	(629,476,909)
Cash paid relating to other operating activities		(756,234,900)	(595,679,476)
Sub-total of cash outflows from operating activities		(5,604,128,550)	(5,019,608,056)
Net cash flows from operating activities	39	281,232,086	632,056,001
2. Cash flows from investing activities			
Cash received from disposal or returns of investments		2,809,000,000	3,000,000,000
Cash received from returns on investments		37,955,706	31,374,786
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		3,873,843	547,474
Cash received relating to other investing activities		114,514,120	30,920,000
Sub-total of cash inflows from investing activities		2,965,343,669	3,062,842,260
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets		(109,352,758)	(104,712,055)
Cash paid for acquisition of investments		(723,000,000)	(2,080,000,000)
Cash paid for acquisition of subsidiaries	39	—	(1,074,807,066)
Cash paid relating to other investing activities		—	(92,311,980)
Sub-total of cash outflows from investing activities		(832,352,758)	(3,351,831,101)
Net cash flows from/(used in) investing activities		2,132,990,911	(288,988,841)

Consolidated Statement of Cash Flows

For the six months ended 30 June 2016

Renminbi Yuan

	Note V	For the six months ended 30 June 2016 (Unaudited)	For the six months ended 30 June 2015 (Unaudited)
3. Cash flows from financing activities			
Cash received from capital contribution		19,000,000	—
including: cash received from non-controlling shareholders of subsidiaries		19,000,000	—
Cash received from borrowings		69,316,635	945,489,188
Sub-total of cash inflows from financing activities		88,316,635	945,489,188
Cash repayment of borrowings		(13,867,415)	(38,024,488)
Cash paid for distribution of dividends or profits and for interest expenses		(14,942,049)	(5,057,875)
Sub-total of cash outflows from financing activities		(28,809,464)	(43,082,363)
Net cash flows from financing activities		59,507,171	902,406,825
4. Effect of foreign exchange rate changes on cash and cash equivalents		2,371,825	(532,720)
5. Net increase in cash and cash equivalents		2,476,101,993	1,244,941,265
Add: Cash and cash equivalents at beginning of period		3,351,119,633	2,647,816,044
6. Cash and cash equivalents at end of period	39	5,827,221,626	3,892,757,309

Statement of Financial Position

30 June 2016

Renminbi Yuan

ASSETS	Note XIII	30 June 2016 (Unaudited)	31 December 2015 (Audited)
CURRENT ASSETS			
Cash and bank balances		5,061,323,010	2,766,793,280
Bills receivable		2,261,700,796	3,757,478,113
Trade receivables	1	5,535,950,679	3,960,552,913
Dividends receivable		12,873,286	—
Prepayments		144,448,489	100,498,608
Other receivables	2	283,681,773	275,084,311
Inventories		2,654,502,500	2,288,246,413
Other current assets		1,124,869,120	2,945,113,050
Total current assets		17,079,349,653	16,093,766,688
NON-CURRENT ASSETS			
Available-for-sale financial asset		900,000	900,000
Long-term receivables	1	1,433,787	3,337,685
Long-term equity investments	3	1,802,218,550	1,686,522,346
Fixed assets		1,110,514,768	1,150,101,328
Construction in progress		205,909,980	164,177,021
Intangible assets		181,782,102	186,368,407
Deferred tax assets		299,613,862	249,179,656
Other non-current assets		59,690,689	50,833,733
Total non-current assets		3,662,063,738	3,491,420,176
TOTAL ASSETS		20,741,413,391	19,585,186,864

Statement of Financial Position

30 June 2016

Renminbi Yuan

LIABILITIES AND SHAREHOLDERS' EQUITY	30 June 2016 (Unaudited)	31 December 2015 (Audited)
CURRENT LIABILITIES		
Bills payable	676,910,165	1,406,211,382
Trade payables	2,357,799,046	2,254,604,272
Advances from customers	824,150,990	775,880,975
Employee benefits payable	186,297,440	34,065,740
Dividends payable	528,964,487	—
Interests payable	376,835	139,972
Taxes payable	221,386,754	191,742,372
Other payables	501,425,222	301,045,016
Provisions	314,933,711	334,500,647
Deferred income	81,638,409	58,097,585
Total current liabilities	5,693,883,059	5,356,287,961
NON-CURRENT LIABILITIES		
Long-term borrowings	100,188,000	100,188,000
Long-term payables	107,507,290	116,298,371
Provisions	485,247,642	508,165,648
Deferred income	205,809,939	209,261,055
Total non-current liabilities	898,752,871	933,913,074
Total liabilities	6,592,635,930	6,290,201,035
SHAREHOLDERS' EQUITY		
Share capital	1,175,476,637	1,175,476,637
Capital reserve	3,378,010,293	3,378,010,293
Special reserve	7,755,296	4,096,637
Surplus reserve	1,287,411,227	1,149,501,481
Retained earnings	8,300,124,008	7,587,900,781
Total shareholders' equity	14,148,777,461	13,294,985,829
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	20,741,413,391	19,585,186,864

Statement of Profit or Loss

For the six months ended 30 June 2016

Renminbi Yuan

	Note XIII	For the six months ended 30 June 2016 (Unaudited)	For the six months ended 30 June 2015 (Unaudited)
Revenue	4	5,555,817,370	4,954,212,927
Less: Cost of sales	4	3,488,927,831	3,035,926,081
Business taxes and surcharges		31,501,830	28,646,472
Selling expenses		203,651,792	192,018,070
Administrative expenses		573,372,130	509,393,990
Finance costs		14,492,006	(33,984,881)
Asset impairment losses		106,234,622	48,449,882
Add: Investment income	5	231,568,591	207,116,579
including: share of profits and losses of associates and joint ventures	5	42,748,320	35,038,335
Operating profit		1,369,205,750	1,380,879,892
Add: Non-operating income		197,670,360	65,345,889
including: gains on disposal of non-current assets		1,229,833	262,928
Less: Non-operating expenses		215,252	1,439,359
including: losses on disposal of non-current assets		193,966	82,207
Total profit		1,566,660,858	1,444,786,422
Less: Income tax expense		187,563,398	193,087,648
Net profit		1,379,097,460	1,251,698,774
Other comprehensive income, net of tax		—	—
Total comprehensive income		1,379,097,460	1,251,698,774

Statement of Changes in Equity

For the six months ended 30 June 2016

Renminbi Yuan

	Share capital	Capital reserve	Special reserve	Surplus reserve	Retained earnings	Total shareholders' equity
I. 1 January 2016 (audited)	1,175,476,637	3,378,010,293	4,096,637	1,149,501,481	7,587,900,781	13,294,985,829
II. Movements during the period						
(i) Total comprehensive income (unaudited)	—	—	—	—	1,379,097,460	1,379,097,460
(ii) Profit appropriation						
1. Transfer to surplus reserve (unaudited)	—	—	—	137,909,746	(137,909,746)	—
2. Dividends paid (unaudited)	—	—	—	—	(528,964,487)	(528,964,487)
(iii) Special reserve						
1. Accrued during the period (unaudited)	—	—	14,458,358	—	—	14,458,358
2. Paid during the period (unaudited)	—	—	(10,799,699)	—	—	(10,799,699)
III. 30 June 2016 (unaudited)	<u>1,175,476,637</u>	<u>3,378,010,293</u>	<u>7,755,296</u>	<u>1,287,411,227</u>	<u>8,300,124,008</u>	<u>14,148,777,461</u>

For the six months ended 30 June 2015

Renminbi Yuan

	Share capital	Capital reserve	Special reserve	Surplus reserve	Retained earnings	Total shareholders' equity
I. 1 January 2015 (audited)	1,175,476,637	3,378,010,293	—	859,087,844	5,444,368,704	10,856,943,478
II. Movements during the period						
(i) Total comprehensive income (unaudited)	—	—	—	—	1,251,698,774	1,251,698,774
(ii) Profit appropriation						
1. Transfer to surplus reserve (unaudited)	—	—	—	125,169,878	(125,169,878)	—
2. Dividends paid (unaudited)	—	—	—	—	(470,190,655)	(470,190,655)
(iii) Special reserve						
1. Accrued during the period (unaudited)	—	—	5,191,243	—	—	5,191,243
2. Paid during the period (unaudited)	—	—	(5,191,243)	—	—	(5,191,243)
III. 30 June 2015 (unaudited)	<u>1,175,476,637</u>	<u>3,378,010,293</u>	<u>—</u>	<u>984,257,722</u>	<u>6,100,706,945</u>	<u>11,638,451,597</u>

Statement of Cash Flows

For the six months ended 30 June 2016

Renminbi Yuan

	Note XIII	For the six months ended 30 June 2016 (Unaudited)	For the six months ended 30 June 2015 (Unaudited)
1. Cash flows from operating activities			
Cash received from sale of goods or rendering of services		5,007,401,951	4,655,901,622
Refunds of taxes		190,795,705	50,883,804
Cash received relating to other operating activities		11,673,135	162,238,996
Sub-total of cash inflows from operating activities		5,209,870,791	4,869,024,422
Cash paid for goods and services		(3,557,531,076)	(3,010,332,898)
Cash paid to and on behalf of employees		(302,560,145)	(290,812,477)
Cash paid for all types of taxes		(527,922,279)	(502,904,270)
Cash paid relating to other operating activities		(462,060,849)	(512,248,868)
Sub-total of cash outflows from operating activities		(4,850,074,349)	(4,316,298,513)
Net cash flows from operating activities	6	359,796,442	552,725,909
2. Cash flows from investing activities			
Cash received from disposal or returns of investments		2,500,000,000	2,660,000,000
Cash received from returns on investments		175,172,252	168,322,820
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		2,006,155	425,612
Cash received relating to other investing activities		23,410,000	—
Sub-total of cash inflows from investing activities		2,700,588,407	2,828,748,432
Cash paid for acquisitions of fixed assets, intangible assets and other long-term assets		(89,665,540)	(89,680,178)
Cash paid for acquisition of investments		(767,500,000)	(2,427,260,000)
Sub-total of cash outflows from investing activities		(857,165,540)	(2,516,940,178)
Net cash flows from investing activities		1,843,422,867	311,808,254
3. Cash flows from financing activities			
Net cash flows from financing activities		—	—
4. Effect of foreign exchange rate changes on cash and cash equivalents		2,385,660	303,428
5. Net increase in cash and cash equivalents		2,205,604,969	864,837,591
Add: Cash and cash equivalents at beginning of period		2,754,350,998	2,214,865,319
6. Cash and cash equivalents at end of period	6	4,959,955,967	3,079,702,910

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I Basic Information of the Group

Zhuzhou CRRC Times Electric Co., Ltd. (the “Company”) (formerly known as Zhuzhou CSR Times Electric Co., Ltd.) is a joint stock limited company registered in Hunan Province, the People’s Republic of China (the “PRC”). It was jointly established by CRRC Zhuzhou Electric Locomotive Research Institute Co., Ltd. (中車株洲電力機車研究所有限公司) (formerly known as CSR Zhuzhou Electric Locomotive Research Institute Co., Ltd. (南車株洲電力機車研究所有限公司)), CRRC Changzhou Qishuyan Locomotive & Rolling Stock Works (中車集團常州戚墅堰機車車輛廠) (formerly known as CSRG Qishuyan Locomotive & Rolling Stock Works (中國南車集團戚墅堰機車車輛廠)), CRRC Zhuzhou Locomotive Co., Ltd. (中車株洲電力機車有限公司) (formerly known as CSR Zhuzhou Electric Locomotive Co., Ltd. (南車株洲電力機車有限公司)), CRRC Investment & Leasing Co., Ltd. (中車投資租賃有限公司) (formerly known as CSR Investment & Leasing Co., Ltd. (南車投資租賃有限公司)) and CRCC High-Tech Equipment Corporation Limited (中國鐵建高新裝備股份有限公司) (formerly known as China Railway Large Maintenance Machinery Co., Ltd. Kunming (昆明中鐵大型養路機械集團有限公司)) at the date of 26 September 2005. The H shares of the Company were listed on the Stock Exchange of Hong Kong Limited (the “Hong Kong Stock Exchange”). The registered office of the Company is located at Times Road, Shifeng District, Zhuzhou City, Hunan Province, the PRC.

The Company and its subsidiaries (together, the “Group”) are principally engaged in the sale and manufacture of train-borne electrical systems and electrical components.

In December 2006, the Company issued 414,644,000 H Shares (including H shares issued via the exercise of the over-allotment option) with a nominal value of RMB1 each through the Hong Kong Stock Exchange. The issue price was HKD5.3 per share. The total proceeds before deducting issuing expenses amounted to HKD2,197,613,000 (equivalent to approximately RMB2,209,968,000). These H shares were listed and traded on the Main Board of the Hong Kong Stock Exchange in December 2006.

In October 2013, the Company issued 91,221,000 H Shares with a nominal value of RMB1 each through the Hong Kong Stock Exchange. The issue price was HKD25 per share. The total proceeds before deducting issuing expenses amounted to HKD2,280,525,000 (equivalent to approximately RMB1,803,872,470). These H shares were listed and traded on the Main Board of the Hong Kong Stock Exchange in October 2013. Consequently upon the issue of the H Shares, the registered capital and paid-in capital of the Company was increased to RMB1,175,476,637.

As at 30 June 2016, the Company had issued an aggregate of 1,175,476,637 shares as share capital.

As at 30 June 2016, the Group’s parent and ultimate holding company are CRRC Zhuzhou Electric Locomotive Research Institute Co., Ltd. (中車株洲電力機車研究所有限公司) and CRRC Group (中國中車集團公司) respectively, both established in the PRC.

The financial statements were approved by the board of directors of the Company on 19 August 2016.

The consolidation scope of the consolidated financial statements is determined on the basis of control. Amendments for current period refer to Note VI.

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II. Basis of Preparation

The financial statements are prepared in accordance with the “Accounting Standards for Business Enterprises – General Principles” issued by the China Ministry of Finance, together with specific accounting standards, application guidance, interpretations and other related regulations issued and revised thereafter (“Accounting Standards for Business Enterprises”, collectively).

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

These financial statements are prepared under the historical cost convention, except for certain financial instruments. If the assets are impaired, corresponding provisions for impairment shall be made according to relevant rules.

III. Significant Accounting Policies and Estimates

1. Statement of compliance with Accounting Standards for Business Enterprises

The financial statements present fairly and completely, the financial position of the Group and the Company as at 30 June 2016 and the financial performance and cash flows for the six months ended 30 June 2016 in accordance with Accounting Standards for Business Enterprises.

2. Accounting period

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

3. Functional currency

The Group’s functional and presentation currency is Renminbi (“RMB”). Unless otherwise stated, the unit of the currency is RMB yuan.

The subsidiaries, joint ventures and associates of the Group may determine their own functional currencies based on their specific economic environments. In the preparation of the financial statements, their functional currencies shall be translated into RMB.

4. Business combinations

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

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III. Significant Accounting Policies and Estimates (continued)

4. Business combinations (continued)

Business combinations involving entities under common control

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

Assets and liabilities that are obtained by the acquirer in a business combination involving entities under common control (including the goodwill generated by the ultimate controller in the acquisition of the acquiree) shall be measured at their carrying amounts at the combination date as recorded by the acquiree. The difference between the carrying amount of the net assets obtained and the carrying amount of the consideration paid for the combination (or the aggregate face value of shares issued as consideration) shall be adjusted to share premium under capital surplus. If the capital surplus is not sufficient to absorb the difference, any excess shall be adjusted against retained earnings.

Business combinations not involving entities under common control

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

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

Goodwill is initially recognised at cost being the excess of the aggregate fair value of the consideration transferred (or the fair value of the equity securities issued) and any fair value of the acquirer's previously held equity interest in the acquiree over the net identifiable assets acquired at the acquisition date. After initial recognition, goodwill is measured at cost less any accumulated impairment losses. In the event that the sum of the fair value of the consolidation consideration paid (or the fair value of the equity securities issued) and the fair value of the equity interests in the acquiree held before the date of acquisition is less than the share of the fair value of the net identifiable assets of the acquiree acquired in the consolidation, the measurement of the fair value of the various identifiable assets, liabilities and contingent liabilities of the acquiree acquired and the fair value of the consolidation consideration paid (or the fair value of the equity securities issued) and the fair value of the equity interests in the acquiree held before the date of acquisition shall first be reviewed. If the sum of this consideration and other items mentioned above is lower than the fair value of the net identifiable assets acquired, the difference is, after reassessment, recognised in profit or loss of the current period.

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III. Significant Accounting Policies and Estimates (continued)

5. Consolidated financial statements

The consolidation scope of the consolidated financial statements is determined on the basis of control, including the financial statements for the year ended 30 June 2016 of the Company and all of its subsidiaries. A subsidiary is an entity that is controlled by the Company (including enterprise, divided part of the investee and a structured entity that is controlled by the Company).

In the preparation of the consolidated financial statements, when the accounting policies of a subsidiary are different from those of the Company, the Company shall make adjustments to the financial statements of the subsidiary based on its own accounting policies. All intra-group assets, liabilities, equities, revenues, expenses and cash flows resulting from intra-group transactions are eliminated on consolidation in full.

Where the amount of losses of a subsidiary attributable to non-controlling shareholders exceeds the opening balance of owners' equity attributable to non-controlling shareholders of the subsidiary, the excess shall still be allocated against non-controlling interests.

For subsidiaries acquired through business combinations not involving entities under common control, the operating results and cash flows of the acquiree shall be included in the consolidated financial statements, from the date on which the Group obtains control, till the Group ceases to have control on it. While preparing the consolidated financial statements, the acquirer shall adjust the subsidiary's financial statements, on the basis of the fair values of the identifiable assets, liabilities and contingent liabilities recognised on the acquisition date.

For subsidiaries acquired through business combinations involving entities under common control, the operating results and cash flows of the acquiree shall be included in the consolidated financial statements from the beginning of the period in which the combination occurs. While preparing the comparative financial statements, adjustments are made to related items in the financial statements for the prior period as if the reporting entity established through combination had been in existence since the ultimate holding party began to exercise control.

The Group shall reassess whether it controls an investee if facts and circumstances indicate that there are changes to one or more of elements of control.

6. Joint arrangement classification and joint operation

Joint arrangement is classified as joint operation and joint venture. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture.

The Group recognises in relation to its interest in a joint operation: its assets, including its share of any assets held jointly; its liabilities, including its share of any liabilities incurred jointly; its revenue from the sale of its share of the output arising from the joint operation; its share of the revenue from the sale of the output by the joint operation; and its expenses, including its share of any expenses incurred jointly.

Notes to Financial Statements

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III. Significant Accounting Policies and Estimates (continued)

7. Cash and cash equivalents

Cash comprises the Group's cash on hand and deposits that can be readily withdrawn on demand. Cash equivalents are short-term highly liquid investments held by the Group that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

8. Foreign currency transactions and foreign currency translation

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

Foreign currency transactions are initially recorded using the functional currency rates ruling at the transaction dates. At the balance sheet date, foreign currency monetary items are translated using the spot exchange rate at the balance sheet date. All the resulting exchange differences are taken to profit or loss, except for those relating to foreign currency borrowings specifically for the construction and acquisition of qualifying assets, which are capitalised in accordance with the principle of capitalisation of borrowing costs. Non-monetary foreign currency items measured at historical cost shall still be translated at the spot exchange rate prevailing on the transaction date, and the amount denominated in the functional currency is not changed. Non-monetary foreign currency items measured at fair value are translated at the spot exchange rate prevailing at the date on which the fair values are determined. The exchange difference thus resulted are recognised in profit or loss or as other comprehensive income of the current period.

For foreign operations, the Group translates their functional currency amounts into RMB in preparing the financial statements as follows: asset and liability items in the statement of financial position are translated using the spot exchange rates at the balance sheet date, and equity items other than "retained earnings" are translated using the spot exchange rates at the dates of transactions; revenue and expense items in the statement of profit or loss are translated using the average exchange rate for the period during which the transactions occur. The resulted exchange differences are recognised in other comprehensive income and presented as a separate component of equity in the statement of financial position. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation recognised is profit or loss of the current period. If the disposal only involves a portion of a particular foreign operation, the component of other comprehensive income relating to that particular foreign operation recognised is profit or loss of the current period on a pro-rata basis.

Foreign currency cash flows and the cash flows of foreign subsidiaries are translated using the average exchange rate for the period during which the cash flows occur. The effect of exchange rate changes on cash is separately presented as an adjustment item in the statement of cash flows.

Notes to Financial Statements

30 June 2016

Renminbi Yuan

III. Significant Accounting Policies and Estimates (continued)

9. Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Recognition and derecognition of financial instruments

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

The Group derecognises a financial asset (or part of a financial asset, or part of a group of similar financial assets), that is to be written off from the accounts and the statement of financial position when the following criteria are met:

- (1) the rights to receive cash flows from the financial asset have expired,
- (2) the Group has transferred its rights to receive cash flows from the financial asset, or has an obligation to pay them in full without material delay to a third party under a “pass-through” arrangement; and either (a) has transferred substantially all the risks and rewards of the financial asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the financial asset.

If the underlying obligation of a financial liability has been fulfilled or discharged or cancelled or has expired, the financial liability is derecognised. If an existing financial liability is replaced by the same creditor with a new financial liability that has substantially different terms, or if the terms of an existing financial liability are substantially revised, such replacement or revision is accounted for as the derecognition of the original liability and the recognition of a new liability, and the resulted difference is recognised in profit or loss of the current period.

Regular way purchase or sale of financial assets are recognised and derecognised using trade date accounting or settlement date accounting. Regular way purchase or sale of financial assets refers to that the financial assets are delivered to or by the Group under the terms of a contract within a period as specified by law or general practice. The trade date and settlement date are the dates that an asset is delivered to or by the Group.

Classification and measurement of financial assets

The Group’s financial assets are, on initial recognition, classified into the following categories: financial assets at fair value through profit or loss, other current assets, loans and receivables, available-for-sale financial asset and derivatives designated as effective hedging instruments. A financial asset is initially recognised at fair value. In the case of financial assets at fair value through profit or loss, relevant transaction costs are directly charged to profit or loss of the current period; transaction costs relating to financial assets of other categories are included in the value initially recognised.

Subsequent measurement of a financial asset is determined by its category:

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III. Significant Accounting Policies and Estimates (continued)

9. Financial instruments (continued)

Classification and measurement of financial assets (continued)

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and those designated upon initial recognition as financial assets at fair value through profit or loss. A financial asset held for trading is the financial asset that meets one of the following conditions: 1) the financial asset is acquired for the purpose of selling it in the short term; 2) the financial asset is a part of a portfolio of identifiable financial instruments that are collectively managed, and there is objective evidence indicating that the enterprise recently manages this portfolio for the purpose of short-term profits; 3) the financial asset is a derivative, except for a derivative that is designated as an effective hedging instrument, or a financial guarantee contract, or a derivative that is linked to and must be settled by delivery of an unquoted equity instrument (without a quoted price from an active market) whose fair value cannot be reliably measured. For such kind of financial assets, fair values are adopted for subsequent measurement. All the realised or unrealised gains or losses on these financial assets are recognised in profit or loss of the current period. Dividend income or interest income relating to financial assets at fair value through profit or loss is charged to profit or loss of the current period.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity date that an entity has the positive intention and ability to hold to maturity. Such kind of financial assets are subsequently measured at amortised cost using the effective interest method. Gains or losses arising from amortisation or impairment and derecognition are recognised in profit or loss of the current period.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such kind of financial assets are subsequently measured at amortised cost using the effective interest method. Gains or losses arising from amortisation or impairment are recognised in the profit or loss of the current period.

Notes to Financial Statements

30 June 2016

Renminbi Yuan

III. Significant Accounting Policies and Estimates (continued)

9. Financial instruments (continued)

Classification and measurement of financial assets (continued)

Available-for-sale financial assets

Available-for-sale financial assets are those non-derivative financial assets that are designated as available for sale or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss. After initial recognition, available-for-sale financial asset are measured at fair value. The premium/discount is amortised using the effective interest method and recognised as interest income or expense. A gain or loss arising from a change in the fair value of an available-for-sale financial asset is recognised as other comprehensive income in capital surplus, except for impairment losses and foreign exchange gains and losses resulted from monetary financial assets which are recognised in profit or loss, until the financial asset is derecognised or determined to be impaired, at which time the accumulated gain or loss previously recognised is transferred to profit or loss of the current period. Interest and dividends relating to an available-for-sale financial asset are recognised in profit or loss of the current period.

Investments in equity instruments, which do not have quoted prices in an active market and whose fair values cannot be reliably measured, are measured at cost.

Classification and measurement of financial liabilities

The Group's financial liabilities are, on initial recognition, classified into financial liabilities at fair value through profit or loss, other financial liabilities or derivatives designated as effective hedging instruments. For financial liabilities at fair value through profit or loss, relevant transaction costs are directly recognised in profit or loss of the current period, and transaction costs relating to other financial liabilities are included in the initial recognition amounts.

The subsequent measurement of a financial liability is determined by its category:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and those designated upon initial recognition as financial liabilities at fair value through profit or loss. A financial liability held for trading is the financial liability that meets one of the following criteria: 1) the financial liability is assumed for the purpose of repurchasing it in the short term; 2) the financial liability is a part of a portfolio of identifiable financial instruments that are collectively managed, and there is objective evidence indicating that the enterprise recently manages this portfolio for the purpose of short-term profits; 3) the financial liability is a derivative, except for a derivative that is designated as effective hedging instrument, or a financial guarantee contract, or a derivative that is linked to and must be settled by delivery of an unquoted equity instrument (without a quoted price in an active market) whose fair value cannot be reliably measured. For such kind of financial liabilities, fair values are adopted for subsequent measurement. All the realised or unrealised gains or losses on these financial liabilities are recognised in profit or loss in the current period.

Notes to Financial Statements

30 June 2016

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III. Significant Accounting Policies and Estimates (continued)

9. Financial instruments (continued)

Classification and measurement of financial assets (continued)

Other financial liabilities

After initial recognition, such kind of financial liabilities are measured at amortised costs by using the effective interest method.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial positions if there is a currently enforceable executable legal right to offset the recognised amounts and there is an intention to settle on the net basis, or to realise the assets and settle the liabilities simultaneously.

Impairment of financial assets

The Group assesses at the balance sheet date the carrying amount of every financial asset. If there is objective evidence indicating that a financial asset may be impaired, a provision is provided for the impairment. Objective evidence that a financial asset is impaired is one or more events that occur after the initial recognition of the asset and have an impact (which can be reliably estimated) on the expected future cash flows of the financial asset. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows.

Financial assets carried at amortised cost

If an impairment loss on a financial asset has been incurred, the carrying amount of the asset is reduced to the present value of expected future cash flows through the use of allowance account (excluding future credit losses that have not been incurred). The amount reduced is recognised in profit or loss. The present value of expected future cash flows is discounted at the financial asset's original effective interest rate (i.e., effective interest rate computed on initial recognition) and includes the value of any related collateral. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. For loans and receivables, if there are no realistic expectation to withdraw in the future and all collateral have been realised or transferred to the Group, loans and receivables and the associated impairment should be written off.

Notes to Financial Statements

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III. Significant Accounting Policies and Estimates (continued)

9. Financial instruments (continued)

Impairment of financial assets (continued)

Financial assets carried at amortised cost (continued)

For a financial asset that is individually significant, the asset is individually assessed for impairment, and the amount of impairment is recognised in profit or loss if there is objective evidence of impairment. For a financial asset that is not individually significant, it is included in a group of financial assets with similar credit risk characteristics and collectively assessed for impairment. If no objective evidence of impairment incurs for an individually assessed financial asset (whether the financial asset is individually significant or not individually significant), it is included in a group of financial assets with similar credit risk characteristics and collectively assessed for impairment again. Assets for which an impairment loss is individually recognised is not included in a group of financial assets with similar credit risk characteristics and collectively assessed for impairment.

If subsequent to the Group's recognition of an impairment loss on a financial asset carried at amortised cost, there is objective evidence of a recovery in value of the financial asset and the recovery is related to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed and recognised in profit or loss. However, the reversal shall not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment loss not been recognised at the date the impairment is reversed.

Available-for-sale financial asset

If there is objective evidence that an available-for-sale financial asset is impaired, the accumulated loss arising from decline in fair value previously recognised in other comprehensive income is transferred out and recognised in profit or loss. The accumulated loss that transferred out from other comprehensive income is the difference between the acquisition cost (net of any principal repayment and amortisation) and the current fair value, less any impairment loss on the financial asset previously recognised in profit or loss.

Notes to Financial Statements

30 June 2016

Renminbi Yuan

III. Significant Accounting Policies and Estimates (continued)

9. Financial instruments (continued)

Impairment of financial assets (continued)

Available-for-sale financial asset (continued)

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss is measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of profit or loss. Impairment losses on equity instruments classified as available for sale are not reversed through the statement of profit or loss. Increases in their fair value after impairment are recognised directly in other comprehensive income.

The determination of what is "significant" or "prolonged" requires judgement. In making this judgement, the Group evaluates, among other factors, the extent or duration to which the fair value of an investment is less than its cost.

In the case of debt investments classified as available for sale, if there is a rise of fair value and the rise is objectively related to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed and recognised in profit or loss.

Financial assets carried at cost

If there is objective evidence that such an asset is impaired, the difference between its carrying amount and the present value of expected future cash flows which are discounted at the current market interest rate is recognised as an impairment loss in profit or loss. Once an impairment loss is recognised, it cannot be reversed.

Notes to Financial Statements

30 June 2016

Renminbi Yuan

III. Significant Accounting Policies and Estimates (continued)

9. Financial instruments (continued)

Transfer of financial assets

The financial asset is derecognised if the Group transfers substantially all the risks and rewards of ownership of the financial asset; the financial asset is not derecognised if the Group retains substantially all the risks and rewards of ownership of the financial asset.

If the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, the transaction is accounted for as follows: (i) if the Group has not retained control, the financial asset is derecognised and any resulting assets or liabilities are recognised; or (ii) if the Group has retained control, the financial asset is recognised to the extent of its continuing involvement in the transferred financial asset and an associated liability is recognised.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

10. Inventories

Inventories include raw materials, semi-finished products, work in progress, finished goods, assets under construction contract, and turnover materials.

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

The Group adopts a perpetual inventory 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 and the estimated costs necessary to make the sale and relevant taxes. The provisions for decline in value of raw materials, semi-finished products, work in progress, finished goods and turnover materials are made on an individual basis. For items of inventories that relate to a product line that is produced and marketed in the same geographical area, have the same or similar end 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.

Notes to Financial Statements

30 June 2016

Renminbi Yuan

III. Significant Accounting Policies and Estimates (continued)

11. Long-term equity investments

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

A long-term equity investment is recorded at its initial investment cost on acquisition. For a long-term equity investment acquired through a business combination involving entities under common control, the initial investment cost of the long-term equity investment is the acquirer's share of the carrying amount of acquiree's equity at the combination date in the consolidated financial statements of ultimate holding party; the difference between the carrying amount of the net assets obtained and the carrying amount of the consideration paid for the combination shall be adjusted to share premium under capital surplus (If the capital surplus is not sufficient to absorb the difference, any excess shall be adjusted against retained earnings). The other comprehensive income before combination date is accounted for in the disposal of such investment under the same accounting basis applied by the acquiree in direct disposal of relevant assets and liabilities. The shareholders' equity recognised due to acquiree's movements other than net profits, other comprehensive income, and distribution of profits is recognised in profit or loss of the current period during disposal. If the investment remains to be classified as long-term equity investment after disposal, the equity is carried forward pro rata. If the investment is reclassified as financial instruments after disposal, the equity is carried forward entirely. For a long-term equity investment through a business combination not involving entities under common control, the initial investment cost of the long-term equity investment is the cost of combination (for a business combination not involving entities 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). The cost of combination is the aggregate of the fair values, at the acquisition date, of the assets given, liabilities incurred or assumed, and equity securities issued by the acquirer, in exchange for control of the acquiree. Other comprehensive income recognised using equity method that consists of the initial investment cost before the date of acquisition should be accounted for in the disposal of such investment under the same accounting basis applied by the acquiree in direct disposal of relevant assets and liabilities. The shareholders' equity recognised due to acquiree's movements other than net profits, other comprehensive income, and distribution of profits is recognised in profit or loss of the current period during disposal. If the investment remains to be classified as long-term equity investment after disposal, the equity is carried forward pro rata. If the investment is reclassified as financial instruments after disposal, the equity is carried forward entirely. The fair value change accumulated due to the recognition of other comprehensive income in processing previously held equity investment as financial instrument before acquisition date is entirely recognised in profit or loss at current period when switch to cost method. For a long-term equity investment acquired other than through a business combination, the initial investment cost is determined as follows: for a long-term equity investment acquired by paying cash, the initial investment cost is the actual purchase price paid and those costs, taxes and other necessary expenditures directly attributable to the acquisition of the long-term equity investment; for a long-term equity investment acquired by the issue of equity securities, the initial investment cost is the fair value of the securities issued.

Notes to Financial Statements

30 June 2016

Renminbi Yuan

III. Significant Accounting Policies and Estimates (continued)

11. Long-term equity investments (continued)

For a long-term equity investment where the Company can exercise control over the investee, the long-term investment is accounted for using the cost method in the Company's financial statements. Control is the power over an investee. An investor must have exposure or rights to variable returns from its involvement with the investee, and the ability to use its power over the investee to affect the amount of the investor's returns.

Under the cost method, the long-term equity investment is measured at its initial investment cost. The cost of long-term equity investment is adjusted if capital is contributed or withdrawn. The cash dividend or profit distribution declared by the investee is recognised as investment income for the period.

The equity method is adopted when the Group has joint control, or exercises significant influence on the investee. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities 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 with other parties over those policies.

Under the equity method, where the initial investment cost of a long-term equity investment exceeds the investing enterprise's interest in the fair values of the investee's identifiable net assets at the acquisition date, no adjustment is made to the initial investment cost. Where the initial investment cost is less than the investing enterprise's interest in the fair values of the investee's identifiable net assets at the acquisition date, the difference is charged to profit or loss of the current 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 profits or losses and other comprehensive income made by the investee as investment income or losses and other comprehensive income respectively, and adjusts the carrying amount of the investment accordingly. The Group recognises its share of the investee's net profits or losses after making appropriate adjustments to the investee's net profits and losses based on the fair value of the investee's identifiable assets at the acquisition date, using the Group's accounting policies and periods, and eliminating the portion of the profits or losses arising from internal transactions with its joint ventures and associates, attributable to the investing entity according to its share ratio (but impairment losses for assets arising from internal transactions shall be recognised in full), except for the disposal of assets that consist of operations. The carrying amount of the investment is reduced based on the Group's share of any profit distributions or cash dividends declared by the investee. The Group's share of net losses of the investee is recognised to the extent the carrying amount of the investment together with any long-term interests that in substance form part of its net investment in the investee is reduced to zero, except that the Group has the obligations to assume additional losses. The Group adjusts the carrying amount of the long-term equity investment for any changes in shareholders' equity of the investee (other than net profits or losses, other comprehensive income, and profit distribution) and includes the corresponding adjustments in the shareholders' equity of the Group.

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III. Significant Accounting Policies and Estimates (continued)

11. Long-term equity investments (continued)

On disposal of a long-term equity investment, the difference between the proceeds actually received and the carrying amount is recognised in profit or loss of the current period; for a long-term equity investment ceased to be accounted for using the equity method, the other comprehensive income relevant to equity method is processed under the same accounting basis applied by the acquiree in direct disposal of relevant assets and liabilities. Changes in shareholders' equity of the investee (other than net profits or losses, other comprehensive income, and profit distribution) should be recognised as profit or loss of the current period; for a long-term equity investment remains to be accounted for using the equity method, the other comprehensive income originally accounted for using the equity method is processed under the same accounting basis applied by the acquiree in direct disposal of relevant assets and liabilities, and is transferred to profit or loss of the current period according to the proportion disposed of. Any changes in the shareholders' equity of the investee (other than net profits or losses, other comprehensive income, and profit distribution) included in the shareholders' equity of the Group is transferred to profit or loss of the current period on a pro-rata basis according to the proportion disposed of.

12. Fixed assets

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

Fixed assets are initially measured at cost. The cost of a purchased fixed asset comprises the purchase price, relevant taxes and any directly attributable expenditure for bringing the asset to working condition for intended use.

Depreciation is calculated using the straight-line method. The estimated useful lives, estimated residual value rates and annual depreciation rates of each category of fixed asset are presented as follows:

	Useful life	Estimated residual value rate	Annual depreciation rate
Buildings	20-45 years	5%	2.11%-4.75%
Machinery	6 years	5%	15.83%
Vehicles	5 years	5%	19.00%
Office facilities and others	5 years	5%	19.00%

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

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III. Significant Accounting Policies and Estimates (continued)

13. Construction in progress

The cost of construction in progress is determined according to the actual expenditure incurred for the construction, including all necessary construction expenditure incurred during the construction period, borrowing costs that shall be capitalised before the construction gets ready for its intended use and other relevant expenses.

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

14. Borrowing costs

Borrowing costs are interest and other costs incurred by the Group in connection with the borrowing of funds. Borrowing costs include interest, 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 acquisition, 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 (fixed assets, investment property, inventories, etc.) that necessarily take a substantial period of time for acquisition, construction or production to get ready for their intended use or sale.

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

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

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

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III. Significant Accounting Policies and Estimates (continued)

14. Borrowing costs (continued)

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

- (1) Where funds are borrowed for a specific purpose, 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.
- (2) Where funds are borrowed for a general purpose, the amount of interest to be capitalised on such borrowings is determined by applying a weighted average interest rate to the weighted average of the excess amounts of accumulated expenditure on the asset over and above the amounts of specific-purpose borrowings.

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

15. Intangible assets

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

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 to the period over which the asset is expected to generate economic benefits for the Group.

The useful lives of the intangible assets are as follows:

	Useful life
Land use rights	40-50 years
Software licenses	3-10 years
Patents, licenses and technical know-how	5-10 years
Trademarks	20 years
Backlog orders and service contracts	Over the service providing periods

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III. Significant Accounting Policies and Estimates (continued)

15. Intangible assets (continued)

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

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

An intangible asset with an indefinite useful life is tested for impairment annually, irrespective of whether there is any indication that it may be impaired. Such asset is not amortised, but its useful life is reassessed in each accounting period. If there is 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.

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

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III. Significant Accounting Policies and Estimates (continued)

16. Impairment of assets

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

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

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

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

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

In testing an asset group or a set of asset groups to which goodwill has been allocated for impairment, if there is any indication of impairment, the Group firstly tests the asset group or set of asset groups excluding the amount of goodwill allocated for impairment, compares the recoverable amount with the carrying amount and recognise impairment loss if any. After that, the Group tests the asset group or set of asset groups including goodwill for impairment, the carrying amount (including the portion of the carrying amount of goodwill allocated) of the related asset group or set of asset groups is compared to its recoverable amount. If the carrying amount of the asset group or set of asset groups is higher than its recoverable amount, the amount of the impairment loss firstly reduces the carrying amount of the goodwill allocated to the asset group or set of asset groups, and then reduces the carrying amount of other assets (other than the goodwill) within the asset group or set of asset groups, pro rata on the basis of the carrying amount of each asset.

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

Notes to Financial Statements

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III. Significant Accounting Policies and Estimates (continued)

17. Employee benefits

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

Short-term benefits

The actual short-term benefits occurred during the accounting period that employees provide services is recognised as liability in the costs of the relevant assets or profit or loss of the current period.

Benefits after demission (Defined contribution plan)

The employees of the Group participate in social pension which are managed by the local government, along with supplementary pension and the relevant expenditure is recognised, when incurred, in the costs of the relevant assets or profit or loss of the current period.

Termination benefits

The Group recognises a liability and expenses for termination benefits at the earlier of the following dates: a) when the Group can no longer withdraw the offer of those benefits; and b) when the Group recognises costs for a restructuring and involves the payment of termination costs.

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Renminbi Yuan

III. Significant Accounting Policies and Estimates (continued)

18. Provisions

Except for contingent consideration transferred and contingent liability assumed in business combinations not involving entities under common control, the Group recognises an obligation related to a contingency as a provision when all of the following conditions are satisfied:

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

A provision is initially measured at the best estimate of the expenditure required to settle the related present obligation, with 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 the 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.

The contingent consideration acquired from the acquiree in business combinations is measured at fair value. After the initial recognition, the contingent consideration is measured at the higher of recognised amount of contingent consideration and initial recognised amount deducting the accumulated amortisation recognised by the revenue recognition principles

19. Revenue

Revenue is recognised only when it is probable that the associated economic benefits will flow into the Group, its amount can be measured reliably, and all of the following conditions are satisfied.

Revenue from the sales of goods

The Group recognises revenue when it has transferred to the buyer the significant risks and rewards of ownership of the goods; the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold; the associated costs incurred or to be incurred can be measured reliably. The amount of revenue arising from the sale of goods is determined in accordance with the consideration received or receivable from the buyer under contract or agreement, except where the consideration received or receivable under contract or agreement is not fair. Where the consideration receivable under contract or agreement is deferred, such that the arrangement is in substance of a financing nature, the amount of revenue arising on the sale of goods is measured at the fair value of the consideration receivable.

Notes to Financial Statements

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Renminbi Yuan

III. Significant Accounting Policies and Estimates (continued)

19. Revenue (continued)

Revenue from the rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably at the balance sheet date, revenue associated with the transaction is recognised using the percentage of completion method, or otherwise, the revenue is recognised to the extent of costs incurred that are expected to be recoverable. The outcome of a transaction involving the rendering of services can be estimated reliably when all of the following conditions are satisfied: the amount of revenue can be measured reliably; it is probable that the associated economic benefits will flow to the Group; the stage of completion of the transaction can be measured reliably; the costs incurred and to be incurred for the transaction can be measured reliably. The Group determines the stage of completion of a transaction involving the rendering of services by using the proportion of costs incurred to date to the estimated total costs. The total service revenue on a transaction involving the rendering of services is determined in accordance with the consideration received or receivable from the recipient of services under contract or agreement, except where the consideration received or receivable under contract or agreement is not fair.

When the Group has entered into a contract or agreement with other enterprises comprising both sales of goods and the rendering of services, if the sales of goods component and the rendering of services component can be separately identified and measured, they are accounted for separately; if the sales of goods and the rendering of services cannot be separately identified, or can be separately identified but cannot be separately measured, the contract is treated as the sale of goods.

Revenue from the construction contract

On the balance sheet date, if the outcome of a construction contract can be estimated reliably, revenue and expenses are recognised on the percentage of completion method, otherwise revenue is recognised only to the extent of contract costs incurred that it is probable will be recoverable. The outcome of a construction contract can be estimated reliably when: it is probable that the associated economic benefits will flow to the Group; the costs incurred and to be incurred for the contract can be measured reliably; and additional condition should be satisfied for fixed price contract: the total contract amount can be measured reliably and the percentage of completion as well as the estimated cost of completion can be determined reliably. The Group measures percentage of completion by reference to the proportion that costs incurred to date bearing to estimated total costs for each contract. Total contract amount includes the initial amount specified in the contract and the amount of revenue because of contract alteration, penalty, bonus, etc.

Interest income

Interest income is recognised on a time proportion basis for which the Group's currency fund is used by others and the effective interest rate.

Dividend income

Dividend income is recognised when obtaining the rights to receive dividends.

Notes to Financial Statements

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Renminbi Yuan

III. Significant Accounting Policies and Estimates (continued)

19. Revenue (continued)

Lease income

Lease income from operating leases is recognised on the straight-line basis over the lease term. Contingent rents are charged to profit or loss in the period in which they actually arise.

20. Government grants

Government grant is recognised when the Group can comply with the conditions attached to it and it can be received. 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 transfer of a non-monetary asset, it is measured at fair value; if fair value is not reliably determinable, it is measured at a nominal amount.

Pursuant to government documents, 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. When government documents are not stated clearly, the fundamental conditions attached to the grant should be the criterion for judgments. If the fundamental conditions attached to the grant are for constructing or forming long-term assets, the government grant is recognised as government grants related to assets. Otherwise, the government grant is recognised as government grants related to income.

A government grant related to income is accounted as follows: (a) 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 are recognised; (b) if the grant is a compensation for related expenses or losses already incurred, it is recognised immediately in profit or loss of the current period. A government grant related to an asset shall be recognised as deferred income, and evenly amortised to profit or loss over the useful life of the related asset. However, a government grant measured at a nominal amount is recognised immediately in profit or loss of the current period.

21. Income tax

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

The Group measures a current tax asset or liability arising from the current and prior periods based on the amount of income tax expected to be paid by the Group or returned by the tax authority calculated according to related tax laws.

Notes to Financial Statements

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Renminbi Yuan

III. Significant Accounting Policies and Estimates (continued)

21. Income tax (continued)

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

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

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

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

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

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

The carrying amount of deferred tax assets is reviewed at the balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available in future periods to allow the deferred 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 Financial Statements

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Renminbi Yuan

III. Significant Accounting Policies and Estimates (continued)

21. Income tax (continued)

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

22. Leases

A finance lease is a lease that transfers in substance all the risks and rewards incidental to ownership of an asset. An operating lease is a lease other than a finance lease.

In the case of the lessee of an operating lease

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

In the case of the lessor of an operating lease

Rent income under an operating lease is recognised by a lessor on the straight-line basis over the lease term, through profit or loss. Contingent rents are charged to profit or loss in the period in which they actually arise.

23. Distribution of profit

The cash dividend of the Company is recognised as a liability after being approved in a shareholders' meeting.

24. Production safety expenses

Production safety expenses accrued according to the rules shall be recorded in the costs of related products or profit or loss for the current period, and "Special reserve". When used to distinguish whether it will generate fixed assets for processing, respectively: if belongs to disbursement costs, directly offset against special reserve; if generates fixed assets, summarise the expenditure occurred, and recognised as fixed assets until the asset is ready for its intended use. Meanwhile, offsetting against the special reserve and the accumulated depreciation shall be recognised equivalent at the same time.

Notes to Financial Statements

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Renminbi Yuan

III. Significant Accounting Policies and Estimates (continued)

25. Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Group measures its assets or liabilities at fair value at the end of each reporting period. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group at the measurement date. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

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

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation at the end of each reporting period.

Notes to Financial Statements

30 June 2016

Renminbi Yuan

III. Significant Accounting Policies and Estimates (continued)

26. Significant accounting judgements and estimates

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

Judgements

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

Consolidation of entities in which the Group holds less than a majority of voting rights

The Group considers that it controls Qingdao CRRC Electric Equipment Co., Ltd. (formerly known as Qingdao CSR Electric Equipment Co., Ltd.) ("Qingdao Electric") even though it owns less than 50% of the voting rights. This is because the Group is the single largest shareholder of Qingdao Electric with a 45% equity interest. Pursuant to articles of Qingdao Electric, for resolutions of the shareholders' meeting affecting relative operating activities of Qingdao Electric, CRRC Qingdao Sifang Co., Ltd., a related party of the Company, which owns Qingdao Electric 38% equity interest, commits to comply with the Company in the exercise of the proposal rights and voting rights. The Company recommends four of the seven directors in Board of Qingdao Electric and the resolutions of Board are deemed as valid when more than half of all directors approved.

Estimation uncertainty

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

Impairment of trade receivables

Impairment of trade receivables is recognised based on the recoverability of receivables. Impairment of trade receivables is recognised where there is indication that a receivable is not recoverable. Judgements and estimates are required in recognising impairment of trade receivables. The difference (if any) between the re-estimated value and the current estimate will impact the carrying amount of a receivable in the period in which the estimate is changed.

Notes to Financial Statements

30 June 2016

Renminbi Yuan

III. Significant Accounting Policies and Estimates (continued)

26. Significant accounting judgements and estimates (continued)

Estimation uncertainty (continued)

Provision for impairment of inventories

According to the accounting policy for inventories, the Group adopts the lower of cost and net realisable value to measure inventories, and recognises provision for impairment of inventories on the condition that the cost of them is higher than the net realisable value or they are slow-moving or obsolete. At the end of each year, the Group will review whether a single inventory is an obsolete and slow-moving item and whether the net realisable value is lower than its cost. The difference (if any) between the re-estimated value and the current estimate will impact the carrying amount of the inventory in the period in which the estimate is changed.

Deferred tax assets

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

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the present value of the future expected cash flows from the asset groups or sets of asset groups to which the goodwill is allocated. Estimating the present value requires the Group to make an estimate of the expected future cash flows from the asset groups or sets of asset groups and also choose a suitable discount rate in order to calculate the present value of those cash flows.

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets at the balance sheet date. Intangible assets with indefinite useful lives are tested for impairment annually and at other times when such indicator exists. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. Where the carrying amount of an asset or asset group is higher than its recoverable amount (i.e., the higher of its fair value less costs to sell and the present value of the future cash flows expected to be derived from it), it is indicated that such asset or asset group is impaired. The fair value less costs to sell is determined with reference to the price in the relevant sales agreement or an observable market price in an arm's length transaction, adjusted for incremental costs that would be directly attributable to the disposal of the asset or asset group. When calculating the present value of expected future cash flows from an asset or asset group, management shall estimate the expected future cash flows from the asset or asset group and choose a suitable discount rate in order to calculate the present value of those cash flows.

Notes to Financial Statements

30 June 2016

Renminbi Yuan

III. Significant Accounting Policies and Estimates (continued)

26. Significant accounting judgements and estimates (continued)

Estimation uncertainty (continued)

Provision for warranties

The Group makes product warranty provision for the sales of some products. Management estimates future maintenance expense based on the historical maintenance experience of products and translates it into the present value by selecting an appropriate discount rate to recognise provision for warranties.

IV. Taxes

1. Major categories of taxes and respective tax rates

Major categories of taxes and respective tax rates of the Company and its PRC subsidiaries in the current year are set out below:

Value-added tax (VAT)	– Output VAT is calculated by applying 17% to the taxable sales, less deductible input VAT of the current period.
Business tax	– It is calculated by applying 5% to the taxable income.
City maintenance and construction tax	– It is levied at 7% on the turnover taxes paid.
Corporate income tax	– It is levied at 25% on the taxable profit.

Pursuant to the regulations of the Ministry of Finance and the State Administration of Taxation of the People's Republic of China, the pilot reform of Business Tax to VAT is fully conducted on national scale from 1 May 2016. The Company and its subsidiaries within PRC territory operates following relevant regulations above.

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IV. Taxes (continued)

2. Tax benefits and official approval

The Group's tax benefits and official approval are as follows:

Pursuant to the provisions of Rule 28 under the Corporate Income Tax Law of the People's Republic of China, high-tech enterprises that require government support are subject to corporate income tax at the rate of 15%. The Company and its subsidiaries, Zhuzhou Times Electronics Technology Co., Ltd. ("Times Electronics"), Ningbo CRRC Times Sensor Technology Co., Ltd. ("Ningbo Times"), and Zhuzhou CRRC Times Equipment Technology Co., Ltd. (formerly known as Zhuzhou Times Equipment Technology Co., Ltd.) ("Times Equipment") were accredited as high-tech enterprises and granted certificates of high-tech enterprise and subject to corporate income tax at the rate of 15%.

Pursuant to "The Notice Regarding the Tax Policies of the Strategy of Further Development of Western Region Issued by Ministry of Finance, General Administration of Customs and State Administration of Taxation" (《財政部、海關總署、國家稅務總局關於深入實施西部大開發戰略有關稅收政策問題的通知》), Baoji CRRC Times Engineering Machinery Co., Ltd. (formerly known as Baoji CSR Times Engineering Machinery Co., Ltd.) ("Baoji Times") and Kunming CRRC Times Electric Equipment Co., Ltd. (formerly known as Kunming CSR Electric Equipment Co., Ltd.) ("Kunming Electric"), subsidiaries of the Company, fulfilled the conditions of enjoyment of the preferential tax at the rate of 15%.

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V. Notes to Key Items of the Consolidated Financial Statements

1. Cash and bank balances

	30 June 2016 (Unaudited)	31 December 2015 (Audited)
Cash	45,669	27,689
Cash in bank	5,837,870,677	3,343,218,944
Other cash and bank balances	149,277,243	60,434,349
	<u>5,987,193,589</u>	<u>3,403,680,982</u>

As at 30 June 2016, the cash and bank balances of RMB105,260,887 (unaudited) (31 December 2015 (audited): RMB27,191,259) and RMB44,016,356 (unaudited) (31 December 2015 (audited): RMB33,243,090) of the Group are restricted as security deposits for issuance of bank acceptance bills and for issuance of bank letters of guarantee respectively.

As at 30 June 2016, the cash and bank balances deposited overseas by the Group were equivalent to RMB120,981,873 (unaudited) (31 December 2015 (audited): RMB31,646,603).

Interest income earned on current deposits is calculated by using the current deposit interest rate. The deposit periods for short-term deposits vary from 1 day to 3 months depending on the cash requirements of the Group and earn interest at the respective deposit rates. As at 30 June 2016, the unpledged fixed deposit with terms over 3 months by the Group was RMB28,000,000 (unaudited) (31 December 2015 (audited): Nil).

2. Bills receivable

	30 June 2016 (Unaudited)	31 December 2015 (Audited)
Bank acceptance bills	728,414,117	2,253,798,669
Commercial acceptance bills	1,780,339,288	1,690,491,041
	<u>2,508,753,405</u>	<u>3,944,289,710</u>

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V. Notes to Key Items of the Consolidated Financial Statements (continued)

2. Bills receivable (continued)

Five highest bills receivable are listed as follows:

	30 June 2016 (Unaudited)
CRRC Zhuzhou Locomotive Co., Ltd.	505,130,000
Non-related party 1	468,000,000
CRRC Qingdao Sifang Co., Ltd.	395,540,000
CRRC Qishuyan Locomotive Co., Ltd.	189,000,000
Non-related party 2	181,713,262
	<hr/> 1,739,383,262 <hr/>
	31 December 2015 (Audited)
CRRC Zhuzhou Locomotive Co., Ltd.	572,000,000
CRRC Ziyang Electric Locomotive Co., Ltd.	473,000,000
Non-related party 1	413,280,450
Non-related party 2	322,572,350
CRRC Qishuyan Locomotive Co., Ltd.	321,600,000
	<hr/> 2,102,452,800 <hr/>

Notes to Financial Statements

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V. Notes to Key Items of the Consolidated Financial Statements (continued)

3. Trade receivables

The credit period of trade receivables is usually 6 months. The trade receivables bear no interest.

Maturity analysis:

	30 June 2016 (Unaudited)	31 December 2015 (Audited)
Within 6 months	4,235,728,311	3,404,460,665
6 months to 1 year	1,432,872,179	377,744,586
1 to 2 years	293,636,380	231,568,326
2 to 3 years	62,908,970	57,626,321
Over 3 years	31,266,452	22,942,456
	6,056,412,292	4,094,342,354
Less: Provision for bad debt	175,028,122	115,304,561
	5,881,384,170	3,979,037,793
Less: Classified as long-term receivables (Note V.8)	38,694,076	11,178,796
	5,842,690,094	3,967,858,997

The movements of provision for bad debt are as follows:

	For the six months ended 30 June 2016 (Unaudited)	2015 (Audited)
Opening balance	115,304,561	118,462,679
Business combination not involving entities under common control	—	2,655,697
Provision in the current period/year	63,890,340	45,018,090
Reversal in the current period/year	(3,874,679)	(49,399,822)
Write-off in the current period/year	(125,133)	(1,605,191)
Exchange realignment	(166,967)	173,108
Closing balance	175,028,122	115,304,561

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V. Notes to Key Items of the Consolidated Financial Statements (continued)

3. Trade receivables (continued)

Five highest trade receivables (including long-term trade receivables) are listed as follows:

	30 June 2016 (Unaudited)
CRRC Qingdao Sifang Co., Ltd.	1,323,764,384
CRRC Zhuzhou Locomotive Co., Ltd.	663,475,663
Non-related party 1	451,393,374
Non-related party 2	155,087,482
Non-related party 3	133,503,491
	<u>2,727,224,394</u>
	31 December 2015 (Audited)
CRRC Zhuzhou Locomotive Co., Ltd.	514,778,101
CRRC Qingdao Sifang Co., Ltd.	411,250,079
Non-related party 1	230,423,621
Non-related party 2	187,100,443
Non-related party 3	156,859,466
	<u>1,500,411,710</u>

4. Prepayments

Maturity analysis:

	30 June 2016 (Unaudited)	31 December 2015 (Audited)
Within 1 year	276,842,623	182,865,476
1 to 2 years	8,133,156	7,293,668
2 to 3 years	567,385	2,598,511
Over 3 years	1,110,826	1,275,250
	<u>286,653,990</u>	<u>194,032,905</u>

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V. Notes to Key Items of the Consolidated Financial Statements (continued)

4. Prepayments (continued)

Five highest prepayments are listed as follows:

	30 June 2016 (Unaudited)
Non-related party 1	61,380,069
Non-related party 2	39,586,512
Non-related party 3	19,219,951
Zhuzhou CRRC Electromechanical Technology Co., Ltd.	12,456,260
Non-related party 4	11,296,059
	<hr/> 143,938,851 <hr/>
	31 December 2015 (Audited)
Non-related party 1	39,504,757
Non-related party 2	25,100,720
Hunan CSR Wabtec Railway Transportation Technology Co., Ltd. ("Hunan CSR Wabtec")	17,599,826
Non-related party 3	8,555,100
Non-related party 4	4,121,332
	<hr/> 94,881,735 <hr/>

Notes to Financial Statements

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Renminbi Yuan

V. Notes to Key Items of the Consolidated Financial Statements (continued)

5. Other receivables

Maturity analysis:

	30 June 2016 (Unaudited)	31 December 2015 (Audited)
Within 1 year	69,764,895	150,189,233
1 to 2 years	5,002,517	5,585,384
2 to 3 years	542,229	593,693
Over 3 years	2,458,136	2,178,928
	77,767,777	158,547,238
Less: Provision for bad debt	3,173,812	4,112,449
	74,593,965	154,434,789

The movements of provision for bad debt are as follows:

	For the six months ended 30 June 2016 (Unaudited)	2015 (Audited)
Opening balance	4,112,449	5,262,671
Provision in the current period/year	257,447	1,829,062
Reversal in the current period/year	(1,196,084)	(2,769,584)
Write-off in the current period/year	—	(209,700)
Closing balance	3,173,812	4,112,449

Notes to Financial Statements

30 June 2016

Renminbi Yuan

V. Notes to Key Items of the Consolidated Financial Statements (continued)

5. Other receivables (continued)

Net value of other receivables by nature is as follows:

	30 June 2016 (Unaudited)	31 December 2015 (Audited)
Retention amount of escrow account(Note)	—	96,683,315
Customs deposit	14,850,000	—
Deposit	16,547,653	14,497,766
Tender deposit	10,873,191	26,255,101
Others	32,323,121	16,998,607
	<u>74,593,965</u>	<u>154,434,789</u>

Note: The retention amount of escrow account amounting to GBP10,100,000 (audited) (as at 31 December 2015, the amount equivalents to RMB96,683,315) is the supplement payment for the consideration of no more than GBP10,100,000 (audited) (as at 31 December 2015, the amount equivalences to RMB96,683,315) in the acquisition of Specialist Machine Developments (SMD) Limited ("SMD") and its subsidiaries by the Group. The retention money have been recovered by the end of 30 June 2016.

Five highest other receivables are listed as follows:

	30 June 2016 (Unaudited)
Non-related party 1	14,850,000
Non-related party 2	3,891,575
Non-related party 3	3,100,000
Non-related party 4	2,362,663
Non-related party 5	2,000,000
	<u>26,204,238</u>

Notes to Financial Statements

30 June 2016

Renminbi Yuan

V. Notes to Key Items of the Consolidated Financial Statements (continued)

5. Other receivables (continued)

	31 December 2015 (Audited)
Non-related party 1	96,683,315
Non-related party 2	16,150,000
Non-related party 3	3,516,135
Non-related party 4	3,266,380
Non-related party 5	2,200,000
	<u>121,815,830</u>

6. Inventories

	30 June 2016 (unaudited)		
	Gross carrying amount	Impairment provision	Carrying amount
Raw materials	1,362,837,153	133,952,159	1,228,884,994
Semi-finished products	615,254,493	70,465,475	544,789,018
Work in progress	476,870,730	11,661,041	465,209,689
Finished goods	1,309,657,496	54,306,340	1,255,351,156
Assets under construction contract	15,635,669	—	15,635,669
Turnover materials	14,621,325	1,864,322	12,757,003
	<u>3,794,876,866</u>	<u>272,249,337</u>	<u>3,522,627,529</u>

	31 December 2015 (audited)		
	Gross carrying amount	Impairment provision	Carrying amount
Raw materials	851,565,834	87,489,682	764,076,152
Semi-finished products	391,748,807	68,173,883	323,574,924
Work in progress	433,089,208	13,132,550	419,956,658
Finished goods	1,566,005,513	45,321,444	1,520,684,069
Assets under construction contract	27,435,581	—	27,435,581
Turnover materials	14,855,575	1,502,646	13,352,929
	<u>3,284,700,518</u>	<u>215,620,205</u>	<u>3,069,080,313</u>

Notes to Financial Statements

30 June 2016

Renminbi Yuan

V. Notes to Key Items of the Consolidated Financial Statements (continued)

6. Inventories (continued)

Summary of the completed but not yet invoiced assets under construction contract included in the closing balance of inventories are listed as below:

	Aggregate cost incurred	Aggregate margin recognised	Amount invoiced
30 June 2016 (unaudited)	695,362,457	90,453,294	770,180,082
31 December 2015 (audited)	769,604,566	123,346,458	865,515,443

The movements of provision for impairment of inventories are as follows:

For the six months ended 30 June 2016 (unaudited)

	Opening balance	Provision	Reversal	Exchange realignment	Closing balance
Raw materials	87,489,682	50,230,693	(2,024,332)	(1,743,884)	133,952,159
Semi-finished products	68,173,883	2,291,592	—	—	70,465,475
Work in progress	13,132,550	7,423,707	(8,206,886)	(688,330)	11,661,041
Finished goods	45,321,444	13,278,082	(1,568,888)	(2,724,298)	54,306,340
Turnover materials	1,502,646	361,676	—	—	1,864,322
	215,620,205	73,585,750	(11,800,106)	(5,156,512)	272,249,337

2015 (audited)

	Opening balance	Provision	Business combination not involving entities under common control	Reversal and write-off	Exchange realignment	Closing balance
Raw materials	42,738,369	36,467,886	10,417,215	(2,739,251)	605,463	87,489,682
Semi-finished products	46,266,599	59,472,594	—	(37,565,310)	—	68,173,883
Work in progress	20,806,696	5,787,320	—	(13,384,851)	(76,615)	13,132,550
Finished goods	33,524,243	28,625,168	—	(16,728,981)	(98,986)	45,321,444
Assets under construction contract	—	—	2,741,940	(2,881,410)	139,470	—
Turnover materials	349,989	1,152,657	—	—	—	1,502,646
	143,685,896	131,505,625	13,159,155	(73,299,803)	569,332	215,620,205

Notes to Financial Statements

30 June 2016

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V. Notes to Key Items of the Consolidated Financial Statements (continued)

7. Other current assets

	30 June 2016 (Unaudited)	31 December 2015 (Audited)
Bank financial products (Note)	1,097,121,096	3,210,864,995
Value-added tax retained	42,004,059	52,428,299
Other tax retained	9,028,899	6,229,960
	<u>1,148,154,054</u>	<u>3,269,523,254</u>

Note: As at 30 June 2016, the bank financial products held by the Group are with expected yield rates from 2.90% to 3.45% (unaudited) (31 December 2015 (audited): 2.00% to 4.05%). These bank financial products will expire in succession before 23 September 2016.

8. Long-term receivables

	30 June 2016 (Unaudited)	31 December 2015 (Audited)
Trade receivables (Note V. 3)	38,694,076	11,178,796
Less: Long-term receivables due within one year	—	—
	<u>38,694,076</u>	<u>11,178,796</u>

Notes to Financial Statements

30 June 2016

Renminbi Yuan

V. Notes to Key Items of the Consolidated Financial Statements (continued)

9. Long-term equity investments

For the six months ended 30 June 2016 (unaudited)

	Current period movements						Closing balance
	Opening balance	Current Investment	Impact of unrealised profits	Investment income under equity method	Cash dividends announced	Exchange realignment	
Non-listed investments							
Equity method							
Joint ventures							
Zhuzhou Shiling Transportation Equipment Company, Ltd. ("Shiling")	157,255,872	—	7,995,030	32,358,871	—	—	197,609,773
SMD-BORD Limited	1,909,854	—	—	—	—	(129,143)	1,780,711
SMD Energy Limited	19	—	—	—	—	(19)	—
Shanghai Shentong CRRC Rail Transit Operation Safety Engineering Technology Research Co., Ltd. ("Shanghai Shentong CRRC")	—	5,000,000	—	—	—	—	5,000,000
	<u>159,165,745</u>	<u>5,000,000</u>	<u>7,995,030</u>	<u>32,358,871</u>	<u>—</u>	<u>(129,162)</u>	<u>204,390,484</u>
Associates							
Siemens Traction Equipment Ltd., Zhuzhou ("Zhuzhou Siemens")	52,750,239	—	—	(156,247)	(4,552,116)	—	48,041,876
Hunan CSR Wabtec	9,957,106	—	—	2,550,666	—	—	12,507,772
	<u>62,707,345</u>	<u>—</u>	<u>—</u>	<u>2,394,419</u>	<u>(4,552,116)</u>	<u>—</u>	<u>60,549,648</u>
	<u>221,873,090</u>	<u>5,000,000</u>	<u>7,995,030</u>	<u>34,753,290</u>	<u>(4,552,116)</u>	<u>(129,162)</u>	<u>264,940,132</u>

Notes to Financial Statements

30 June 2016

Renminbi Yuan

V. Notes to Key Items of the Consolidated Financial Statements (continued)

9. Long-term equity investments (continued)

2015 (audited)

	Current year movements						Closing balance
	Opening balance	Business combination not involving entities under common control	Impact of unrealised profits	Investment income under equity method	Cash dividends announced	Exchange realignment	
Non-listed investments							
Equity method							
Joint ventures							
Shiling	180,186,598	—	(22,846,297)	49,915,571	(50,000,000)	—	157,255,872
SMD-BORD Limited	—	2,497,286	—	(673,800)	—	86,368	1,909,854
SMD Energy Limited	—	18	—	—	—	1	19
	<u>180,186,598</u>	<u>2,497,304</u>	<u>(22,846,297)</u>	<u>49,241,771</u>	<u>(50,000,000)</u>	<u>86,369</u>	<u>159,165,745</u>
Associates							
Zhuzhou Siemens	49,577,867	—	—	3,172,372	—	—	52,750,239
Hunan CSR Wabtec	7,246,040	—	—	2,711,066	—	—	9,957,106
	<u>56,823,907</u>	<u>—</u>	<u>—</u>	<u>5,883,438</u>	<u>—</u>	<u>—</u>	<u>62,707,345</u>
	<u>237,010,505</u>	<u>2,497,304</u>	<u>(22,846,297)</u>	<u>55,125,209</u>	<u>(50,000,000)</u>	<u>86,369</u>	<u>221,873,090</u>

Notes to Financial Statements

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V. Notes to Key Items of the Consolidated Financial Statements (continued)

10. Fixed assets

For the six months ended 30 June 2016 (unaudited)

	Buildings	Machinery	Vehicles	Office facilities and others	Total
Cost					
Opening balance	1,320,898,414	1,358,144,302	41,546,225	207,261,090	2,927,850,031
Purchase	373,776	7,464,865	1,045,655	10,678,173	19,562,469
Construction in progress	17,012,746	5,180,636	—	—	22,193,382
Sale and disposal	—	(17,313,313)	(1,523,967)	(428,613)	(19,265,893)
Exchange realignment	(5,228,547)	(24,066,632)	17,779	(287,316)	(29,564,716)
Closing balance	<u>1,333,056,389</u>	<u>1,329,409,858</u>	<u>41,085,692</u>	<u>217,223,334</u>	<u>2,920,775,273</u>
Accumulated depreciation					
Opening balance	250,182,124	702,325,117	27,731,375	116,468,609	1,096,707,225
Increase	20,330,446	57,511,077	2,365,549	11,928,253	92,135,325
Write-off	—	(12,143,991)	(1,447,767)	(456,919)	(14,048,677)
Exchange realignment	(482,481)	(12,041,488)	10,072	(203)	(12,514,100)
Closing balance	<u>270,030,089</u>	<u>735,650,715</u>	<u>28,659,229</u>	<u>127,939,740</u>	<u>1,162,279,773</u>
Impairment provision					
Opening balance	10,513,264	56,999,504	—	799,991	68,312,759
Increase	—	—	—	—	—
Write-off	—	(2,485,356)	—	—	(2,485,356)
Exchange realignment	—	(19,557)	—	—	(19,557)
Closing balance	<u>10,513,264</u>	<u>54,494,591</u>	<u>—</u>	<u>799,991</u>	<u>65,807,846</u>
Net carrying amount					
Closing balance	<u>1,052,513,036</u>	<u>539,264,552</u>	<u>12,426,463</u>	<u>88,483,603</u>	<u>1,692,687,654</u>
Opening balance	<u>1,060,203,026</u>	<u>598,819,681</u>	<u>13,814,850</u>	<u>89,992,490</u>	<u>1,762,830,047</u>

Notes to Financial Statements

30 June 2016

Renminbi Yuan

V. Notes to Key Items of the Consolidated Financial Statements (continued)

10. Fixed assets (continued)

2015 (audited)

	Buildings	Machinery	Vehicles	Office facilities and others	Total
Cost					
Opening balance	1,261,094,096	1,277,569,640	36,087,412	168,813,399	2,743,564,547
Purchase	6,316,475	43,729,490	6,481,811	37,430,350	93,958,126
Construction in progress	13,167,354	51,853,978	—	4,244,605	69,265,937
Business combination not involving entities under common control	41,586,090	16,990,888	—	—	58,576,978
Sale and disposal	(52,777)	(30,575,462)	(1,017,683)	(3,225,101)	(34,871,023)
Other decrease	(3,619,761)	(6,051,656)	—	—	(9,671,417)
Exchange realignment	2,406,937	4,627,424	(5,315)	(2,163)	7,026,883
Closing balance	<u>1,320,898,414</u>	<u>1,358,144,302</u>	<u>41,546,225</u>	<u>207,261,090</u>	<u>2,927,850,031</u>
Accumulated depreciation					
Opening balance	208,074,544	579,405,768	23,630,302	97,055,455	908,166,069
Increase	42,081,006	141,334,329	5,071,205	22,306,166	210,792,706
Write-off	(9,556)	(19,807,406)	(966,800)	(2,899,721)	(23,683,483)
Exchange realignment	36,130	1,392,426	(3,332)	6,709	1,431,933
Closing balance	<u>250,182,124</u>	<u>702,325,117</u>	<u>27,731,375</u>	<u>116,468,609</u>	<u>1,096,707,225</u>
Impairment provision					
Opening balance	10,513,264	53,626,322	—	814,363	64,953,949
Increase	—	5,110,212	—	3,660	5,113,872
Write-off	—	(1,737,030)	—	(18,032)	(1,755,062)
Closing balance	<u>10,513,264</u>	<u>56,999,504</u>	<u>—</u>	<u>799,991</u>	<u>68,312,759</u>
Net carrying amount					
Closing balance	<u>1,060,203,026</u>	<u>598,819,681</u>	<u>13,814,850</u>	<u>89,992,490</u>	<u>1,762,830,047</u>
Opening balance	<u>1,042,506,288</u>	<u>644,537,550</u>	<u>12,457,110</u>	<u>70,943,581</u>	<u>1,770,444,529</u>

The amount of depreciation provided for the six months ended 30 June 2016 was RMB92,135,325 (unaudited) (six months ended 30 June 2015 (unaudited): RMB111,108,572). For the six months ended 30 June 2016, the cost of fixed assets transferred from constructions in progress was RMB22,193,382 (unaudited) (six months ended 30 June 2015 (unaudited): RMB20,194,590).

Notes to Financial Statements

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V. Notes to Key Items of the Consolidated Financial Statements (continued)

11. Construction in progress

	30 June 2016 (Unaudited)	31 December 2015 (Audited)
Power electronic devices & electric drive system test platform construction project	93,699,476	91,493,884
Yinzhou Wuxiang base	40,208,192	34,580,883
SIC-based power electronic devices lab & fab construction project	61,138,698	24,535,133
Copper electroplating system	14,595,848	14,595,848
Maotangao staff dorm building B interior decoration project	—	9,347,570
Electron irradiation processing facility construction project	—	7,134,987
Plasma enhanced CVD (PECVD)	11,879,805	—
Others	38,462,411	27,426,252
	<u>259,984,430</u>	<u>209,114,557</u>

For the six months ended 30 June 2016 (unaudited)

	Budget	Opening balance	Increase	Transferred to fixed assets	Exchange realignment	Closing balance	Capital resource	Proportion of budget invested
Power electronic devices & electric drive system test platform construction project	156,100,000	91,493,884	2,205,592	—	—	93,699,476	Self-raised	69%
SIC-based power electronic devices lab & fab construction project	292,650,000	24,535,133	36,603,565	—	—	61,138,698	Self-raised & government grant	21%
Maotangao staff dorm building B interior decoration project	9,614,215	9,347,570	266,645	9,614,215	—	—	Self-raised	100%
Electron irradiation processing facility construction project	7,169,217	7,134,987	34,230	7,169,217	—	—	Self-raised	100%
Yinzhou Wuxiang base	110,000,000	34,580,883	5,627,309	—	—	40,208,192	Self-raised	37%
PECVD	13,328,712	—	11,879,805	—	—	11,879,805	Self-raised	89%
Copper electroplating system	15,426,100	14,595,848	—	—	—	14,595,848	Self-raised	95%
Others		<u>27,426,252</u>	<u>17,481,492</u>	<u>5,409,950</u>	<u>(1,035,383)</u>	<u>38,462,411</u>		
		<u>209,114,557</u>	<u>74,098,638</u>	<u>22,193,382</u>	<u>(1,035,383)</u>	<u>259,984,430</u>		

Notes to Financial Statements

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Renminbi Yuan

V. Notes to Key Items of the Consolidated Financial Statements (continued)

11. Construction in progress (continued)

2015 (audited)

	Budget	Opening balance	Increase	Transferred to fixed assets	Exchange realignment	Closing balance	Capital resource	Proportion of budget invested
Power electronic devices & electric drive system test platform construction project	156,100,000	88,054,052	17,818,464	14,378,632	—	91,493,884	Self-raised	68%
Yinzhou Wuxiang base	110,000,000	1,686,197	32,894,686	—	—	34,580,883	Self-raised	31%
SIC-based power electronic devices lab & fab construction project	292,650,000	1,538,331	22,996,802	—	—	24,535,133	Self-raised & government grant	8%
Copper electroplating system	15,426,100	—	14,595,848	—	—	14,595,848	Self-raised	95%
Maotangao staff dorm building B interior decoration project	9,371,700	3,269,048	6,078,522	—	—	9,347,570	Self-raised	100%
Electron irradiation processing facility construction project	7,500,000	4,203,858	3,117,453	186,324	—	7,134,987	Self-raised	98%
Maotangao staff dorm building construction project	121,436,500	5,389,782	9,281,450	14,671,232	—	—	Self-raised & government grant	100%
Others		8,773,670	58,184,966	40,029,749	497,365	27,426,252		
		<u>112,914,938</u>	<u>164,968,191</u>	<u>69,265,937</u>	<u>497,365</u>	<u>209,114,557</u>		

Note: For six months ended 30 June 2016, the Company received special loan for construction in progress. The interest expense amounting to RMB513,382 (unaudited) (six months ended 30 June 2015 (unaudited): Nil) has been capitalised.

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V. Notes to Key Items of the Consolidated Financial Statements (continued)

12. Intangible assets

For the six months ended 30 June 2016 (unaudited)

	Land use rights	Software licenses	Patents, licenses and technical know-how	Trademarks	Backlog orders and service contracts	Total
Cost						
Opening balance	194,464,936	84,251,727	561,852,789	134,017,800	58,393,470	1,032,980,722
Purchase	—	6,416,563	1,792,479	—	—	8,209,042
Exchange realignment	(1,491,673)	(764,173)	(20,271,037)	(9,121,000)	(3,974,150)	(35,622,033)
Closing balance	<u>192,973,263</u>	<u>89,904,117</u>	<u>543,374,231</u>	<u>124,896,800</u>	<u>54,419,320</u>	<u>1,005,567,731</u>
Accumulated amortisation						
Opening balance	29,003,329	65,550,280	92,519,899	5,025,668	20,102,670	212,201,846
Increase	1,837,438	2,910,285	26,369,907	3,280,445	7,966,795	42,364,870
Exchange realignment	—	(908,877)	(5,190,312)	(500,062)	(1,751,925)	(8,351,176)
Closing balance	<u>30,840,767</u>	<u>67,551,688</u>	<u>113,699,494</u>	<u>7,806,051</u>	<u>26,317,540</u>	<u>246,215,540</u>
Impairment provision						
Opening balance	—	—	131,627,620	—	—	131,627,620
Closing balance	<u>—</u>	<u>—</u>	<u>131,627,620</u>	<u>—</u>	<u>—</u>	<u>131,627,620</u>
Net carrying amount						
Closing balance	<u>162,132,496</u>	<u>22,352,429</u>	<u>298,047,117</u>	<u>117,090,749</u>	<u>28,101,780</u>	<u>627,724,571</u>
Opening balance	<u>165,461,607</u>	<u>18,701,447</u>	<u>337,705,270</u>	<u>128,992,132</u>	<u>38,290,800</u>	<u>689,151,256</u>

Notes to Financial Statements

30 June 2016

Renminbi Yuan

V. Notes to Key Items of the Consolidated Financial Statements (continued)

12. Intangible assets (continued)

2015 (audited)

	Land use rights	Software licenses	Patents, licenses and technical know-how	Trademarks	Backlog orders and service contracts	Total
Cost						
Opening balance	194,184,880	77,114,049	271,306,999	—	—	542,605,928
Business combination not involving entities under common control	—	—	255,914,400	127,957,200	55,752,780	439,624,380
Purchase	—	7,012,268	6,756,604	—	—	13,768,872
Internal development	—	—	15,767,660	—	—	15,767,660
Exchange realignment	280,056	125,410	12,107,126	6,060,600	2,640,690	21,213,882
Closing balance	<u>194,464,936</u>	<u>84,251,727</u>	<u>561,852,789</u>	<u>134,017,800</u>	<u>58,393,470</u>	<u>1,032,980,722</u>
Accumulated amortisation						
Opening balance	25,328,452	57,584,576	59,534,268	—	—	142,447,296
Increase	3,674,877	7,950,000	35,475,219	5,042,468	20,169,870	72,312,434
Exchange realignment	—	15,704	(2,489,588)	(16,800)	(67,200)	(2,557,884)
Closing balance	<u>29,003,329</u>	<u>65,550,280</u>	<u>92,519,899</u>	<u>5,025,668</u>	<u>20,102,670</u>	<u>212,201,846</u>
Impairment provision						
Opening balance	—	—	131,627,620	—	—	131,627,620
Closing balance	—	—	<u>131,627,620</u>	—	—	<u>131,627,620</u>
Net carrying amount						
Closing balance	<u>165,461,607</u>	<u>18,701,447</u>	<u>337,705,270</u>	<u>128,992,132</u>	<u>38,290,800</u>	<u>689,151,256</u>
Opening balance	<u>168,856,428</u>	<u>19,529,473</u>	<u>80,145,111</u>	—	—	<u>268,531,012</u>

The amount of amortisation for the six months ended 30 June 2016 was RMB42,364,870 (unaudited) (six months ended 30 June 2015 (unaudited): RMB24,580,046).

Notes to Financial Statements

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Renminbi Yuan

V. Notes to Key Items of the Consolidated Financial Statements (continued)

13. Goodwill

For the six months ended 30 June 2016 (unaudited)

	Opening balance	Exchange realignment	Closing balance	Impairment provision	Net carrying amount
Dynex Power Inc. ("Dynex")	46,517,958	—	46,517,958	46,517,958	—
Ningbo Times	437,432	—	437,432	—	437,432
Times Electronics	13,333,101	—	13,333,101	—	13,333,101
SMD	561,253,135	(38,197,835)	523,055,300	—	523,055,300
	<u>621,541,626</u>	<u>(38,197,835)</u>	<u>583,343,791</u>	<u>46,517,958</u>	<u>536,825,833</u>

2015 (audited)

	Opening balance	Business combination not involving entities under common control	Exchange realignment	Closing balance	Impairment provision	Net carrying amount
Dynex	46,517,958	—	—	46,517,958	46,517,958	—
Ningbo Times	437,432	—	—	437,432	—	437,432
Times Electronics	13,333,101	—	—	13,333,101	—	13,333,101
SMD	—	535,871,949	25,381,186	561,253,135	—	561,253,135
	<u>60,288,491</u>	<u>535,871,949</u>	<u>25,381,186</u>	<u>621,541,626</u>	<u>46,517,958</u>	<u>575,023,668</u>

The movements of impairment of goodwill are as follows:

For the six months ended 30 June 2016 (unaudited)

	Opening/ Closing balance
Dynex	<u>46,517,958</u>

2015 (audited)

	Opening/ Closing balance
Dynex	<u>46,517,958</u>

Notes to Financial Statements

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Renminbi Yuan

V. Notes to Key Items of the Consolidated Financial Statements (continued)

14. Deferred tax assets/liabilities

Recognised deferred tax assets and liabilities:

	30 June 2016 (unaudited)		31 December 2015 (audited)	
	Deductible temporary differences	Deferred tax assets	Deductible temporary differences	Deferred tax assets
Deferred tax assets				
Provision for product quality warranties	819,740,889	122,963,919	865,199,872	129,799,981
Provision for impairment of assets	598,084,210	92,177,006	504,751,545	78,273,551
Government grants	309,055,563	47,308,056	288,279,312	44,201,964
Depreciation differences arising from different depreciation terms in tax laws and accounting	110,579,413	16,903,751	111,281,171	16,956,433
Payroll payable	172,238,198	26,118,632	14,949,502	2,242,425
Accrued expenses	99,787,181	17,515,445	—	—
Deductible losses	24,104,929	4,820,986	18,608,155	3,721,631
Others	44,807,583	5,305,664	29,812,249	4,584,353
	2,178,397,966	333,113,459	1,832,881,806	279,780,338

	30 June 2016 (unaudited)		31 December 2015 (audited)	
	Taxable temporary differences	Deferred tax liabilities	Taxable temporary differences	Deferred tax liabilities
Deferred tax liabilities				
Fair value adjustments arising from acquisition of subsidiaries	372,998,007	74,599,601	432,184,684	86,436,937
Depreciation differences arising from different depreciation terms in tax laws and accounting	61,048,044	12,209,609	68,753,373	13,750,674
	434,046,051	86,809,210	500,938,057	100,187,611

Notes to Financial Statements

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V. Notes to Key Items of the Consolidated Financial Statements (continued)

14. Deferred tax assets/liabilities (continued)

Deductible losses and deductible temporary differences of unrecognised deferred tax assets are as follows:

	30 June 2016 (Unaudited)	31 December 2015 (Audited)
Deductible losses	115,086,112	101,720,669
Deductible temporary differences	166,831,840	136,299,450
	<u>281,917,952</u>	<u>238,020,119</u>

Deductible losses of unrecognised deferred tax assets will expire in the following years:

	30 June 2016 (Unaudited)	31 December 2015 (Audited)
2016	—	18,015,639
2017	24,191,832	24,191,832
2018	33,472,072	33,472,072
2019	8,632,087	4,980,050
2020	913,269	21,061,076
2021	47,876,852	—
	<u>115,086,112</u>	<u>101,720,669</u>

15. Other non-current assets

	30 June 2016 (Unaudited)	31 December 2015 (Audited)
Prepayments for acquisition of land use rights	42,831,600	42,831,600
Prepayments for construction in progress	4,086,863	5,160,683
Prepayments for purchase of machinery and equipment	19,475,069	10,918,640
	<u>66,393,532</u>	<u>58,910,923</u>

Notes to Financial Statements

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Renminbi Yuan

V. Notes to Key Items of the Consolidated Financial Statements (continued)

16. Short-term borrowings

	30 June 2016 (Unaudited)	31 December 2015 (Audited)
Other loans (Note)	<u>112,269,449</u>	<u>53,636,349</u>

As at 30 June 2016, the annual interest rate of the above borrowings was 0.00%-3.50% (unaudited) (31 December 2015 (audited): 0.00%-3.50%).

Note: Pursuant to the relevant borrowing agreement, the other loans are secured by floating charges over certain assets. The carrying amounts of such assets as at 30 June 2016 and 31 December 2015 are as follows:

	30 June 2016 (Unaudited)	31 December 2015 (Audited)
Cash and bank balances	3,930,497	6,618,851
Trade receivables	111,277,872	153,269,517
Other receivables	7,702,459	4,193,920
Prepayments	37,773,005	44,073,503
Inventories	155,405,031	179,400,406
Other current assets	11,609,944	15,870
Long-term equity investments	1,779,793	1,909,873
Fixed assets	165,013,303	195,160,854
Construction in progress	13,399,589	9,906,652
	<u>507,891,493</u>	<u>594,549,446</u>

17. Bills payable

	30 June 2016 (Unaudited)	31 December 2015 (Audited)
Commercial acceptance bills	114,402,573	311,859,145
Bank acceptance bills	883,285,529	1,421,816,123
	<u>997,688,102</u>	<u>1,733,675,268</u>

Notes to Financial Statements

30 June 2016

Renminbi Yuan

V. Notes to Key Items of the Consolidated Financial Statements (continued)

18. Trade payables

The trade payables are non-interest-bearing and generally have an average payment term of 3 months.

	30 June 2016 (Unaudited)	31 December 2015 (Audited)
Within 3 months	2,475,939,640	2,040,064,264
3 months to 1 year	343,764,338	248,500,553
1 to 2 years	95,651,211	110,121,469
2 to 3 years	16,421,888	41,094,530
Over 3 years	13,267,386	109,051,220
	2,945,044,463	2,548,832,036
Less: Classified as long-term payables	107,507,290	116,298,371
	2,837,537,173	2,432,533,665

19. Advances from customers

	30 June 2016 (Unaudited)	31 December 2015 (Audited)
Within 1 year	804,983,498	788,609,450
1 to 2 years	115,504,101	93,735,745
2 to 3 years	4,327,343	4,555,275
Over 3 years	2,507,264	1,830,425
	927,322,206	888,730,895

20. Employee benefits payable

For the six months ended 30 June 2016 (unaudited)

	Opening balance	Increase	Decrease	Exchange realignment	Closing balance
Short-term benefits	47,963,758	610,644,134	442,561,768	(859,020)	215,187,104
Benefits after demission (defined contribution plan)	2,401,620	92,290,488	69,868,940	(43,128)	24,780,040
	50,365,378	702,934,622	512,430,708	(902,148)	239,967,144

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Renminbi Yuan

V. Notes to Key Items of the Consolidated Financial Statements (continued)

20. Employee benefits payable (continued)

2015 (audited)

	Opening balance	Business combination not involving entities under common control	Increase	Decrease	Exchange realignment	Closing balance
Short-term benefits	51,429,108	580,382	1,183,741,514	1,187,632,116	(155,130)	47,963,758
Benefits after demission (defined contribution plan)	682,933	2,016,582	158,595,452	158,969,042	75,695	2,401,620
	<u>52,112,041</u>	<u>2,596,964</u>	<u>1,342,336,966</u>	<u>1,346,601,158</u>	<u>(79,435)</u>	<u>50,365,378</u>

Details of short-term benefits are as follows:

For the six months ended 30 June 2016 (unaudited)

	Opening balance	Increase	Decrease	Exchange realignment	Closing balance
Salaries, bonuses, allowances and subsidies	20,558,388	498,363,592	338,689,208	(338,722)	179,894,050
Staff welfare	—	22,668,784	22,668,784	—	—
Social Insurance	242,915	32,169,732	28,797,057	—	3,615,590
Including: Basic medical insurance	147,896	22,098,558	21,787,780	—	458,674
Supplementary medical insurance	300	3,224,437	262,860	—	2,961,877
Work injury insurance	49,334	4,973,483	4,905,790	—	117,027
Maternity insurance	45,385	1,873,254	1,840,627	—	78,012
Housing fund	8,330	38,193,782	37,470,719	—	731,393
Union fund and employee education fund	20,249,313	17,833,426	10,771,125	—	27,311,614
Others	6,904,812	1,414,818	4,164,875	(520,298)	3,634,457
	<u>47,963,758</u>	<u>610,644,134</u>	<u>442,561,768</u>	<u>(859,020)</u>	<u>215,187,104</u>

Notes to Financial Statements

30 June 2016

Renminbi Yuan

V. Notes to Key Items of the Consolidated Financial Statements (continued)

20. Employee benefits payable (continued)

Details of short-term benefits are as follows: (continued)

2015 (audited)

	Opening balance	Business combination not involving entities under common control	Increase	Decrease	Exchange realignment	Closing balance
Salaries, bonuses, allowances and subsidies	28,640,023	580,382	951,624,837	960,246,423	(40,431)	20,558,388
Staff welfare	—	—	54,394,211	54,394,211	—	—
Social Insurance	873,264	—	65,221,457	65,851,806	—	242,915
Including: Basic medical insurance	97,242	—	36,212,727	36,162,073	—	147,896
Supplementary medical insurance	625,165	—	16,435,894	17,060,759	—	300
Work injury insurance	70,650	—	9,223,166	9,244,482	—	49,334
Maternity insurance	80,207	—	3,349,670	3,384,492	—	45,385
Housing fund	5,238	—	66,832,732	66,829,640	—	8,330
Union fund and employee education fund	13,347,093	—	33,625,484	26,723,264	—	20,249,313
Others	8,563,490	—	12,042,793	13,586,772	(114,699)	6,904,812
	<u>51,429,108</u>	<u>580,382</u>	<u>1,183,741,514</u>	<u>1,187,632,116</u>	<u>(155,130)</u>	<u>47,963,758</u>

Details of defined contribution plan are as follows:

For the six months ended 30 June 2016 (unaudited)

	Opening balance	Increase	Decrease	Exchange realignment	Closing balance
Basic pension insurance	2,287,975	70,687,007	65,974,994	(43,128)	6,956,860
Unemployment insurance	106,130	3,516,362	3,393,927	—	228,565
Annuity	7,515	18,087,119	500,019	—	17,594,615
	<u>2,401,620</u>	<u>92,290,488</u>	<u>69,868,940</u>	<u>(43,128)</u>	<u>24,780,040</u>

Notes to Financial Statements

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Renminbi Yuan

V. Notes to Key Items of the Consolidated Financial Statements (continued)

20. Employee benefits payable (continued)

Details of defined contribution plan are as follows: (continued)

2015 (audited)

	Opening balance	Business combination not involving entities under common control	Increase	Decrease	Exchange realignment	Closing balance
Basic pension insurance	592,371	2,016,582	121,376,868	121,773,541	75,695	2,287,975
Unemployment insurance	19,850	—	9,710,136	9,623,856	—	106,130
Annuity	70,712	—	27,508,448	27,571,645	—	7,515
	<u>682,933</u>	<u>2,016,582</u>	<u>158,595,452</u>	<u>158,969,042</u>	<u>75,695</u>	<u>2,401,620</u>

21. Dividends payable

Pursuant to the board of directors' meeting held on 24 March 2016, a proposed final dividend of RMB0.45 (including tax) was paid on each of the 1,175,476,637 shares in issue, amounting to a total cash dividend of RMB528,964,487 (unaudited). The above proposal was approved in the Company's Annual General Meeting held on 23 June 2016. As of the approval date of the financial statements, the Company has fully distributed the above cash dividends.

22. Taxes payable

	30 June 2016 (Unaudited)	31 December 2015 (Audited)
Corporate income tax	151,837,363	163,245,647
Value-added tax	93,705,866	39,472,693
City maintenance and construction and education surcharge	10,717,387	11,468,070
Individual income tax	1,564,837	33,985,072
Others	1,990,771	2,006,633
	<u>259,816,224</u>	<u>250,178,115</u>

Notes to Financial Statements

30 June 2016

Renminbi Yuan

V. Notes to Key Items of the Consolidated Financial Statements (continued)

23. Other payables

	30 June 2016 (Unaudited)	31 December 2015 (Audited)
Within 1 year	311,167,597	116,431,482
1 to 2 years	38,580,329	147,535,988
2 to 3 years	133,543,350	3,036,197
Over 3 years	28,825,316	28,067,197
	<u>512,116,592</u>	<u>295,070,864</u>

24. Current portion of non-current liabilities

		30 June 2016 (Unaudited)	31 December 2015 (Audited)
Long-term borrowings due within one year	Note V 25	3,742,996	9,294,334
Other non-current liabilities due within one year	28	6,986,527	6,913,197
		<u>10,729,523</u>	<u>16,207,531</u>

Long-term borrowings due within one year are as follows:

	30 June 2016 (Unaudited)	31 December 2015 (Audited)
Mortgaged loans	3,567,126	8,720,840
Other loans	175,870	573,494
	<u>3,742,996</u>	<u>9,294,334</u>

Notes to Financial Statements

30 June 2016

Renminbi Yuan

V. Notes to Key Items of the Consolidated Financial Statements (continued)

25. Long-term borrowings

		30 June 2016 (Unaudited)	31 December 2015 (Audited)
	Note V		
Trusted loans		100,188,000	100,188,000
Mortgage loans		4,040,909	9,909,050
Guaranteed loans		965,980,794	924,020,699
Other loans	16. Note	175,870	573,494
		1,070,385,573	1,034,691,243
Less: due within one year	24	3,742,996	9,294,334
		1,066,642,577	1,025,396,909

Maturity analysis

	30 June 2016 (Unaudited)	31 December 2015 (Audited)
Due within 1 year	3,742,996	9,294,334
Due within 2 years	966,454,577	1,188,210
Due within 2 to 5 years	15,000,000	936,520,699
Due more than 5 years	85,188,000	87,688,000
	1,070,385,573	1,034,691,243

As at 30 June 2016, the annual interest rate of the above borrowings was 0.00%-4.92% (unaudited) (31 December 2015 (audited): 0.00%-4.92%).

26. Provisions

For the six months ended 30 June 2016 (unaudited)

	Opening balance	Increase	Decrease	Exchange realignment	Closing balance
Provision for product quality warranties	882,659,555	167,316,858	222,172,982	(735,596)	827,067,835
Less: Provisions due within one year					335,867,618
					491,200,217

Notes to Financial Statements

30 June 2016

Renminbi Yuan

V. Notes to Key Items of the Consolidated Financial Statements (continued)

26. Provisions (continued)

2015 (audited)

	Opening balance	Business combination not under common control	Increase	Decrease	Exchange realignment	Closing balance
Provision for product quality warranties	<u>809,726,983</u>	<u>7,243,310</u>	<u>347,426,224</u>	<u>282,047,032</u>	<u>310,070</u>	882,659,555
Less: Provisions due within one year						<u>367,927,119</u>
						<u>514,732,436</u>

27. Deferred income

	30 June 2016 (Unaudited)	31 December 2015 (Audited)
Government grants related to assets	267,586,563	253,898,312
Government grants related to income	41,469,000	34,381,000
	309,055,563	288,279,312
Less: Classified as current liabilities	82,945,321	59,304,497
Government grants classified as non-current liabilities	226,110,242	228,974,815

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V. Notes to Key Items of the Consolidated Financial Statements (continued)

27. Deferred income (continued)

Liabilities relevant to government grants as at 30 June 2016 are listed as follows: (unaudited)

	Opening balance	Increase	Recognised as non-operating income	Closing balance	Relevant to asset/income
(Power electronics) integrated manufacturing technology R&D and industrialization of SIC based power electronic devices	53,170,000	—	—	53,170,000	Asset
The revamping of high voltage and low voltage IGBT chip module production line	50,000,000	—	—	50,000,000	Asset
8 MW golden sun demonstration project	54,458,334	—	(5,445,833)	49,012,501	Asset
Test platform for power electronics and electric drive system	1,500,000	23,410,000	—	24,910,000	Asset
Maotangao staff dorm building construction project	19,978,472	—	(227,459)	19,751,013	Asset
SIC-based power electronic devices lab & fab construction project	17,000,000	—	—	17,000,000	Asset
High voltage chip packaging and module technology development and industrialization for high speed train application	14,540,000	—	—	14,540,000	Income
R&D, Industrialization of 6-inch SIC Wafer and Application in High Power IGBT	10,000,000	—	—	10,000,000	Asset
Basic construction compensation	9,000,672	—	(103,456)	8,897,216	Asset
Industrialization of 200KM EMU AC drive & network control system and ATP control device	8,391,667	—	(950,000)	7,441,667	Asset
Photovoltaic power generation comprehensive test system construction project	8,391,667	—	(950,000)	7,441,667	Asset
Electric control system of large maintenance machinery tamping vehicle project	6,800,000	—	—	6,800,000	Asset
(Power electronics) research for power electronic devices & built for production line	5,600,000	—	(200,000)	5,400,000	Asset
The project of core components of railway vehicle intelligent manufacturing plant construction	5,000,000	—	—	5,000,000	Asset
Others	24,448,500	5,488,000	(245,001)	29,691,499	Asset/income
	<u>288,279,312</u>	<u>28,898,000</u>	<u>(8,121,749)</u>	<u>309,055,563</u>	

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V. Notes to Key Items of the Consolidated Financial Statements (continued)

27. Deferred income (continued)

Liabilities relevant to government grants as at 31 December 2015 are listed as follows: (audited)

	Opening balance	Increase	Recognised as non-operating income	Other movements	Closing balance	Relevant to asset/income
8 MW golden sun demonstration project	51,430,000	13,920,000	(10,891,666)	—	54,458,334	Asset
Maotangao staff dorm building construction project	20,433,390	—	(454,918)	—	19,978,472	Asset
Photovoltaic power generation comprehensive test system construction project	10,735,000	—	(2,343,333)	—	8,391,667	Asset
Industrialization of 200KM EMU AC drive & network control system and ATP control device	10,291,667	—	(1,900,000)	—	8,391,667	Asset
(Power electronics) research for power electronic devices & built for production line	6,000,000	—	(400,000)	—	5,600,000	Asset
High voltage chip packaging and module technology development and industrialization for high speed train application	14,224,000	316,000	—	—	14,540,000	Income
3.3KV high voltage IGBT for rail transit application project	3,200,000	—	—	—	3,200,000	Income
(Power electronics) integrated manufacturing technology R&D and industrialization of SiC based power electronic devices	53,170,000	—	—	—	53,170,000	Asset
Electric control system of large maintenance machinery tamping vehicle project	6,800,000	—	—	—	6,800,000	Asset
Basic construction compensation	9,207,584	—	(206,912)	—	9,000,672	Asset
SiC-based power electronic devices lab & fab construction project	—	17,000,000	—	—	17,000,000	Asset
The revamping of high voltage and low voltage IGBT chip module production line	—	50,000,000	—	—	50,000,000	Asset
Research on key technology of super large power electronic devices and systems	2,530,000	530,000	—	—	3,060,000	Income
R&D, Industrialization of 6-inch SiC Wafer and Application in High Power IGBT	—	10,000,000	—	—	10,000,000	Asset
Others	30,500,000	18,381,000	(22,242,500)	(1,950,000)	24,688,500	Asset/Income
	<u>218,521,641</u>	<u>110,147,000</u>	<u>(38,439,329)</u>	<u>(1,950,000)</u>	<u>288,279,312</u>	

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V. Notes to Key Items of the Consolidated Financial Statements (continued)

28. Other non-current liabilities

		30 June 2016 (Unaudited)	31 December 2015 (Audited)
	Note V		
Present value of contingent consideration (Note)		6,986,527	14,794,775
Less: Non-current liabilities due within one year	24	6,986,527	6,913,197
Recognised in profit or loss		<u>—</u>	<u>7,881,578</u>
		<u>—</u>	<u>—</u>

Note: On 9 April 2015, the fair value of the contingent consideration which was generated by acquisition of SMD was GBP1,456,093 (audited) (equivalent to approximately RMB13,308,396). Due to the effect of the exchange rate fluctuations, discounting periods and the performance target stipulated at the acquisition date, the fair value of the contingent consideration is reevaluated to RMB6,986,527 (unaudited) on 30 June 2016.

29. Retained earnings

	For the six months ended 30 June 2016 (Unaudited)	2015 (Audited)
Retained earnings at the end of last year	7,829,036,380	5,631,283,306
Add: Net profit attributable to shareholders of the Parent	1,286,335,985	2,958,357,366
Less: Appropriation to statutory surplus reserve	137,909,746	290,413,637
Cash dividends paid	528,964,487	470,190,655
Retained earnings at the end of the period/year	<u>8,448,498,132</u>	<u>7,829,036,380</u>

The 2015 scheme of profit distribution of the Company has been reviewed and approved in the 2015 Annual General Meeting held on 23 June 2016, pursuant to which a final dividend of RMB0.45 (including tax) was paid on each of the 1,175,476,637 shares in issue, amounting to a total cash dividend of RMB528,964,487 (unaudited).

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V. Notes to Key Items of the Consolidated Financial Statements (continued)

29. Retained earnings (continued)

The 2014 scheme of profit distribution of the Company has been reviewed and approved in the 2014 Annual General Meeting held on 5 June 2015, pursuant to which a final dividend of RMB0.40 (including tax) was paid on each of the 1,175,476,637 shares in issue, amounting to a total cash dividend of RMB470,190,655 (audited).

The board of directors do not recommend the payment of an interim dividend (six months ended 30 June 2015: Nil).

30. Revenue and cost of sales

Revenue, also the Group's turnover, includes the net invoiced value of goods sold after deducting returns and trade discounts, which contains an appropriate proportion of construction contract revenue, the value of services rendered, and the total rental income received.

Revenue is stated as follows:

	For the six months ended 30 June 2016 (Unaudited)	For the six months ended 30 June 2015 (Unaudited)
Revenue from principal operations	6,417,889,474	5,625,159,398
Other operating income	115,028,515	97,801,688
	<u>6,532,917,989</u>	<u>5,722,961,086</u>

Cost of sales is stated as follows:

	For the six months ended 30 June 2016 (Unaudited)	For the six months ended 30 June 2015 (Unaudited)
Cost of sales from principal operations	3,969,245,757	3,382,679,238
Other operating costs	84,470,605	77,675,371
	<u>4,053,716,362</u>	<u>3,460,354,609</u>

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V. Notes to Key Items of the Consolidated Financial Statements (continued)

30. Revenue and cost of sales (continued)

Details of revenue are listed as follows:

	For the six months ended 30 June 2016 (Unaudited)	For the six months ended 30 June 2015 (Unaudited)
Sale of goods and materials	6,117,518,686	5,585,491,440
Revenue from construction contracts	73,339,372	77,061,083
Maintenance income	295,061,586	47,671,031
Technical service income	38,776,802	3,787,962
Rental income	5,032,506	5,567,133
Others	3,189,037	3,382,437
	<u>6,532,917,989</u>	<u>5,722,961,086</u>

31. Finance costs

	For the six months ended 30 June 2016 (Unaudited)	For the six months ended 30 June 2015 (Unaudited)
Interest expenses	13,263,501	3,113,926
Less: Capitalised interests	513,382	—
Interest income	(23,977,189)	(33,730,436)
Exchange losses/(gains)	60,999,358	(20,437,630)
Others	3,175,862	5,794,957
	<u>52,948,150</u>	<u>(45,259,183)</u>

32. Asset impairment losses

	For the six months ended 30 June 2016 (Unaudited)	For the six months ended 30 June 2015 (Unaudited)
Bad debt loss	59,077,024	29,667,114
Impairment losses of inventories	61,785,644	21,069,677
Impairment losses of fixed assets	—	5,118,693
	<u>120,862,668</u>	<u>55,855,484</u>

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V. Notes to Key Items of the Consolidated Financial Statements (continued)

33. Investment income

	For the six months ended 30 June 2016 (Unaudited)	For the six months ended 30 June 2015 (Unaudited)
Income from non-listed investments:		
Long-term equity investments income under the equity method	34,753,290	35,038,335
Bank financial product income	38,659,691	37,761,389
	73,412,981	72,799,724

34. Non-operating income

	For the six months ended 30 June 2016 (Unaudited)	For the six months ended 30 June 2015 (Unaudited)
Gains on disposal of non-current assets	1,391,246	277,906
Refunds of value-added tax	200,216,829	43,259,595
Government grants	17,659,307	21,498,994
Unsettled payment	1,020,046	1,622,331
Penalty income and default compensation income	3,570,534	433,059
Others	4,720,035	4,039,390
	228,577,997	71,131,275

35. Non-operating expenses

	For the six months ended 30 June 2016 (Unaudited)	For the six months ended 30 June 2015 (Unaudited)
Losses on disposal of non-current assets	249,263	131,598
Losses on penalties and compensation	56,274	1,355,668
Others	384,393	4,014,214
	689,930	5,501,480

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V. Notes to Key Items of the Consolidated Financial Statements (continued)

36. Expenses by nature

The supplementary information to the cost of sales, selling expenses, and administrative expenses of the Group classified by nature is as follows:

	For the six months ended 30 June 2016 (Unaudited)	For the six months ended 30 June 2015 (Unaudited)
Consumption of raw materials and semi-finished products	3,197,737,314	2,978,430,708
Inventory movements of finished goods and work in progress	212,566,495	(560,752,331)
Staff costs	702,934,622	579,703,035
Depreciation	92,135,325	111,108,572
Amortisation	42,364,870	24,580,046
Provision for product quality warranties	167,316,858	123,480,184
Research and development expense	516,002,324	414,194,688

37. Income tax expense

	For the six months ended 30 June 2016 (Unaudited)	For the six months ended 30 June 2015 (Unaudited)
Current income tax expense		
– Mainland China	277,308,093	235,087,221
– Other countries and regions	(7,935,404)	1,592,595
	269,372,689	236,679,816
Deferred tax expense	(62,436,202)	(25,156,256)
	206,936,487	211,523,560

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V. Notes to Key Items of the Consolidated Financial Statements (continued)

37. Income tax expense (continued)

The reconciliation from total profit to income tax expense is as follows:

	For the six months ended 30 June 2016 (unaudited)	For the six months ended 30 June 2015 (unaudited)
Total profit	1,501,256,358	1,431,472,973
Income tax expense at statutory tax rate of 25% (Note)	375,314,090	357,868,243
Effect of different income tax rates for overseas entities	5,241,764	3,203,393
Effect of tax exemptions for the Company and subsidiaries	(164,002,600)	(146,056,828)
Profits and losses attributable to associates and joint ventures	(6,412,248)	(5,255,750)
Income not subject to tax	(2,493,862)	—
Income tax benefits on research and development expenditure	(33,860,147)	(25,714,937)
Expenses not deductible for tax	3,523,764	1,832,795
Deductible temporary differences not recognised	10,649,752	25,520,881
Tax losses not recognized	12,687,366	77,513
Utilisation of tax losses carried forward from previous periods	(1,652,534)	—
Recognise the un-recognised deductible temporary differences of previous years	(2,471,467)	—
Others	10,412,609	48,250
Tax expense at the Group's effective tax rate	206,936,487	211,523,560

Note: The income tax of the Group is calculated based on the estimated taxable income gained in China and the applicable tax rate. Tax arising from taxable income in other regions is calculated at applicable tax rates according to existing laws, interpretations and practices of the countries in which the Group operates.

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V. Notes to Key Items of the Consolidated Financial Statements (continued)

38. Earnings per share

The calculation of the basic earnings per share is based on the net profit for the period attributable to ordinary shareholders of the Company divided by the weighted average number of ordinary shares in issue.

The calculation of basic earnings per share is as follows:

	For the six months ended 30 June 2016 (Unaudited)	For the six months ended 30 June 2015 (Unaudited)
Earnings		
Net profit for the period attributable to ordinary shareholders of the Company	<u>1,286,335,985</u>	<u>1,219,829,085</u>
Shares		
Weighted average number of ordinary shares in issue of the Company	<u>1,175,476,637</u>	<u>1,175,476,637</u>
Basic earnings per share (Yuan/share)	<u>1.09</u>	<u>1.04</u>
Diluted earnings per share (Yuan/share)	<u>1.09</u>	<u>1.04</u>

The Company did not have potentially dilutive ordinary shares as at the approval date of these financial statements.

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V. Notes to Key Items of the Consolidated Financial Statements (continued)

39. Supplementary information to cash flow statement

(1) Supplementary information to cash flow statement

	For the six months ended 30 June 2016 (Unaudited)	For the six months ended 30 June 2015 (Unaudited)
Adjustment of net profit to cash flows from operating activities:		
Net profit	1,294,319,871	1,219,949,413
Add: Provision for impairment of assets	120,862,668	55,855,484
Depreciation	92,135,325	111,108,572
Amortisation of intangible assets	42,364,870	24,580,046
Provision of special reserve	5,683,774	112,943
Gains from disposal of fixed assets, intangible assets and other long-term assets	(1,141,983)	(146,308)
Finance costs	12,750,119	3,113,926
Investment income	(73,412,981)	(72,799,724)
Increase in deferred tax assets	(53,333,121)	(22,229,587)
(Decrease)/Increase in deferred tax liabilities	(13,378,401)	4,577,677
Increase in inventories	(510,176,348)	(1,123,651,531)
Increase in operating receivables	(611,235,425)	(213,466,258)
(Decrease)/Increase in operating payables	(24,206,282)	645,051,348
Net cash flows from operating activities	281,232,086	632,056,001

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V. Notes to Key Items of the Consolidated Financial Statements (continued)

39. Supplementary information to cash flow statement (continued)

(1) Supplementary information to cash flow statement (continued)

Movement in cash and cash equivalents:

	For the six months ended 30 June 2016 (Unaudited)	2015 (Audited)
Closing balance of cash	5,827,221,626	3,351,119,633
Less: Opening balance of cash	3,351,119,633	2,647,816,044
Net change of cash and cash equivalents	<u>2,476,101,993</u>	<u>703,303,589</u>

(2) Acquisition of subsidiaries

	30 June 2016 (Unaudited)	31 December 2015 (Audited)
Consideration for acquisition of subsidiaries	—	1,098,528,719
Cash and cash equivalents paid for acquisition of subsidiaries	—	1,085,220,323
Less: Cash and cash equivalents received in the acquisition of subsidiaries	—	10,413,257
Net cash outflow in the acquisition of subsidiaries	<u>—</u>	<u>1,074,807,066</u>

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V. Notes to Key Items of the Consolidated Financial Statements (continued)

39. Supplementary information to cash flow statement (continued)

(3) Cash and cash equivalents

	30 June 2016 (Unaudited)	31 December 2015 (Audited)
Cash		
Including: Cash on hand	45,669	27,689
Bank deposits on demand	5,229,870,677	2,421,016,552
Deposits due within 3 months	580,000,000	922,202,392
Security deposit due within 3 months	17,305,280	7,873,000
	<hr/>	<hr/>
Closing balance of cash and cash equivalents	5,827,221,626	3,351,119,633
	<hr/> <hr/>	<hr/> <hr/>

40. Assets with restrictions on title

		30 June 2016 (Unaudited)	31 December 2015 (Audited)
Pledged assets			
Cash and bank balance	Note 1	149,277,243	60,434,349
Other receivables	Note 2	—	96,683,315
Fixed assets	Note 3	27,063,291	29,286,996
Intangible assets	Note 4	15,661,364	17,023,133
		<hr/>	<hr/>
		192,001,898	203,427,793
		<hr/> <hr/>	<hr/> <hr/>

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V. Notes to Key Items of the Consolidated Financial Statements (continued)

40. Assets with restrictions on title (continued)

Note 1: As at 30 June 2016, the cash and bank balances of RMB105,260,887 (unaudited) (31 December 2015 (audited): RMB27,191,259) is used as security deposits by the Group for acceptance bills from bank. The cash and bank balances of RMB44,016,356 (unaudited) (31 December 2015 (audited): RMB33,243,090) is used as security deposits by the Group for letters of guarantee from bank.

Note 2: In 2015, the Group acquired SMD Group, putting GBP10,100,000 (audited) (equivalent to RMB96,683,315 as at 31 December 2015) into the escrow account jointly owned with the vendor as retention for repaying the contingent consideration limited to GBP10,100,000 (audited) (equivalent to RMB96,683,315 as at 31 December 2015). The retention has been recovered in the current period.

Note 3: As at 30 June 2016, the title of fixed assets with a net carrying amount of RMB27,063,291 (unaudited) (31 December 2015 (audited): RMB29,286,996) was pledged to secure general banking facilities granted to the Group.

Note 4: As at 30 June 2016, the title of land use right with a net carrying amount of RMB15,661,364 (unaudited) (31 December 2015 (audited): RMB17,023,133) was pledged to secure general banking facilities granted to the Group.

VI. Changes in scope of consolidation

1. Subsidiary newly established

Following subsidiary is newly built up during current period:

		Proportion of shareholding
Hunan CRRC Times Signal & Communication Co., Ltd. (CRRC TSC)	Note	100%

Note: In March 2016, CRRC TSC was established by the Company with registered capital of RMB200,000,000 (unaudited). The shareholding of the Company is 100%. Up to the balance sheet date, the Company has paid up RMB50,000,000 (unaudited).

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VII. Interests in other entities

1. Interests in subsidiaries

Particulars of subsidiaries of the Company are as follows:

Names of companies	Place of registration/ Principal place of business	Registered capital	Nature of business	Proportion of shareholding		Proportion of votes
				Direct	Indirect	
By newly established or invested						
Ningbo Times	Ningbo Zhejiang	RMB148,826,200	Manufacture industry	100%	—	100%
Times Electronics	Zhuzhou Hunan	RMB80,000,000	Manufacture industry	100%	—	100%
Times Equipment	Zhuzhou Hunan	RMB101,000,000	Manufacture industry	100%	—	100%
Beijing CSR Times Information Technology Co., Ltd. ("Times Information")	Beijing	RMB29,000,000	Manufacture industry	100%	—	100%
Shenyang CRRC Times Transportation Equipment Co., Ltd. (formerly known as Shenyang CSR Times Transportation Equipment Co., Ltd.) ("Shenyang Times")	Shenyang Liaoning	RMB56,000,000	Manufacture industry	100%	—	100%
Baoji Times	Baoji Shaanxi	RMB281,655,300	Manufacture industry	85.8%	—	85.8%
Kunming Electric	Kunming Yunnan	RMB3,000,000	Manufacture industry	100%	—	100%
Hangzhou CRRC Times Electric Equipment Co., Ltd. (formerly known as Hangzhou CSR Electric Equipment Co., Ltd.) ("Hangzhou Electric")	Hangzhou Zhejiang	RMB75,000,000	Manufacture industry	60%	—	60%
Guangzhou CRRC Times Electric Technology Co., Ltd. (formerly known as Guangzhou CSR Times Electric Technology Co., Ltd.) ("Guangzhou Times")	Guangzhou Guangdong	RMB30,000,000	Manufacture industry	60%	—	60%
CRRC Times Electric (Hong Kong) Co., Ltd. (formerly known as CSR Times Electric (Hong Kong) Co., Ltd.) ("HK Electric")	Hong Kong	HKD426,952,000	Investment holding	100%	—	100%
Ningbo CRRC Times Electrical Equipment Co., Ltd. (formerly known as Ningbo CSR Electrical Equipment Co., Ltd.) ("Ningbo Electric")	Ningbo Zhejiang	RMB10,000,000	Manufacture industry	100%	—	100%
Qingdao Electric (Note)	Qingdao Shandong	RMB100,000,000	Manufacture industry	45%	—	45%
Shanghai CRRC Railway Transportation Technology Co., Ltd. (formerly known as Shanghai CSR Railway Transportation Technology Co., Ltd.) ("Shanghai CRRC Railway")	Shanghai	RMB50,000,000	Manufacture industry	51%	—	51%

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VII. Interests in other entities (continued)

1. Interests in subsidiaries (continued)

Particulars of subsidiaries of the Company are as follows: (continued)

Names of companies	Place of registration/ Principal place of business	Registered capital	Nature of business	Proportion of shareholding		Proportion of votes
				Direct	Indirect	
By newly established or invested (continued)						
Yueqing CSR Railway Technology Co., Ltd. ("Yueqing CSR Railway")	Wenzhou Zhejiang	RMB30,000,000	Manufacture industry	51%	—	51%
Zhuzhou CRRC Times Software Technology Co., Ltd. (formerly known as Zhuzhou CSR Times Software Technology Co., Ltd.) ("Software Company")	Zhuzhou Hunan	RMB100,000,000	Software service	100%	—	100%
CRRC TSC	Changsha Hunan	RMB200,000,000	Manufacture industry	100%	—	100%
CRRC Times Electric Australia Pty. Ltd. (formerly known as CSR Times Electric Australia Pty. Ltd.) ("Times Australia")	Australia	AUD290,000	Trading	100%	—	100%
CRRC Times Electric USA, LLC (formerly known as Times Electric USA, LLC) ("Times USA")	USA	USD430,000	Trading	100%	—	100%
CSR Times Electric Brasil Ltda. ("Times Brasil")	Brasil	USD741,820	Trading	99%	1%	100%
By business combination under uncommon control						
Dynex	Canada	CAD37,096,192	Investment holding	75%	—	75%
Dynex Semiconductor Limited ("Dynex Semiconductor")	United Kingdom	GBP15,000,000	Manufacture industry	—	75%	75%
SMD	United Kingdom	GBP44,049,014	Investing holding	—	100%	100%
Soil Machine Dynamics Limited	United Kingdom	GBP100	Manufacture industry	—	100%	100%
Bywell Holdings Limited	United Kingdom	GBP85,409	Investment holding	—	100%	100%
Specialist Machine Developments (Investment) Limited	United Kingdom	GBP2	Investment holding	—	100%	100%
SMD Offshore Support Limited	United Kingdom	GBP2	Trading	—	100%	100%
Soil Machine Dynamics USA LLC	USA	USD0	Trading	—	100%	100%
SMD Robotics Limited	United Kingdom	GBP1	Trading	—	100%	100%
Soil Machine Dynamics Singapore Pte. Ltd.	Singapore	SGD1	Manufacture industry	—	100%	100%
SMD do Brasil Ltd.	Brasil	BRL100	Trading	—	100%	100%
Crossco 236 Limited	United Kingdom	GBP1	Dormant	—	100%	100%
SMD ROVs Limited	United Kingdom	GBP1	Dormant	—	100%	100%
SMD Specialist Vehicles Limited	United Kingdom	GBP1	Dormant	—	100%	100%

Note: The Company contributed RMB22,500,000 (unaudited) to Qingdao Electrics during this period. CRRC Qingdao Sifang Co., Ltd., the minority shareholder of Qingdao Electric, contributed RMB19,000,000 (unaudited). After the contribution, the paid-up capital of Qingdao Electric was increased to RMB91,500,000 (unaudited).

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Renminbi Yuan

VII. Interests in other entities (continued)

1. Interests in subsidiaries (continued)

Subsidiaries with significant non-controlling interests are as follows:

For the six months ended 30 June 2016 (unaudited)

	Proportion of non-controlling interests	Profits attributable to non-controlling shareholders	Dividends paid to non-controlling shareholders	Accumulated non-controlling interests
Baoji Times	14.2%	3,591,877	(2,130,544)	53,180,752

2015 (audited)

	Proportion of non-controlling interests	Profits attributable to non-controlling interests	Dividends paid to non-controlling shareholders	Accumulated non-controlling interests
Baoji Times	14.2%	5,260,602	(1,943,949)	51,719,419

The table below demonstrates main financial information of the subsidiaries above. The information demonstrated is before offsetting the transaction amounts and carrying amounts with other entities within the Group:

	Baoji Times
30 June 2016 (unaudited)	
Current assets	1,324,545,662
Non-current assets	179,541,706
Total assets	1,504,087,368
Current liabilities	1,129,575,032
Non-current liabilities	—
Total liabilities	1,129,575,032
For the six months ended 30 June 2016 (unaudited)	
Revenue	624,681,176
Net profit	25,294,908
Total comprehensive income	25,294,908
Net cash flows used in operating activities	(193,956,424)

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VII. Interests in other entities (continued)

1. Interests in subsidiaries (continued)

	Baoji Times
31 December 2015 (audited)	
Current assets	1,218,465,363
Non-current assets	178,412,894
Total assets	<u>1,396,878,257</u>
Current liabilities	1,032,656,999
Non-current liabilities	—
Total liabilities	<u>1,032,656,999</u>
2015 (audited)	
Revenue	1,015,426,328
Net profit	37,046,492
Total comprehensive income	<u>37,046,492</u>
Net cash flows used in operating activities	<u>(61,084,365)</u>

2. Interests in joint ventures and associates

	Place of registration/ Principal place of business	Nature of business	Registered capital	Proportion of shareholding		Accounting method
				Direct	Indirect	
Joint ventures						
Shiling	Zhuzhou Hunan	Manufacture industry	USD14,000,000	50%	—	Equity
SMD-BORD Limited	United Kingdom	Service industry	GBP198	—	50%	Equity
SMD Energy Limited	United Kingdom	Service industry	GBP2	—	50%	Equity
Shanghai Shentong CRRC	Shanghai	Research and technical service	RMB10,000,000	50%	—	Equity
Associates						
Zhuzhou Siemens	Zhuzhou Hunan	Manufacture industry	RMB128,989,000	30%	—	Equity
Hunan CSR Wabtec	Changsha Hunan	Manufacture industry	RMB32,500,000	50%	—	Equity

Shiling as an important joint venture of the Group, is one of the suppliers of the fitting equipment products of CRH of the Group.

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VII. Interests in other entities (continued)

2. Interests in joint ventures and associates (continued)

The table below demonstrates the financial information of Shiling, which is adjusted according to accounting differences and adjusted to the carrying amount of current financial statements:

	30 June 2016 (Unaudited)	31 December 2015 (Audited)
Current assets	710,891,786	691,505,710
Including: Cash and bank balances	291,774,381	99,139,828
Non-current assets	52,494,125	50,998,756
Total assets	763,385,911	742,504,466
Current liabilities	262,475,808	306,312,105
Non-current liabilities	—	—
Total liabilities	262,475,808	306,312,105
Net assets	500,910,103	436,192,361
Net assets portion based on shareholding	250,455,052	218,096,181
Less: Unrealised profit of downstream trading	51,456,049	59,451,079
Carrying amount of investment	197,609,773	157,255,872
	For the six months ended 30 June 2016 (Unaudited)	For the six months ended 30 June 2015 (Unaudited)
Revenue	916,914,941	800,271,483
Income tax expense	21,504,104	22,135,668
Net profit	64,717,742	68,491,304
Total comprehensive income	64,717,742	68,491,304
Dividends received	—	—

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VII. Interests in other entities (continued)

2. Interests in joint ventures and associates (continued)

The table below demonstrates the financial information of joint ventures and associates that are individually insignificant to the Group:

	For the six months ended 30 June 2016 (unaudited)	For the six months ended 30 June 2015 (unaudited)
Total carrying amount of investment	67,330,359	60,251,166
Total amounts based on shareholding		
Net profit	2,394,419	792,683
Total comprehensive income	2,394,419	792,683

VIII. Fair value

1. Assets and liabilities measured at fair value

30 June 2016 (unaudited)

	Inputs used in financial instruments measured at fair value			Total
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
Available-for-sale financial asset	—	900,000	—	900,000
Long-term receivables	—	38,694,076	—	38,694,076
Long-term borrowings	—	1,066,642,577	—	1,066,642,577
Long-term payables	—	107,507,290	—	107,507,290

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VIII. Fair value (continued)

1. Assets and liabilities measured at fair value (continued)

31 December 2015 (audited)

	Inputs used in financial instruments measured at fair value			Total
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
Available-for-sale financial asset	—	900,000	—	900,000
Long-term receivables	—	11,178,796	—	11,178,796
Long-term borrowings	—	1,025,396,909	—	1,025,396,909
Long-term payables	—	116,298,371	—	116,298,371

2. Fair value evaluation

The carrying amounts and the fair values of financial instruments of the Group other than short-term financial instruments with carrying amounts that reasonably approximate to fair values, are as follows:

	Carrying amount		Fair value	
	30 June 2016 (Unaudited)	31 December 2015 (Audited)	30 June 2016 (Unaudited)	31 December 2015 (Audited)
Financial assets				
Available-for-sale financial asset	900,000	900,000	900,000	900,000
Long-term receivables	38,694,076	11,178,796	38,694,076	11,178,796

	Carrying amount		Fair value	
	30 June 2016 (Unaudited)	31 December 2015 (Audited)	30 June 2016 (Unaudited)	31 December 2015 (Audited)
Financial liabilities				
Long-term borrowings	1,066,642,577	1,025,396,909	1,066,642,577	1,025,396,909
Long-term payables	107,507,290	116,298,371	107,507,290	116,298,371

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VIII. Fair value (continued)

2. Fair value evaluation (continued)

Management has assessed that the fair values of cash and bank balances, bills receivable, trade receivables, other receivables, other current assets, short-term borrowings, bills payable, trade payables, dividends payable, interests payable, other payables and current portion of non-current liabilities approximate to their carrying amounts largely due to the short-term maturities of these instruments.

The Group's finance team headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The corporate finance team reports directly to the chief financial officer and the audit committee. At each reporting date, the corporate finance team analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values.

The fair values of long-term receivables, long-term borrowings, long-term payables, etc. have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The Group's own non-performance risk for interest-bearing bank and other borrowings as at 30 June 2016 was assessed to be insignificant.

IX. Related party relationships and transactions

1. Parent company

Name of the parent company	Place of registration	Nature of business	Registered capital	Proportion of shareholding	Proportion of votes
CRRC Zhuzhou Electric Locomotive Research Institute Co., Ltd.	Zhuzhou Hunan	Manufacture Industry	5,264,500,000	50.30%	50.30%

The controlling shareholder of the parent Company is CRRC Corporation Limited.

The ultimate holding party of the Company is CRRC Group, which is an enterprise directly under the central government directly administered by the State-owned Assets Supervision and Administration Commission of the State Council.

In 2016, CRRC Corporation Limited made the capital contribution amounting to RMB1,080,000,000 to CRRC Zhuzhou Electric Locomotive Research Institute Co., Ltd.. After completion of the capital contribution, the registered capital and paid-in capital of CRRC Zhuzhou Electric Locomotive Research Institute Co., Ltd. increased to RMB5,264,500,000.

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IX. Related party relationships and transactions (continued)

4. Other related parties (continued)

Name of the companies	Related party relationships
Xi'an CRRC Yongdian Electric Co., Ltd. (formerly known as Xi'an Yongdian Electric Co., Ltd., became a related party since 1 June 2015)	Corporations controlled by the ultimate holding party
CRRC Zhuzhou Electric Co., Ltd.	Corporations controlled by the ultimate holding party
Dalian CRRC Zelong Machinery Co., Ltd. (formerly known as Dalian Zelong Machinery Co., Ltd., became a related party since 1 June 2015)	Corporations controlled by the ultimate holding party
Shanghai Alstom Transport Co., Ltd. (became a related party since 1 June 2015)	Corporations controlled by the ultimate holding party
Ningbo CRRC New Energy Technology Co., Ltd. (formerly known as Ningbo CSR New Energy Technology Co., Ltd., ceased to be a related party since 1 June 2015, and became a related party since 5 August 2015)	Corporations controlled by the ultimate holding party
CRRC Luoyang Co., Ltd.	Corporations controlled by the ultimate holding party
Quanzhou CRRC Tangshan Railway Vehicle Co., Ltd. (formerly known as CNR (Quanzhou) Railway Equipment Co., Ltd., became a related party since 1 June 2015)	Corporations controlled by the ultimate holding party
Ziyang CRRC Electric Locomotive Co., Ltd. (formerly known as Ziyang CSR Electric Locomotive Co., Ltd.)	Corporations controlled by the ultimate holding party
CRRC Qishuyan Locomotive & Rolling Stock Technology Research Institute Co., Ltd.	Corporations controlled by the ultimate holding party
Ziyang CRRC Electrical Technology Co., Ltd. (formerly known as Ziyang CSR Electric Co., Ltd.)	Corporations controlled by the ultimate holding party
CRRC Xi'an Co., Ltd. (formerly known as Xi'an Railway Transportation and Equipment Co., Ltd., became a related party since 1 June 2015)	Corporations controlled by the ultimate holding party
Meishan CRRC Brake Technology Co., Ltd. (formerly known as Sichuan Brake Technology Co., Ltd.)	Corporations controlled by the ultimate holding party
Meishan CRRC Fastener Science & Technology Co., Ltd.	Corporations controlled by the ultimate holding party
CRRC Yangtze Tongling Co., Ltd. (formerly known as CSR Yangtze Tongling Rolling Stock Co., Ltd.)	Corporations controlled by the ultimate holding party

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IX. Related party relationships and transactions (continued)

4. Other related parties (continued)

Name of the companies	Related party relationships
CRRC Qingdao Sifang Rolling Stock Research Institute Co., Ltd. (became a related party since 1 June 2015)	Corporations controlled by the ultimate holding party
Tianjin JL Railway Transport Equipment Co., Ltd. (became a related party since 1 June 2015)	Corporations controlled by the ultimate holding party
CRRC Changzhou Tech-mark Industrial Co., Ltd.	Corporations controlled by the ultimate holding party
Changzhou Ruitai Engineering Machinery Co., Ltd.	Corporations controlled by the ultimate holding party
Dalian CRRC Electrical Technology Co., Ltd. (formerly known as Dalian Universal Computer Measurement & Control Development Co., Ltd., became a related party since 1 June 2015)	Corporations controlled by the ultimate holding party
Yongji CRRC Electric and Appliance Repair Co., Ltd. (formerly known as Yongji Railway Electric and Appliance Repair Co., Ltd., became a related party since 1 June 2015)	Corporations controlled by the ultimate holding party
Zhuzhou CRRC Special Equipment Technology Co., Ltd. (formerly known as Zhuzhou CSR Special Equipment Technology Co., Ltd., ceased to be a related party since 1 June 2015, and became a related party since 5 August 2015)	Corporations controlled by the ultimate holding party
Chengdu CRRC Electric Co., Ltd. (formerly known as Chengdu CSR Electric Co., Ltd.)	Corporations controlled by the ultimate holding party
Wuhan CRRC Changchun Railway Vehicles Facilities Co., Ltd. (formerly known as Wuhan CNR Changchun Railway Vehicles Facilities Co., Ltd., became a related party since 1 June 2015)	Corporations controlled by the ultimate holding party
Wuhan CRRC Sifang Maintenance Centre Co., Ltd. (formerly known as Wuhan CSR Sifang Maintenance Centre Co., Ltd.)	Corporations controlled by the ultimate holding party
Nanjing CRRC Puzhen Haitai Brake Equipment Co., Ltd. (formerly known as Nanjing Puzhen Haitai Brake Equipment Co., Ltd.)	Corporations controlled by the ultimate holding party

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IX. Related party relationships and transactions (continued)

4. Other related parties (continued)

Name of the companies	Related party relationships
Taiyuan Liangjian Rail Engineering Vehicle Co., Ltd. (became a related party since 1 June 2015)	Corporations controlled by the ultimate holding party
CRRC Ziyang Transmission Co., Ltd.	Corporations controlled by the ultimate holding party
CRRC Dalian Locomotive Research Institute Co., Ltd. (became a related party since 1 June 2015)	Corporations controlled by the ultimate holding party
CRRC Lanzhou Locomotive Co., Ltd. (became a related party since 1 June 2015)	Corporations controlled by the ultimate holding party
CRRC Logistics Co., Ltd. (formerly known as Beijing CNR Logistics Development Co., Ltd., became a related party since 1 June 2015)	Corporations controlled by the ultimate holding party
Qingdao KAMAX Buffer Equipment Co., Ltd. (became a related party since 1 June 2015)	Corporations controlled by the ultimate holding party
Qingdao Sri Technology Co., Ltd. (became a related party since 1 June 2015)	Corporations controlled by the ultimate holding party
CRRC Yangtze Co., Ltd.	Corporations controlled by the ultimate holding party
Chengdu CSR Tongli Railway Vehicles Co., Ltd.	Corporations controlled by the ultimate holding party
Beijing Tianlu Longxiang Rail Transit Equipment Co., Ltd. (became a related party since 1 June 2015)	Corporations controlled by the ultimate holding party
CRRC Changchun Railway Vehicles Co., Ltd. (formerly known as CNR Changchun Railway Vehicles Co., Ltd., became a related party since 1 June 2015)	Corporations controlled by the ultimate holding party
Guangzhou Electrical Locomotive Co., Ltd.	Associates of ultimate controlling group with 40% shareholding
Tianjin Electric Locomotive Co., Ltd. (became a related party since 1 June 2015)	Associates of ultimate controlling group with 43.75% shareholding
Shentong CSR (Shanghai) Railway Vehicles Maintenance Co., Ltd. (became a related party since 5 August 2015)	Joint ventures of the ultimate holding group

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IX. Related party relationships and transactions (continued)

4. Other related parties (continued)

Name of the companies	Related party relationships
Shentong CNR (Shanghai) Railway Vehicles Maintenance Co., Ltd. (became a related party since 1 June 2015)	Joint ventures of the ultimate holding group
Changzhou Ruiyang Transmission Technology Co., Ltd.	Joint ventures of the ultimate holding group
CSR-AVC Thermal Technologies (Zhuzhou) Co., Ltd.	Corporations controlled by the parent company
Zhuzhou Times Material International Trade Co., Ltd. (formerly known as Zhuzhou CSR Times Material International Trade Co., Ltd.)	Corporations controlled by the parent company
Hunan CRRC Times Electric Vehicle Co., Ltd. (formerly known as Hunan CSR Times Electric Vehicle Co., Ltd.)	Corporations controlled by the parent company
Zhuzhou National Engineering Research Centre of Converters Co., Ltd.	Corporations controlled by the parent company
Shanghai CRRC Hange Shipping and Marine Engineering Co., Ltd. (formerly known as Shanghai CSR Hange Shipping Engineering Co., Ltd.)	Corporations controlled by the parent company
Xiangyang CRRC Electric Machinery Co., Ltd.	Corporations controlled by the parent company
Zhuzhou CRRC Electromechanical Technology Co., Ltd. (formerly known as Zhuzhou Electromechanical Technology Co., Ltd.)	Corporations controlled by the parent company
Hunan CRRC Special Electric Equipment Co., Ltd.	Corporations controlled by the parent company
Zhuzhou Times New Material Technology Co., Ltd.	Corporations controlled by the parent company
Zhuzhou Times Rubber and Plastics Components Development Co., Ltd.	Corporations controlled by the parent company
CRCC Zhuzhou Traction Electrical Equipment Test & Certification Co., Ltd.	Corporations controlled by the parent company
Zhuzhou CSR Times Publishing Co., Ltd.	Corporations controlled by the parent company
Xiangyang China Railway Hongji Engineering Co., Ltd.	Corporations controlled by the parent company
CRRC Beijing Heavy Industry and Mechanics Co., Ltd. (formerly known as Beijing CSR Times Locomotive & Rolling Stock Mechanics Co., Ltd.)	Corporations controlled by the parent company
Zhuzhou Times Electric Insulation Co., Ltd.	Corporations controlled by the parent company
Zhuzhou Electric Vehicle Co., Ltd.	Associate of the group of parent company with 40% shareholding

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Renminbi Yuan

IX. Related party relationships and transactions (continued)

5. Major transactions between the Group and its related parties

(1) Sales of goods to related parties

	For the six months ended 30 June 2016 (Unaudited)	For the six months ended 30 June 2015 (Unaudited)
Corporations controlled by the ultimate holding party	3,017,691,478	2,637,390,206
Joint ventures of the Company	539,803,864	508,091,850
Corporations controlled by the parent company	105,840,038	47,870,033
Associates of the ultimate holding group	8,694,616	—
Parent company	4,935,649	5,367,375
Associates of the Company	198,999	8,582,186
Joint ventures of ultimate holding group	50,769	624,489
	<u>3,677,215,413</u>	<u>3,207,926,139</u>

(2) Purchases of goods from related parties

	For the six months ended 30 June 2016 (Unaudited)	For the six months ended 30 June 2015 (Unaudited)
Joint ventures of the Company	685,348,434	655,086,984
Corporations controlled by the ultimate holding party	357,454,852	352,627,928
Corporations controlled by the parent company	166,449,462	160,035,118
Associates of the Company	26,314,307	25,584,971
Joint ventures of the ultimate holding group	4,309,470	2,550,879
Parent company	—	123,981
	<u>1,239,876,525</u>	<u>1,196,009,861</u>

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IX. Related party relationships and transactions (continued)

5. Major transactions between the Group and its related parties (continued)

(3) Sales of electricity to related parties

	For the six months ended 30 June 2016 (Unaudited)	For the six months ended 30 June 2015 (Unaudited)
Corporations controlled by the parent company	1,502,278	201,674
Parent company	291,173	155,660
Associates of the Company	12,690	—
Corporations controlled by the ultimate holding party	—	32,513
	<u>1,806,141</u>	<u>389,847</u>

(4) Purchases of electricity from related party

	For the six months ended 30 June 2016 (Unaudited)	For the six months ended 30 June 2015 (Unaudited)
Corporations controlled by the ultimate holding party	<u>147,954</u>	<u>360,263</u>

(5) Sales of fixed assets to related party

	For the six months ended 30 June 2016 (Unaudited)	For the six months ended 30 June 2015 (Unaudited)
Corporations controlled by the parent company	<u>—</u>	<u>540,789</u>

(6) Purchases of fixed assets from related parties

	For the six months ended 30 June 2016 (Unaudited)	For the six months ended 30 June 2015 (Unaudited)
Parent company	—	6,890
Associates of the Company	—	741,559
	<u>—</u>	<u>748,449</u>

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Renminbi Yuan

IX. Related party relationships and transactions (continued)

5. Major transactions between the Group and its related parties (continued)

(7) Related party leases

As lessor

	For the six months ended 30 June 2016 (Unaudited)	For the six months ended 30 June 2015 (Unaudited)
Corporations controlled by the parent company	2,025,818	2,320,000
Parent company	—	1,810,668
Associates of the Company	—	238,799
	<u>2,025,818</u>	<u>4,369,467</u>

As lessee

	For the six months ended 30 June 2016 (Unaudited)	For the six months ended 30 June 2015 (Unaudited)
Parent company (Note)	92,404,333	92,404,333
Associates of the group of parent company	706,418	647,335
	<u>93,110,751</u>	<u>93,051,668</u>

Note: As at 25 September 2014, the Company entered into an agreement with CRRC Zhuzhou Electric Locomotive Research Institute Co., Ltd. to lease all the real estate, property and related facilities and equipment related to the production of high-power IGBT line. According to the lease agreement, the rent was RMB15,400,722 per month. Lease term starts from 1 September 2014 and lasts for 3 years.

As at 18 May 2016, the Company entered into the Asset Transfer Agreement with CRRC Zhuzhou Electric Locomotive Research Institute Co., Ltd. to acquire the IGBT Production Line at a consideration of approximately RMB1,119,039,000 (subject to tax adjustment). And the IGBT Lease Agreement signed on 25 September 2014 was terminated on 30 June 2016.

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Renminbi Yuan

IX. Related party relationships and transactions (continued)

5. Major transactions between the Group and its related parties (continued)

(8) Technical service income from related parties

	For the six months ended 30 June 2016 (Unaudited)	For the six months ended 30 June 2015 (Unaudited)
Corporations controlled by the ultimate holding party	9,244,446	2,755,287
Parent company	1,351,830	585,496
Corporations controlled by the parent company	106,654	941,093
	10,702,930	4,281,876

(9) Maintenance services provided to related parties

	For the six months ended 30 June 2016 (Unaudited)	For the six months ended 30 June 2015 (Unaudited)
Corporations controlled by the ultimate holding party	208,959,967	11,191,145
Corporations controlled by the parent company	340,568	30,229
	209,300,535	11,221,374

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IX. Related party relationships and transactions (continued)

5. Major transactions between the Group and its related parties (continued)

(10) Technical service fees paid to related parties

	For the six months ended 30 June 2016 (Unaudited)	For the six months ended 30 June 2015 (Unaudited)
Parent company	85,165,094	84,136,000
Corporations controlled by the parent company	3,905,019	80,000
	<u>89,070,113</u>	<u>84,216,000</u>

(11) Project management service fees paid to related party

	For the six months ended 30 June 2016 (Unaudited)	For the six months ended 30 June 2015 (Unaudited)
Parent company	—	1,380,000

(12) Interest income from cash and bank balances

	For the six months ended 30 June 2016 (Unaudited)	For the six months ended 30 June 2015 (Unaudited)
Corporations controlled by the ultimate holding party	<u>2,288,136</u>	<u>3,935,207</u>

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IX. Related party relationships and transactions (continued)

5. Major transactions between the Group and its related parties (continued)

(13) Interests expenses to borrowings

	For the six months ended 30 June 2016 (Unaudited)	For the six months ended 30 June 2015 (Unaudited)
Shareholder of the parent company	513,382	—

(14) Remuneration of key management

	For the six months ended 30 June 2016 (Unaudited)	For the six months ended 30 June 2015 (Unaudited)
Remuneration of key management	3,957,245	2,545,450

Note: The terms of the above sales and purchase transactions, sales and purchase of fixed assets, service transactions and lease transactions with related parties were agreed by both parties.

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IX. Related party relationships and transactions (continued)

5. Major transactions between the Group and its related parties (continued)

(15) Commitments between the Group and related parties

The material commitments signed between the Group and the respective related parties which are not required to be presented in the financial statements as at the balance sheet date are as follows:

Sales of goods to related parties

	For the second half of 2016 (Unaudited)
Corporations controlled by the ultimate holding party	2,665,395,059
Joint ventures of the Company	607,457,980
	<u>3,272,853,039</u>

Purchases of goods from related parties

	For the second half of 2016 (Unaudited)
Joint ventures of the Company	488,436,807
Corporations controlled by the parent company	402,236,980
Corporations controlled by the ultimate holding party	42,688,906
Joint ventures of the ultimate holding group	9,413,170
Associates of the Company	863,019
	<u>943,638,882</u>

Receiving technical services from related parties

	For the second half of 2016 (Unaudited)
Parent company	<u>85,165,094</u>

Purchases of fixed assets from related parties

	For the second half of 2016 (Unaudited)
Parent company	<u>1,119,039,000</u>

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IX. Related party relationships and transactions (continued)

6. Amounts due from and due to related parties

	30 June 2016 (Unaudited)	31 December 2015 (Audited)
Trade receivables(including long-term trade receivables):		
Corporations controlled by the ultimate holding party	2,546,550,497	1,368,130,036
Corporations controlled by the parent company	124,808,035	100,477,150
Parent company	19,062,062	12,217,952
Associates of the Company	8,391,917	8,839,681
Joint ventures of the ultimate holding group	63,490	562,700
Joint ventures of the Company	—	125,906,817
Associates of the ultimate holding group	—	186,800
	<u>2,698,876,001</u>	<u>1,616,321,136</u>
	30 June 2016 (Unaudited)	31 December 2015 (Audited)
Bills receivable:		
Corporations controlled by the ultimate holding party	1,234,302,071	1,442,479,580
Corporations controlled by the parent company	35,600,000	93,491,969
Parent company	29,630,430	61,630,430
	<u>1,299,532,501</u>	<u>1,597,601,979</u>

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30 June 2016

Renminbi Yuan

IX. Related party relationships and transactions (continued)

6. Amounts due from and due to related parties (continued)

	30 June 2016 (Unaudited)	31 December 2015 (Audited)
Prepayments:		
Corporations controlled by the parent company	12,464,660	—
Associates of the Company	7,985,603	17,599,826
Corporations controlled by the ultimate holding party	420,824	1,067,593
	20,871,087	18,667,419
	30 June 2016 (Unaudited)	31 December 2015 (Audited)
Other receivables:		
Corporations controlled by the ultimate holding party	1,570,734	799,406
Corporations controlled by the parent company	614,928	50,000
Associates of the Company	204,829	2,209
Parent company	29,987	—
	2,420,478	851,615

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Renminbi Yuan

IX. Related party relationships and transactions (continued)

6. Amounts due from and due to related parties (continued)

	30 June 2016 (Unaudited)	31 December 2015 (Audited)
Cash and bank deposit:		
Corporations controlled by the ultimate holding party (Note)	340,404,512	337,923,846

Note: As at 30 June 2016, the Company's deposit with China CNR Finance Co., Ltd. is amounted to RMB340,404,512 (unaudited) (31 December 2015 (audited): RMB337,923,846).

As at 2 April 2014, the Group entered into the Financial Services Framework Agreement with CSR Finance Co., Ltd.. Pursuant to the agreement, the maximum daily deposit balance with CSR Finance Co., Ltd. is no more than RMB350,000,000, and the interest rate is no less than the interest rate payable by the principal commercial banks in the PRC for comparable deposits and by CSR Finance Co., Ltd. to other members of the CSR Group for comparable deposits. According to the approval document about the merging of China CNR Finance Co., Ltd. and CSR Finance Co., Ltd. into CRRC Finance Co., Ltd., China CNR Finance Co., Ltd. will absorb CSR Finance Co., Ltd. by way of absorption and will be renamed as CRRC Finance Co., Ltd. All assets, liabilities, businesses, employees, contracts, qualifications and all other rights and obligations of CSR Finance Co., Ltd. will be held by the post-merger corporation.

	30 June 2016 (Unaudited)	31 December 2015 (Audited)
Trade payables:		
Corporations controlled by the ultimate holding party	357,503,301	134,012,449
Joint ventures of the Company	212,400,926	401,970,347
Corporations controlled by the parent company	95,643,079	65,075,556
Joint ventures of the ultimate holding group	6,830,470	7,864,406
Parent company	1,424	—
Associates of the Company	—	7,459,447
	672,379,200	616,382,205

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IX. Related party relationships and transactions (continued)

6. Amounts due from and due to related parties (continued)

	30 June 2016 (Unaudited)	31 December 2015 (Audited)
Bills payable:		
Joint ventures of the Company	95,000,000	156,240,997
Corporations controlled by the ultimate holding party	20,034,084	341,870,457
Corporations controlled by the parent company	4,700,000	62,760,000
Joint ventures of the ultimate holding group	1,926,056	—
	121,660,140	560,871,454
	30 June 2016 (Unaudited)	31 December 2015 (Audited)
Advances from customers:		
Corporations controlled by the ultimate holding party	81,289,939	65,786,398
Corporations controlled by the parent company	—	3,219,282
	81,289,939	69,005,680
	30 June 2016 (Unaudited)	31 December 2015 (Audited)
Interests payable:		
Shareholder of the parent company	376,835	139,972
	30 June 2016 (Unaudited)	31 December 2015 (Audited)
Dividends payable:		
Parent company	265,313,565	—
Corporations controlled by the ultimate holding party	12,942,692	—
Corporations controlled by the parent company	769,725	—
	279,025,982	—

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IX. Related party relationships and transactions (continued)

6. Amounts due from and due to related parties (continued)

	30 June 2016 (Unaudited)	31 December 2015 (Audited)
Other payables:		
Parent company	276,983,421	153,649,556
Corporations controlled by the parent company	1,747,716	1,871,441
Corporations controlled by the ultimate holding party	450,000	850,000
	<u>279,181,137</u>	<u>156,370,997</u>
	30 June 2016 (Unaudited)	31 December 2015 (Audited)
Long term borrowings:		
Shareholder of the parent company(Note)	<u>100,188,000</u>	<u>100,188,000</u>

Note: In 2015, the Group applied specific loans for the revamping of high voltage and low voltage IGBT chip module production line amounting to RMB100,188,000 from China Development Fund Corporation Limited through CRRC Corporation Limited.

The Group's bills receivable from and bills payable to related parties are non-interest-bearing, unsecured and have fixed terms of repayment; cash and bank balances are interest-bearing, unsecured and have no fixed terms of repayment; and long-term borrowings are interest-bearing, unsecured and have fixed terms of repayment. Other amounts due from and due to related parties are non-interest-bearing and unsecured. In particular, the repayment period of trading amounts is subject to the provisions of the trading terms. Non-trading amounts have no fixed repayment periods.

The above related party transactions between the Group and the companies controlled by the parent company, the companies controlled by the ultimate holding party, joint ventures of the ultimate holding group and associates with above 30% share held by the ultimate holding party also constituted connected transactions or continuing connected transactions under the provisions of Chapter 14A of the Hong Kong Listing Rules.

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X. Commitments and contingencies

1. Commitments

	30 June 2016 (Unaudited)	31 December 2015 (Audited)
Contracted but not provided for Capital commitments	<u>1,202,244,441</u>	<u>87,658,109</u>

2. Contingencies

As of the balance sheet date, except for the events presented in Note V.28. Other non-current liabilities, the Group had no contingencies which should be disclosed.

XI. Events after the balance sheet date

As at 30 June 2016, all the conditions have been fulfilled or waived of which the contract regarding the acquisition of IGBT production line transfer signed between the Company and CRRC Zhuzhou Electric Locomotive Research Institute Co., Ltd.. The Company has paid an initial amount of approximately RMB1,007,135,000 on 28 July 2016, accounting for 90% of total consideration, with the remaining amount to be paid after the finish of transfer procedures of property right.

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XII. Other Significant Events

1. Segment reporting

Operating segments

For management purposes, the Group's operating activities are attributable to a single operating segment, focusing on the provision of rolling stock and its extension products and services in the market. Therefore, no other operating segment is presented.

Other information

Products and services information

Revenue from external customers

	For the six months ended 30 June 2016 (Unaudited)	For the six months ended 30 June 2015 (Unaudited)
Rolling stock and its extension products and services	<u>6,532,917,989</u>	<u>5,722,961,086</u>

Geographical information

Revenue from external customers

	For the six months ended 30 June 2016 (Unaudited)	For the six months ended 30 June 2015 (Unaudited)
Mainland China	6,343,291,953	5,460,526,756
Other countries and regions	<u>189,626,036</u>	<u>262,434,330</u>
	<u>6,532,917,989</u>	<u>5,722,961,086</u>

Revenue from external customers is analysed by geographic locations where the customers are located.

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XII. Other Significant Events (continued)

1. Segment reporting (continued)

Other information (continued)

Geographical information (continued)

Total non-current assets

	30 June 2016 (Unaudited)	31 December 2015 (Audited)
Mainland China	2,321,382,776	2,267,095,444
Other countries and regions	1,127,836,910	1,250,471,631
	<u>3,449,219,686</u>	<u>3,517,567,075</u>

Non-current assets are analysed by geographic locations where the assets are located, excluding financial assets and deferred tax assets.

Information of major customers

For the six months ended 30 June 2016, the Group's operating revenue (which accounted for more than 10% of the Group's total revenue) of RMB3,361,035,284 (unaudited) was derived from sales to a single customer (including sales to a group of entities which are known to be under the control of that customer) (six months ended 30 June 2015 (unaudited): RMB2,711,275,868 from a single customer).

2. Operating lease

As lessor

According to the lease contracts entered into with lessees, the minimum lease receivables under irrevocable leases are as follows:

	30 June 2016 (Unaudited)	31 December 2015 (Audited)
Within 1 year, inclusive	3,701,900	6,470,273
1 to 2 years, inclusive	3,439,400	3,681,800
2 to 3 years, inclusive	3,197,000	3,197,000
Over 3 years	12,788,000	15,985,000
	<u>23,126,300</u>	<u>29,334,073</u>

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XII. Other Significant Events (continued)

2. Operating lease (continued)

As lessee

Significant operating leases

According to the lease contracts entered into with lessors, the minimum lease payables under irrevocable leases are as follows:

	30 June 2016 (Unaudited)	31 December 2015 (Audited)
Within 1 year, inclusive	9,540,584	214,967,372
1 to 2 years, inclusive	2,468,352	142,060,469
2 to 3 years, inclusive	453,537	1,142,762
Over 3 years	4,004,697	—
	16,467,170	358,170,603

3. Other financial information

	30 June 2016 (unaudited)		31 December 2015 (audited)	
	Group	Company	Group	Company
Net current assets	12,522,449,401	11,385,466,594	11,852,766,497	10,737,478,727
Total assets less current liabilities	16,344,376,622	15,047,530,332	15,662,192,706	14,228,898,903

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XIII. Notes to Key Items of the Company's Financial Statements

1. Trade receivables

The credit period of trade receivables is usually 6 months. The trade receivables bear no interest.

Maturity analysis:

	30 June 2016 (Unaudited)	31 December 2015 (Audited)
Within 6 months	3,871,371,718	3,095,663,847
6 months to 1 year	1,190,019,845	399,341,554
1 to 2 years	461,351,627	429,310,695
2 to 3 years	136,362,081	116,865,529
Over 3 years	28,976,622	20,863,402
	5,688,081,893	4,062,045,027
Less: Provision for bad debt	150,697,427	98,154,429
	5,537,384,466	3,963,890,598
Less: Classified as long-term receivables	1,433,787	3,337,685
	5,535,950,679	3,960,552,913

The movements of provision for bad debt are as follows:

	For the six months ended 30 June 2016 (Unaudited)	2015 (Audited)
Opening balance	98,154,429	99,729,772
Provision in the current period/year	55,661,343	42,604,342
Reversal in the current period/year	(2,993,212)	(42,638,431)
Write-off in the current period/year	(125,133)	(1,541,254)
Closing balance	150,697,427	98,154,429

Notes to Financial Statements

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XIII. Notes to Key Items of the Company's Financial Statements (continued)

1. Trade receivables (continued)

Five highest trade receivables (including long-term trade receivables) are listed as follows:

	30 June 2016 (Unaudited)
CRRC Qingdao Sifang Co., Ltd.	1,298,284,560
CRRC Zhuzhou Locomotive Co., Ltd.	631,866,236
Times Electronics	497,949,967
Non-related party 1	155,087,482
Non-related party 2	133,503,491
	<hr/> 2,716,691,736 <hr/>
	31 December 2015 (Audited)
CRRC Zhuzhou Locomotive Co., Ltd.	483,075,646
Times Electronics	454,309,540
CRRC Qingdao Sifang Co., Ltd.	400,426,622
Non-related party 1	187,100,443
Non-related party 2	156,859,466
	<hr/> 1,681,771,717 <hr/>

Notes to Financial Statements

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XIII. Notes to Key Items of the Company's Financial Statements (continued)

2. Other receivables

Maturity analysis:

	30 June 2016 (Unaudited)	31 December 2015 (Audited)
Within 1 year	154,122,328	155,067,698
1 to 2 years	31,865,831	12,367,304
2 to 3 years	100,728	21,293,693
Over 3 years	100,528,998	90,318,065
	286,617,885	279,046,760
Less: Provision for bad debt	2,936,112	3,962,449
	283,681,773	275,084,311

The movements of provision for bad debt are as follows:

	For the six months ended 30 June 2016 (Unaudited)	2015 (Audited)
Opening balance	3,962,449	4,501,538
Accrual of current period/year	169,747	1,343,831
Reversal in current period/year	(1,196,084)	(1,673,220)
Disposal in current period/year	—	(209,700)
Closing balance	2,936,112	3,962,449

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XIII. Notes to Key Items of the Company's Financial Statements (continued)

2. Other receivables (continued)

The analysis of the net value of other receivables by nature is as follows:

	30 June 2016 (Unaudited)	31 December 2015 (Audited)
Customs deposit	14,850,000	—
Receivables from subsidiaries	240,874,491	235,492,314
Tender deposit	9,517,067	25,006,064
Others	18,440,215	14,585,933
	<u>283,681,773</u>	<u>275,084,311</u>

Five highest other receivables are as follows:

	30 June 2016 (Unaudited)
Ningbo Electric	67,600,000
Times Information	61,290,376
Kunming Electric	52,279,888
HK Electric	49,034,800
Non-related party 1	14,850,000
	<u>245,055,064</u>

Notes to Financial Statements

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XIII. Notes to Key Items of the Company's Financial Statements (continued)

2. Other receivables (continued)

Five highest other receivables are as follows: (continued)

	31 December 2015 (Audited)
Times Information	65,630,216
Ningbo Electric	57,600,000
Kunming Electric	52,095,000
HK Electric	48,360,244
Baoji Times	4,860,000
	<u>228,545,460</u>

3. Long-term equity investments

	30 June 2016 (Unaudited)	31 December 2015 (Audited)
Long-term equity investments using equity method	263,159,421	219,963,217
Long-term equity investments using cost method	1,588,758,390	1,516,258,390
	1,851,917,811	1,736,221,607
Less: Impairment of long-term investments	49,699,261	49,699,261
	<u>1,802,218,550</u>	<u>1,686,522,346</u>

Notes to Financial Statements

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Renminbi Yuan

XIII. Notes to Key Items of the Company's Financial Statements (continued)

3. Long-term equity investments (continued)

Changes in long-term equity investments impairment are as follows:

	For the six months ended 30 June 2016 (Unaudited)	2015 (Audited)
Opening balance	49,699,261	49,699,261
Provision in the current period/year	<u>—</u>	<u>—</u>
Closing balance	<u>49,699,261</u>	<u>49,699,261</u>

Long-term equity investments using equity method

For the six months ended 30 June 2016 (unaudited)

	Opening balance	Current period movements			Closing balance	
		Investment	Impact of unrealised profits	Investment income under equity method		Cash dividends announced
Non-listed investments						
Equity method						
Joint ventures						
Shiling	157,255,872	—	7,995,030	32,358,871	—	197,609,773
Shanghai Shentong CRRC	<u>—</u>	<u>5,000,000</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>5,000,000</u>
	<u>157,255,872</u>	<u>5,000,000</u>	<u>7,995,030</u>	<u>32,358,871</u>	<u>—</u>	<u>202,609,773</u>
Associates						
Zhuzhou Siemens	52,750,239	—	—	(156,247)	(4,552,116)	48,041,876
Hunan CSR Wabtec	<u>9,957,106</u>	<u>—</u>	<u>—</u>	<u>2,550,666</u>	<u>—</u>	<u>12,507,772</u>
	<u>62,707,345</u>	<u>—</u>	<u>—</u>	<u>2,394,419</u>	<u>(4,552,116)</u>	<u>60,549,648</u>
	<u>219,963,217</u>	<u>5,000,000</u>	<u>7,995,030</u>	<u>34,753,290</u>	<u>(4,552,116)</u>	<u>263,159,421</u>

Notes to Financial Statements

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XIII. Notes to Key Items of the Company's Financial Statements (continued)

3. Long-term equity investments (continued)

Long-term equity investments using equity method (continued)

2015 (audited)

	Opening balance	Current year movements			Closing balance
		Impact of unrealised profits	Investment income under equity method	Cash dividends announced	
Non-listed investments					
Equity method					
A joint venture					
Shiling	180,186,598	(22,846,297)	49,915,571	(50,000,000)	157,255,872
Associates					
Zhuzhou Siemens	49,577,867	—	3,172,372	—	52,750,239
Hunan CSR Wabtec	7,246,040	—	2,711,066	—	9,957,106
	<u>56,823,907</u>	<u>—</u>	<u>5,883,438</u>	<u>—</u>	<u>62,707,345</u>
	<u>237,010,505</u>	<u>(22,846,297)</u>	<u>55,799,009</u>	<u>(50,000,000)</u>	<u>219,963,217</u>

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Renminbi Yuan

XIII. Notes to Key Items of the Company's Financial Statements (continued)

3. Long-term equity investments (continued)

Long-term equity investments using cost method

For the six months ended 30 June 2016 (unaudited)

	Opening balance	Changes	Closing balance
Non-listed investments			
Times Electronics	182,977,618	—	182,977,618
Ningbo Times	133,507,255	—	133,507,255
Times Information	29,000,000	—	29,000,000
Times USA	3,187,516	—	3,187,516
Times Equipment	99,561,157	—	99,561,157
Shenyang Times	56,000,000	—	56,000,000
Baoji Times	260,000,000	—	260,000,000
Kunming Electric	3,000,000	—	3,000,000
Hangzhou Electric	33,000,000	—	33,000,000
Guangzhou Times	18,000,000	—	18,000,000
HK Electric	352,308,400	—	352,308,400
Times Australia	1,814,037	—	1,814,037
Ningbo Electric	10,000,000	—	10,000,000
Times Brasil	4,062,679	—	4,062,679
Qingdao Electric	22,500,000	22,500,000	45,000,000
Yueqing CSR Railway	15,300,000	—	15,300,000
Software Company	50,000,000	—	50,000,000
Shanghai CRRC Railway	25,500,000	—	25,500,000
CRRC TSC	—	50,000,000	50,000,000
	1,299,718,662	72,500,000	1,372,218,662
Listed investments			
Dynex	216,539,728	—	216,539,728
	1,516,258,390	72,500,000	1,588,758,390
Less: Impairment of long-term investments	49,699,261	—	49,699,261
	1,466,559,129	72,500,000	1,539,059,129

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XIII. Notes to Key Items of the Company's Financial Statements (continued)

3. Long-term equity investments (continued)

Long-term equity investments using cost method (continued)

2015 (audited)

	Opening balance	Changes	Closing balance
Non-listed investments			
Times Electronics	182,977,618	—	182,977,618
Ningbo Times	133,507,255	—	133,507,255
Times Information	29,000,000	—	29,000,000
Times USA	3,187,516	—	3,187,516
Times Equipment	99,561,157	—	99,561,157
Shenyang Times	56,000,000	—	56,000,000
Baoji Times	260,000,000	—	260,000,000
Kunming Electric	3,000,000	—	3,000,000
Hangzhou Electric	33,000,000	—	33,000,000
Guangzhou Times	18,000,000	—	18,000,000
HK Electric	8,098,000	344,210,400	352,308,400
Times Australia	1,814,037	—	1,814,037
Ningbo Electric	10,000,000	—	10,000,000
Times Brasil	4,062,679	—	4,062,679
Qingdao Electric	22,500,000	—	22,500,000
Yueqing CSR Railway	—	15,300,000	15,300,000
Software Company	—	50,000,000	50,000,000
Shanghai CRRC Railway	25,500,000	—	25,500,000
	<u>890,208,262</u>	<u>409,510,400</u>	<u>1,299,718,662</u>
Listed investments			
Dynex	<u>216,539,728</u>	—	<u>216,539,728</u>
	1,106,747,990	409,510,400	1,516,258,390
Less: Impairment of long-term investments	<u>49,699,261</u>	—	<u>49,699,261</u>
	<u><u>1,057,048,729</u></u>	<u><u>409,510,400</u></u>	<u><u>1,466,559,129</u></u>

Notes to Financial Statements

30 June 2016

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XIII. Notes to Key Items of the Company's Financial Statements (continued)

4. Revenue and cost of sales

Revenue is also the turnover of the Company and represents the net invoice value of goods sold after deducting returns and trade discounts, the value of services rendered and the total rental income received.

Revenue is stated as follows:

	For the six months ended 30 June 2016 (Unaudited)	For the six months ended 30 June 2015 (Unaudited)
Revenue from principal operations	5,364,763,820	4,813,431,293
Other operating income	191,053,550	140,781,634
	<u>5,555,817,370</u>	<u>4,954,212,927</u>

Cost of sales is stated as follows:

	For the six months ended 30 June 2016 (Unaudited)	For the six months ended 30 June 2015 (Unaudited)
Cost of sales from principal operations	3,336,952,631	2,926,515,114
Other operating costs	151,975,200	109,410,967
	<u>3,488,927,831</u>	<u>3,035,926,081</u>

Notes to Financial Statements

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XIII. Notes to Key Items of the Company's Financial Statements (continued)

4. Revenue and cost of sales (continued)

Details of revenue are listed as follows:

	For the six months ended 30 June 2016 (Unaudited)	For the six months ended 30 June 2015 (Unaudited)
Sale of goods and materials	5,241,716,559	4,907,279,840
Maintenance income	270,394,920	39,209,493
Technical service income	37,499,876	—
Rental income	2,223,581	4,235,889
Others	3,982,434	3,487,705
	<u>5,555,817,370</u>	<u>4,954,212,927</u>

5. Investment income

	For the six months ended 30 June 2016 (Unaudited)	For the six months ended 30 June 2015 (Unaudited)
Income from non-listed investments:		
Long-term equity investment income under the cost method	151,323,286	137,094,738
Long-term equity investment income under the equity method	42,748,320	35,038,335
Bank financial product income	37,496,985	34,983,506
	<u>231,568,591</u>	<u>207,116,579</u>

Notes to Financial Statements

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XIII. Notes to Key Items of the Company's Financial Statements (continued)

6. Supplementary information to the statement of cash flows

(1) Supplementary information to the statement of cash flows

	For the six months ended 30 June 2016 (Unaudited)	For the six months ended 30 June 2015 (Unaudited)
Adjustment of net profit to cash flows from operating activities:		
Net profit	1,379,097,460	1,251,698,774
Add: Provision for impairment of assets	106,234,622	48,449,882
Depreciation	71,512,197	80,073,728
Amortisation of intangible assets	11,002,867	7,942,528
Accrued special reserve	3,658,659	—
Gains from disposal of fixed assets, intangible assets and other long-term assets	(1,035,867)	(180,721)
Investment income	(231,568,591)	(207,116,579)
Increase in deferred tax assets	(50,434,206)	(14,864,139)
Increase in inventories	(420,848,915)	(997,113,022)
Increase in operating receivables	(197,412,147)	(176,748,402)
(Decrease)/Increase in operating payables	(310,409,637)	560,583,860
Net cash flows from operating activities	<u>359,796,442</u>	<u>552,725,909</u>

Notes to Financial Statements

30 June 2016

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XIII. Notes to Key Items of the Company's Financial Statements (continued)

6. Supplementary information to the statement of cash flows (continued)

(1) Supplementary information to the statement of cash flows (continued)

Movements in cash and cash equivalents:

	For the six months ended 30 June 2016 (Unaudited)	2015 (Audited)
Closing balance of cash	4,959,955,967	2,754,350,998
Less: Opening balance of cash	2,754,350,998	2,214,865,319
Net change of cash and cash equivalents	2,205,604,969	539,485,679

(2) Cash and cash equivalents

	30 June 2016 (Unaudited)	31 December 2015 (Audited)
Cash	—	—
Including: Cash on hand	—	—
Bank deposits on demand	4,439,955,967	1,972,194,701
Deposits due within 3 months	520,000,000	782,156,297
Closing balance of cash and cash equivalents	4,959,955,967	2,754,350,998

Notes to Financial Statements

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XIII. Notes to Key Items of the Company's Financial Statements (continued)

7. Major transactions between the Company and its related parties

(1) Sales of goods to related parties

	For the six months ended 30 June 2016 (Unaudited)	For the six months ended 30 June 2015 (Unaudited)
Subsidiaries	284,428,511	249,628,629
Corporations controlled by the ultimate holding party	2,949,580,543	2,619,335,416
Joint ventures of the Company	539,803,864	508,069,235
Corporations controlled by the parent company	92,750,929	39,187,612
Associates of the ultimate holding group	8,676,923	—
Parent company	4,935,649	5,367,375
Associates of the Company	198,999	8,582,186
	<u>3,880,375,418</u>	<u>3,430,170,453</u>

(2) Purchases of goods from related parties

	For the six months ended 30 June 2016 (Unaudited)	For the six months ended 30 June 2015 (Unaudited)
Subsidiaries	329,193,664	350,051,021
Joint ventures of the Company	685,348,434	655,086,984
Corporations controlled by the ultimate holding party	344,466,076	326,886,919
Corporations controlled by the parent company	162,835,976	155,017,567
Associates of the Company	26,314,307	24,470,994
Joint ventures of the ultimate holding group	4,309,470	2,550,879
Parent company	—	123,981
	<u>1,552,467,927</u>	<u>1,514,188,345</u>

Notes to Financial Statements

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Renminbi Yuan

XIII. Notes to Key Items of the Company's Financial Statements (continued)

7. Major transactions between the Company and its related parties (continued)

(3) Sales of electricity to related parties

	For the six months ended 30 June 2016 (Unaudited)	For the six months ended 30 June 2015 (Unaudited)
Subsidiaries	—	228,019
Corporations controlled by the parent company	1,502,278	201,674
Parent company	291,173	155,660
Associates of the Company	12,690	—
Corporations controlled by the ultimate holding party	—	32,513
	<u>1,806,141</u>	<u>617,866</u>

(4) Purchases of electricity from related parties

	For the six months ended 30 June 2016 (Unaudited)	For the six months ended 30 June 2015 (Unaudited)
Subsidiaries	—	39,645
Corporations controlled by the ultimate holding party	147,954	360,263
	<u>147,954</u>	<u>399,908</u>

Notes to Financial Statements

30 June 2016

Renminbi Yuan

XIII. Notes to Key Items of the Company's Financial Statements (continued)

7. Major transactions between the Company and its related parties (continued)

(5) Sales of fixed assets to related parties

	For the six months ended 30 June 2016 (Unaudited)	For the six months ended 30 June 2015 (Unaudited)
Corporations controlled by the parent company	—	540,789

(6) Purchases of fixed assets from related parties

	For the six months ended 30 June 2016 (Unaudited)	For the six months ended 30 June 2015 (Unaudited)
Parent company	—	6,890

(7) Related party leases

As lessor

	For the six months ended 30 June 2016 (Unaudited)	For the six months ended 30 June 2015 (Unaudited)
Subsidiaries	—	1,934,523
Corporations controlled by the parent company	2,025,818	2,320,000
Parent company	—	1,810,668
Associates of the Company	—	238,799
	2,025,818	6,303,990

Notes to Financial Statements

30 June 2016

Renminbi Yuan

XIII. Notes to Key Items of the Company's Financial Statements (continued)

7. Major transactions between the Company and its related parties (continued)

(7) Related party leases (continued)

As lessee

	For the six months ended 30 June 2016 (Unaudited)	For the six months ended 30 June 2015 (Unaudited)
Parent company (Note)	92,404,333	92,404,333
Associates of the parent company	706,418	647,335
	<u>93,110,751</u>	<u>93,051,668</u>

Note: As at 25 September 2014, the Company entered into an agreement with CRRC Zhuzhou Electric Locomotive Research Institute Co., Ltd. to lease all the real estate, property and related facilities and equipment related to the production of high-power IGBT line. According to the lease agreement, the rent was RMB15,400,722 per month. Lease term starts from 1 September 2014 and lasts for 3 years.

As at 18 May 2016, the Company entered into the Asset Transfer Agreement with the Parent Company CRRC Zhuzhou Electric Locomotive Research Institute Co., Ltd. to acquire the IGBT Production Line at a consideration of approximately RMB1,119,039,000 (subject to tax adjustment). And the IGBT Lease Agreement signed on 25 September 2014 was terminated on 30 June 2016.

(8) Technical service income from related parties

	For the six months ended 30 June 2016 (Unaudited)	For the six months ended 30 June 2015 (Unaudited)
Corporations controlled by the ultimate holding party	9,244,446	2,755,287
Parent company	1,351,830	585,496
Corporations controlled by the parent company	106,654	941,093
	<u>10,702,930</u>	<u>4,281,876</u>

Notes to Financial Statements

30 June 2016

Renminbi Yuan

XIII. Notes to Key Items of the Company's Financial Statements (continued)

7. Major transactions between the Company and its related parties (continued)

(9) Maintenance services provided to related parties

	For the six months ended 30 June 2016 (Unaudited)	For the six months ended 30 June 2015 (Unaudited)
Corporations controlled by the ultimate holding party	208,959,967	11,191,145
Corporations controlled by the parent company	340,568	30,229
	<u>209,300,535</u>	<u>11,221,374</u>

(10) Technical service fees paid to related parties

	For the six months ended 30 June 2016 (Unaudited)	For the six months ended 30 June 2015 (Unaudited)
Subsidiaries	1,415,094	—
Parent company	85,165,094	84,136,000
Corporations controlled by the parent company	3,905,019	80,000
	<u>90,485,207</u>	<u>84,216,000</u>

(11) Project management fees paid to related parties

	For the six months ended 30 June 2016 (Unaudited)	For the six months ended 30 June 2015 (Unaudited)
Parent company	—	1,380,000
	<u>—</u>	<u>1,380,000</u>

Notes to Financial Statements

30 June 2016

Renminbi Yuan

XIII. Notes to Key Items of the Company's Financial Statements (continued)

7. Major transactions between the Company and its related parties (continued)

(12) Interest income from cash and bank balances

	For the six months ended 30 June 2016 (Unaudited)	For the six months ended 30 June 2015 (Unaudited)
Corporations controlled by the ultimate holding party	<u>2,288,136</u>	<u>3,935,207</u>

(13) Interests expenses to borrowings

	For the six months ended 30 June 2016 (Unaudited)	For the six months ended 30 June 2015 (Unaudited)
Shareholder of the parent company	<u>513,382</u>	<u>—</u>

The terms of the above sales and purchase transactions, sales and purchases of fixed assets and intangible assets, service transactions and lease transactions with related parties were agreed by both parties.

(14) Provide guarantee for related parties

For the six months ended 30 June 2016 (unaudited)

	Amount	Beginning date	Ending date	Fulfilled or not
Subsidiary	405,625,000	1/4/2015	1/4/2018	No
Subsidiary	250,750,000	31/3/2015	31/3/2018	No
Subsidiary	309,750,000	2/4/2015	2/4/2018	No
Subsidiary	56,992,974	2/3/2016	2/3/2017	No
	<u>1,023,117,974</u>			

For the six months ended 30 June 2015 (unaudited)

	Amount	Beginning date	Ending date	Fulfilled or not
Subsidiary	377,844,500	1/4/2015	1/4/2018	No
Subsidiary	233,576,600	2/4/2015	2/4/2018	No
Subsidiary	288,535,800	31/3/2015	31/3/2018	No
	<u>899,956,900</u>			

Notes to Financial Statements

30 June 2016

Renminbi Yuan

XIII. Notes to Key Items of the Company's Financial Statements (continued)

8. Amounts due from and due to related parties

	30 June 2016 (Unaudited)	31 December 2015 (Audited)
Trade receivables(including long-term trade receivables):		
Subsidiaries	791,788,949	798,952,943
Corporations controlled by the ultimate holding party	2,471,184,561	1,311,502,803
Corporations controlled by the parent company	111,545,612	86,879,187
Parent company	19,062,062	12,217,952
Associates of the Company	8,186,660	8,617,537
Joint ventures of the Company	—	125,729,218
Associates of the ultimate holding group	—	186,800
	<u>3,401,767,844</u>	<u>2,344,086,440</u>
	30 June 2016 (Unaudited)	31 December 2015 (Audited)
Bills receivable:		
Subsidiaries	1,900,000	11,470,206
Corporations controlled by the ultimate holding party	1,232,602,071	1,441,269,580
Corporations controlled by the parent company	27,600,000	92,775,969
Parent company	29,630,430	61,630,430
	<u>1,291,732,501</u>	<u>1,607,146,185</u>

Notes to Financial Statements

30 June 2016

Renminbi Yuan

XIII. Notes to Key Items of the Company's Financial Statements (continued)

8. Amounts due from and due to related parties (continued)

	30 June 2016 (Unaudited)	31 December 2015 (Audited)
Prepayments:		
Subsidiaries	15,416,098	29,852,013
Corporations controlled by the parent company	12,464,660	—
Corporations controlled by the ultimate holding party	224,284	740,285
Associates of the Company	7,985,603	17,599,826
	<u>36,090,645</u>	<u>48,192,124</u>
	30 June 2016 (Unaudited)	31 December 2015 (Audited)
Other receivables:		
Subsidiaries	240,874,491	235,492,314
Corporations controlled by the parent company	614,928	—
Corporations controlled by the ultimate holding party	50,000	—
Parent company	29,987	—
	<u>241,569,406</u>	<u>235,492,314</u>
	30 June 2016 (Unaudited)	31 December 2015 (Audited)
Dividends receivable:		
Subsidiaries	<u>12,873,286</u>	<u>—</u>

Notes to Financial Statements

30 June 2016

Renminbi Yuan

XIII. Notes to Key Items of the Company's Financial Statements (continued)

8. Amounts due from and due to related parties (continued)

	30 June 2016 (Unaudited)	31 December 2015 (Audited)
Cash and bank deposits:		
Corporations controlled by the ultimate holding party (Note)	<u>340,404,512</u>	<u>337,923,846</u>

Note: As at 30 June 2016, the Company's deposit with China CNR Finance Co., Ltd. is amounted to RMB340,404,512 (unaudited) (31 December 2015 (audited): RMB337,923,846).

As at 2 April 2014, the Company entered into Financial Services Framework Agreement with CSR Finance Co., Ltd.. Pursuant to the agreement, the maximum daily deposit balance with CSR Finance Co., Ltd. is no more than RMB350,000,000, and the interest rate is no less than the interest rate payable by the principal commercial banks in the PRC for comparable deposits and by CSR Finance Co., Ltd. to other members of the CSR Group for comparable deposits. According to the approval document about the merging of China CNR Finance Co., Ltd. and CSR Finance Co., Ltd. into CRRC Finance Co., Ltd., China CNR Finance Co., Ltd. will absorb CSR Finance Co., Ltd. by way of absorption and will be renamed as CRRC Finance Co., Ltd. All assets, liabilities, businesses, employees, contracts, qualifications and all other rights and obligations of CSR Finance Co., Ltd. will be held by the post-merger corporation.

Notes to Financial Statements

30 June 2016

Renminbi Yuan

XIII. Notes to Key Items of the Company's Financial Statements (continued)

8. Amounts due from and due to related parties (continued)

	30 June 2016 (Unaudited)	31 December 2015 (Audited)
Trade payables:		
Subsidiaries	398,561,388	560,003,598
Corporations controlled by the ultimate holding party	315,516,501	94,654,154
Joint ventures of the Company	212,400,926	401,970,347
Corporations controlled by the parent company	92,648,172	58,732,193
Joint ventures of the ultimate holding group	6,830,470	7,864,406
Associates of the Company	—	7,459,447
	<u>1,025,957,457</u>	<u>1,130,684,145</u>
	30 June 2016 (Unaudited)	31 December 2015 (Audited)
Bills payable:		
Subsidiaries	5,000,000	—
Joint ventures of the Company	95,000,000	156,240,997
Corporations controlled by the ultimate holding party	15,144,084	327,110,457
Corporations controlled by the parent company	3,000,000	59,000,000
Joint ventures of the ultimate holding group	1,926,056	—
	<u>120,070,140</u>	<u>542,351,454</u>

Notes to Financial Statements

30 June 2016

Renminbi Yuan

XIII. Notes to Key Items of the Company's Financial Statements (continued)

8. Amounts due from and due to related parties (continued)

	30 June 2016 (Unaudited)	31 December 2015 (Audited)
Advances from customers:		
Subsidiaries	—	9,296,944
Corporations controlled by the ultimate holding party	54,559,939	47,036,398
	54,559,939	56,333,342
	30 June 2016 (Unaudited)	31 December 2015 (Audited)
Interest payable:		
Shareholder of the parent company	376,835	139,972
	30 June 2016 (Unaudited)	31 December 2015 (Audited)
Dividends payable:		
Parent company	265,313,565	—
Corporations controlled by the ultimate holding party	12,942,692	—
Corporations controlled by the parent company	769,725	—
	279,025,982	—
	30 June 2016 (Unaudited)	31 December 2015 (Audited)
Other payables:		
Subsidiaries	29,869,721	55,513,324
Parent company	276,845,475	153,491,610
Corporations controlled by the parent company	1,492,916	1,869,355
Corporations controlled by the ultimate holding party	450,000	850,000
	308,658,112	211,724,289

Notes to Financial Statements

30 June 2016

Renminbi Yuan

XIII. Notes to Key Items of the Company's Financial Statements (continued)

8. Amounts due from and due to related parties (continued)

	30 June 2016 (Unaudited)	31 December 2015 (Audited)
Long term borrowings:		
Shareholder of the parent company(Note)	<u>100,188,000</u>	<u>100,188,000</u>

Note: In 2015, the Company applied specific loans for the revamping of high voltage and low voltage IGBT chip module production line amounting to RMB100,188,000 from China Development Fund Corporation Limited through CRRC Corporation Limited.

The Company's bills receivable from and bills payable to related parties are non-interest-bearing, unsecured and have fixed terms of repayment; cash and bank balances are interest-bearing, unsecured and have no fixed terms of repayment; and long-term borrowings are interest-bearing, unsecured and have fixed terms of repayment. Other amounts due from and due to related parties are non-interest-bearing and unsecured. In particular, the repayment period of trading amounts is subject to the provisions of the trading terms. Non-trading amounts have no fixed repayment periods.

Management Discussion and Analysis

The following discussion and analysis should be read in conjunction with the unaudited interim consolidated financial statements of the Group and the notes related thereon set out in this interim report.

REVENUE

	For the six months ended 30 June	
	2016 (RMB million)	2015 (RMB million)
Locomotives	735.1	841.4
Electric Multiple Units	2,884.7	2418.4
Metropolitan rail transportation equipment	1,165.7	836.6
Railway maintenance vehicles related products	868.6	734.6
Train operation safety equipment	228.1	249.1
Key electric part and component products	335.1	295.8
Marine engineering products and others	315.6	347.1
Total revenue	<u>6,532.9</u>	<u>5,723.0</u>

The Group's revenue increased by RMB809.9 million from RMB5,723.0 million for the six months ended 30 June 2015 to RMB6,532.9 million for the six months ended 30 June 2016, representing a growth rate of 14.2%.

In the first half of 2016, the increase in revenue of the Group was mainly due to increased revenue from electric multiple unit and metropolitan rail transportation equipment. Among these, the strongest growth in revenue was from electric multiple unit with an increase of RMB466.3 million as compared with last year. Such increase was mainly due to the delivery of electric multiple units of 350KM and 250KM etc. The second strongest growth in revenue was recorded in metropolitan rail transportation equipment with an increase of RMB329.1 million as compared with last year. Such increase was mainly due to the delivery of metropolitan rail transportation equipment such as Shenzhen line 11 and Shenzhen line 9.

COST OF SALES

The Group's cost of sales increased by RMB593.3 million from RMB3,460.4 million for the six months ended 30 June 2015 to RMB4,053.7 million for the six months ended 30 June 2016. The increase in cost of sales was mainly due to the combined effects of the increase in the Group's revenue and the change of product sales mix.

GROSS PROFIT

The Group's gross profit increased by RMB216.6 million from RMB2,262.6 million for the six months ended 30 June 2015 to RMB2,479.2 million for the six months ended 30 June 2016. The Group's gross profit margin decreased from 39.5% for the six months ended 30 June 2015 to 37.9% for the six months ended 30 June 2016. The change in gross profit margin was mainly due to the change of product sales.

Management Discussion and Analysis

SELLING EXPENSES

The Group's selling expenses increased by RMB19.8 million from RMB243.4 million for the six months ended 30 June 2015 to RMB263.2 million for the six months ended 30 June 2016. The selling expenses increased with the increase in business operations.

ADMINISTRATIVE EXPENSES

The Group's administrative expenses increased by RMB123.8 million from RMB679.0 million for the six months ended 30 June 2015 to RMB802.8 million for the six months ended 30 June 2016. The increase in administrative expenses was mainly due to the increase in research and development expenses of the Group in the first half of 2016.

FINANCE COSTS

The Group's finance costs increased by RMB98.2 million from negative RMB45.3 million for the six months ended 30 June 2015 to RMB52.9 million for the six months ended 30 June 2016. The increase in finance costs was mainly due to the increased exchange loss caused by exchange rates fluctuation.

ASSET IMPAIRMENT LOSSES

The Group's asset impairment losses increased by RMB65.0 million from RMB55.9 million for the six months ended 30 June 2015 to RMB120.9 million for the six months ended 30 June 2016. In the first half of 2016, the Group made provision for bad debts of RMB63.9 million for account receivable with signs of impairment and made provision for impairment losses of inventories of RMB73.6 million for inventories with signs of impairment.

INVESTMENT INCOME

The Group's investment income increased by RMB0.6 million from RMB72.8 million for the six months ended 30 June 2015 to RMB73.4 million for the six months ended 30 June 2016.

NON-OPERATING INCOME

The Group's non-operating income increased by RMB157.5 million from RMB71.1 million for the six months ended 30 June 2015 to RMB228.6 million for the six months ended 30 June 2016. The increase in non-operating income was mainly due to an increase in the refunds of value-added tax as compared to the same period of last year.

NON-OPERATING EXPENSES

The Group's non-operating expenses decreased by RMB4.8 million from RMB5.5 million for the six months ended 30 June 2015 to RMB0.7 million for the six months ended 30 June 2016.

Management Discussion and Analysis

TOTAL PROFIT

The Group's total profit increased by RMB69.8 million from RMB1,431.5 million for the six months ended 30 June 2015 to RMB1,501.3 million for the six months ended 30 June 2016. The increase in total profit was mainly due to increase in operating income and increase in non-operating income. The Group's sales profit margins for the six months ended 30 June 2015 and for the six months ended 30 June 2016 were 25.0% and 23.0%, respectively.

INCOME TAX EXPENSE

The Group's income tax expense decreased by RMB4.6 million from RMB211.5 million for the six months ended 30 June 2015 to RMB206.9 million for the six months ended 30 June 2016.

The Company, Times Electronics, Ningbo Times and Times Equipment were accredited as high-tech enterprises and received approval from the relevant government authority that they were subject to the preferential corporate income tax rate of 15%.

Baoji Times and Kunming Electric were subject to the preferential tax policy of the Development of West Region in China, and they were entitled to be taxed at the preferential corporate income tax rate of 15%.

The effective income tax rates of the Group for the six months ended 30 June 2015 and six months ended 30 June 2016 were 14.8% and 13.8%, respectively.

NET PROFIT ATTRIBUTABLE TO THE SHAREHOLDERS OF THE PARENT

Net profit attributable to the shareholders of the Parent increased by RMB66.5 million from RMB1,219.8 million for the six months ended 30 June 2015 to RMB1,286.3 million for the six months ended 30 June 2016. The Group's sales net profit margins for the six months ended 30 June 2015 and for the six months ended 30 June 2016 were 21.3% and 19.7%, respectively.

NON-CONTROLLING INTERESTS

Non-controlling interests increased by RMB7.9 million from RMB0.1 million for the six months ended 30 June 2015 to RMB8.0 million for the six months ended 30 June 2016. The increase in non-controlling interests was mainly due to the decrease in losses incurred by the Group's non-wholly owned subsidiaries during this Reporting Period as compared to the same period of last year.

EARNINGS PER SHARE

Earnings per share increased by RMB0.05 from RMB1.04 for the six months ended 30 June 2015 to RMB1.09 for the six months ended 30 June 2016.

Management Discussion and Analysis

LIQUIDITY AND SOURCE OF CAPITAL

Cash flow and working capital

The Group's needs for working capital were mainly satisfied by cash generated from operations. For the six months ended 30 June 2016, the net cash and cash equivalents of the Group increased by RMB2,476.1 million, which was mainly due to an increase in net cash inflows from operating activities and net cash inflows from investment activities of the Group in the first half of 2016.

Net cash inflow from operating activities

For the six months ended 30 June 2016, the Group's net cash inflow from operating activities was approximately RMB281.2 million, and cash inflow items of operating activities were mainly cash receipts of RMB5,538.5 million from sale of goods or rendering of services.

Net cash inflow from investing activities

For the six months ended 30 June 2016, the Group's net cash inflow from investing activities was approximately RMB2,133.0 million. Cash inflow items of investing activities were mainly cash receipt from divestment of RMB2,809.0 million.

Net cash inflow from financing activities

For the six months ended 30 June 2016, the Group's net cash inflow from financing activities was approximately RMB59.5 million. Cash inflow items of financing activities were mainly cash received from borrowings of RMB69.3 million.

Liquidity

The Board considers that the Group has sufficient liquidity to meet the Group's present requirements for liquid funds.

Commitments

The Group's commitments as at the dates indicated are set out as follows:

	30 June 2016 (Unaudited) (RMB million)	31 December 2015 (Audited) (RMB million)
Contracted but not provided for Capital commitments	<u>1,202.2</u>	<u>87.7</u>

Management Discussion and Analysis

Borrowings

The following table sets out the Group's borrowings as at the dates indicated:

	30 June 2016 (Unaudited) (RMB million)	31 December 2015 (Audited) (RMB million)
Short-term borrowings	112.3	53.6
Long-term borrowings (inclusive of long-term borrowings due within one year)	1,070.4	1,034.7
Total	1,182.7	1,088.3

The Group's mainly borrowings were floating rate loans.

Maturity analysis:

	30 June 2016 (Unaudited) (RMB million)	31 December 2015 (Audited) (RMB million)
Due within 1 year	116.0	62.9
Due within 1 to 2 years	966.5	1.2
Due within 2 to 5 years	15.0	936.5
Due over 5 years	85.2	87.7
Total	1,182.7	1,088.3

As at 30 June 2016, the annual interest rate of the above borrowings was 0.00%- 4.92% (31 December 2015: 0.00%- 4.92%).

Pursuant to the relevant borrowing agreements, the loans amounting to RMB112.5 million on 30 June 2016 (31 December 2015: RMB54.2 million) are secured by floating charges over certain assets. The carrying amounts of such assets as at 30 June 2016 and 31 December 2015 were RMB507.9 million and RMB594.5 million, respectively.

Pledge

As at 30 June 2016, the Group pledged its fixed assets with a carrying amount of RMB27.1 million (31 December 2015: RMB29.3 million) to obtain bank borrowings.

As at 30 June 2016, the Group pledged its intangible assets with a carrying amount of RMB15.7 million (31 December 2015: RMB17.0 million) to obtain bank borrowings.

Management Discussion and Analysis

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business growth and maximize shareholders' value.

The Group manages its capital structure and makes adjustment to it in light of changes in economic conditions and the risk characteristics of underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. The Group made no changes in the objectives and processes for managing capital in the first half of 2016 and in 2015.

The Group monitors capital management by using the gearing ratio, which is net debt divided by the adjusted capital plus net debt. The Group's policy is to maintain the gearing ratio no more than 30%. Net debt includes the net amount of all borrowings, bills payable, trade payables, advances from customers, employee benefits payable, interests payable, taxes payable (excluding income tax payable), dividends payable, other payables and long-term payable less cash and cash equivalents. Capital includes equity attributable to owners of the Parent. The Group's gearing ratio was 19.9% as at 31 December 2015 and 10.3% as at 30 June 2016.

CONTINGENT LIABILITIES

The Group is not involved in any material litigations, and to the best of the Group's knowledge, there is no pending or potential material litigation in which the Group will be involved.

There is no other contingency which should be disclosed except for the event presented below.

On 9 April 2015, the Group acquired SMD Group. The fair value of the contingent consideration derived from the acquisition was GBP1.5 million (equivalent to approximately RMB13.3 million). Due to the effect of the exchange rate fluctuations, discounting periods and targets of results performance, the fair value of the contingent consideration is reevaluated to RMB7.0 million on 30 June 2016.

MARKET RISKS

The Group is subject to various market risks, including foreign exchange risk and interest rate risk. Details of these risks are set out in the notes to financial statements.

FOREIGN CURRENCY RISK

The businesses of the Group are principally located in China. While most of the transactions of the Group are denominated in RMB, certain of its sales and purchases are denominated in foreign currencies including the Great British Pound, Japanese yen, Euro and United States dollar. Fluctuations of exchange rates of RMB against such foreign currencies can affect the Group's results of operations.

As at 30 June 2016, the borrowings of the Group in the amount of RMB1,082.5 million were settled in foreign currencies such as the Great British Pound and Euros. Fluctuations of exchange rates of RMB against such foreign currencies can affect the Group's results of operations.

Management Discussion and Analysis

POLICY RISK

The Group is subject to risks arising from the changes in policies in respect of the railway market and construction by the Chinese government.

EVENTS AFTER THE BALANCE SHEET DATE

As at 25 September 2014, the Company leased all the real estate, property and related facilities and equipment related to the production of high-power IGBT line from the Parent Company. According to the lease agreement, the monthly rent (including tax) was RMB17.4 million. The lease commenced from 1 September 2014 for a term of 3 years.

As at 18 May 2016, the Company entered into the Asset Transfer Agreement with the Parent Company to acquire the IGBT Production Line at a consideration of RMB1,119.0 million (subject to tax adjustment). Also, the IGBT Lease Agreement signed on 25 September 2014 was terminated on 30 June 2016.

As at 30 June 2016, all the conditions have been fulfilled or waived of which the contract regarding the agreement signed by the Company and the Parent Company for the acquisition of IGBT Production Line. The Company has made an initial payment of approximately RMB1,007.1 million on 28 July 2016, representing 90% of the total consideration, and the balance will be paid after the relevant registration procedures for the change of ownership is completed.

Other Information

I. CORPORATE GOVERNANCE

1. CORPORATE GOVERNANCE

The Company places great emphasis on the superiority, stability and reasonability of its corporate governance.

During the Reporting Period ended 30 June 2016, the Company has fully complied with all the code provisions of the Corporate Governance Code and Corporate Governance Report contained in Appendix 14 of the Listing Rules.

2. Securities transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules as the code of conduct for Directors' securities transactions.

Having made specific inquiries in relation to the compliance with Model Code for securities transactions by the Directors, the Company confirmed that all Directors have complied with the relevant standards for securities transactions by Directors set out in the Model Code during the Reporting Period.

3. Board of Directors

The Board currently consists of eight Directors, among whom Mr. Ding Rongjun is the Chairman of the Board and an executive Director, Mr. Deng Huijin is the Vice Chairman and an executive Director; Mr. Liu Ke'an and Mr. Yan Wu are executive Directors; Mr. Ma Yunkun is a non-executive Director; and Messrs. Chan Kam Wing, Clement, Pao Ping Wing and Ms. Liu Chunru are independent non-executive Directors.

Mr. Li Donglin resigned as an executive Director, a member of the strategy committee and the general manager of the Company on 12 January 2016 due to the normal change in job position. Mr. Liu Ke'an has been appointed as an executive Director, a member of the strategy committee and the general manager of the Company with effect from 12 January 2016.

Mr. Gao Yucai resigned as an independent non-executive Director, a member of the strategy committee, a member of the audit committee and a member of the remuneration committee of the Company on 23 March 2016 due to his other personal commitment.

The number of members of the Board is two less than the number required by the Articles for the time being, the Company hopes to search for suitable candidates to fill the vacancies as soon as possible.

The Directors have strictly complied with their undertakings, and have been honest, trust-worthy and diligent in the performance of their duties. The number of Directors and the composition of the Board complied with the requirements of the relevant laws and regulations. Other than working relationship, there was no other relationship between the members of the Board (especially between the Chairman and the General Manager), whether financial, business, family or other material relationship.

Other Information

4. Supervisory Committee

The Supervisory Committee currently consists of four supervisors, among whom Mr. Xiong Ruihua is the Chairman of the Supervisory Committee, Messrs. Pang Yiming and Zhou Guifa are employee supervisors, and Mr. Geng Jianxin is an external independent supervisor.

The number of members of the Supervisory Committee of the Company is one less than the number required by the Articles for the time being, the Company hopes to search for a suitable candidate to fill the vacancy as soon as possible.

5. Audit Committee

The Company's Audit Committee was established in October 2005. It currently consists of one non-executive Director and three independent non-executive Directors. The members of the Audit Committee are Mr. Chan Kam Wing, Clement, Mr. Pao Ping Wing, Ms. Liu Chunru and Mr. Ma Yunkun. Mr. Chan Kam Wing, Clement is the chairman of the Audit Committee.

The main responsibilities of the Audit Committee are to consider and supervise financial reporting processes and internal control procedures of the Company, to guide and supervise internal audits, and to make suggestions on the appointment or change of external auditor.

The Company's Audit Committee discussed the accounting principles adopted by the Group with the management, and has reviewed the Group's unaudited financial statements for the six months ended 30 June 2016 prepared in accordance the PRC Accounting Standards and was satisfied that the unaudited results complied with applicable accounting standards, the relevant regulatory and legal requirements and that adequate disclosure had been made.

II. INTERNAL CONTROL

The Company has a sound organization system of internal control. The Board is responsible for the establishment, improvement and effective implementation of the internal control system. Guided by the Audit Committee and the Risk Management Committee of the Board, the Audit and Risk Control Department carries out inspection, supervision and evaluation for internal controls of the Company in respect of important control functions such as financial control, operational control, compliance control and risk management, supervises and timely rectifies internal control deficiencies and effectively controls operating risks.

During the Reporting Period, the Company's internal control system was proved to be stable and reliable and the Company continued to deepen its risk management. During the first half of the year, the main tasks of the Company were: put great emphasis on the close-circuit management of internal control and fully implemented rectification of internal control deficiencies; continued to deepen its risk management and implemented quarterly risk warning and specific measures to tackle and avoid material risk events; and carried out special audits on items of enquiry services and procurement to enhance management, reduce cost and achieve higher cost-effectiveness. The Company can ensure to withstand changes in business and external environment from financial, operational and risk management perspectives, so as to safeguard the Company's assets and interests of shareholders.

Other Information

III. INTERESTS AND SHORT POSITIONS OF DIRECTORS, SUPERVISORS AND THE GENERAL MANAGER IN THE SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2016, none of the Directors, supervisors, the general manager of the Company or their respective associates had any personal, family, corporate or other interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Part XV of the SFO, or were required to be recorded in a register kept pursuant to section 352 of the SFO, or were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

IV. STRUCTURE OF SHARE CAPITAL

The Company's share capital structure as at 30 June 2016 was as follows:

Shareholder	Type	Number of Shares	Approximate % of issued share capital as at 30 June 2016
CRRC ZELRI	Domestic shares	589,585,699	50.16%
ZELRI (Hong Kong)	H shares	1,710,500	0.14%
Qishuyan Works	Domestic shares	9,380,769	0.80%
CRRC Investment & Leasing	Domestic shares	9,380,769	0.80%
CRRC Zhuzhou	Domestic shares	10,000,000	0.85%
CRCCE	Domestic shares	9,800,000	0.83%
Shares in public circulation	H shares	545,618,900	46.42%
Total		<u>1,175,476,637</u>	<u>100%</u>

Other Information

V. SUBSTANTIAL SHAREHOLDERS

Interests or short positions owned by the following parties in the shares or underlying shares of the Company required to be disclosed pursuant to the requirements under Divisions 2 and 3 of Part XV of the SFO as at 30 June 2016 were as follows:

Name of substantial shareholder	Number of shares held	Capacity	Approximate % of domestic shares share capital	Approximate % of H shares share capital	Approximate % of issued share capital
CRRC ZELRI (Note 1)	589,585,699 (L)	Beneficial owner	93.86%	—	50.16%
	1,710,500 (L)	Interest in controlled entity	—	0.31%	0.14%
CRRC (Note 2)	608,966,468 (L)	Interest in controlled entity	96.95%	—	51.81%
	1,710,500 (L)	Interest in controlled entity	—	0.31%	0.14%
CRRC Group (Note 3)	618,347,237 (L)	Interest in controlled entity	98.44%	—	52.60%
	1,710,500 (L)	Interest in controlled entity	—	0.31%	0.14%
Schroders Plc	60,311,073 (L)	Investment manager	—	11.02%	5.13%
Citigroup Inc. (Note 4)	566,400 (L)	Interest in controlled entity	—	0.10%	0.05%
	85,531 (S)	Interest in controlled entity	—	0.02%	0.01%
	33,393,795 (Lending pool shares)	Custodian corporation/ Approved lending agent	—	6.10%	2.84%
	346,000 (L)	Persons having a security interest in shares	—	0.06%	0.03%
Citibank N.A. (Note 4)	33,855,295 (L)	Beneficial owner	—	6.19%	2.88%
	500 (S)	Beneficial owner	—	—	—
Citicorp Holdings Inc. (Note 4)	33,855,295 (L)	Interest in controlled entity	—	6.19%	2.88%
	500 (S)	Interest in controlled entity	—	—	—
FIL Limited	32,826,500 (L)	Investment manager	—	5.99%	2.79%

Other Information

Note:

(L) = Long position, (S) = Short position

- (1) CRRC ZELRI held its interests in the 1,710,500 H shares of the Company through its wholly-owned subsidiary ZELRI (Hong Kong).
- (2) CRRC is interested in 100% of the registered capital of CRRC ZELRI, CRRC Zhuzhou and CRRC Investment & Leasing. Accordingly, CRRC is deemed under the SFO to be interested in the shares held by each of CRRC ZELRI, CRRC Zhuzhou and CRRC Investment & Leasing.
- (3) CRRC Group is directly and indirectly interested in 55.91% of the Shares of CRRC, and is interested in 100% in the registered capital of Qishuyan Works. Accordingly, CRRC Group is deemed under the SFO to be interested in the Shares held by each of CRRC and Qishuyan Works.
- (4) As stated in the corporate substantial shareholder notice filed by Citigroup Inc., 42,400 H shares are short positions in underlying shares under equity derivative interests and 500 H shares are long positions in underlying shares under equity derivative interests. Citigroup Inc. held its interests in the shares of the Company (including underlying shares under equity derivative interests) through its wholly-owned corporations and subsidiaries. Citibank N.A. was one of the subsidiary wholly-owned by CitiCorp Holdings Inc., which was in turn wholly-owned by Citigroup Inc. Accordingly, each Citigroup Inc. and CitiCorp Holdings Inc. was deemed to be interested in the shares held by Citibank N.A.

VI. PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During the Reporting Period, there was no purchase, redemption or sale of any listed securities of the Company by the Company or any of its subsidiaries.

VII. DISTRIBUTION OF DIVIDENDS

1. Distribution plan and implementation of 2015 final dividends

Having been considered and approved by shareholders of the Company at the Annual General Meeting, the Company has distributed a cash dividend of RMB0.45 per share (inclusive of applicable taxes) as final dividend for 2015 to all shareholders whose names appeared on the register of members of the Company on 4 July 2016, based on the Company's total share capital of 1,175,476,637 shares in issue, a total amount of approximately RMB528.96 million was paid. Implementation of the dividend distribution plan was completed before the approval of this interim report.

2. 2016 interim profit distribution plan

The Board did not recommend the distribution of interim dividend for the six months ended 30 June 2016.

Other Information

VIII. CONNECTED TRANSACTIONS

During the Reporting Period, the Company has strictly complied with the relevant requirements in respect of connected transactions under Chapter 14A of the Listing Rules, and has established a set of mechanism to protect non-controlling shareholders' interests. The auditor of the Company has provided quarterly reports to independent non-executive Directors on transactions conducted between the Group and CRRC Group. In addition, the independent non-executive Directors have conducted quarterly reviews on the terms of the framework agreement for mutual supply of products and ancillary services entered into between the Company (on behalf of itself and/or its subsidiaries) and CRRC Group (on behalf of itself and/or its subsidiaries but excluding the Group) on 12 August 2013 for a term of three years commencing from 1 January 2014 to 31 December 2016, and the review opinions regarding such transactions (including the same type of transactions between the Company and CRRC Group (on behalf of itself and/or its subsidiaries but excluding the Group)) would be disclosed to shareholders by way of announcements.

IX. EMPLOYEES AND TRAINING

As at 30 June 2016, the Company had 6,993 employees, and the total amount of remuneration for the six months ended 30 June 2016 was approximately RMB702.9 million. The Group's remuneration policy for its employees takes into account the individuals' position, work performance, qualifications and competence. The Group offers salary increments and bonuses to employees with outstanding performance. The bonus scheme is discretionary and is determined by the Directors with reference to the performance of the employees and the Group's operation results.

The Company approved the share appreciation rights scheme (the "Scheme") at the annual general meeting of 2012, and approved an aggregate of approximately 9,868,000 units of share appreciation rights ("SARs") to a total of up to 262 eligible recipients, subject to the satisfaction of the granting conditions. During the Reporting Period, no SARs were granted by the Company to the eligible recipients under the Scheme.

During the Reporting Period, the Company planned and organized trainings including Training for the Research and Development and Management Team (for leading the training camp), Team Education of Human Resources Department, Training for IPD Project Managers and English Enhancement Training for functional staff. The Company continued to innovate the two internal training brands, namely Happy Learning Class (樂學講堂) and Expert Forum (專家講壇), planned internal training programs including teaching series for professional managers, training series for team leaders, and training series for marketing staff, which were well received. The training management was operated like those of training centres, and the Company has restructured the internal training teams, developed curriculum according to position types of the Company, established a training provider repository, and standardized the planning and operational procedures for the training programs.

Other Information

X. OTHER SUPPLEMENTAL INFORMATION

On 18 May 2016, the Company and the Semiconductor Business Unit (as Purchaser) entered into the Asset Transfer Agreement with the Parent Company (as Vendor) in relation to the acquisition of the IGBT Production Line for a consideration of approximately RMB1,119 million.

As of 30 June 2016, all conditions of the Asset Transfer Agreement have been satisfied or waived. The Company and the Semiconductor Business Unit (as Purchaser) and the Parent Company (as Vendor) have carried out transfer of the IGBT Production Line in the way and procedures under the Asset Transfer Agreement.

For details of the acquisition, please refer to the announcement on proposed connected and discloseable transaction in relation to acquisition of the IGBT Production Line dated 18 May 2016, the Supplemental Circular and the Supplemental Notice for the 2015 AGM dated 7 June 2016, and the announcement dated 23 June 2016 on the voting results at the 2015 AGM held on 23 June 2016.

Basic Corporate Information

1	Official name in Chinese Official name in English	株洲中車時代電氣股份有限公司 Zhuzhou CRRC Times Electric Co., Ltd.
2	Authorised representatives	Ding Rongjun Tang Tuong Hock, Gabriel
3	Company secretary Secretary of the Board	Tang Tuong Hock, Gabriel Yan Wu
	Registered office	Times Road, Shifeng District, Zhuzhou, Hunan Province, PRC, 412001
	Telephone	+86 731 2849 8028
	Facsimile	+86 731 2849 3447
	Website	www.tec.crrcic.cc
	Principal place of business in Hong Kong	Unit 1106, 11th Floor, Jubilee Centre, 18 Fenwick Street, Wanchai, Hong Kong
4	Listing information	H Share The Stock Exchange of Hong Kong Limited Stock Code: 3898 Stock Name: CRRC Times Electric
5	H share registrar	Computershare Hong Kong Investor Services Limited 17M Floor, Hopewell Centre 183 Queen's Road East Wanchai, Hong Kong
6	Legal advisers	Minter Ellison Grandall Law Firm (Hangzhou)
7	Auditor	Ernst & Young Hua Ming LLP Level 16, Ernst & Young Tower Oriental Plaza, No. 1 East Chang An Avenue Dong Cheng District, Beijing, China 100738

Glossary

“AGM” or “Annual General Meeting”	The annual general meeting for year 2015 of the Company held on Thursday, 23 June 2016
“Articles”	the Articles of Association of the Company
“Baoji Times”	寶雞中車時代工程機械有限公司(Baoji CRRC Times Engineering Machinery Co. Ltd.), formerly known as 寶雞南車時代工程機械有限公司(Baoji CSR Times Engineering Machinery Co. Ltd.), a subsidiary of the Company in which the Company holds 85.8% of its equity interest
“Board ” or “Board of Directors”	the Board of Directors of the Company
“CG Code”	the Code on Corporate Governance and Corporate Governance Report set out in Appendix 14 of the Listing Rules
“CNR”	formerly known as 中國北車股份有限公司(China CNR Corporation Limited)
“Company”	株洲中車時代電氣股份有限公司(Zhuzhou CRRC Times Electric Co., Ltd.), formerly known as 株洲南車時代電氣股份有限公司(Zhuzhou CSR Times Electric Co., Ltd.), a joint stock company established in the PRC with limited liability whose H shares are listed on the Main Board of the Hong Kong Stock Exchange
“CRCC”	中國鐵建高新裝備股份有限公司(CRCC High-Tech Equipment Corporation Limited), formerly known as 昆明中鐵大型養路機械集團有限公司(China Railway Large Maintenance Machinery Co., Ltd. Kunming), one of the Promoters of the Company, whose H shares are listed on the Main Board of the Hong Kong Stock Exchange
“CRRC”	中國中車股份有限公司(CRRC Corporation Limited), a joint stock limited liability company incorporated in the PRC by merger of CSR and CNR, whose A shares and H shares are listed on the Shanghai Stock Exchange and the Main Board of the Hong Kong Stock Exchange, respectively. CRRC holds the entire equity interest in the Parent Company
“CRRCG”	中國中車集團公司(CRRC Group) and its subsidiaries
“CRRC Group”	中國中車集團公司, a Chinese state-owned Company, which was established by the merger of 中國北方機車車輛工業集團公司(China Northern Locomotive & Rolling Stock Industry (Group) Corporation) and 中國南車集團公司(CSR Group), CRRC Group is the ultimate controlling shareholder of the Company
“CRRC Investment & Leasing”	中車投資租賃有限公司(CRRC Investment & Leasing Co., Ltd.), formerly known as 南車投資租賃有限公司(CSR Investment & Leasing Co., Ltd.), a wholly-owned subsidiary of CRRC, and one of the Promoters
“CRRC Zhuzhou”	中車株洲電力機車有限公司(CRRC Zhuzhou Locomotive Co., Ltd.), formerly known as 南車株洲電力機車有限公司(CSR Zhuzhou Electric Locomotive Co., Ltd.), which is held as to 100% by CRRC, and one of the Promoters
“CSR”	formerly known as 中國南車股份有限公司(CSR Corporation Limited)

Glossary

“CSR Finance”	南車財務有限公司(CSR Finance Co., Ltd.), a company incorporated under the laws of the PRC with limited liability, CSR Finance is held as to 91% by CRRC and held as to 9% by CRRC Group
“Director(s)”	the director(s) of the Company
“Dynex”	Dynex Power Inc., a company established under the law of Canada and listed on the TSX Venture Exchange, Toronto, Canada (stock code: DNX) whose 75% equity interest was acquired by the Company in October 2008 and is a Company’s subsidiary. Dynex Semiconductor Ltd. is its only operating subsidiary and its headquarters are located in Lincoln, England
“Electric Multiple Units”	Electric Multiple Units power converters, auxiliary power supply equipment and control systems
“Group”	the Company and its subsidiaries
“Guangzhou Times”	廣州中車時代電氣技術有限公司 (Guangzhou CRRC Times Electric Technology Co., Ltd.), formerly known as 廣州南車時代電氣技術有限公司 (Guangzhou CSR Times Electric Technology Co., Ltd.), a subsidiary of the Company in which the Company holds 60% of its equity interest
“Hangzhou Electric”	杭州中車時代電氣設備有限公司(Hangzhou CRRC Times Electric Equipment Co., Ltd.), formerly known as 杭州南車電氣設備有限公司(Hangzhou CSR Electric Equipment Co., Ltd.), a subsidiary of the Company in which the Company holds 60% of its equity interest
“HK Electric”	CRRC Times Electric (Hong Kong) Co., Limited, formerly known as CSR Times Electric (Hong Kong) Co., Limited, a company established under the law of Hong Kong and a wholly-owned subsidiary of the Company
“Hunan CSR Wabtec”	湖南南車西屋軌道交通技術有限公司(Hunan CSR-Wabtec Railway Transportation Technology Co., Ltd.), held as to 50% by the Company and as to 50% by Wabtec China Rail Products & Services Holding Limited
“Kunming Electric”	昆明中車時代電氣設備有限公司 (Kunming CRRC Times Electric Equipment Co., Ltd.), formerly known as 昆明南車電氣設備有限公司 (Kunming CSR Electric Equipment Co., Ltd.), a wholly-owned subsidiary of the Company
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“Locomotives”	Locomotives power converters, auxiliary power supply equipment and control systems
“Metropolitan rail transportation equipment”	Metropolitan rail transportation equipment power converters, auxiliary power supply equipment and control systems
“Ningbo Electric”	寧波中車時代電氣設備有限公司 (Ningbo CRRC Times Electric Equipment Co., Ltd.), formerly known as 寧波南車電氣設備有限公司 (Ningbo CSR Electric Equipment Co., Ltd.), a wholly-owned subsidiary of the Company

Glossary

“Ningbo Times”	寧波中車時代傳感技術有限公司 (Ningbo CRRC Times Sensor Technology Co., Ltd.) formerly known as 寧波南車時代傳感技術有限公司(Ningbo CSR Times Sensor Technology Co., Ltd.), a wholly-owned subsidiary of the Company
“Parent Company” or “CRRC ZELRI”	中車株洲電力機車研究所有限公司(CRRC Zhuzhou Institute Co., Ltd.), formerly known as 南車株洲電力機車研究所有限公司(CSR Zhuzhou Electric Locomotive Research Institute Co., Ltd.), a wholly-owned subsidiary of CRRC, one of the Promoters of the Company and the controlling shareholder of the Company
“Parent Group”	the Parent Company and its subsidiaries (excluding the Group)
“PRC”	The People’s Republic of China
“PRC Accounting Standards”	Accounting Standards for Business Enterprises and relevant regulations issued by the Ministry of Finance of the PRC
“Promoters”	the promoters of the Company, being CRRC ZELRI, CRRC Zhuzhou, CRRC Investment & Leasing, Qishuyan Works and CRCCE
“Qishuyan Works”	中車集團常州戚墅堰機車車輛廠(CRRC Changzhou Qishuyan Locomotive & Rolling Stock Works), formerly known as 中國南車集團戚墅堰機車車輛廠(CSRG Qishuyan Locomotive & Rolling Stock Works), a wholly-owned subsidiary of CRRC Group and one of the Promoters
“Qingdao Electric”	青島中車電氣設備有限公司 (Qingdao CRRC Electric Equipment Co., Ltd.), formerly known as 青島南車電氣設備有限公司 (Qingdao CSR Electric Equipment Co., Ltd.), held as to 45% by the Company, as to 38% by CRRC Qingdao Sifang Co., Ltd., formerly known as CSR Qingdao Sifang Locomotive & Rolling Stock Co., Ltd., as to 17% by Qingdao Hongda Schnell Science & Technology Co., Ltd. It is a subsidiary of the Company since the Company has actual control over it
“SFO”	Securities and Futures Ordinance, cap.571, Laws of Hong Kong
“Shanghai CRRC Railway”	上海中車軌道交通科技有限公司 (Shanghai CRRC Railway Transportation Technology Co., Ltd.), formerly known as 上海南車軌道交通科技有限公司 (Shanghai CSR Railway Transportation Technology Co., Ltd.), a subsidiary of the Company in which the Company holds 51% of its equity interest
“Shenyang Times”	瀋陽中車時代交通設備有限公司 (Shenyang CRRC Times Transportation Equipment Co., Ltd.), formerly known as 瀋陽南車時代交通設備有限公司 (Shenyang CSR Times Transportation Equipment Co., Ltd.), a wholly-owned subsidiary of the Company
“Shiling”	株洲時菱交通設備有限公司 (Zhuzhou Shiling Transportation Equipment Co., Ltd.), held as to 50% by the Company, as to 40% by Mitsubishi Electric Corporation and as to 10% by Mitsubishi Electric (China) Ltd.
“SMD”	Specialist Machine Developments (SMD) Limited, a private limited company incorporated in England and Wales
“SMD Group”	“SMD” and its subsidiaries

Glossary

“Software Company”	株洲中車時代軟件技術有限公司 (Zhuzhou CRRC Times Software Technology Co., Ltd.), formerly known as 株洲南車時代軟件技術有限公司 (Zhuzhou CSR Times Software Technology Co., Ltd.), a wholly-owned subsidiary of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supervisory Committee”	the supervisory committee of the Company
“the Reporting Period”	the six-month period ended 30 June 2016
“Times Australia”	CRRC Times Electric Australia Pty. Ltd., formerly known as CSR Times Electric Australia Pty. Ltd., a company established under the law of Australia and a wholly-owned subsidiary of the Company
“Times Brasil”	CSR Times Electric Brasil Ltda., a company established under the law of Brasil and a subsidiary of the Company in which the Company holds 100% of its equity interest directly and indirectly
“Times USA”	CRRC Times Electric USA LLC, formerly known as CSR Times Electric USA LLC, a company established under the law of America and a wholly-owned subsidiary of the Company
“Times Electronics”	株洲時代電子技術有限公司 (Zhuzhou Times Electronics Technology Co., Ltd.), a wholly-owned subsidiary of the Company
“Times Equipment”	株洲中車時代裝備技術有限責任公司 (Zhuzhou CRRC Times Equipment Technology Co., Ltd.), formerly known as 株洲時代裝備技術有限責任公司 (Zhuzhou Times Equipment Technology Co., Ltd.), a wholly-owned subsidiary of the Company
“Times Information”	北京南車時代信息技術有限公司 (Beijing CSR Times Information Technology Co., Ltd.), a wholly-owned subsidiary of the Company
“Times New Materials”	株洲時代新材料科技股份有限公司 (Zhuzhou Times New Materials Technology Co., Ltd.), whose shares are listed on the Shanghai Stock Exchange
“Traction Inspection”	中鐵檢驗認證株洲牽引電氣設備檢驗站有限公司 (China Railway Approved Zhuzhou Traction Electric Equipment Inspection Station Company Limited, a subsidiary of CRRC ZELRI in which CRRC ZELRI holds 55% of its equity interest
“Yueqing CSR Railway”	樂清南車軌道科技有限公司 (Yueqing CSR Railway Technologies Co., Ltd.), a subsidiary of the Company in which the Company holds 51% of its equity interest
“ZELRI (Hong Kong)”	CSR Zhuzhou Electric Locomotive Research Institute (Hong Kong) Co., Limited, a wholly-owned subsidiary of CRRC ZELRI
“Zhuzhou Siemens”	株洲西門子牽引設備有限公司 (Siemens Traction Equipment Ltd., Zhuzhou), held as to 30% by the Company, as to 20% by CRRC Zhuzhou and as to 50% by Siemens Ltd., China
“ZNERCC”	株洲變流技術國家工程研究中心有限公司 (Zhuzhou National Engineering Research Centre of Converters Co., Ltd.), a limited liability company established under the laws of the PRC and a wholly-owned subsidiary of the Parent Company

株洲中车时代电气股份有限公司
ZHUSHOU CRRC TIMES ELECTRIC CO., LTD.