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

(Stock Code: 3898)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2019

The board of directors (the “**Board**”) of Zhuzhou CRRC Times Electric Co., Ltd. (the “**Company**”) is pleased to announce the unaudited results of the Company and its subsidiaries (the “**Group**”) for the six months ended 30 June 2019. This announcement, containing the main text of the 2019 interim report of the Company, complies with the relevant requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) in relation to the information to accompany preliminary announcements of interim results. The 2019 interim report of the Company will be delivered to the H-Share holders of the Company and will also be available for viewing on the website of the Stock Exchange at <http://www.hkex.com.hk> and on the website of the Company at <http://www.tec.crrczic.cc> on or before 30 August 2019.

By order of the Board
Zhuzhou CRRC Times Electric Co., Ltd.
Li Donglin
Chairman

Zhuzhou, China, 23 August 2019

As at the date of this announcement, our chairman of the Board and executive director is Li Donglin, our vice chairman of the Board and executive director is Yang Shouyi, our other executive directors are Liu Ke'an and Yan Wu, our non-executive director is Zhang Xinning, and our independent non-executive directors are Chan Kam Wing, Clement, Pao Ping Wing, Liu Chunru, Chen Xiaoming and Gao Feng.



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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.

Summary of Results

The Board is pleased to announce the unaudited consolidated operating results of the Group for the six months ended 30 June 2019 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 2019 amounted to RMB6,425,115,944 (for the six months ended 30 June 2018: RMB6,320,463,420), representing an increase of 2% over the same period of last year. Total profit amounted to RMB1,174,647,052 (for the six months ended 30 June 2018: RMB1,227,941,574), representing a decrease of 4% over the same period of last year. Net profit attributable to shareholders of the Parent Company amounted to RMB1,066,277,881 (for the six months ended 30 June 2018: RMB1,040,257,544), representing an increase of 3% over the same period of last year. Basic earnings per share amounted to RMB0.91 (for the six months ended 30 June 2018: RMB0.88), representing an increase of 3% over the same period of last year.

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 2019, the international environment became more and more complicated and the railway reform continued to deepen. China Railway Corporation was restructured, and China State Railway Group Co., Ltd. was established. It focused on increasing the cargo transportation during the second quarter of 2019 and achieved a certain growth in the passenger and cargo volumes. The Company practiced the “Three-year Action Plan” to stabilize the core status in the rail transit industry, expand the incremental industry and the international market, and build a stable development structure.

In respect of the locomotives products, the Company has normally delivered the existing orders of power head EMUs, which are in good operation.

In respect of the electric multiple units products, the Company has normally delivered the existing orders of China’s standard electric multiple units with a speed of 350km/h. The non-traction system products were successfully promoted on various platforms.

In respect of the urban rail products, the Company maintained the leading position among the domestic traction system suppliers, and we are smoothly expanding our business of non-traction system products.

In respect of railway engineering machinery, the Company actively promoted new products in the national railway market and successfully expanded into the urban rail market.

In respect of signal & communication products, Changsha Metro Line 4, the first line to adopt the Company’s self-developed CBTC signal system, was opened for operation with outstanding performance.

In respect of parts and components, multiple batches of automotive IGBT samples have sent for testing and the delisting of Dynex was completed.

In respect of new industries, the Company strengthened the existing customer relationship with the electric drive system for EVs, obtained new designated projects and continued to follow-up with the potential high-quality customers in the country. For the marine engineering equipment business, we newly signed various orders for trenching and cabling equipment and the promotion of electric drive ROV was successful in general.

During the “13th Five Year Plan”, the scale of national railway construction was stable. The year 2019 is the key year to fully implement the “13th Five Year Plan”. The Company will focus on the innovation of systems and the technology quality, strengthening the refined management and the organizational guarantee.

In respect of locomotives and electric multiple units products, the Company will fully guarantee the delivery of existing products and focus on the promotion and application of new products and technologies.

In respect of urban rail products, the Company will adhere to the philosophy of “operating cities” and strengthen our leading position in the domestic market with the permanent magnet traction system.

In respect of railway engineering machinery, the Company will enhance its efforts in investigation and research on frontend products of the railway market, as well as promotion of new products.

In respect of signal & communication products, the Company will speed up the promotion of LKJ-15C and self-developed CBTC system.

In respect of parts and components, the Company will guarantee the conversion of new IGBT products and strive for market-oriented orders for SIC products.

In respect of drive for EVs, the Company will adhere to the product iteration innovation and deepen the refined production.

In respect of marine engineering products, the Company will seize the opportunities in relevant industries and market and increase efforts in market expansion.

Consolidated Statement of Financial Position

30 June 2019

Renminbi Yuan

ASSETS	Note V	30 June 2019 (Unaudited)	31 December 2018 (Audited)
CURRENT ASSETS			
Cash and bank balances	1	4,080,518,631	4,394,379,150
Held-for-trading financial assets	2	3,452,687,808	1,603,855,068
Derivative financial assets	3	10,816,543	–
Bills receivable	4	2,187,410,974	3,508,440,870
Trade receivables	5	9,261,247,253	6,485,964,593
Trade receivables financing	6	1,176,338,598	1,030,920,086
Prepayments	7	662,656,364	416,359,549
Other receivables	8	68,252,233	106,146,467
Inventories	9	3,796,348,849	3,114,014,551
Contract assets	10	118,853,953	193,098,466
Other current assets	11	146,468,103	2,729,327,503
Total current assets		24,961,599,309	23,582,506,303
NON-CURRENT ASSETS			
Long-term equity investments	12	458,475,424	464,017,479
Other equity instrument investment		–	900,000
Fixed assets	13	2,784,323,765	2,741,545,604
Construction in progress	14	132,037,549	275,081,681
Right-of-use assets	15	98,397,904	N/A
Intangible assets	16	649,094,883	675,608,905
Development expenditure	17	186,360,398	188,436,535
Goodwill	18	477,353,482	475,530,053
Long-term deferred expenses	19	48,899,845	31,924,398
Deferred tax assets	20	482,245,380	397,748,652
Other non-current assets	21	219,710,571	201,222,966
Total non-current assets		5,536,899,201	5,452,016,273
TOTAL ASSETS		30,498,498,510	29,034,522,576

Consolidated Statement of Financial Position

30 June 2019

Renminbi Yuan

LIABILITIES AND SHAREHOLDERS' EQUITY	Note V	30 June 2019 <i>(Unaudited)</i>	31 December 2018 <i>(Audited)</i>
CURRENT LIABILITIES			
Short-term borrowings	22	211,562,243	168,246,814
Bills payable	23	1,604,960,292	2,349,473,616
Trade payables	24	4,315,477,768	3,185,104,692
Advances from customers	25	–	6,736,890
Contract liabilities	26	472,079,829	649,337,643
Employee benefits payable	27	209,888,003	135,840,963
Taxes payable	28	154,121,441	257,189,215
Other payables	29	1,123,246,280	669,071,995
Current portion of non-current liabilities	30	395,509,188	302,750,776
Other current liabilities	31	61,370,378	–
Total current liabilities		8,548,215,422	7,723,752,604
NON-CURRENT LIABILITIES			
Long-term borrowings	32	230,264,397	232,329,655
Lease liabilities	33	61,163,069	N/A
Long-term payables	24	41,525,173	41,525,173
Provisions	34	411,145,315	373,890,995
Deferred income	35	503,594,830	461,200,893
Deferred tax liabilities	20	50,116,291	54,475,133
Other non-current liabilities		22,403,063	23,833,959
Total non-current liabilities		1,320,212,138	1,187,255,808
Total liabilities		9,868,427,560	8,911,008,412
SHAREHOLDERS' EQUITY			
Share capital		1,175,476,637	1,175,476,637
Capital reserve	36	3,329,818,285	3,369,786,541
Other comprehensive income	52	(148,795,283)	(138,081,853)
Special reserve		17,271,083	12,070,105
Surplus reserve		1,801,776,624	1,801,776,624
Retained earnings	37	14,141,049,320	13,603,735,926
Total equity attributable to shareholders of the Parent		20,316,596,666	19,824,763,980
Non-controlling interests		313,474,284	298,750,184
Total shareholders' equity		20,630,070,950	20,123,514,164
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		30,498,498,510	29,034,522,576

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2019

Renminbi Yuan

	Note V	From 1 January 2019 to 30 June 2019 (Unaudited)	From 1 January 2018 to 30 June 2018 (Unaudited)
Revenue	38	6,425,115,944	6,320,463,420
Less: Cost of sales	38	3,928,319,973	3,887,808,376
Tax and surcharges		56,154,821	48,485,870
Selling expenses		467,672,915	316,561,173
Administrative expenses		320,263,361	296,381,104
Research and development expenses		609,880,616	591,930,205
Finance costs	39	10,290,030	(16,887,325)
Including: Interest expenses	39	10,573,456	4,342,472
Interest income	39	15,171,792	34,036,633
Add: Other income	40	146,644,637	126,980,551
Investment income	41	36,044,828	8,216,306
Including: share of losses of associates and joint ventures	41	(6,128,167)	(7,669,962)
Gains on fair value changes	42	10,816,543	2,741,958
Credit impairment losses	43	(22,365,678)	(89,154,095)
Asset impairment losses	44	(32,847,182)	(20,433,790)
Gains on disposal of non-current assets	45	461,272	1,535,205
Operating profit		1,171,288,648	1,226,070,152
Add: Non-operating income	46	4,123,440	2,655,545
Less: Non-operating expenses	47	765,036	784,123
Total profit		1,174,647,052	1,227,941,574
Less: Income tax expense	49	90,947,770	172,549,744
Net profit		1,083,699,282	1,055,391,830

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2019

Renminbi Yuan

	Note V	From 1 January 2019 to 30 June 2019 (Unaudited)	From 1 January 2018 to 30 June 2018 (Unaudited)
(i) Net profit classified by business continuity:			
1. Net profit from continuing operations		1,083,699,282	1,055,391,830
2. Net profit from discontinued operations		<u> -</u>	<u> -</u>
(ii) Net profit classified by ownership:			
1. Net profit attributable to non-controlling Interests		17,421,401	15,134,286
2. Net profit attributable to shareholders of the Parent		<u>1,066,277,881</u>	<u>1,040,257,544</u>
Other comprehensive income, net of tax			
Other comprehensive income attributable to shareholders of the Parent, net of tax			
(i) Items that will not be reclassified to profit or loss		<u> -</u>	<u> -</u>
(ii) Items that may be reclassified to profit or loss			
1. Fair value gains on financial assets at fair value through other comprehensive income	52	(2,106,307)	-
2. Exchange fluctuation reserve	52	<u>(8,607,123)</u>	<u>(10,656,249)</u>
Other comprehensive income attributable to non-controlling interests, net of tax		<u>148,608</u>	<u>(3,262,197)</u>
Total comprehensive income:		<u>1,073,134,460</u>	<u>1,041,473,384</u>
Including:			
Total comprehensive income attributable to shareholders of the Parent		<u>1,055,564,451</u>	<u>1,029,601,295</u>
Total comprehensive income attributable to non-controlling interests		<u>17,570,009</u>	<u>11,872,089</u>
Earnings per share (Yuan/Share)			
Basic earnings per share	50	<u>0.91</u>	<u>0.88</u>
Diluted earnings per share		<u>N/A</u>	<u>N/A</u>

Consolidated Statement of Changes in Equity

For the six months ended 30 June 2019

Renminbi Yuan

	Attributable to shareholders of the Parent							Non-controlling interests	Total shareholders' equity
	Share capital	Capital reserve	Other comprehensive income	Special reserve	Surplus reserve	Retained earnings	Sub-total		
I. At 31 December 2018 (Audited)	1,175,476,637	3,369,786,541	(138,081,853)	12,070,105	1,801,776,624	13,603,735,926	19,824,763,980	298,750,184	20,123,514,164
Add: Changes in accounting policy	-	-	-	-	-	-	-	-	-
II. At 1 January 2019 (Unaudited)	1,175,476,637	3,369,786,541	(138,081,853)	12,070,105	1,801,776,624	13,603,735,926	19,824,763,980	298,750,184	20,123,514,164
III. Movements during the period									
(i) Total comprehensive income (Unaudited)	-	-	(10,713,430)	-	-	1,066,277,881	1,055,564,451	17,570,009	1,073,134,460
(ii) Capital contribution and withdrawal by shareholders									
1. Acquisition of non-controlling interests of the subsidiary Dynex (Note VII.2) (Unaudited)	-	(39,968,256)	-	-	-	-	(39,968,256)	(25,970,236)	(65,938,492)
2. Capital contribution to the establishment of Taiyuan Times (Note VI.1) (Unaudited)	-	-	-	-	-	-	-	22,500,000	22,500,000
(iii) Profit appropriation									
1. Transfer to surplus reserve (Unaudited)	-	-	-	-	-	-	-	-	-
2. Dividends distribution (Unaudited)	-	-	-	-	-	(528,964,487)	(528,964,487)	-	(528,964,487)
(iv) Special reserve									
1. Accrued during the period (Unaudited)	-	-	-	18,901,571	-	-	18,901,571	1,132,071	20,033,642
2. Paid during the period (Unaudited)	-	-	-	(13,700,593)	-	-	(13,700,593)	(507,744)	(14,208,337)
IV. At 30 June 2019 (Unaudited)	1,175,476,637	3,329,818,285	(148,795,283)	17,271,083	1,801,776,624	14,141,049,320	20,316,596,666	313,474,284	20,630,070,950

	Attributable to shareholders of the Parent							Non-controlling interests	Total shareholders' equity
	Share capital	Capital reserve	Other comprehensive income	Special reserve	Surplus reserve	Retained earnings	Sub-total		
I. At 31 December 2017 (Audited)	1,175,476,637	3,369,786,541	(116,467,835)	13,569,337	1,598,210,193	11,723,779,095	17,764,353,968	292,211,792	18,056,565,760
Add: Changes in accounting policy	-	-	(13,384,000)	-	-	-	(13,384,000)	(133,000)	(13,517,000)
II. At 1 January 2018 (Unaudited)	1,175,476,637	3,369,786,541	(129,851,835)	13,569,337	1,598,210,193	11,723,779,095	17,750,969,968	292,078,792	18,043,048,760
III. Movements during the period									
(i) Total comprehensive income (Unaudited)	-	-	(10,656,249)	-	-	1,040,257,544	1,029,601,295	11,872,089	1,041,473,384
(ii) Capital contribution and withdrawal by shareholders									
1. Business combination involving entities under common control (Unaudited)	-	-	-	-	9,347,986	(9,347,986)	-	-	-
2. Loss control of a subsidiary (Unaudited)	-	-	-	-	29,207	-	29,207	(15,058,724)	(15,029,517)
(iii) Profit appropriation									
1. Transfer to surplus reserve (Unaudited)	-	-	-	-	157,666,296	(157,666,296)	-	-	-
2. Dividends distribution (Unaudited)	-	-	-	-	-	(528,964,487)	(528,964,487)	(12,780,000)	(541,744,487)
(iv) Special reserve									
1. Accrued during the period (Unaudited)	-	-	-	19,916,288	-	-	19,916,288	698,803	20,615,091
2. Paid during the period (Unaudited)	-	-	-	(15,933,747)	-	-	(15,933,747)	(565,526)	(16,499,273)
IV. At 30 June 2018 (Unaudited)	1,175,476,637	3,369,786,541	(140,508,084)	17,551,878	1,765,252,682	12,068,058,870	18,255,618,524	276,245,434	18,531,863,958

Consolidated Statement of Cash Flows

For the six months ended 30 June 2019

Renminbi Yuan

	Note V	From 1 January 2019 to 30 June 2019 (Unaudited)	From 1 January 2018 to 30 June 2018 (Unaudited)
I. Cash flows from operating activities			
Cash received from sales of goods or rendering of services		5,772,753,195	8,365,831,378
Refunds of taxes		104,196,811	170,561,031
Cash received relating to other operating activities		271,758,445	362,841,326
Sub-total of cash inflows from operating activities		6,148,708,451	8,899,233,735
Cash paid for goods and services		(4,938,139,382)	(4,639,765,759)
Cash paid to and on behalf of employees		(884,719,021)	(755,566,969)
Cash paid for all types of taxes		(696,433,942)	(494,202,365)
Cash paid relating to other operating activities		(628,738,551)	(881,360,442)
Sub-total of cash outflows from operating activities		(7,148,030,896)	(6,770,895,535)
Net cash flow from operating activities	51	(999,322,445)	2,128,338,200
II. Cash flows from investing activities			
Cash received from disposal or returns of investments		5,430,900,000	3,250,000,000
Cash received from returns on investments		47,950,803	9,536,848
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		674,242	10,751,465
Sub-total of cash inflows from investing activities		5,479,525,045	3,270,288,313
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets		(121,120,919)	(220,965,143)
Cash paid for acquisition of investments		(4,650,000,000)	(2,900,000,000)
Cash payments to acquire non-controlling shareholders' share		(65,938,492)	-
Net cash paid for the disposal of a subsidiary		-	(30,699,682)
Sub-total of cash outflows from investing activities		(4,837,059,411)	(3,151,664,825)
Net cash flows from investing activities		642,465,634	118,623,488

Consolidated Statement of Cash Flows

For the six months ended 30 June 2019

Renminbi Yuan

	Note V	From 1 January 2019 to 30 June 2019 (Unaudited)	From 1 January 2018 to 30 June 2018 (Unaudited)
III. Cash flows from financing activities			
Cash received from investment absorption		22,500,000	–
Cash received from borrowings		46,782,589	39,110,905
Sub-total of cash inflows from financing activities		69,282,589	39,110,905
Cash repayments of borrowings		(3,895,341)	(13,407,237)
Cash paid for distribution of dividends or profits and for interest expenses		(9,266,891)	(11,696,725)
Cash disbursed in connection with other fund-raising activities		(13,785,294)	–
Sub-total of cash outflows from financing activities		(26,947,526)	(25,103,962)
Net cash flows from financing activities		42,335,063	14,006,943
IV. Effect of foreign exchange rate changes on cash and cash equivalents		641,209	(1,464,191)
V. Net increase in cash and cash equivalents		(313,880,539)	2,259,504,440
Add: Cash and cash equivalents at beginning of period		4,381,012,798	3,422,194,522
VI. Cash and cash equivalents at end of period	51	4,067,132,259	5,681,698,962

Statement of Financial Position

30 June 2019

Renminbi Yuan

ASSETS	Note XIV	30 June 2019 (Unaudited)	31 December 2018 (Audited)
CURRENT ASSETS			
Cash and bank balances		2,703,843,056	2,936,730,165
Held-for-trading financial assets		3,452,687,808	1,603,855,068
Derivative financial assets		10,816,543	–
Bills receivable		2,168,790,053	3,240,144,076
Trade receivables	1	7,958,069,811	4,959,021,975
Trade receivables financing		664,788,371	701,851,222
Prepayments		497,473,329	282,958,818
Other receivables	2	832,965,462	751,166,080
Inventories		3,280,843,079	2,510,499,939
Contract assets		43,762,331	45,175,377
Other current assets		100,493,292	2,692,245,151
Total current assets		21,714,533,135	19,723,647,871
NON-CURRENT ASSETS			
Long-term receivables	3	527,820,000	525,720,000
Long-term equity investments	4	2,631,855,769	2,563,803,259
Other equity instrument investment		–	900,000
Fixed assets		2,166,823,623	2,120,859,247
Construction in progress		107,342,905	226,499,333
Right-of-use assets		26,856,852	N/A
Intangible assets		337,186,427	352,739,525
Development expenditure		118,340,676	129,125,712
Deferred tax assets		276,981,376	235,464,180
Other non-current assets		187,082,091	183,669,244
Total non-current assets		6,380,289,719	6,338,780,500
TOTAL ASSETS		28,094,822,854	26,062,428,371

Statement of Financial Position

30 June 2019

Renminbi Yuan

LIABILITIES AND SHAREHOLDERS' EQUITY	Notes XIV	30 June 2019 (Unaudited)	31 December 2018 (Audited)
CURRENT LIABILITIES			
Short-term borrowings		29,000,566	26,028,600
Bills payable		1,038,798,336	1,344,764,455
Trade payables		4,459,074,469	4,074,069,053
Advances from customers		—	6,725,990
Contract liabilities		361,759,714	501,793,016
Employee benefits payable		155,849,423	109,277,398
Taxes payable		46,746,737	92,293,294
Other payables		997,284,567	555,091,881
Current portion of non-current liabilities		276,688,104	237,621,056
Other current liabilities		47,028,763	—
Total current liabilities		7,412,230,679	6,947,664,743
NON-CURRENT LIABILITIES			
Long-term borrowings		90,188,000	92,688,000
Lease liabilities		17,056,615	N/A
Long-term payables		41,525,173	41,525,173
Provisions		348,414,800	347,943,046
Deferred income		478,016,247	428,756,137
Other non-current liabilities		22,403,062	23,833,959
Total non-current liabilities		997,603,897	934,746,315
Total liabilities		8,409,834,576	7,882,411,058
SHAREHOLDERS' EQUITY			
Share capital		1,175,476,637	1,175,476,637
Capital reserve		3,371,446,430	3,371,446,430
Other comprehensive income		(14,807,076)	(14,428,445)
Special reserve		5,586,431	3,893,678
Surplus reserve		1,801,776,624	1,801,776,624
Retained earnings		13,345,509,232	11,841,852,389
Total shareholders' equity		19,684,988,278	18,180,017,313
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		28,094,822,854	26,062,428,371

Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2019

Renminbi Yuan

	Note XIV	From 1 January 2019 to 30 June 2019 (Unaudited)	From 1 January 2018 to 30 June 2018 (Unaudited)
Revenue	5	5,134,808,894	4,365,885,322
Less: Cost of sales	5	3,763,896,872	3,100,615,601
Tax and surcharges		33,116,467	19,354,158
Selling expenses		322,668,212	177,840,411
Administrative expenses		156,307,382	143,741,621
Research and development expenses		369,144,267	361,701,948
Finance costs		(12,452,833)	(41,465,204)
Including: Interest expenses		4,018,880	1,625,062
Interest income		25,414,706	45,133,148
Add: Other income		23,531,465	10,528,292
Investment income	6	1,510,828,524	1,123,876,386
Including: share of profits and losses of associates and joint ventures	6	2,114,018	(6,374,886)
Gains on fair value changes		10,816,543	2,741,958
Credit impairment losses		3,843,155	(88,595,214)
Asset impairment losses		(19,236,430)	(21,137,278)
Gains on disposal of non-current assets		444,276	1,732,615
Operating profit		2,032,356,060	1,633,243,546
Add: Non-operating income		2,740,301	214,861
Less: Non-operating expenses		1,000	–
Total profit		2,035,095,361	1,633,458,407
Less: Income tax expense		2,474,031	56,805,450
Net profit		<u>2,032,621,330</u>	<u>1,576,652,957</u>
(i) Net profit classified by business continuity			
1. Net profit from continuing operations		2,032,621,330	1,576,652,957
2. Net profit from discontinued operations		–	–
Other comprehensive income, net of tax			
(i) Items that will not be reclassified to profit or loss		–	–
(ii) Items that may be reclassified to profit or loss			
1. Fair value gains on financial assets at fair value through other comprehensive income		1,770,434	–
2. Exchange fluctuation reserve		(2,149,065)	–
Other comprehensive income, net of tax		(378,631)	–
Total comprehensive income		<u>2,032,242,699</u>	<u>1,576,652,957</u>

Statement of Changes in Equity

For the six month ended 30 June 2019

Renminbi Yuan

	Share capital	Capital reserve	Other comprehensive income	Special reserve	Surplus reserve	Retained earnings	Total shareholders' equity
I. At 31 December 2018 (Audited)	1,175,476,637	3,371,446,430	(14,428,445)	3,893,678	1,801,776,624	11,841,852,389	18,180,017,313
Add: Changes in accounting policy	-	-	-	-	-	-	-
II. At 1 January 2019 (Unaudited)	1,175,476,637	3,371,446,430	(14,428,445)	3,893,678	1,801,776,624	11,841,852,389	18,180,017,313
III. Movements during the period							
(i) Total comprehensive income (Unaudited)	-	-	(378,631)	-	-	2,032,621,330	2,032,242,699
(ii) Profit appropriation							
1. Dividends distribution (Unaudited)	-	-	-	-	-	(528,964,487)	(528,964,487)
(iii) Special reserve							
1. Accrued during the period (Unaudited)	-	-	-	11,392,160	-	-	11,392,160
2. Paid during the period (Unaudited)	-	-	-	(9,699,407)	-	-	(9,699,407)
IV. At 30 June 2019 (Unaudited)	<u>1,175,476,637</u>	<u>3,371,446,430</u>	<u>(14,807,076)</u>	<u>5,586,431</u>	<u>1,801,776,624</u>	<u>13,345,509,232</u>	<u>19,684,988,278</u>

	Share capital	Capital reserve	Other comprehensive income	Special reserve	Surplus reserve	Retained earnings	Total shareholders' equity
I. At 31 December 2017 (Audited)	1,175,476,637	3,370,007,584	-	6,225,988	1,598,210,193	10,568,350,215	16,718,270,617
Add: Changes in accounting policy	-	-	(7,871,000)	-	-	-	(7,871,000)
II. At 1 January 2018 (Unaudited)	1,175,476,637	3,370,007,584	(7,871,000)	6,225,988	1,598,210,193	10,568,350,215	16,710,399,617
III. Movements during the period							
(i) Total comprehensive income (Unaudited)	-	-	-	-	-	1,576,652,957	1,576,652,957
(ii) Capital contribution and withdrawal by shareholders							
1. Business combination involving entities under common control (Unaudited)	-	-	-	-	9,347,986	54,514,330	63,862,316
2. Loss control of a subsidiary (Unaudited)	-	1,438,846	-	-	29,207	249,189	1,717,242
(iii) Profit appropriation							
1. Transfer to surplus reserve (Unaudited)	-	-	-	-	157,665,296	(157,665,296)	-
2. Dividends distribution (Unaudited)	-	-	-	-	-	(528,964,487)	(528,964,487)
(iv) Special reserve							
1. Accrued during the period (Unaudited)	-	-	-	16,797,627	-	-	16,797,627
2. Paid during the period (Unaudited)	-	-	-	(12,985,558)	-	-	(12,985,558)
IV. At 30 June 2018 (Unaudited)	<u>1,175,476,637</u>	<u>3,371,446,430</u>	<u>(7,871,000)</u>	<u>10,038,057</u>	<u>1,765,252,682</u>	<u>11,513,136,908</u>	<u>17,827,479,714</u>

Statement of Cash Flows

For the six months ended 30 June 2019

Renminbi Yuan

	Note XIV	From 1 January 2019 to 30 June 2019 (Unaudited)	From 1 January 2018 to 30 June 2018 (Unaudited)
I. Cash flows from operating activities			
Cash received from sales of goods or rendering of services		3,974,920,881	5,536,118,583
Cash received relating to other operating activities		123,958,708	306,393,590
Sub-total of cash inflows from operating activities		4,098,879,589	5,842,512,173
Cash paid for goods and services		(5,079,574,629)	(4,160,552,693)
Cash paid to and on behalf of employees		(457,488,309)	(394,971,977)
Cash paid for all types of taxes		(359,408,118)	(159,959,703)
Cash paid relating to other operating activities		(467,769,452)	(586,960,974)
Sub-total of cash outflows from operating activities		(6,364,240,508)	(5,302,445,347)
Net cash flows from operating activities	7	(2,265,360,919)	540,066,826
II. Cash flows from investing activities			
Cash received from disposal or returns of investments		5,430,900,000	3,272,318,556
Cash received from returns on investments		1,506,892,314	1,022,931,174
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		572,747	8,477,354
Cash received relating to other investing activities		2,910,674	374,111,859
Sub-total of cash inflows from investing activities		6,941,275,735	4,677,838,943
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets		(86,825,576)	(178,628,250)
Cash paid for acquisition of investments		(4,650,000,000)	(3,000,000,000)
Cash payments to acquire non-controlling shareholders' share		(65,938,492)	–
Cash paid relating to other investing activities		(100,000,000)	(30,000,000)
Sub-total of cash outflows from investing activities		(4,902,764,068)	(3,208,628,250)
Net cash flows from investing activities		2,038,511,667	1,469,210,693

Statement of Cash Flows

For the six months ended 30 June 2019

Renminbi Yuan

	Note XIV	From 1 January 2019 to 30 June 2019 (Unaudited)	From 1 January 2018 to 30 June 2018 (Unaudited)
III. Cash flows from financing activities			
Cash received from borrowings		<u>2,971,966</u>	–
Sub-total of cash inflows from financing activities		<u>2,971,966</u>	–
Cash repayments of borrowings		<u>(2,500,000)</u>	–
Cash paid for distribution of dividends or profits and for interest expenses		<u>(2,829,088)</u>	(2,235,207)
Cash disbursed in connection with other fund-raising activities		<u>(3,823,776)</u>	–
Sub-total of cash outflows from financing activities		<u>(9,152,864)</u>	(2,235,207)
Net cash flows from financing activities		<u>(6,180,898)</u>	(2,235,207)
IV. Effect of foreign exchange rate changes on cash and cash equivalents		<u>123,021</u>	885,277
V. Net increase in cash and cash equivalents		<u>(232,907,129)</u>	2,007,927,589
Add: Cash and cash equivalents at beginning of period		<u>2,924,163,813</u>	<u>2,064,146,853</u>
VI. Cash and cash equivalents at end of period	7	<u><u>2,691,256,684</u></u>	<u><u>4,072,074,442</u></u>

Notes to the Financial Statements

For the six months ended 30 June 2019

Renminbi Yuan

I. BASIC INFORMATION OF THE GROUP

Zhuzhou CRRC Times Electric Co., Ltd. (the “Company”), (formerly named 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 Institute Co., Ltd. (中車株洲電力機車研究所有限公司) (formerly named 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 Industrial Management Co., Ltd. (中車常州實業管理有限公司) (formerly named CRRC Changzhou Qishuyan Locomotive & Rolling Stock Works) (中車集團常州戚墅堰機車車輛廠), CRRC Zhuzhou Locomotive Co., Ltd. (中車株洲電力機車有限公司) (formerly named 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 named CSR Investment & Leasing Co., Ltd. (南車投資租賃有限公司)) and CRRC High-Tech Equipment Co., Ltd. (中国铁建高新装备股份有限公司) (formerly named China Railway Large Maintenance Machinery Co., Ltd. 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 2019, the Company had issued an aggregate of 1,175,476,637 shares as share capital.

As at 30 June 2019, the Group’s parent and ultimate holding company are CRRC Zhuzhou Institute Co., Ltd. (中車株洲電力機車研究所有限公司) and CRRC Group (中國中車集團有限公司) respectively, both established in the PRC.

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

The financial statements were approved by the board of directors of the Company on 23 August 2019.

Notes to the Financial Statements

For the six months ended 30 June 2019

Renminbi Yuan

II. BASIS OF PREPARATION

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 (“MoF”), together with specific accounting standards, application guidance, interpretations and other related regulations issued and revised thereafter (Accounting Standards for Business Enterprises, “ASBE”, collectively). The Group has adopted the Accounting Standards for Business Enterprises No. 21 – Lease (“New Standards of Lease”) amended by the Ministry of Finance (“MoF”) in 2018 since 1 January 2019. The impact of the changes in relevant accounting policies are referred to Note III. 28.

Basis of accounting and principle of measurement

The Group has adopted the accrual basis of accounting. Except for certain financial instruments which are measured at fair value, the Group adopts the historical cost as the principle of measurement in the financial statements. If the assets are impaired, corresponding provisions for impairment shall be made according to relevant rules.

Where the historical cost is adopted as the measurement basis, assets are recorded at the amount of cash and cash equivalents paid or the fair value of the consideration given to acquire them at the time of their acquisition. Liabilities are recorded at the amount of proceeds or assets received or the contractual amounts for assuming the present obligation, or, at the amounts of cash and cash equivalents expected to be paid to settle the liabilities in the normal course of business.

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

The Group considers the ability of market participants to put assets into best use for economic benefits or sell the assets to other market participants who are able to put the assets into best use for economic benefits when measuring non-financial assets at fair value.

For financial assets with transaction prices as the fair value upon initial recognition and the valuation technique of unobservable inputs employed in the subsequent measurement at the fair value, the technique is adjusted during the valuation to match the initial recognition results determined with the transaction prices.

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

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

Notes to the Financial Statements

For the six months ended 30 June 2019

Renminbi Yuan

II. BASIS OF PREPARATION (continued)

Going concern

The Group assessed its ability to continue as a going concern for the 12 months from 30 June 2019 and did not notice any events or circumstances that may cast significant doubt upon its ability to continue as a going concern. Therefore, the financial statements have been prepared on a going concern basis.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

1. Statement of compliance with the Accounting Standards for Business Enterprises

The financial statements of the Company have been prepared in accordance with ASBE, and present fairly and completely, the Company's and consolidated financial position as at 30 June 2019, and the Company's and consolidated financial performance and cash flows from 1 January 2019 to 30 June 2019.

2. Accounting period

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

3. Functional currency

Renminbi ("RMB") is the currency of the primary economic environment in which the Company and its domestic subsidiaries operate. Therefore, the Company and its domestic subsidiaries choose RMB as their functional currency. The Company's primary foreign subsidiary chooses GBP as its functional currency on the basis of the primary economic environment in which it operates. The Group adopts RMB to prepare its financial statements, unless otherwise stated.

4. Business combination

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.

4.1 Business combinations involving entities under common control

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

Notes to the Financial Statements

For the six months ended 30 June 2019

Renminbi Yuan

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

4. Business combination (continued)

4.1 *Business combinations involving entities under common control* (continued)

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 holding party in the acquisition of the acquiree) shall be measured at their carrying amounts at the combination date as recorded by the ultimate holding company. 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.

Various direct expenses incurred as a result of business combination are recorded to profit or loss for the current period upon incurrence.

4.2 *Business combinations not involving entities under common control and goodwill*

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 share of the fair value of the net identifiable assets acquired, the difference is, after reassessment, recognised in profit or loss of the current period.

Notes to the Financial Statements

For the six months ended 30 June 2019

Renminbi Yuan

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

4. Business combination (continued)

4.2 Business combinations not involving entities under common control and goodwill (continued)

Goodwill arising on a business combination is measured at cost less accumulated impairment losses, and is presented separately in the consolidated financial statements.

5. Consolidated financial statements

The consolidation scope of the consolidated financial statements is determined on the basis of control. Control is achieved when the investor has power over the investee; is exposed, or has rights, to variable returns from its involvement with the investee; and has the ability to use its power to affect its returns.

In preparation of the consolidated financial statement, 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 the Company's 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.

The portion of subsidiaries' equity that is not attributable to the Company is treated as non-controlling interests and presented as "non-controlling interests" in the shareholders' equity in the consolidated balance sheet. The portion of net profits or losses of subsidiaries for the period attributable to non-controlling interests is presented as "profit or loss attributable to non-controlling interests" in the consolidated income statement below the "net profit" line item.

Where the amount of losses of a subsidiary attributable to non-controlling shareholders exceeds the opening balance of shareholders' 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 financial performance 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 to 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.

Notes to the Financial Statements

For the six months ended 30 June 2019

Renminbi Yuan

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

5. Consolidated financial statements (continued)

For subsidiaries acquired through business combinations involving entities under common control, the financial performance 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.

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

When the Group loses control of a subsidiary in two or more arrangements (transactions), terms and conditions of the arrangements (transactions) and their economic effects are considered. One or more of the following indicate that the Group shall account for the multiple arrangements as a 'package deal': (i) they are entered into at the same time or in contemplation of each other; (ii) they form a complete transaction designed to achieve an overall commercial effect; (iii) the occurrence of one transaction is dependent on the occurrence of at least one other transaction; (iv) one transaction alone is not economically justified, but it is economically justified when considered together with other transactions. Where the transactions of disposal of equity investments in a subsidiary until the loss of control are assessed as a package deal, these transactions are accounted for as one transaction of disposal of a subsidiary with loss of control. Before losing control, the difference of consideration received on disposal and the share of net assets of the subsidiary continuously calculated from acquisition date is recognised as other comprehensive income. When losing control, the cumulated other comprehensive income is transferred to profit or loss of the period of losing control. If the transactions of disposal of equity investments in a subsidiary are not assessed as a package deal, these transactions are accounted for as unrelated transactions.

Notes to the Financial Statements

For the six months ended 30 June 2019

Renminbi Yuan

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

6. Joint arrangements 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.

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 prevailing at the transaction dates. At the end of each period, foreign currency monetary items are translated using the spot exchange rate at the end of each period. 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.

Notes to the Financial Statements

For the six months ended 30 June 2019

Renminbi Yuan

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

8. Foreign currency transactions and foreign currency translation (continued)

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 end of each period, 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 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.

In the circumstances that the Group has the foreign currency monetary item of net investment in substance to subsidiary (foreign operation), offsetting entry should be made when preparing consolidated financial statements in two ways as follows:

- (1) In substance the foreign currency monetary item of net investment to subsidiary was created and disclosed by the functional currency of parent company or subsidiary, the exchange difference arising from foreign currency monetary item should be recognised in “Other comprehensive income”;
- (2) In substance the foreign currency monetary item of net investment was created and disclosed by other currency of parent company and subsidiary except functional currency, the offsetting balance arising from foreign currency monetary item exchange of the parent and subsidiary should be recognised in “Other comprehensive income”.

If the foreign currency monetary item of net investment in substance was created to another subsidiary (foreign operation) between subsidiaries in consolidated financial statement, the principles above should be referred to when preparing consolidated financial statements.

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 and cash equivalents is separately presented as an adjustment item in the statement of cash flows as “Effect of foreign exchange rate changes on cash and cash equivalents”.

Notes to the Financial Statements

For the six months ended 30 June 2019

Renminbi Yuan

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

9. Financial instruments

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. For financial assets purchased or sold in regular ways, assets to be received and liabilities to be assumed are recognised on the transaction date or assets sold are derecognised on that date. Financial assets and financial liabilities are initially measured at fair value. For financial assets and financial liabilities at fair value through profit or loss, transaction costs are immediately recognised in profit or loss. For other financial assets and financial liabilities, transaction costs are added to or deducted from the fair value of the financial assets or liabilities on initial recognition. For trade receivables initially recognized based on Accounting Standard for Business Enterprises No. 14 – Revenue (“Standards for Revenue”), trade receivables shall be initially measured at transaction price defined based on the Standard – Revenue on initial recognition.

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

The effective interest rate is the rate that exactly discounts estimated future cash flows through the expected life of the financial asset or financial liability to the net carrying amount of the financial asset or the amortized cost of financial liability. When calculating the effective interest rate, the Group estimates future cash flows considering all contractual terms of the financial asset or financial liability including earlier repayment, extension, call option or other similar options etc. without considering future credit losses.

The amortized cost of a financial asset or a financial liability is the amount of a financial asset or a financial liability initially recognised net of principal repaid, plus or less the cumulative amortized amount arising from amortization of the difference between the amount initially recognised and the amount at the maturity date using the effective interest method, net of cumulative loss allowance (only applicable to financial assets).

Notes to the Financial Statements

For the six months ended 30 June 2019

Renminbi Yuan

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

9. Financial instruments (continued)

9.1 Classification and measurement of financial assets

Subsequent to initial recognition, the Group's financial assets of various categories are subsequently measured at amortised cost, fair value through other comprehensive income ("FVTOCI") or fair value through profit or loss ("FVTPL").

If contractual terms of the financial asset give rights on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, and the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows, such asset is classified into financial asset measured at amortised cost. Such type of financial assets mainly comprise cash and bank balances, bills receivable, trade receivables, other receivables, debt investment, long-term receivables, etc.

The contract clauses of financial assets stipulate that cash flows generated on a specified date are only payments of principal and interest based on the amount of outstanding principal and the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets. The financial assets that meet the above conditions are classified as at FVTOCI. Such type of financial assets with a period of over one year since obtaining are presented as other debt investments and financial assets due within one year (inclusive) since the balance sheet date are presented as non-current assets due within one year; financial assets with a period within one year (inclusive) upon obtaining are presented as other current assets.

Financial assets at FVTPL including financial assets at fair value through profit and loss and those designated as at fair value through profit or loss are all presented under held-for-trading financial assets except derivative financial assets. Financial assets due over one year since the balance sheet date (or without a fixed term) and expected to be held for over one year are presented under other non-current financial assets.

- (1) Financial assets that are unqualified for the classification as at amortized cost and at fair value through other comprehensive income are classified as at fair value through profit or loss.
- (2) Upon initial recognition, to eradicate or significantly reduce accounting mismatches, the Group can irrevocably designate financial assets as at fair value through profit or loss.

Notes to the Financial Statements

For the six months ended 30 June 2019

Renminbi Yuan

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

9. Financial instruments (continued)

9.1 Classification and measurement of financial assets (continued)

Upon initial recognition, the Group can irrevocably designates non-held-for-trading equity instrument investment except contingent considerations recognised in the business combination not under the same control as financial assets at fair value through other comprehensive income based on individual financial asset. Such type of financial assets are presented as other equity instrument investment.

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

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

9.1.1 Financial assets classified as at amortised cost

Financial assets at amortized cost are measured subsequently at amortized cost using the effective interest method. Gains or losses arising from impairment or derecognition are recorded to profit or loss for the period.

The Group recognises interest income for financial assets measured at amortized cost using the effective interest method. The Group determines the interest income by multiplying the carrying amount of financial assets by effective rate except the following situations:

- (1) For purchased or original credit-impaired financial assets, the Group recognises their interest income based on amortised cost and credit-adjusted effective interest rate of such financial assets since initial recognition.

Notes to the Financial Statements

For the six months ended 30 June 2019

Renminbi Yuan

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

9. Financial instruments (continued)

9.1 Classification and measurement of financial assets (continued)

9.1.1 Financial assets classified as at amortised cost (continued)

- (2) For purchased or original financial assets without credit impairment but subsequently becoming credit impaired, the Group subsequently recognises their interest income based on amortised costs and effective interest rate of such financial assets. If there exists no credit impairment due to improvement in credit risk of the financial instruments subsequently and the improvement is relevant to an event incurred subsequent to the application of above provisions, the Group recognises interest income based on applying effective interest rate to carrying amount of the financial assets.

9.1.2 Financial assets classified as at FVTOCI

Except that gains or losses on impairment relating to financial assets at fair value through other comprehensive income, interest income calculated using effective interest rate and exchange gains or losses are recognised in profit or loss for the period, fair value changes in the above financial assets are included in other comprehensive income. The amount of the financial assets included into profit or loss of each period shall be regarded as equal as the amount measured at amortized cost through profit or loss over each period. Upon derecognition of the financial assets, cumulative gains or losses previously recognised in other comprehensive income are transferred and reclassified into profit or loss for the period.

9.1.3 Financial assets designated as at FVTOCI

Subsequent to designation of non-held-for-trading equity investment to FVTOCI, fair value change of such financial asset is recognised in other comprehensive income. Upon derecognition of the financial asset, cumulative gains or losses previously recognised in other comprehensive income are transferred and included in retained earnings. During the period for which the Group holds the investments in equity instruments, dividend income is recognised and included in profit or loss for the period when 1) the Group's right to collect dividend has been established; 2) it is probable that economic benefits associated with dividend will flow to the Group; and 3) the amount of dividend can be reliably measured.

9.1.4 Financial assets classified as at FVTPL

FVTPL is measured subsequently at fair value with gains or losses arising from changes in the fair value and dividend and interest income relevant to the financial assets are recorded to profit or loss for the period.

Notes to the Financial Statements

For the six months ended 30 June 2019

Renminbi Yuan

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

9. Financial instruments (continued)

9.2 Impairment of financial instruments

The Group recognises loss allowance for financial instruments classified as at amortised and at FVTOCI, contract assets and trade receivables based on expected credit losses ("ECL").

The Group measures loss provision based on the amount equal to the lifetime ECL for all the contractual assets and trade receivables arising from the transactions under revenue standards.

For other financial instruments, except for purchased or original credit-impaired financial assets, at the end of each period, the Group assess changes in credit risk of relevant financial instruments since initial recognition. If the credit risk of the above financial instruments has increased significantly since initial recognition, the Group measures loss allowance based on the amount of full lifetime; if credit risk of the financial instrument has not increased significantly since initial recognition, the Group recognises loss allowance based on 12-month ECL of the financial instrument. Increase in or reversal of credit loss allowance is included in profit or loss as loss/gain on impairment, except for financial assets classified as at fair value through other comprehensive income. The Group recognises credit loss allowance for financial assets at FVTOCI in other comprehensive income and recognises loss/gain on impairment in profit or loss for the period, without reducing the carrying amount of the financial assets presented in the statement of financial position.

The Group measured loss allowance at the full lifetime ECL of the financial instruments in the prior accounting period. However, as at the end of each period for the current period, for the above financial instruments, due to failure to qualify as significant increase in credit risk since initial recognition, the Group measures loss allowance for the financial instrument at 12-month ECL at the end of each period for the current period. Relevant reversal of loss allowance is included in profit or loss as gain on impairment.

Notes to the Financial Statements

For the six months ended 30 June 2019

Renminbi Yuan

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

9. Financial instruments (continued)

9.2 Impairment of financial instruments (continued)

9.2.1 Credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition based on reasonable and supportable forward-looking information.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- (1) Whether internal price indicator resulted from change in credit risk has changed significantly;
- (2) If the existing financial instruments are derived into or issued as new financial instruments at the end of each period, whether interest rates or other terms of the above financial instruments have changed significantly (including harsher contractual terms, increase in collaterals or higher yield rate etc.);
- (3) Whether external credit rating of the financial instrument has actually changed significantly or is expected to change significantly;
- (4) Whether expected detrimental changes in business, financial and economic conditions of the borrower which will affect borrower's ability to perform repayment obligation have changed significantly;
- (5) Whether the actual or expected financial performance of the borrower have changed significantly;
- (6) Whether credit risk of other financial instruments issued by the same borrower has increased significantly;
- (7) Whether supervisory, economic or technical environment for the borrower has significant detrimental changes;
- (8) Whether the economic motive that will lower the borrower's repayment based on contractual stipulation has changed significantly;
- (9) Whether the borrower's expected performance and repayment activities have changed significantly;
- (10) Whether the contract payment is overdue significantly.

Notes to the Financial Statements

For the six months ended 30 June 2019

Renminbi Yuan

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

9. Financial instruments (continued)

9.2 Impairment of financial instruments (continued)

9.2.1 Credit risk (continued)

No matter whether the credit risk is increased significantly after above assessment, it indicates that the credit risk of such financial instrument has been increased significantly if it lasts over 30 (inclusive) days after the overdue payment of the financial instrument contract.

At the balance date, the Group assumes that credit risk of the financial instrument has not increased significantly since initial recognition when the Group determines that the financial instrument is only exposed to lower credit risk. The financial instrument is regarded to have relatively low credit risk provided that 1) the financial instrument has low default risk, 2) the borrower has strong ability to perform its contractual cash flow obligation within a short term, and 3) it may not reduce the ability of the borrower to perform its contractual cash obligation even though the economic situation and operating environment are changed adversely within a relatively long term.

9.2.2 Credit-impaired financial assets

A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the expected future cash flows of the financial asset have occurred. Evidence of credit-impairment includes observable data about the following events:

- (1) Significant financial difficulty of the issuer or obligor;
- (2) A breach of contract by the borrower, such as a default or delinquency in interest or principal payments;
- (3) The lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;
- (4) It becoming probable that the borrower will enter bankruptcy or other financial reorganizations;
- (5) Past due period of contract payment has been significantly exceeded.

Notes to the Financial Statements

For the six months ended 30 June 2019

Renminbi Yuan

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

9. Financial instruments (continued)

9.2 Impairment of financial instruments (continued)

9.2.3 Recognition of ECL

The Group recognises credit loss of related financial instruments for trade receivables, contract assets, other receivables and bills receivable on a collectively basis using a provision matrix. The Group classifies financial instruments into different groups based on shared credit risk characteristics. Shared credit risk characteristics include type of financial instruments, type of debtors, industry of debtors, initial recognition date, and contractual maturity, etc. The Group divides the trade receivables and contract assets into portfolios on a basis of the credit risk characteristics, and determines that the portfolios include central state-owned enterprises, local state-owned enterprises, railway corporations and their subsidiaries, and other enterprises.

For the trade receivables and contract assets on a portfolio basis, the Group takes consideration of the aging analysis, historical loss and other factors, and properly adjusts the lifetime expected credit losses rate in respect of the future economic condition and other factors so as to calculate the expected credit losses by default risk exposures and lifetime expected credit losses rate.

ECL of relevant financial instruments is recognised based on the following methods:

- (1) For a financial asset, credit loss is the present value of difference between the contractual cash flows receivable and the expected cash flows to be received;
- (2) For credit-impaired financial assets other than the purchase or original of credit-impaired financial assets at the balance date, credit loss is difference between the carrying amount of financial assets and the present value of expected future cash flows discounted at original effective interest rate.
- (3) For financial guarantee contract, credit loss is the present value of the remainder between the expected payment made by the Group for the credit loss incurred to the contract holder and the amount that the Group expects to collect from such contract holder, debtor or other parties.

The Group's measurement of ECL of financial instruments reflects factors including unbiased probability weighted average amount recognised by assessing a series of possible results, time value of money, reasonable and supportable information related to historical events, current condition and forecast of future economic position that is available without undue cost or effort at the balance date.

Notes to the Financial Statements

For the six months ended 30 June 2019

Renminbi Yuan

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

9. Financial instruments (continued)

9.2 Impairment of financial instruments (continued)

9.2.4 Reduction in financial assets

The Group directly reduces the carrying amount of financial assets when ceasing to reasonably expect that the contractual cash flows of such financial assets may be fully or partially recoverable. Such reduction constitutes derecognition of relevant financial assets.

9.3 Transfer of financial assets

The Group derecognises a financial asset if one of the following conditions is satisfied: (1) the contractual rights to the cash flows from the financial asset expire; or (2) the financial asset has been transferred and substantially all the risks and rewards of ownership of the financial asset is transferred to the transferee; or (3) although the financial asset has been transferred, the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset but has not retained control of the financial asset.

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

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

Notes to the Financial Statements

For the six months ended 30 June 2019

Renminbi Yuan

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

9. Financial instruments (continued)

9.3 *Transfer of financial assets* (continued)

For a transfer of a financial asset in its entirety that satisfies the derecognition criteria, regarding financial assets classified as carried at amortised cost and fair value through other comprehensive income, the difference between (1) the carrying amount of the financial asset transferred; and (2) the sum of the consideration received from the transfer and any cumulative gain or loss that has been recognised in other comprehensive income, is recognised in profit or loss. While regarding non-trading equity instruments designated as at FVTOCI, cumulative gains or losses previously recognised in other comprehensive income are transferred and included in retained earnings.

If a part of the transferred financial asset qualifies for derecognition, the overall carrying amount of the financial asset prior to transfer is allocated between the part that continues to be recognised and the part that is derecognised, based on the respective fair values of those parts at the date of transfer. The difference between (1) the carrying amount allocated to the part derecognised on the date of derecognition; and (2) the sum of the consideration received for the part derecognised and any cumulative gain or loss allocated to the part derecognised which has been previously recognised in other comprehensive income, is recognised in profit or loss or retained earnings.

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

9.4 *Classification of financial liabilities and equity instruments*

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

Notes to the Financial Statements

For the six months ended 30 June 2019

Renminbi Yuan

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

9. Financial instruments (continued)

9.4 Classification of financial liabilities and equity instruments (continued)

9.4.1 Classification and measurement of financial liabilities

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

9.4.1.1 Financial liabilities at fair value through profit or loss

Financial liabilities at FVTPL consist of financial liabilities held for trading (including derivative instruments of financial liabilities) and those designated as at FVTPL on initial recognition.

It is indicated that the Group undertakes the financial liabilities for a trading objective if the financial liabilities meet one of the following conditions:

- (1) The objective to undertake the relevant financial liabilities is mainly for the repurchase in the near future.
- (2) The relevant financial assets are a part of the identifiable financial instrument combination under the concentrated management of the Group upon initial recognition, and there is an objective evidence indicates that a short-term profitability mode exists actually in a short term.
- (3) The relevant financial liabilities are derivatives, excluding the derivatives consistent with the definition of financial guarantee contract and the derivatives designated as effective hedging instruments.

On initial recognition, financial liabilities that meet one of the following conditions can be irrevocably designated as financial liabilities at fair value through profit or loss: (1) Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise result from measuring liabilities or recognising the gains or losses on them on different bases; (2) The financial liability forms part of a group of financial liabilities or a group of financial assets and financial liabilities, which is managed and its performance is evaluated on a fair value basis, in accordance with the documented risk management or investment strategy, and information about the grouping is reported to key management personnel on that basis; (3) The qualified hybrid financial instrument combines financial liability with embedded derivatives.

Notes to the Financial Statements

For the six months ended 30 June 2019

Renminbi Yuan

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

9. Financial instruments (continued)

9.4 Classification of financial liabilities and equity instruments (continued)

9.4.1 Classification and measurement of financial liabilities (continued)

9.4.1.1 Financial liabilities at FVTPL (continued)

Held-for-trading financial liabilities are subsequently measured at fair value, and any gains or losses arising from changes in fair value and any dividend or interest income earned on the financial liabilities are recognised in profit or loss.

The amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability shall be presented in other comprehensive income, and upon the derecognition of such liability, the accumulated amount of change in fair value that is attributable to changes in the credit risk of that liability, which is recognised in other comprehensive income, is transferred to retained earnings. Other gains or losses arising from changes in fair value and any dividend or interest income earned on the financial liabilities are recognised in profit or loss. If the impact of the change in credit risk of such financial liability dealt with in the above way would create or enlarge an accounting mismatch in profit or loss, the Group shall present all gains or losses on that liability (including the effects of changes in the credit risk of that liability) in profit or loss.

9.4.1.2 Other financial liabilities

The Group shall classify all financial liabilities as subsequently measured at amortised cost, except for financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies, and gains or losses arising from derecognition or amortisation are recognised in profit or loss for the period.

When the contractual cash flows are changed due to the renegotiation or modification of the contract made between the Group and the counterparty and the renegotiation or modification does not result in the derecognition of the financial liability that is subsequently measured at amortised cost, the Group shall recalculate the carrying amount of the financial liability and shall recognise related gains or losses in profit or loss. The carrying amount of the financial liability shall be recalculated as the present value of the renegotiated or modified contractual cash flows that are discounted at the financial liability's original effective interest rate. Any costs or fees incurred adjust the carrying amount of the modified financial liability and are amortised over the remaining term of the modified financial liability.

Notes to the Financial Statements

For the six months ended 30 June 2019

Renminbi Yuan

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

9. Financial instruments (continued)

9.4 Classification of financial liabilities and equity instruments (continued)

9.4.1 Classification and measurement of financial liabilities (continued)

9.4.1.2 Other financial liabilities (continued)

9.4.1.2.1 Financial guarantee contracts

A financial guarantee contract is a contract by which the issuer is required to compensate specific amount to the contract holder who suffers from losses when the specific debtor cannot repay the debts in accordance with the initial or revised debt instrument terms upon maturity of debts. Financial guarantee contracts that are not designated as financial liabilities at fair value through profit or loss, or are for the financial liabilities arising as the transfer of financial assets do not meet the derecognition condition or arising from continuous involvement of transferred financial assets, are measured at the higher of: (i) the loss provision after initial recognition, and (ii) balance of amount recognised initially less the accumulated amortization amount determined on the basis of relevant revenue standards.

9.5 Derecognition of financial liabilities

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

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

9.6 Equity instruments

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

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

Notes to the Financial Statements

For the six months ended 30 June 2019

Renminbi Yuan

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

9. Financial instruments (continued)

9.7 Derivative instruments and embedded derivatives

The derivative instruments of the Group include forward exchange contract. The derivative instruments are measured initially at fair value on the relevant contractual signing date, and measured subsequently at fair value. At the end of reporting period, the derivative financial instruments at a positive fair value are presented in trading financial assets, and those at a negative fair value are presented in trading financial liabilities.

Any gains or losses arising from changes in fair value of derivatives are taken directly to the statement of profit or loss, except for the effective portion of cash flow hedges, which is recognised in other comprehensive income and later reclassified to profit or loss when the hedged item affects profit or loss.

For the hybrid contract comprised of embedded derivatives and master contract, if the master contract belongs to financial assets, the Group shall apply the hybrid contract as a whole to the accounting standards on the classification of financial assets rather than split embedded derivatives from the hybrid contract.

The Group will split the embed derivatives from the hybrid contract to treat as a stand-alone derivative instrument if the master contract included in the hybrid contract does not belong to financial assets, and the following conditions are met:

- (1) The economic characteristics of the embedded derivatives are not closely related to the economic characteristics and risk of the master contract.
- (2) The stand-alone instrument which has the same terms of embedded derivatives conforms to the definition of derivative instruments.
- (3) The hybrid contract is not measured at fair value through profit or loss over the current period.

Where an embedded derivative is split from a hybrid contract, the Group performs accounting treatment for the master contract of the hybrid contract in accordance with applicable accounting standards. Where the Group is unable to measure the fair value of an embedded derivative reliably in accordance with the terms and conditions of the embedded derivative, the fair value of such embedded derivative is determined as the difference between the fair value of the hybrid contract and that of the master contract. Where the fair value of such embedded derivative on the acquisition date or the subsequent balance sheet dates is still unable to be measured separately, the Group designates the hybrid contract in a whole into the financial instrument at fair value through profit or loss over the current period.

Notes to the Financial Statements

For the six months ended 30 June 2019

Renminbi Yuan

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

9. Financial instruments (continued)

9.8 Offsetting financial assets and financial liabilities

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

10. Inventories

Inventories include raw materials, semi-finished products, work in progress, finished goods 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 end of each period, 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 provision 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 the Financial Statements

For the six months ended 30 June 2019

Renminbi Yuan

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

11. Held-for-sale non-current assets and disposal groups

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

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

When there is loss of control over a subsidiary due to disposal of investments in the subsidiary, and the proposed disposal of investment in the subsidiary satisfies classification criteria of held-for-sale category, the investments in subsidiaries are classified as held-for-sale category as a whole in the company's separate financial statement, and all assets and liabilities of subsidiaries are classified as held-for-sale category in the consolidated financial statements regardless that part of the equity investments are remained after the sale.

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

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

All or part of equity investments in an associate or joint ventures are classified as held-for-sale assets. For the part that is classified as held-for-sale, it is no longer accounted for using the equity method since the date of the classification.

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For the six months ended 30 June 2019

Renminbi Yuan

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

12. 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.

12.1 Recognition of investment cost

For a long-term equity investment acquired through business combination involving entities under common control, shares of book value of shareholders' equity of combined party in financial statements of ultimate controlling party is recognised as initial investment cost of long-term equity investment at the date of combination. The difference between initial investment cost of long-term equity investment and cash paid, non-cash assets transferred and book value of liabilities assumed, is adjusted in capital reserve. If the balance of capital reserve is not sufficient to absorb the difference, any excess is adjusted to retained earnings. If the consideration of the combination is satisfied by the issue of equity securities, the initial investment cost of the long-term equity investment is the share of book value of shareholders' equity of the acquired entity in the ultimate controlling party's consolidated financial statements at the date of combination. The aggregate face value of the shares issued is accounted for as share capital. The difference between the initial investment cost and the aggregate face value of the shares issued is adjusted to capital reserve. If the balance of capital reserve is not sufficient to absorb the difference, any excess is adjusted to retained earnings. If the initial investment cost of the long-term equity investment is the share of book value in the ultimate controlling party's consolidated financial statements, the difference between the initial investment cost and the sum of carrying amount of equity investments previously held in the acquiree and the new investment cost is adjusted to capital reserve. If the balance of capital reserve is not sufficient to absorb the difference, any excess is adjusted to retained earnings.

For a long-term equity investment acquired through business combination not involving entities under common control, the investment cost of the long-term equity investment is the cost of acquisition. Where equity interests in an acquiree are acquired in stages through multiple transactions ultimately constituting a business combination not involving entities under common control, the acquirer shall determine if these transactions are considered to be a "package deal". If yes, these transactions are accounted for as a single transaction where control is obtained. If no, the sum of carrying amount of equity investments previously held in the acquiree and the new investment cost is deemed as the initial investment cost of long-term equity investments that was changed to be accounted for using cost method. If the equity previously held was accounted for using the equity method, the corresponding other comprehensive income is not subject to accounting treatment temporarily. If the equity investment previously held is designated as non-trading equity instrument investment at fair value through other comprehensive income, the difference between its fair value and book value, and the accumulated changes in fair value previously included in other comprehensive income are transferred to retained earnings.

Notes to the Financial Statements

For the six months ended 30 June 2019

Renminbi Yuan

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

12. Long-term equity investments (continued)

12.1 Recognition of investment cost (continued)

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

Long-term equity investment acquired otherwise than through a business combination is initially measured at its cost. When the entity is able to exercise significant influence or joint control (but not control) over an investee due to additional investment, the cost of long-term equity investments is the sum of the fair value of previously-held equity investments determined in accordance with Accounting Standard for Business Enterprises No.22 – Recognition and Measurement of Financial Instruments and the additional investment cost.

12.2 Subsequent measurement and recognition of profit and loss

12.2.1 Long-term equity investment accounted for using the cost method

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.

Notes to the Financial Statements

For the six months ended 30 June 2019

Renminbi Yuan

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

12. Long-term equity investments (continued)

12.2 Subsequent measurement and recognition of profit and loss (continued)

12.2.2 Long-term equity investment accounted for using the equity method

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.

Notes to the Financial Statements

For the six months ended 30 June 2019

Renminbi Yuan

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

12. Long-term equity investments (continued)

12.3 Disposal of long-term equity investments

On disposal of a long term equity investment, the difference between the proceeds actually received and receivable and the carrying amount is recognised in profit or loss for the period. For a long-term equity investment accounted for using the equity method, if remaining shares after the disposal are still accounted for using the equity method, other comprehensive income is accounted on the basis of directly disposed related assets and liabilities of investee, and profit or loss is carried forward proportionately; other owners' equity recognised from changes of owners' equity except for net profit or loss, other comprehensive income and profit distribution is recognised in profit or loss of current period and carried forward proportionately. For a long-term equity investment accounted for using the cost method, if remaining shares after the disposal are still accounted for using the cost method, other comprehensive income recognised before controlling the investee according to equity method or recognition and measurement of financial instruments, accounted for on the basis of directly disposed related assets and liabilities of the investee, and recognised in profit or loss for the period and carried forward proportionately; changes of owners' equity except for net profit or loss, other comprehensive income and profit distribution are carried forward and recognised in profit or loss for the current period.

The Group loses control on investee due to disposal of part of shares, during preparing separate financial statement, remaining shares after disposal can make joint control or significant influence on investee, are accounted under equity method, and adjusted as they are accounted under equity method since the acquisition date; if remaining shares after disposal cannot make joint control or significant influence on investee, they are accounted according to recognition and measurement of financial instruments, and the difference between fair value on date of losing control and book value is recognised in profit or loss of current period. Before the Group obtained controls over the investee, other comprehensive income recognised due to equity method or recognition and measurement of financial instruments, is accounted on the basis of related assets and liabilities, and recognised in profit or loss; changes of owners' equity except for net profit or loss, other comprehensive income and profit distribution are recognised in profit or loss of current period. Remaining shares after disposal are accounted under equity method, other comprehensive income and other owners' equity are carried forward as proportion; remaining shares after disposal are accounted due to recognition and measurement of financial instruments other comprehensive income and other owners' equity are all carried forward.

Notes to the Financial Statements

For the six months ended 30 June 2019

Renminbi Yuan

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

13. 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	Expected residual value rate	Annual depreciation rate
Buildings	20-45 years	5%	2.11%-4.75%
Machinery	6-10 years	5%	9.50%-15.83%
Vehicles	5 years	5%	19.00%
Office facilities and others	5 years	5%	19.00%

If a fixed asset is upon disposal or no future economic benefits are expected to be generated from its use or disposal, the fixed asset is derecognised. When a fixed asset is sold, transferred, retired or damaged, the amount of any proceeds on disposal of the asset net of the carrying amount and related taxes is recognised in profit or loss for the period.

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

14. 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.

Notes to the Financial Statements

For the six months ended 30 June 2019

Renminbi Yuan

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

15. Borrowing cost

Borrowing costs are interests 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.

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.

Notes to the Financial Statements

For the six months ended 30 June 2019

Renminbi Yuan

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

16. 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 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 right	40-50 years
Software licenses	3-10 years
Patents, licenses and technical know-how	5-10 years
Trademark	20 years
Backlog orders and service contracts	Over the service providing periods

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.

Notes to the Financial Statements

For the six months ended 30 June 2019

Renminbi Yuan

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

16. Intangible assets (continued)

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 the above criteria is recognised in profit or loss for the period in which it is incurred.

17. Impairment of assets

The Group determines the impairment of assets of goodwill, long-term equity investment, fixed assets, construction in progress, intangible assets and assets relating to contract cost, using the following methods:

The Group assesses at the end of each period 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 flows 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.

Notes to the Financial Statements

For the six months ended 30 June 2019

Renminbi Yuan

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

17. Impairment of assets (continued)

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 recognises 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 of above except for the assets relating to contract cost is recognised, it cannot be reversed in the subsequent accounting periods.

The Group shall recognised an impairment loss of the assets relating to contract cost to the extent that the carrying amount of an asset exceeds: (a) the remaining amount of consideration that the Group expects to receive in exchange for the goods or services to which the asset relates; less (b) the estimated costs that relate to providing those goods or services. The Group shall, after the impairment has been provided, recognised in profit or loss a reversal of some or all of an impairment loss previously recognised when the impairment conditions no longer exist or have improved. The increased carrying amount of the asset shall not exceed the carrying amount that would have been determined if no impairment loss had been recognised previously.

18. Long-term deferred expenses

Long-term deferred expenses are amortised using the straight-line method. Their amortisation period is as follows:

	<u>Amortisation period</u>
Improvement expenditure for rental fixed assets	Shorter period between the estimated useful life and the lease period

Notes to the Financial Statements

For the six months ended 30 June 2019

Renminbi Yuan

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

19. 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.

19.1 Short-term benefits

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

19.2 Benefits after demission (defined contribution plan)

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

19.3 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.

20. Provisions

Except for contingent consideration transferred and contingent liabilities 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.

Notes to the Financial Statements

For the six months ended 30 June 2019

Renminbi Yuan

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

20. Provisions (continued)

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 end of each period. 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.

A contingent liability recognised in a business combination not involving enterprise under common control is initially measured at its fair value. Subsequently, it is measured at the higher of (i) the amount that would be recognised in accordance with the general guidance for provisions above; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with the principle of revenue recognition.

21. Revenue

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

- (1) Revenue from sales of goods and materials
- (2) Maintenance income
- (3) Revenue from construction contracts
- (4) Technical service income

The Group recognises revenue based on the transaction price allocated to such performance obligation when a performance obligation is satisfied, i.e. when “control” of the goods or services underlying the particular performance obligation is transferred to the customer. A performance obligation represents the commitment that a good and service that is distinct shall be transferred by the Group to the customer. Transaction price refers to the consideration that the Group is expected to charge due to the transfer of goods or services to the customer, but it does not include payments received on behalf of third parties and amounts that the Group expects to return to the customer.

Notes to the Financial Statements

For the six months ended 30 June 2019

Renminbi Yuan

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

21. Revenue (continued)

If there are two or more of performance obligations included in the contract, at the contract inception, the Group allocates the transaction price to each single performance obligation based on the proportion of stand-alone selling price of goods or services promised in single performance obligation. However, if there is conclusive evidence indicating that the contract discount or variable consideration is only relative with one or more (not the whole) performance obligations in the contract, the Group will allocate the contract discount or variable consideration to relative one or more performance obligation. Stand-alone selling price refers to the price of single sales of goods or services. If the stand-alone selling price cannot be observed directly, the Group estimates the stand-alone selling price through comprehensive consideration of all reasonably acquired relative information and maximum use of observable inputs.

It is a performance obligation satisfied during a period of time if one of the following conditions is met: (i) the customer obtains and consumes economic benefits at the same time of the Group's performance; (ii) the customer is able to control goods in progress during the Group's performance; (iii) goods generated during the Group's performance have irreplaceable utilization, and the Group is entitled to collect amounts of cumulative performance part which have been done up to now. Otherwise, the Group will recognise revenue at the point in time when the customer obtains control over relative goods or services.

The Group adopts the input method to determine performance schedules, namely according to the Group's input into the performance of contractual obligations.

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

Notes to the Financial Statements

For the six months ended 30 June 2019

Renminbi Yuan

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

21. Revenue (continued)

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

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

If the costs incurred in fulfilling a contract are not within the scope of other standard other than standards on revenue, the Group shall recognised an asset from the costs incurred to fulfill a contract only if those costs meet all of the following criteria: (1) the costs relate directly to a contract or to an anticipated contract that the Group can specifically identify; (2) the costs generate or enhance resources of the entity that will be used in satisfying performance obligations in the future; and (3) the costs are expected to be recovered.

The asset mentioned above shall be amortised on a basis that is consistent with the transfer to the customer of the goods or services to which the asset relates and recognised in profit or loss for the period.

Contract asset refers to the Group’s right to consideration in exchange for goods or services that the Group has transferred to a customer when that right is conditioned on something other than the passage of time. Accounting policies relating to contract asset are specified in Note III. 9. The Group’s unconditional (i.e., depending on the passage of time only) right to receive consideration from the customer is separately presented as receivables.

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

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

Notes to the Financial Statements

For the six months ended 30 June 2019

Renminbi Yuan

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

22. 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 costs or losses to be incurred in subsequent periods, the grant is recognised as deferred income, and recognised in profit or loss or reduced related costs 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 or reduced the related costs of the current period. The Group classifies government grants that are difficult to be distinguished as government grants related to income aggregately.

A government grant related to an asset shall be: (a) deducted from the carrying amount of the asset; or (b) recognised as deferred income, and amortised by the rational and systematic method within the useful life of the related asset and recognised in 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 in the current period.). Where the relevant asset is sold, transferred, scrapped or damaged prior to the end of its useful life, the related undistributed deferred income is transferred to the profit or loss of the disposal period.

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

Notes to the Financial Statements

For the six months ended 30 June 2019

Renminbi Yuan

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

23. 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 other comprehensive income or shareholders' equity if it arises adjustments for goodwill from a business combination or relates to a transaction or event which is recognised directly in other comprehensive income or 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.

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.

Notes to the Financial Statements

For the six months ended 30 June 2019

Renminbi Yuan

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

23. Income tax (continued)

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

- (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 end of each period, 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 end of each period, to recover the assets or settle the liabilities.

The carrying amount of deferred tax assets is reviewed at the end of each period 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 end of each period 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.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets against current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Notes to the Financial Statements

For the six months ended 30 June 2019

Renminbi Yuan

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

24. Leases

Lease is a contract that conveys the right to use an asset for a period of time in exchange for consideration.

For contracts that are signed or modified after the date of initial application, at inception/ modification of the contracts, the Group assesses whether the contract is, or contains, a lease. Unless the terms and conditions of the contract are changed, the Group does not reassess whether a contract is, or contains, a lease.

24.1 The Group as Lessee

24.1.1 Separating components of a lease

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

24.1.2 Right-of-use assets

Except for short-term leases and leases for which the underlying asset is of low value, at the commencement date of the lease, the Group recognises a right-of-use assets. The commencement date of the lease is the date on which a lessor makes an underlying asset available for use by the Group. The Group measures the right-of-use assets at cost. The cost of the right-of-use assets comprises:

- (1) the amount of the initial measurement of the lease liabilities;
- (2) any lease payments made at or before the commencement date, less any lease incentives;
- (3) any initial direct costs incurred by the Group;
- (4) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

Notes to the Financial Statements

For the six months ended 30 June 2019

Renminbi Yuan

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

24. Leases (continued)

24.1 The Group as Lessee (continued)

24.1.2 Right-of-use assets (continued)

If the Group is reasonably certain, that the lease will transfer ownership of the underlying asset to the Group by the end of the lease term, the right-of-use assets is depreciated from the commencement date to the end of the useful life of the underlying asset. Otherwise, the right-of-use assets is depreciated from the commencement date to the earlier of the end of the useful life of the right-of-use assets or the end of the lease term.

The Group applies ASBE8 Impairment of Assets, to determine whether the right-of-use assets is impaired and to account for any impairment loss identified.

The Group presents right-of-use assets separately from other assets in the balance sheet.

Refundable lease deposit

The Group applies ASBE22 Recognition and Measurement of Financial Instruments, to initially recognise the refundable lease deposit at fair value. The gap between fair value and nominal value is considered as additional lease payments and included in the cost of right-of-use assets.

24.1.3 Lease liabilities

Except for short-term leases and leases for which the underlying asset is of low value, at the commencement date of the lease, the Group measures the lease liabilities at the present value of the lease payments that are not paid at that date. If the interest rate implicit in the lease cannot be readily determined, the lessee shall use the lessee's incremental borrowing rate.

Notes to the Financial Statements

For the six months ended 30 June 2019

Renminbi Yuan

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

24. Leases (continued)

24.1 The Group as Lessee (continued)

24.1.3 Lease liabilities (continued)

The lease payments comprise the following payments by the Group for the right to use the underlying asset during the lease term:

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

Variable lease payments that depend on an index or a rate, are initially measured using the index or rate as at the commencement date. Variable lease payments not included in the measurement of the lease liabilities, are recognised in profit or loss, or in the cost of relevant assets, in the period of those payments.

Interest on the lease liabilities in each period during the lease term is calculated by a constant periodic rate of interest on the remaining balance of the lease liabilities.

Notes to the Financial Statements

For the six months ended 30 June 2019

Renminbi Yuan

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

24. Leases (continued)

24.1 The Group as Lessee (continued)

24.1.3 Lease liabilities (continued)

The Group remeasures the lease liabilities and adjust the right-of-use assets accordingly, if either:

- (1) there is a change in the lease term, or in the assessment of an option to purchase the underlying asset, the Group remeasures the lease liabilities, on the basis of the revised lease term and the revised discount rate;
- (2) there is a change in the amounts expected to be payable under a residual value guarantee, or in future lease payments resulting from a change in an index or a rate used to determine those payments, the Group remeasures the lease liabilities, on the basis of the revised lease payments and the unchanged discount rate.

Lease liabilities are presented in the balances as either current liabilities or non-current liabilities according to their liquidities. Non-current lease liabilities to be paid within one year are presented as current portion of non-current liabilities.

24.1.4 Short-term leases and leases for which the underlying asset is of low value

The Group elects not to recognise right-of-use assets or lease liabilities for short-term leases and leases for which the underlying asset is of low value, i.e. leasing of buildings, machineries, motor vehicles, office facilities and others. A short-term lease is a lease that, at the commencement date, has a lease term of 12 months or less. A lease for which the underlying asset is of low value is that, the value of the underlying asset is low when it is new. For short-term leases and leases for which the underlying asset is of low value, the Group recognises the lease payments associated with those leases as an expense or cost of relevant asset on a straight-line basis over the lease term.

Notes to the Financial Statements

For the six months ended 30 June 2019

Renminbi Yuan

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

24. Leases (continued)

24.2 The Group as Lessor

24.2.1 Separating components of a lease

For a contract that contains lease and non-lease components, a lessor shall allocate the consideration in the contract applying ASBE14 Revenue, on the basis of the relative stand-alone price of the lease components and the aggregate stand-alone price of the non-lease components.

24.2.2 Refundable lease deposit

The Group applies ASBE22 Recognition and Measurement of Financial Instruments, to initially recognise the refundable lease deposit at fair value. The gap between fair value and nominal value is considered as additional lease payments by the lessee.

24.2.3 The Group as lessor under operating leases

The Group recognises lease payments from operating leases as income on a straight-line basis. The Group capitalises initial direct costs incurred in obtaining an operating lease and recognises those costs as an expense over the lease term on the same basis as the lease income.

The Group recognises any variable lease payments not included in the lease payments as income, upon receipts.

24.2.4 The Group as lessor under finance leases

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

Notes to the Financial Statements

For the six months ended 30 June 2019

Renminbi Yuan

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

24. Leases (continued)

24.2 The Group as Lessor (continued)

24.2.4 The Group as lessor under finance leases (continued)

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

- (1) fixed payments (including in-substance fixed payments) paid by the lessee, less any lease incentives;
- (2) variable lease payments that depend on an index or a rate;
- (3) the exercise price of a purchase option, provided that it is reasonably determined that the lessee will exercise the option;
- (4) the lessee exercises the amount to be paid for the termination of the lease option, provided that the lease term reflects the lessee's exercise of the option to terminate the lease;
- (5) the residual value of the guarantee provided by the lessee, the party concerned with the lessee and the independent third party with the financial ability to perform the guarantee obligation.

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

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

25. 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 the Financial Statements

For the six months ended 30 June 2019

Renminbi Yuan

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

26. 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 act in their economic best interest when pricing the asset or liability.

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 the Financial Statements

For the six months ended 30 June 2019

Renminbi Yuan

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

27. Critical judgement in applying accounting policies and key assumptions and uncertainties in accounting estimates

As operating activities have inherent uncertainties, the Group need to make judgments, estimates and assumptions upon report items that cannot be accurately calculated in applying the above accounting policies set out in Note III. These judgments, estimates and assumptions are made based on historical experiences of the management of the Group, taking other related factors into consideration. The actual results may be different from the estimates of the Group.

The Group reviews the above judgments, estimates and assumptions periodically based on going concern. If the changes of accounting estimates only affect the current period, the influence amount is recognised in the current period. If the changes of accounting estimates affect both of the current period and the future period, the influence amount is recognised in the current period and the future period.

Critical judgements in applying accounting policies

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. ("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 approve.

The key assumptions and uncertainties used in accounting estimates

The key assumptions and uncertainties, which may lead to significant adjustment to carrying amount of assets and liabilities in the future on the end of each period, are set out as follows:

Notes to the Financial Statements

For the six months ended 30 June 2019

Renminbi Yuan

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

27. Critical judgement in applying accounting policies and key assumptions and uncertainties in accounting estimates (continued)

27.1 Provision for expected credit losses of trade receivables and contract assets

The Group recognises impairment provision for contract assets and trade receivables based on expected credit losses. The Group divides the above items into different portfolios based on the common risk characteristics, and employs impairment matrix on the basis of portfolios to determine the credit loss of related items. If there is an evidence proving that the value of trade receivables or contract assets has been recovered, and the recovery is related to the matter subsequent to the determination of the loss objectively, the impairment loss originally recognised shall be reversed. As at 30 June 2019, the Group has reevaluated the historically observable overdue ratio and considered the changes in forward-looking information to calculate the expected credit losses through default risk exposures and lifetime expected credit losses.

27.2 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 differences (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.

27.3 Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires a calculation of the present value of the future expected cash flows from the asset groups or sets of asset groups in which the goodwill is included and an estimate of the expected future cash flow from the asset groups or sets of asset groups, and also chooses a suitable discount rate which reflects the time value of currency and particular risk of assets in the present market.

Notes to the Financial Statements

For the six months ended 30 June 2019

Renminbi Yuan

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

27. Critical judgement in applying accounting policies and key assumptions and uncertainties in accounting estimates (continued)

27.4 Impairment of non-current assets other than financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-current assets other than financial assets at the end of each period. Intangible assets with indefinite useful lives are tested for impairment annually and at other times when such indicator exists. Other non-current assets other than financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. When 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.

27.5 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 utilized. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, such as the expected actual profitability condition of the enterprise running under deficit and the actual tax rate in the expected reversed years based upon the likely timing and level of future taxable profit.

27.6 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.

Notes to the Financial Statements

For the six months ended 30 June 2019

Renminbi Yuan

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

28 Changes in significant accounting policies

New lease standards

The Group began to adopt revised Accounting Standards for Business Enterprises 21 Leases (“New lease standards”, the pre-revision standards referred as “Original Lease Standards”), promulgated by Ministry of Finance in 2018, from January 1, 2019. The revised accounting policies for leases are presents in Note III. 24.

For contracts existing at the initial application date, the Group elects not to re-assess whether they are, or contain leases.

Contracts that are signed or modified after the date of initial application, the Group assesses whether they are, or contain leases, according to the definition of lease in the new lease standards.

The Group as lessee

For contracts existing at the initial application date, the Group recognises the accumulated impact from the new lease standards based on the amount equal to the balance of the right-of-use assets and the lease liabilities, and does not adjust the information of comparable period.

For operating leases before the initial application date, the Group adopts one or more simplifying approaches below for each lease:

- (1) Leases expected to be completed within 12 months after the initial application date, are treated as short-term leases;
- (2) When determining lease liabilities, the same discount rate will be used for leases with similar characteristics;
- (3) The measurement of right-of-use assets does not include initial direct costs;
- (4) For leases with options to extend or terminate, the Group determines the lease term based on the actual exercise of options before the initial application date and other most updated information;
- (5) As a substitute of impairment test for right-of-use assets, the Group applies ASBE13 Contingencies, to assess if the contract containing a lease is a loss contract and adjust the right-of-use assets based on the loss incurred at the initial application date;
- (6) For lease modifications before the initial application date, the Group makes accounting treatments based on the final lease arrangements after the lease modification.

Notes to the Financial Statements

For the six months ended 30 June 2019

Renminbi Yuan

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

28 Changes in significant accounting policies (continued)

New lease standards (continued)

The Group as lessee (continued)

On the initial application date, the Group makes following adjustments due to adoption of new lease standards:

On January 1, 2019, the Group recognised lease liabilities of RMB70,805,231, and right-of-use assets of RMB77,470,900. For operating leases before the initial application date, the Group measures the lease liabilities at the present value of the lease payments, with the incremental borrowing rate as the discount rate. The weight average borrowing rate is 4.75%.

The reconciliation between lease liabilities recognised on January 1, 2019, and the significant operating lease commitment disclosed in the 2018 annual financial report, is as follows:

Item	1 January 2019
I. Operating lease commitment at 31 December 2018	86,338,765
Lease liabilities discounted at the incremental borrowing rate	76,106,384
Less: Expedient – short-term leases	5,301,153
Lease liabilities related to previous operating lease commitments, recognised due to adoption of new lease standards	70,805,231
II. Lease liabilities at 1 January 2019	
Presented as:	
Current portion of non-current liabilities	22,515,036
Lease liabilities	48,290,195

Notes to the Financial Statements

For the six months ended 30 June 2019

Renminbi Yuan

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

28 Changes in significant accounting policies (continued)

New lease standards (continued)

The Group as lessee (continued)

The book value of the right-of-use assets on 1 January 2019 is composed as follows:

Item	1 January 2019
Right-of-use assets:	
Right-of-use assets recognised for operating leases prior to the initial application date	70,805,231
Reclassified prepaid rent	6,665,669
Adjustment to lease deposit as at initial application date	–
Less: Liabilities related to accrued operating lease as at 31 December 2018	–
Total:	<u>77,470,900</u>

By category:

Item	1 January 2019
Buildings	75,218,151
Vehicles	<u>2,252,749</u>
Total	<u>77,470,900</u>

Notes to the Financial Statements

For the six months ended 30 June 2019

Renminbi Yuan

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

28 Changes in significant accounting policies (continued)

New lease standards (continued)

The Group as lessee (continued)

The impact of the implementation of the new leasing standards on the related items in the Group's balance sheet on 1 January 2019 is listed as follows:

Item	31 December 2018	Adjustment	1 January 2019
Current Assets:			
Prepayments	416,359,549	(6,665,669)	409,693,880
Non-current Assets:			
Right-of-use assets	–	77,470,900	77,470,900
Current Liabilities:			
Current portion of non-current liabilities	302,750,776	22,515,036	325,265,812
Non-current Liabilities:			
Lease liabilities	–	48,290,195	48,290,195

The Group as lessor

The group does not need to make any adjustments for leases within which the Group act as the lessor.

Notes to the Financial Statements

For the six months ended 30 June 2019

Renminbi Yuan

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

28 Presentation of financial statements

In preparation of the 2019 interim financial statements, the Group started adopting the Notice of the Revised Format of 2019 Financial Statements for General Business Enterprise(Cai Kuai [2019] No. 6, hereinafter referred to as “Cai Kuai No. 6 Document”) released by Ministry of Finance on April 30, 2019. Cai Kuai No. 6 Document revised the presenting accounts in the Statement of financial position, Statement of profit or loss, Statement of cash flows and Statement of changes in owners’ equity, including: split the item “Bills receivable and trade receivables” into “Bills receivable” and “Trade receivables”; split the item “Bills payable and trade payables” into “Bills payable” and “Trade payables”; added items “Trade receivables financing” and “Special reserve”; specified or revised the presentation content under “Other receivables”, “Non-current assets due within one year”, “Other payables”, “Deferred income”, “Other equity instruments”, “Research and development expenses”, “Interest income” under the item “ Finance costs”, “Other income”, “Non-operating income”, “Non-operating expenses” and “Capital invested by the owner of other equity instruments”. It also stipulated the presentation requirement of the loss provision for loan commitments, financial guarantee contracts, and other items; added item “Gain from derecognition of financial assets measured at amortised cost” under item “Investment income”; adjusted the presentation place of some items in the income statement; specified the items presented under “Government grants” in the Statement of cash flows. For changes of the above items, the Group has adjusted comparable data of the prior year.

IV. TAXATION

1. Major categories of taxes and respective tax rates

The corporate income tax of the Company and the subsidiaries incorporated in the PRC is levied at 25% of taxable profit. The subsidiaries incorporated out of the PRC shall pay the enterprise income tax in accordance with their local tax laws.

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

Value-added tax (“VAT”, Note)	– VAT on sales is calculated at applicable tax rate and paid after deducting input VAT on purchase
City maintenance and construction surtax	– It is levied at 7% on the turnover taxes paid

Note: According to Cai Shui [2018] No.32, since 1 May 2018, the VAT rate for sales or import of goods is adjusted from 17% to 16%. According to Cai Shui [2019] No.39, since 1 April 2019, the VAT rate for sales or import of goods is adjusted from 16% to 13%.

Notes to the Financial Statements

For the six months ended 30 June 2019

Renminbi Yuan

IV. TAXATION (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, including Zhuzhou Times Electronics Technology Co., Ltd. ("Times Electronics"), Ningbo CRRC Times Sensor Technology Co., Ltd. ("Ningbo Times"), Zhuzhou National Engineering Research Centre of Converters Co., Ltd. ("ZNERCC") and Hunan CRRC Times Signal & Communication Co., Ltd. ("Times Signal & Communication") were accredited as high-tech enterprises and granted certificates of high-tech enterprise that are valid for 3 years (from 2017 to 2019) and subject to corporate income tax at the rate of 15% (2018: 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》), the subsidiary of the Company, Baoji CRRC Times Engineering Machinery Co., Ltd. ("Baoji Times") enjoyed the preferential tax at the rate of 15%, and the eligibility period is 3 years (from 2017 to 2019).

Pursuant to "The Notice Regarding the Tax Policies of the Encouragement Policy of Further Development of Software Industry and Integrate Circuit Industry Issued by Ministry of Finance and State Administration of Taxation" (《財政部、國家稅務總局關於進一步鼓勵軟件產業和集成電路產業發展企業所得稅政策的通知》), CRRC Times Electric Software Technology Co., Ltd. ("Times Software") enjoyed the preferential tax policy of "Two years exemptions and three years halve" ("兩免三減半") since year 2015.

Notes to the Financial Statements

For the six months ended 30 June 2019

Renminbi Yuan

V. NOTES TO KEY ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS

1. Cash and bank balances

	30 June 2019 (Unaudited)	31 December 2018 (Audited)
Cash	–	61,065
Cash in bank	4,067,132,259	4,380,951,733
Other cash and bank balances	13,386,372	13,366,352
	<u>4,080,518,631</u>	<u>4,394,379,150</u>

As at 30 June 2019, the cash and bank balances of RMB13,386,372 (Unaudited) (31 December 2018 (Audited): RMB13,366,352) of the Group were restricted as security deposits for issuance of bank letters of guarantee.

As at 30 June 2019, the cash and bank balances deposited overseas by the Group were equivalent to RMB199,819,514 (Unaudited) (31 December 2018 (Audited): RMB148,472,651).

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.

2. Held-for-trading financial assets

	30 June 2019 (Unaudited)	31 December 2018 (Audited)
Bank financial products	852,687,808	1,203,855,068
Structural deposits	2,600,000,000	400,000,000
	<u>3,452,687,808</u>	<u>1,603,855,068</u>

As at 30 June 2019, the bank financial products and structural deposits held by the Group are with expected yield rates from 2.20%-4.50%.

Notes to the Financial Statements

For the six months ended 30 June 2019

Renminbi Yuan

V. NOTES TO KEY ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. Derivative financial assets

	30 June 2019 (Unaudited)	31 December 2018 (Audited)
Forward foreign exchange contracts – gains on fair value changes	10,816,543	–

As at 30 June 2019, the Group has entered into forward foreign exchange contracts with converting EUR, USD, CHF and GBP to RMB, which are not yet expired. The due dates are from 12 July 2019 to 30 December 2019 (As at 31 December 2018 (audited), the Group had no forward foreign exchange contract signed but not expired).

4. Bills receivable

(1) Category of bills receivable

	30 June 2019 (Unaudited)	31 December 2018 (Audited)
Bank acceptance bills	189,759,621	485,616,749
Commercial acceptance bills	2,030,396,333	3,084,493,236
	2,220,155,954	3,570,109,985
Less: Provision for credit loss	32,744,980	61,669,115
	2,187,410,974	3,508,440,870

The credit risks of commercial acceptance bills and bank acceptance bills held by the Group have not been significantly increased since initial recognition. The Group has measured the provision for impairment losses based on 12-month expected credit losses of the financial instrument.

Notes to the Financial Statements

For the six months ended 30 June 2019

Renminbi Yuan

V. NOTES TO KEY ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

4. Bills receivable (continued)

- (2) As at 30 June 2019, no pledged bills receivable were included in the balances of bills receivable (31 December 2018 (audited): Nil).
- (3) Analysis of bills receivable for which provision for credit loss is assessed on a portfolio basis:

Portfolio – Commercial acceptance bills

Item	As at 30 June 2019		
	Gross carrying amount	Provision for credit loss	Proportion (%)
Category I			
Within 6 months	80,697,260	98,308	0.12%
6 months to 1 year	321,300	1,239	0.39%
Category II			
Within 6 months	738,000	7,384	1.00%
Category III			
Within 6 months	337,000,000	860,900	0.26%
Category IV			
Within 6 months	489,072,468	8,112,100	1.66%
6 months to 1 year	<u>1,122,567,305</u>	<u>23,665,049</u>	2.11%
Total	<u><u>2,030,396,333</u></u>	<u><u>32,744,980</u></u>	

Portfolio – Bank acceptance bills

As at 1 January 2019 and 30 June 2019, the Group considered that the credit rating of the acceptance bank was relatively high and there was no significant credit risk. Therefore, no provision for losses was made.

Notes to the Financial Statements

For the six months ended 30 June 2019

Renminbi Yuan

V. NOTES TO KEY ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

4. Bills receivable (continued)

- (4) As at 30 June 2019, the provision, recovery or reversal of lifetime credit loss is as follows: the reversal of provision for credit loss was RMB28,924,135 (2018 (audited): Nil) for the current period, and no provision for credit loss was made in the current period (2018 (audited): RMB61,669,115). No bills receivable were written off in 2019 (2018 (audited): Nil).

Five highest bills receivables are listed as follows:

	30 June 2019 (Unaudited)
CRRC Zhuzhou Locomotive Co., Ltd.	1,141,957,804
CRRC Qingdao Sifang Co., Ltd.	253,350,000
Non-related party 1	161,838,000
Non-related party 2	159,840,000
Guangzhou Locomotive Co., Ltd.	142,100,000
	<u>1,859,085,804</u>
	31 December 2018 (Audited)
CRRC Zhuzhou Locomotive Co., Ltd.	1,249,690,890
Non-related party 2	813,400,000
CRRC Qingdao Sifang Co., Ltd.	206,780,000
Non-related party 3	192,080,000
Guangzhou Locomotive Co., Ltd.	161,700,000
	<u>2,623,650,890</u>

Notes to the Financial Statements

For the six months ended 30 June 2019

Renminbi Yuan

V. NOTES TO KEY ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

5. Trade receivables

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

(1) *The aging analysis of trade receivables is as follows:*

	30 June 2019 (Unaudited)	31 December 2018 (Audited)
Within 6 months	6,580,668,152	5,769,340,250
6 months to 1 year	2,312,615,840	530,702,851
1 to 2 years	439,323,168	207,491,912
2 to 3 years	61,210,591	91,220,576
Over 3 years	162,640,051	155,047,044
	9,556,457,802	6,753,802,633
Less: Provision for credit loss	295,210,549	267,838,040
	9,261,247,253	6,485,964,593

(2) *Categorized by method of provision for credit loss*

Category	30 June 2019 (Unaudited)					31 December 2018 (Audited)				
	Gross carrying amount		Provision for credit loss		Carrying amount	Gross carrying amount		Provision for credit loss		Carrying amount
	Amount	Ratio (%)	Amount	Ratio (%)		Amount	Ratio (%)	Amount	Ratio (%)	
Trade receivables for which provision for credit loss is collectively assessed on a portfolio basis and credit risk characteristics	9,403,649,082	98.40	142,401,829	1.51	9,261,247,253	6,561,355,669	97.15	75,391,076	1.15	6,485,964,593
Trade receivables for which provision for credit loss is individually assessed	152,808,720	1.60	152,808,720	100.00	-	192,446,964	2.85	192,446,964	100.00	-
Total	9,556,457,802	100.00	295,210,549	3.09	9,261,247,253	6,753,802,633	100.00	267,838,040	3.97	6,485,964,593

Notes to the Financial Statements

For the six months ended 30 June 2019

Renminbi Yuan

V. NOTES TO KEY ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

5. Trade receivables (continued)

(2) Categorized by method of provision for credit loss (continued)

Provision for credit loss made on a portfolio basis:

Trade receivables for which provision for credit loss is assessed on a portfolio basis Category I

Item	Closing balance		Ratio (%)
	Gross carrying amount	Provision for credit loss	
Within 6 months	3,221,841,866	3,924,935	0.12
6 months to 1 year	288,450,384	1,112,595	0.39
1 to 2 years	125,844,327	1,296,063	1.03
2 to 3 years	4,573,144	228,857	5.00
Over 3 years	656,582	142,602	21.72
Total	<u>3,641,366,303</u>	<u>6,705,052</u>	

Trade receivables for which provision for credit loss is assessed on a portfolio basis Category II

Item	Closing balance		Ratio (%)
	Gross carrying amount	Provision for credit loss	
Within 6 months	343,991,054	3,441,965	1.00
6 months to 1 year	119,780,263	1,205,767	1.01
1 to 2 years	<u>97,047,740</u>	<u>4,852,387</u>	5.00
Total	<u>560,819,057</u>	<u>9,500,119</u>	

Notes to the Financial Statements

For the six months ended 30 June 2019

Renminbi Yuan

V. NOTES TO KEY ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

5. Trade receivables (continued)

(2) Categorized by method of provision for credit loss (continued)

Provision for credit loss made on a portfolio basis: (continued)

Trade receivables for which provision for credit loss is assessed on a portfolio basis Category III

Item	Closing balance		Ratio (%)
	Gross carrying amount	Provision for credit loss	
Within 6 months	791,178,616	2,021,144	0.26
6 months to 1 year	289,790,280	876,949	0.30
1 to 2 years	31,349,124	697,771	2.23
2 to 3 years	614,000	30,700	5.00
Total	<u>1,112,932,020</u>	<u>3,626,564</u>	

Trade receivables for which provision for credit loss is assessed on a portfolio basis Category IV

Item	Closing balance		Ratio (%)
	Gross carrying amount	Provision for credit loss	
Within 6 months	2,223,656,616	36,912,700	1.66
6 months to 1 year	1,592,592,504	33,573,738	2.11
1 to 2 years	175,929,006	10,347,395	5.88
2 to 3 years	22,040,595	2,360,181	10.71
Over 3 years	74,312,981	39,376,080	52.99
Total	<u>4,088,531,702</u>	<u>122,570,094</u>	

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For the six months ended 30 June 2019

Renminbi Yuan

V. NOTES TO KEY ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

5. Trade receivables (continued)

(3) Provision for credit loss of trade receivables:

	Lifetime expected credit losses (Non credit- impaired) (Unaudited)	Lifetime expected credit losses (Credit-impaired) (Unaudited)	From 1 January to 30 June 2019 (Unaudited)
31 December 2018	75,391,076	192,446,964	267,838,040
Transferred in non credit-impaired losses	16,971,154	(16,971,154)	–
Provision in the current period	50,044,817	–	50,044,817
Reversal in the current period	–	(19,206,089)	(19,206,089)
Write-off in the current period	–	(3,461,001)	(3,461,001)
Exchange realignment	(5,218)	–	(5,218)
	<u>142,401,829</u>	<u>152,808,720</u>	<u>295,210,549</u>

(4) Trade receivables written off in the current period

Item	Amount
Trade receivables actually written off	3,461,001

Notes to the Financial Statements

For the six months ended 30 June 2019

Renminbi Yuan

V. NOTES TO KEY ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

5. Trade receivables (continued)

(5) Five highest trade receivables are listed as follows:

	30 June 2019 (Unaudited)
CRRC Qingdao Sifang Co., Ltd.	1,572,562,286
CRRC Zhuzhou Locomotive Co., Ltd.	1,073,277,469
Non-related party 4	465,352,609
Non-related party 5	402,982,616
Non-related party 6	286,709,029
	<u>3,800,884,009</u>
	31 December 2018 (Audited)
CRRC Qingdao Sifang Co., Ltd.	1,111,945,443
Non-related party 5	754,497,868
Non-related party 4	317,597,549
Non-related party 6	183,685,435
Non-related party 7	165,173,232
	<u>2,532,899,527</u>

Notes to the Financial Statements

For the six months ended 30 June 2019

Renminbi Yuan

V. NOTES TO KEY ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

6. Trade receivables financing

	30 June 2019 (Unaudited)	31 December 2018 (Audited)
Bills receivable measured at fair value (Note)	949,016,976	854,151,906
Trade receivables measured at fair value (Note)	227,321,622	176,768,180
	<u>1,176,338,598</u>	<u>1,030,920,086</u>

Note: It refers to the Group's bank acceptance bills used for endorsement or discount RMB949,016,976, and for transferable trade receivables RMB227,321,622, no significant increase in credit risks due to low credit risk of the bank acceptance bills and no impairment in trade receivables. As at 30 June 2019, the financial assets are measured at fair value through other comprehensive income.

7. Prepayments

Aging analysis of prepayments is as follows:

	30 June 2019 (Unaudited)	31 December 2018 (Audited)
Within 1 year	574,345,597	355,694,833
1 to 2 years	62,648,311	43,375,562
2 to 3 years	13,016,211	12,054,717
Over 3 years	12,646,245	5,234,437
	<u>662,656,364</u>	<u>416,359,549</u>

Notes to the Financial Statements

For the six months ended 30 June 2019

Renminbi Yuan

V. NOTES TO KEY ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

7. Prepayments (continued)

Five highest prepayments are listed as follows:

	30 June 2019 (Unaudited)
Non-related party 8	141,533,614
Non-related party 9	67,883,828
Non-related party 10	48,559,453
Non-related party 11	40,885,464
Non-related party 12	32,607,418
	<u>331,469,777</u>
	31 December 2018 (Audited)
Non-related party 8	47,942,146
Non-related party 13	32,892,288
Non-related party 11	29,732,856
Non-related party 10	24,337,566
Non-related party 14	22,952,577
	<u>157,857,433</u>

Notes to the Financial Statements

For the six months ended 30 June 2019

Renminbi Yuan

V. NOTES TO KEY ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

8. Other receivables

Aging analysis of other receivables is as follows:

	30 June 2019 (Unaudited)	31 December 2018 (Audited)
Within 1 year	53,909,114	60,231,885
1 to 2 years	10,496,970	41,735,330
2 to 3 years	2,867,216	3,988,828
Over 3 years	3,526,927	2,827,177
	70,800,227	108,783,220
Less: Provision for credit loss	2,547,994	2,636,753
	68,252,233	106,146,467

The movements of provision for credit loss of other receivables are as follows:

	From 1 January 2019 to 30 June 2019 (Unaudited)	From 1 January 2018 to 31 December 2018 (Audited)
12-months ECL		
Opening balance	2,636,753	10,190,687
Provision in the current period/year	263,579	–
Reversal in the current period/year	(352,338)	(7,472,675)
Write-off in the current period/year	–	(81,259)
Closing balance	2,547,994	2,636,753

Notes to the Financial Statements

For the six months ended 30 June 2019

Renminbi Yuan

V. NOTES TO KEY ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

8. Other receivables (continued)

Net value of other receivables by nature is as follows:

	30 June 2019 (Unaudited)	31 December 2018 (Audited)
Tender deposit	40,561,415	54,962,464
Deposit	1,363,082	23,636,694
Others	26,327,736	27,547,309
	<u>68,252,233</u>	<u>106,146,467</u>

Five highest other receivables are listed as follows:

	30 June 2019 (Unaudited)
Non-related party 15	2,507,400
CRRC Zhuzhou Institute Co., Ltd.	2,307,622
Non-related party 16	1,990,000
Non-related party 17	1,710,000
Non-related party 18	1,393,000
	<u>9,908,022</u>

	31 December 2018 (Audited)
Non-related party 4	33,894,620
Non-related party 19	3,600,000
Non-related party 20	3,403,897
Non-related party 21	2,900,000
Non-related party 22	2,400,000
	<u>46,198,517</u>

Notes to the Financial Statements

For the six months ended 30 June 2019

Renminbi Yuan

V. NOTES TO KEY ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

9. Inventories

	30 June 2019 (Unaudited)		
	Gross carrying amount	Impairment provision	Carrying amount
Raw materials	1,427,561,366	82,634,650	1,344,926,716
Semi-finished products	744,584,027	36,458,136	708,125,891
Work in progress	633,404,219	18,456,604	614,947,615
Finished goods	1,119,663,050	22,320,783	1,097,342,267
Turnover materials	32,116,371	1,110,011	31,006,360
	<u>3,957,329,033</u>	<u>160,980,184</u>	<u>3,796,348,849</u>

	31 December 2018 (Audited)		
	Gross carrying amount	Impairment provision	Carrying amount
Raw materials	874,516,414	82,642,516	791,873,898
Semi-finished products	481,976,539	17,131,598	464,844,941
Work in progress	486,094,972	11,116,301	474,978,671
Finished goods	1,373,095,728	17,598,733	1,355,496,995
Turnover materials	27,556,413	736,367	26,820,046
	<u>3,243,240,066</u>	<u>129,225,515</u>	<u>3,114,014,551</u>

Notes to the Financial Statements

For the six months ended 30 June 2019

Renminbi Yuan

V. NOTES TO KEY ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

9. Inventories (continued)

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

30 June 2019 (Unaudited)

	Closing balance of prior period	Provision	Reversal	Write-off	Exchange realignment	Closing balance of current period
Raw materials	82,642,516	3,024,203	(2,638,039)	(362,470)	(31,560)	82,634,650
Semi-finished products	17,131,598	21,322,396	(1,995,858)	-	-	36,458,136
Work in progress	11,116,301	11,329,504	(3,679,142)	(91,998)	(218,061)	18,456,604
Finished goods	17,598,733	5,110,474	-	(314,704)	(73,720)	22,320,783
Turnover materials	736,367	415,288	(41,644)	-	-	1,110,011
	<u>129,225,515</u>	<u>41,201,865</u>	<u>(8,354,683)</u>	<u>(769,172)</u>	<u>(323,341)</u>	<u>160,980,184</u>

31 December 2018 (Audited)

	Closing balance of prior year	Provision	Reversal and write-off	Exchange realignment	Closing balance of current year
Raw materials	114,819,608	14,127,039	(46,009,378)	(294,753)	82,642,516
Semi-finished products	80,336,068	3,302,110	(66,506,580)	-	17,131,598
Work in progress	3,669,078	10,528,960	(3,002,940)	(78,797)	11,116,301
Finished goods	51,950,697	1,884,665	(36,178,840)	(57,789)	17,598,733
Turnover materials	1,187,130	482,506	(933,269)	-	736,367
	<u>251,962,581</u>	<u>30,325,280</u>	<u>(152,631,007)</u>	<u>(431,339)</u>	<u>129,225,515</u>

Notes to the Financial Statements

For the six months ended 30 June 2019

Renminbi Yuan

V. NOTES TO KEY ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

10. Contract assets

(1) Details of contract assets

	30 June 2019 (Unaudited)		
	Gross carrying amount	Impairment provision	Carrying amount
Warranty provision receivable	171,579,917	25,713,253	145,866,664
Less: Contract assets included in other non-current assets (Note V. 21)	29,712,427	2,699,716	27,012,711
	<u>141,867,490</u>	<u>23,013,537</u>	<u>118,853,953</u>

	31 December 2018 (Audited)		
	Gross carrying amount	Impairment provision	Carrying amount
Warranty provision receivable	222,360,099	5,173,409	217,186,690
Less: Contract assets included in other non-current assets	24,937,877	849,653	24,088,224
	<u>197,422,222</u>	<u>4,323,756</u>	<u>193,098,466</u>

Notes to the Financial Statements

For the six months ended 30 June 2019

Renminbi Yuan

V. NOTES TO KEY ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

10. Contract assets (continued)

(2) Provision for credit losses of contract assets

	From 1 January 2019 to 30 June 2019 (Unaudited)	2018 (Audited)
Opening balance	5,173,409	–
Provision in the current period/year	<u>20,539,844</u>	<u>5,173,409</u>
Closing balance	<u><u>25,713,253</u></u>	<u><u>5,173,409</u></u>

As at 30 June 2019, the Group does not have contract assets that have suffered credit impairment.

11. Other current assets

	30 June 2019 (Unaudited)	31 December 2018 (Audited)
Bank financial products	–	2,034,610,548
Structural deposits	–	600,000,000
Value-added tax retained	54,647,171	23,097,790
Other taxes retained	<u>91,820,932</u>	<u>71,619,165</u>
	<u><u>146,468,103</u></u>	<u><u>2,729,327,503</u></u>

Notes to the Financial Statements

For the six months ended 30 June 2019

Renminbi Yuan

V. NOTES TO KEY ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

12. Long-term equity investments

30 June 2019 (Unaudited)

	Changes for the current period				Closing balance of current period
	Closing balance of prior period	Impact of unrealized profits	Investment income and loss recognised under equity method	Exchange realignment	
Non-listed investments					
Equity method					
Joint ventures					
Zhuzhou Shiling Transportation Equipment Co., Ltd. ("Shiling")	208,360,915	–	1,150,911	–	209,511,826
Wenzhou CRRC Electric Equipment Co., Ltd. ("Wenzhou Electric") (Note 1)	15,783,118	–	131,475	–	15,914,593
Shanghai Shentong CRRC Rail Transit Operation Safety Engineering Technology Research Co., Ltd. ("Shanghai Shentong CRRC")	6,257,031	–	147,770	–	6,404,801
	<u>230,401,064</u>	<u>–</u>	<u>1,430,156</u>	<u>–</u>	<u>231,831,220</u>
Associates					
Wuxi CRRC Hofer Powertrain Co., Ltd. ("CRRC Hofer") (Note 2)	152,593,243	–	(8,242,185)	586,112	144,937,170
Siemens Traction Equipment Ltd., Zhuzhou ("Zhuzhou Siemens")	45,790,970	–	1,085,474	–	46,876,444
Hunan Guoxin Semiconductor Technology Co., Ltd. ("Guoxin Technology") (Note 3)	25,000,000	–	(218,715)	–	24,781,285
Hunan CRRC-Wabtec Rail Transit Technology Co., Ltd. ("CRRC Wabtec")	10,232,202	–	(182,897)	–	10,049,305
	<u>233,616,415</u>	<u>–</u>	<u>(7,558,323)</u>	<u>586,112</u>	<u>226,644,204</u>
	<u>464,017,479</u>	<u>–</u>	<u>(6,128,167)</u>	<u>586,112</u>	<u>458,475,424</u>

Notes to the Financial Statements

For the six months ended 30 June 2019

Renminbi Yuan

V. NOTES TO KEY ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

12. Long-term equity investments (continued)

30 June 2019 (Unaudited) (continued)

Note 1: The Company originally held an equity of 51% of Wenzhou Electric and has control over it. In May 2018, as approved by the extraordinary general meeting of Wenzhou Electric, Wenzhou Electric, a subsidiary originally included in the Group's consolidation scope, completed capital increase, the original minority shareholders added investments by means of cash and re-elects the board of directors. The Company has no longer control over Wenzhou Electric. According to the new Joint Ventures agreement, Wenzhou Electric has become the Company's Joint Ventures and subsequently accounted under equity method. The change of industrial and commercial registration was completed on 24 May 2018.

Note 2: In October 2018, the Group and other two companies jointly established CRRC Hofer, in which the Group made contributions equivalent to RMB153,801,622, held 49% shares but did not have the control, which is accounted as investment of associates.

Note 3: In October 2018, the Group and other 7 companies including Chongqing Chang'an Automobile Co., Ltd. jointly established Guoxin Technology in which the Group contributed RMB25,000,000, held 25% shares but did not have the control, which is accounted as investment in associates.

Notes to the Financial Statements

For the six months ended 30 June 2019

Renminbi Yuan

V. NOTES TO KEY ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

12. Long-term equity investments (continued)

31 December 2018 (Audited)

	Closing balance of prior year	Changes for the current year						Closing balance of current year
		Investment	Impact of unrealized profit	Investment income and loss recognised under equity method	Cash dividends announced	Exchange realignment	Other equity increase	
Non-listed investments								
Equity method								
Joint ventures								
Shiling	203,530,474	-	10,119,017	211,424	(5,500,000)	-	-	208,360,915
Shanghai Shentong CRRC	6,084,780	-	-	172,251	-	-	-	6,257,031
Wenzhou Electric	-	-	-	204,724	-	-	15,578,394	15,783,118
	<u>209,615,254</u>	<u>-</u>	<u>10,119,017</u>	<u>588,399</u>	<u>(5,500,000)</u>	<u>-</u>	<u>15,578,394</u>	<u>230,401,064</u>
Associates								
CRRC Hofer	-	153,801,622	-	(1,211,094)	-	2,715	-	152,593,243
Zhuzhou Siemens	47,640,792	-	-	(1,849,822)	-	-	-	45,790,970
Guoxin Technology	-	25,000,000	-	-	-	-	-	25,000,000
CRRC Wabtec	12,970,788	-	-	(2,738,586)	-	-	-	10,232,202
	<u>60,611,580</u>	<u>178,801,622</u>	<u>-</u>	<u>(5,799,502)</u>	<u>-</u>	<u>2,715</u>	<u>-</u>	<u>233,616,415</u>
	<u>270,226,834</u>	<u>178,801,622</u>	<u>10,119,017</u>	<u>(5,211,103)</u>	<u>(5,500,000)</u>	<u>2,715</u>	<u>15,578,394</u>	<u>464,017,479</u>

Notes to the Financial Statements

For the six months ended 30 June 2019

Renminbi Yuan

V. NOTES TO KEY ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

13. Fixed assets

30 June 2019 (Unaudited)

	Buildings	Machinery	Vehicles	Office facilities and others	Total
Cost					
Closing balance of prior period	1,768,574,567	2,446,290,309	46,550,945	360,809,613	4,622,225,434
Purchase	–	27,757,097	429,629	14,621,639	42,808,365
Transferred from construction in progress	144,292,378	14,253,961	1,444,937	484,968	160,476,244
Sale and disposal	–	(388,146)	(2,357,674)	(17,137)	(2,762,957)
Exchange realignment	1,161,497	11,953,102	784	155,290	13,270,673
Closing balance of current period	<u>1,914,028,442</u>	<u>2,499,866,323</u>	<u>46,068,621</u>	<u>376,054,373</u>	<u>4,836,017,759</u>
Accumulated depreciation					
Closing balance of prior period	414,025,001	1,182,837,375	36,377,178	189,432,703	1,822,672,257
Increase	29,879,502	109,823,220	1,777,887	23,732,437	165,213,046
Write-off	–	(311,709)	(2,229,803)	(8,475)	(2,549,987)
Exchange realignment	200,926	8,033,800	784	115,595	8,351,105
Closing balance of current period	<u>444,105,429</u>	<u>1,300,382,686</u>	<u>35,926,046</u>	<u>213,272,260</u>	<u>1,993,686,421</u>
Impairment provision					
Closing and opening balance	<u>10,513,264</u>	<u>46,887,139</u>	<u>–</u>	<u>607,170</u>	<u>58,007,573</u>
Net carrying amount					
Closing balance	<u>1,459,409,749</u>	<u>1,152,596,498</u>	<u>10,142,575</u>	<u>162,174,943</u>	<u>2,784,323,765</u>
Opening balance	<u>1,344,036,302</u>	<u>1,216,565,795</u>	<u>10,173,767</u>	<u>170,769,740</u>	<u>2,741,545,604</u>

Notes to the Financial Statements

For the six months ended 30 June 2019

Renminbi Yuan

V. NOTES TO KEY ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

13. Fixed assets (continued)

31 December 2018 (Audited)

	Buildings	Machinery	Vehicles	Office facilities and others	Total
Cost					
Closing balance of prior year	1,759,736,228	2,215,468,045	45,333,615	325,057,473	4,345,595,361
Purchase	59,210	68,689,507	3,541,896	83,009,545	155,300,158
Transferred from construction in progress	9,514,296	204,034,193	–	1,957,860	215,506,349
Sale and disposal	(7,455)	(39,701,865)	(2,293,900)	(48,780,573)	(90,783,793)
Exchange realignment	(727,712)	(2,199,571)	(30,666)	(434,692)	(3,392,641)
Closing balance of current year	<u>1,768,574,567</u>	<u>2,446,290,309</u>	<u>46,550,945</u>	<u>360,809,613</u>	<u>4,622,225,434</u>
Accumulated depreciation					
Closing balance of prior year	355,901,828	1,007,453,234	33,634,923	170,904,829	1,567,894,814
Increase	58,298,498	209,882,071	4,670,059	46,681,468	319,532,096
Write-off	(5,292)	(33,458,003)	(1,919,324)	(28,031,859)	(63,414,478)
Exchange realignment	(170,033)	(1,039,927)	(8,480)	(121,735)	(1,340,175)
Closing balance of current year	<u>414,025,001</u>	<u>1,182,837,375</u>	<u>36,377,178</u>	<u>189,432,703</u>	<u>1,822,672,257</u>
Impairment provision					
Closing balance of prior year	10,513,264	48,433,991	–	710,055	59,657,310
Write-off	–	(1,546,852)	–	(102,885)	(1,649,737)
Closing balance of current year	<u>10,513,264</u>	<u>46,887,139</u>	<u>–</u>	<u>607,170</u>	<u>58,007,573</u>
Net carrying amount					
Closing balance	<u>1,344,036,302</u>	<u>1,216,565,795</u>	<u>10,173,767</u>	<u>170,769,740</u>	<u>2,741,545,604</u>
Opening balance	<u>1,393,321,136</u>	<u>1,159,580,820</u>	<u>11,698,692</u>	<u>153,442,589</u>	<u>2,718,043,237</u>

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For the six months ended 30 June 2019

Renminbi Yuan

V. NOTES TO KEY ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

13. Fixed assets (continued)

Carrying amount of fixed assets under operating lease is as follows:

	30 June 2019	31 December 2018
Buildings	40,163,868	42,645,749

As at 30 June 2019 and 31 December 2018, the Group had no fixed assets pledged to obtain bank borrowings. As at 30 June 2019, the carrying amount of fixed assets included the amount of buildings of RMB7,394,473 (unaudited) (31 December 2018: Nil) whose title certificates are being handled.

14. Construction in progress

	30 June 2019 (Unaudited)	31 December 2018 (Audited)
Innovation experiment platform construction project	29,894,316	29,894,316
The revamping and expansion of high voltage IGBT chip module production line	23,114,805	16,625,106
Development of electrical drive system for passenger cars and tester of industrialized power drive	10,062,925	10,062,925
Semiconductor intelligent manufacturing project (software)	7,960,213	3,028,576
Changsha laboratory of CSL4 Signal system-engineering verification system	7,093,137	7,070,696
Data centre computer room	6,496,448	4,821,690
Wire bonder (aluminum wire)	6,475,327	407,138
Changsha laboratory of CSL3 Signal system-engineering verification system	5,146,569	5,146,569
Germany laboratory of CSL3 Signal system-engineering verification system	4,401,030	4,401,030
Development of electrical drive system for passenger cars and tester of industrialized medium-power drive	4,277,939	4,277,939
Module dynamic test bench TEG-IMP2528SVGS	2,743,106	2,743,106
Descum machine	2,565,775	2,565,775
Test station power system of overhead line system	2,119,658	2,119,658
Static test bench(TEG-IMP2850SITA)	1,889,167	-
Driving simulation system	1,810,787	1,810,787
Semiconductor key lab construction project	278,767	144,742,066
Others	15,707,580	35,364,304
	132,037,549	275,081,681

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Renminbi Yuan

V. NOTES TO KEY ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

14. Construction in progress (continued)

30 June 2019 (Unaudited)

	Budget	Closing balance of prior period	Increase	Transferred to fixed assets	Other transfer-out	Exchange realignment	Closing balance of current period	Capital resource	Proportion of budget invested
Innovation experiment platform construction project	935,800,000	29,894,316	-	-	-	-	29,894,316	Self-raised	3%
The revamping and expansion of high voltage IGBT chip module production line	505,000,000	16,625,106	6,489,699	-	-	-	23,114,805	Government grant and self-raised	5%
Development of electrical drive system for passenger cars and tester of industrialized power drive	12,000,000	10,062,925	-	-	-	-	10,062,925	Self-raised	84%
Semiconductor intelligent manufacturing project (software)	43,400,000	3,028,576	4,931,637	-	-	-	7,960,213	Self-raised	18%
Changsha laboratory of CSL4 Signal system-engineering verification system	7,500,000	7,070,696	22,441	-	-	-	7,093,137	Self-raised	94%
Data centre computer room	16,500,000	4,821,690	1,674,758	-	-	-	6,496,448	Self-raised	39%
Wire bonder (aluminum wire)	10,020,272	407,138	6,068,189	-	-	-	6,475,327	Self-raised	65%
Changsha laboratory of CSL3 Signal system-engineering verification system	5,500,000	5,146,569	-	-	-	-	5,146,569	Self-raised	94%
Germany laboratory of CSL3 Signal system-engineering verification system	5,000,000	4,401,030	-	-	-	-	4,401,030	Self-raised	88%
Development of electrical drive system for passenger cars and tester of industrialized medium-power drive	5,000,000	4,277,939	-	-	-	-	4,277,939	Self-raised	86%
Module dynamic test bench TEG-IMP2528SVGS	3,196,724	2,743,106	-	-	-	-	2,743,106	Self-raised	86%
Descum machine	4,245,389	2,565,775	-	-	-	-	2,565,775	Self-raised	60%
Test station power system of overhead line system	2,119,658	2,119,658	-	-	-	-	2,119,658	Self-raised	100%
Static test bench (TEG-IMP2850SITA)	2,581,762	-	1,889,167	-	-	-	1,889,167	Self-raised	73%
Driving simulation system	1,810,787	1,810,787	-	-	-	-	1,810,787	Self-raised	100%
Semiconductor key lab construction project	341,880,000	144,742,066	238,767	144,702,066	-	-	278,767	Government grant and self-raised	42%
HCMT test bench	12,612,667	11,427,371	-	11,427,371	-	-	-	Self-raised	100%
Laboratory Relocation and Expansion Project	13,138,000	9,961,349	-	-	9,961,349	-	-	Self-raised	76%
Others	-	13,975,584	9,090,051	4,346,807	3,148,205	136,957	15,707,580		
		<u>275,081,681</u>	<u>30,404,709</u>	<u>160,476,244</u>	<u>13,109,554</u>	<u>136,957</u>	<u>132,037,549</u>		

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For the six months ended 30 June 2019

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V. NOTES TO KEY ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

14. Construction in progress (continued)

31 December 2018 (Audited)

	Budget	Closing balance of prior year	Increase	Transferred to fixed assets	Exchange realignment	Closing balance of current year	Capital resource	Proportion of budget invested
Semiconductor key lab construction project	341,880,000	131,826,777	69,540,792	56,625,503	-	144,742,066	Government grant and self-raised	62%
Innovation experiment platform construction project	935,800,000	-	29,894,316	-	-	29,894,316	Self-raised	3%
The revamping and expansion of high voltage IGBT chip module production line	505,000,000	451,165	16,173,941	-	-	16,625,106	Government grant and self-raised	3%
HCMT test bench	12,612,667	-	11,427,371	-	-	11,427,371	Self-raised	91%
Development of electrical drive system for passenger cars and tester of industrialized power drive	12,000,000	-	10,062,925	-	-	10,062,925	Self-raised	84%
Laboratory relocation and expansion project	13,138,000	7,157,711	2,803,638	-	-	9,961,349	Self-raised	76%
Changsha laboratory of CSL4 Signal system-engineering verification system	7,500,000	-	7,070,696	-	-	7,070,696	Self-raised	94%
Changsha laboratory of CSL3 Signal system-engineering verification system	5,500,000	-	5,146,569	-	-	5,146,569	Self-raised	94%
Data centre computer room	16,500,000	-	4,821,690	-	-	4,821,690	Self-raised	29%
Germany laboratory of CSL3 Signal system-engineering verification system	5,000,000	-	4,401,030	-	-	4,401,030	Self-raised	88%
High temperature ion implantation equipment	13,780,200	13,404,421	1,488,381	14,892,802	-	-	Self-raised	100%
PECVDS equipment	13,500,000	13,241,298	146,305	13,387,603	-	-	Government grant	100%
Low pressure chemical vapor deposition	11,372,775	7,105,167	4,821,673	11,926,840	-	-	Self-raised	100%
Renovation of logistics warehouse for passenger cars electrical drive system	28,980,000	6,947,364	63,208	7,010,572	-	-	Self-raised	29%
Power cycle tester of press pack IGBT	9,264,189	6,376,617	3,563,442	9,940,059	-	-	Self-raised	100%
Auto silver sintering equipment	5,929,748	5,218,349	579,265	5,797,614	-	-	Self-raised	98%
ICP etching machine	7,820,784	4,954,139	3,307,035	8,261,174	-	-	Self-raised	100%
Power curve tracer and semi-automatic probe station	4,893,776	3,004,741	1,965,824	4,970,565	-	-	Self-raised	100%
Others		37,035,688	76,314,717	82,693,617	271,775	30,928,563		
		<u>236,723,437</u>	<u>253,592,818</u>	<u>215,506,349</u>	<u>271,775</u>	<u>275,081,681</u>		

Note: The Group received special loan for the revamping and expansion of high voltage IGBT chip module production line. The capitalised interest for the current period amounts to RMB232,942 (unaudited) (1 January 2018 to 30 June 2018 (unaudited): RMB544,021). As at 30 June 2019, among the balances of construction in progress, the accumulated capitalised interest amounts to RMB3,266,924 (As at 30 June 2018: the accumulated capitalised interest was RMB2,910,590).

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Renminbi Yuan

V. NOTES TO KEY ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

15 Right-of-use assets

30 June 2019 (Unaudited)

	Land assets (Note)	Buildings	Machinery	Vehicles	Office facilities and others	Total
Cost						
Closing balance of prior period	-	75,218,151	-	2,252,749	-	77,470,900
Increase	14,231,912	15,204,008	1,620,608	-	108,658	31,165,186
Closing balance of current period	<u>14,231,912</u>	<u>90,422,159</u>	<u>1,620,608</u>	<u>2,252,749</u>	<u>108,658</u>	<u>108,636,086</u>
Accumulated depreciation						
Closing balance of prior period	-	-	-	-	-	-
Provision	-	9,100,608	771,696	365,878	-	10,238,182
Closing balance of current period	<u>-</u>	<u>9,100,608</u>	<u>771,696</u>	<u>365,878</u>	<u>-</u>	<u>10,238,182</u>
Net carrying value						
Closing balance	<u>14,231,912</u>	<u>81,321,551</u>	<u>848,912</u>	<u>1,886,871</u>	<u>108,658</u>	<u>98,397,904</u>
Opening balance	<u>-</u>	<u>75,218,151</u>	<u>-</u>	<u>2,252,749</u>	<u>-</u>	<u>77,470,900</u>

Note: Land assets are industrial land use rights rented by UK SMD (a subsidiary of the Group) from UK Land Estates (Partnership) Limited in 2019. The lease period is from 10 June 2019 to 9 June 2029, and the total rent is approximately RMB20,374,258.

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Renminbi Yuan

V. NOTES TO KEY ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

16. Intangible assets

30 June 2019 (Unaudited)

	Land use rights	Software licenses	Patents, licenses and technical know-how	Trademarks	Backlog orders and service contracts	Total
Cost						
Closing balance of prior period	228,873,766	155,956,632	726,361,052	121,466,800	52,924,818	1,285,583,068
Purchase	-	3,785,263	-	-	-	3,785,263
Transferred from development expenditure	-	-	12,773,308	-	-	12,773,308
Exchange realignment	119,122	655,984	4,375	491,401	214,111	1,484,993
Closing balance of current period	<u>228,992,888</u>	<u>160,397,879</u>	<u>739,138,735</u>	<u>121,958,201</u>	<u>53,138,929</u>	<u>1,303,626,632</u>
Accumulated amortization						
Closing balance of prior period	41,967,296	105,576,232	240,186,128	22,775,025	52,924,818	463,429,499
Increase	2,193,970	3,526,028	35,155,297	3,048,955	-	43,924,250
Exchange realignment	-	326,067	1,020	92,138	214,111	633,336
Closing balance of current period	<u>44,161,266</u>	<u>109,428,327</u>	<u>275,342,445</u>	<u>25,916,118</u>	<u>53,138,929</u>	<u>507,987,085</u>
Impairment provision						
Closing and opening balance	-	506,859	146,037,805	-	-	146,544,664
Net carrying value						
Closing balance	<u>184,831,622</u>	<u>50,462,693</u>	<u>317,758,485</u>	<u>96,042,083</u>	-	<u>649,094,883</u>
Opening balance	<u>186,906,470</u>	<u>49,873,541</u>	<u>340,137,119</u>	<u>98,691,775</u>	-	<u>675,608,905</u>

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Renminbi Yuan

V. NOTES TO KEY ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

16. Intangible assets (continued)

31 December 2018 (Audited)

	Land use rights	Software licenses	Patents, licenses and technical know-how	Trademarks	Backlog orders and service contracts	Total
Cost						
Closing balance of prior year	228,976,252	119,617,259	686,030,693	122,908,800	53,553,118	1,211,086,122
Purchase	-	36,729,878	1,080,933	-	-	37,810,811
Transferred from development expenditure	-	-	42,133,425	-	-	42,133,425
Decrease	-	(137,769)	-	-	-	(137,769)
Exchange realignment	(102,486)	(252,736)	(2,883,999)	(1,442,000)	(628,300)	(5,309,521)
Closing balance of current year	<u>228,873,766</u>	<u>155,956,632</u>	<u>726,361,052</u>	<u>121,466,800</u>	<u>52,924,818</u>	<u>1,285,583,068</u>
Accumulated amortization						
Closing balance of prior year	37,570,589	80,390,424	181,447,502	16,899,960	49,602,480	365,910,955
Increase	4,396,707	25,379,200	59,675,926	6,109,390	3,927,463	99,488,686
Decrease	-	(113,050)	-	-	-	(113,050)
Exchange realignment	-	(80,342)	(937,300)	(234,325)	(605,125)	(1,857,092)
Closing balance of current year	<u>41,967,296</u>	<u>105,576,232</u>	<u>240,186,128</u>	<u>22,775,025</u>	<u>52,924,818</u>	<u>463,429,499</u>
Impairment provision						
Closing and opening balance	<u>-</u>	<u>506,859</u>	<u>146,037,805</u>	<u>-</u>	<u>-</u>	<u>146,544,664</u>
Net carrying amount						
Closing balance	<u>186,906,470</u>	<u>49,873,541</u>	<u>340,137,119</u>	<u>98,691,775</u>	<u>-</u>	<u>675,608,905</u>
Opening balance	<u>191,405,663</u>	<u>38,719,976</u>	<u>358,545,386</u>	<u>106,008,840</u>	<u>3,950,638</u>	<u>698,630,503</u>

As at 30 June 2019 and 31 December 2018, the Group has no land use rights pledged to secured bank borrowings.

The land use rights related to the land located in Mainland China which is held under a term of 40-50 years.

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Renminbi Yuan

V. NOTES TO KEY ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

17. Development expenditure

30 June 2019 (Unaudited)

	Closing balance of prior period	Internal development	Decrease		Closing balance of current period
			Recognised as intangible assets	Recognised in profit or loss	
Research and development expenses	-	143,007,869	-	143,007,869	-
Development expenditure	<u>188,436,535</u>	<u>10,697,171</u>	<u>12,773,308</u>	<u>-</u>	<u>186,360,398</u>
	<u>188,436,535</u>	<u>153,705,040</u>	<u>12,773,308</u>	<u>143,007,869</u>	<u>186,360,398</u>

31 December 2018 (Audited)

	Closing balance of prior year	Internal development	Decrease		Closing balance of current year
			Recognised as intangible assets	Recognised in profit or loss	
Research and development expenses	-	1,442,970,390	-	1,442,970,390	-
Development expenditure	<u>113,520,722</u>	<u>117,049,238</u>	<u>42,133,425</u>	<u>-</u>	<u>188,436,535</u>
	<u>113,520,722</u>	<u>1,560,019,628</u>	<u>42,133,425</u>	<u>1,442,970,390</u>	<u>188,436,535</u>

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V. NOTES TO KEY ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

18. Goodwill

30 June 2019 (Unaudited)

	Closing balance of prior period	Exchange realignment	Closing balance of current period	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
Specialist Machine Developments (SMD) Limited ("SMD")	593,291,637	2,355,549	595,647,186	132,064,237	463,582,949
	<u>653,580,128</u>	<u>2,355,549</u>	<u>655,935,677</u>	<u>178,582,195</u>	<u>477,353,482</u>

31 December 2018 (Audited)

	Closing balance of prior year	Exchange realignment	Closing balance of current year	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	566,003,743	27,287,894	593,291,637	131,532,117	461,759,520
	<u>626,292,234</u>	<u>27,287,894</u>	<u>653,580,128</u>	<u>178,050,075</u>	<u>475,530,053</u>

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V. NOTES TO KEY ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

18. Goodwill (continued)

The movements of impairment of goodwill are as follows:

30 June 2019 (Unaudited)

	Closing balance of prior period	Exchange realignment	Closing balance of current period
Dynex	46,517,958	–	46,517,958
SMD	131,532,117	532,120	132,064,237
	<u>178,050,075</u>	<u>532,120</u>	<u>178,582,195</u>

31 December 2018 (Audited)

	Closing balance of prior year	Exchange realignment	Closing balance of current year
Dynex	46,517,958	–	46,517,958
SMD	125,482,420	6,049,697	131,532,117
	<u>172,000,378</u>	<u>6,049,697</u>	<u>178,050,075</u>

Notes to the Financial Statements

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Renminbi Yuan

V. NOTES TO KEY ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

19. Long-term deferred expenses

30 June 2019 (Unaudited)

	Closing balance of prior period	Increase (Note)	Amortized for the period	Closing balance of current period
Lease improvement	<u>31,924,398</u>	<u>20,605,410</u>	<u>3,629,963</u>	<u>48,899,845</u>

Note: Transfer from construction in progress of RMB13,109,554 was included in lease improvement for the period.

31 December 2018 (Audited)

	Closing balance of prior year	Increase	Amortized for the year	Closing balance of current year
Lease improvement	<u>12,396,018</u>	<u>21,707,193</u>	<u>2,178,813</u>	<u>31,924,398</u>

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For the six months ended 30 June 2019

Renminbi Yuan

V. NOTES TO KEY ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

20. Deferred tax assets/liabilities

Recognised deferred tax assets:

	30 June 2019 (Unaudited)		31 December 2018 (Audited)	
	Deductible temporary differences	Deferred tax assets	Deductible temporary differences	Deferred tax assets
Deferred tax assets				
Provision for product quality warranties	759,341,236	113,901,185	671,641,771	100,903,542
Provision for credit loss	356,134,380	53,776,709	337,234,920	50,823,115
Provision for impairment of assets	242,888,216	40,674,639	217,714,930	36,196,850
Government grant	503,594,830	75,872,594	457,600,893	68,977,426
Unrealized profits from internal transactions	760,012,029	114,001,804	517,058,735	77,558,810
Depreciation differences arising from different depreciation terms in tax laws and accounting	66,433,093	10,499,189	70,734,444	11,216,610
Deductible losses	126,777,175	25,503,487	137,386,548	27,144,943
Accrued expenses	64,240,268	9,636,040	60,322,294	9,129,159
Unpaid employee benefits accrued	209,442,263	32,607,301	67,791,131	10,186,263
Fair value through other comprehensive income	26,047,201	3,907,080	23,569,193	3,535,379
Others	12,435,679	1,865,352	13,843,697	2,076,555
	3,127,346,370	482,245,380	2,574,898,556	397,748,652

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Renminbi Yuan

V. NOTES TO KEY ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

20. Deferred tax assets/liabilities (continued)

Recognised deferred tax liabilities:

	30 June 2019 (Unaudited)		31 December 2018 (Audited)	
	Taxable temporary differences	Deferred tax liabilities	Taxable temporary differences	Deferred tax liabilities
Deferred tax liabilities				
Asset valuation appreciation	227,325,099	44,009,874	245,253,508	47,480,286
Depreciation differences arising from different depreciation terms in tax laws and accounting	23,043,085	6,106,417	26,395,649	6,994,847
	250,368,184	50,116,291	271,649,157	54,475,133

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

	30 June 2019 (Unaudited)	31 December 2018 (Audited)
Deductible losses	84,932,536	72,900,423
Deductible temporary differences	11,288,863	82,492,955
	96,221,399	155,393,378

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V. NOTES TO KEY ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

20. Deferred tax assets/liabilities (continued)

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

	30 June 2019 (Unaudited)	31 December 2018 (Audited)
2019	10,259,566	10,259,566
2020	480,208	480,208
2021	12,116,962	12,116,962
2022	11,913,401	11,913,401
2023	–	–
2024	3,172,929	–
Non-fixed period (Note)	46,989,470	38,130,286
	84,932,536	72,900,423

Note: There is no fixed term for carry-over of deductible losses generated by the Group's subsidiary CRRC Times Electric (Hong Kong) Co., Ltd. and Dynex Power Inc.

21 Other non-current assets

	30 June 2019 (Unaudited)	31 December 2018 (Audited)
Prepayments for acquisition of land use rights	42,831,600	42,831,600
Prepayments for purchase of machinery and equipment	149,866,260	134,303,142
Contract assets	27,012,711	24,088,224
	219,710,571	201,222,966

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Renminbi Yuan

V. NOTES TO KEY ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

22 Short-term borrowings

	30 June 2019 (Unaudited)	31 December 2018 (Audited)
Trusted loans	33,532,527	28,950,000
Other loans (Note)	178,029,716	139,296,814
	211,562,243	168,246,814

As at 30 June 2019, the annual interest rate of the above borrowings was ranging from 2.15%-3.50% (unaudited) (31 December 2018 (audited): 2.15%-3.50%).

Note: Pursuant to relevant borrowing agreements, the loans are entitled to priority to be repaid with certain assets if the Group is incapable of repayment. The carrying amounts of such assets are as follows:

	30 June 2019 (Unaudited)	31 December 2018 (Audited)
Cash and bank balances	23,831,139	18,548,506
Trade receivables	176,583,726	76,842,411
Other receivables	41,405,218	889,078
Prepayments	13,735,460	3,062,051
Inventories	130,822,070	27,718,697
Fixed assets	140,233,080	117,265,461
Construction in progress	2,783,649	3,271,707
	529,394,342	247,597,911

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For the six months ended 30 June 2019

Renminbi Yuan

V. NOTES TO KEY ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

23. Bills payable

	30 June 2019 (Unaudited)	31 December 2018 (Audited)
Commercial acceptance bills	291,988,000	506,281,231
Bank acceptance bills	1,312,972,292	1,843,192,385
	<u>1,604,960,292</u>	<u>2,349,473,616</u>

24. Trade payables

Trade payables are set out as follows:

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

	30 June 2019 (Unaudited)	31 December 2018 (Audited)
Within 3 months	2,476,193,765	2,523,831,740
3 months to 1 year	1,474,229,412	368,016,509
1 to 2 years	154,462,145	162,739,683
2 to 3 years	88,205,987	74,371,824
Over 3 years	163,911,632	97,670,109
	4,357,002,941	3,226,629,865
Less: Classified as long-term payables	41,525,173	41,525,173
	<u>4,315,477,768</u>	<u>3,185,104,692</u>

Notes to the Financial Statements

For the six months ended 30 June 2019

Renminbi Yuan

V. NOTES TO KEY ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

25. Advances from customers

	30 June 2019 (Unaudited)	31 December 2018 (Audited)
Within 1 year	–	6,505,530
1 to 2 years	–	216,717
2 to 3 years	–	775
Over 3 years	–	13,868
	<u>–</u>	<u>6,736,890</u>

26. Contract liabilities

	30 June 2019 (Unaudited)	31 December 2018 (Audited)
Within 1 year	356,196,523	503,931,074
1 to 2 years	97,814,345	128,621,384
2 to 3 years	11,751,182	9,975,907
Over 3 years	6,317,779	6,809,278
	<u>472,079,829</u>	<u>649,337,643</u>

Notes to the Financial Statements

For the six months ended 30 June 2019

Renminbi Yuan

V. NOTES TO KEY ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

27. Employee benefits payable

30 June 2019 (Unaudited)

	Closing balance of prior period	Increase	Decrease	Exchange realignment	Closing balance of current period
Short-term benefits	129,791,009	837,182,338	764,565,030	286,688	202,695,005
Benefits after demission (defined contribution plan)	6,049,954	121,284,686	120,153,991	12,349	7,192,998
	<u>135,840,963</u>	<u>958,467,024</u>	<u>884,719,021</u>	<u>299,037</u>	<u>209,888,003</u>

31 December 2018 (Audited)

	Closing balance of prior year	Increase	Decrease	Exchange realignment	Closing balance of current year
Short-term benefits	45,919,263	1,759,915,033	1,676,101,140	57,853	129,791,009
Benefits after demission (defined contribution plan)	1,303,938	231,574,162	226,846,696	18,550	6,049,954
	<u>47,223,201</u>	<u>1,991,489,195</u>	<u>1,902,947,836</u>	<u>76,403</u>	<u>135,840,963</u>

Notes to the Financial Statements

For the six months ended 30 June 2019

Renminbi Yuan

V. NOTES TO KEY ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

27. Employee benefits payable (continued)

Details of short-term benefits are as follows:

30 June 2019 (Unaudited)

	Closing balance of prior period	Increase	Decrease	Exchange realignment	Closing balance of current period
Salaries, bonuses, allowances and subsidies	70,430,343	667,178,131	598,898,801	247,210	138,956,883
Staff welfare	297,981	18,095,556	18,393,537	-	-
Social Insurance	816,431	58,580,941	58,143,571	-	1,253,801
Including: Basic medical insurance	349,389	32,015,706	31,823,756	-	541,339
Supplementary medical insurance	61,177	17,547,350	17,541,445	-	67,082
Work injury insurance	322,673	6,227,845	6,007,801	-	542,717
Maternity insurance	83,192	2,790,040	2,770,569	-	102,663
Housing fund	159,560	50,978,095	50,401,460	-	736,195
Union fund and employee education fund	57,041,073	23,959,798	21,407,735	-	59,593,136
Others	1,045,621	18,389,817	17,319,926	39,478	2,154,990
	<u>129,791,009</u>	<u>837,182,338</u>	<u>764,565,030</u>	<u>286,688</u>	<u>202,695,005</u>

31 December 2018 (Audited)

	Closing balance of prior year	Increase	Decrease	Exchange realignment	Closing balance of current year
Salaries, bonuses, allowances and subsidies	2,179,991	1,395,634,852	1,327,442,353	57,853	70,430,343
Staff welfare	52,009	65,217,502	64,971,530	-	297,981
Social Insurance	493,984	111,395,502	111,073,055	-	816,431
Including: Basic medical insurance	252,976	61,714,080	61,617,667	--	349,389
Supplementary medical insurance	60,710	31,274,546	31,274,079	-	61,177
Work injury insurance	119,708	13,205,985	13,003,020	-	322,673
Maternity insurance	60,590	5,200,891	5,178,289	-	83,192
Housing fund	75,941	99,992,390	99,908,771	-	159,560
Union fund and employee education fund	41,125,893	44,363,385	28,448,205	-	57,041,073
Others	1,991,445	43,311,402	44,257,226	-	1,045,621
	<u>45,919,263</u>	<u>1,759,915,033</u>	<u>1,676,101,140</u>	<u>57,853</u>	<u>129,791,009</u>

Notes to the Financial Statements

For the six months ended 30 June 2019

Renminbi Yuan

V. NOTES TO KEY ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

27. Employee benefits payable (continued)

Details of defined contribution plan are as follows:

30 June 2019 (Unaudited)

	Closing balance of prior period	Increase	Decrease	Exchange realignment	Closing balance of current period
Basic pension insurance	5,931,051	87,353,159	86,917,739	12,349	6,378,820
Unemployment insurance	47,518	2,938,927	2,843,531	-	142,914
Annuity	71,385	30,992,600	30,392,721	-	671,264
	<u>6,049,954</u>	<u>121,284,686</u>	<u>120,153,991</u>	<u>12,349</u>	<u>7,192,998</u>

31 December 2018 (Audited)

	Closing balance of prior year	Increase	Decrease	Exchange realignment	Closing balance of current year
Basic pension insurance	1,122,217	183,437,819	178,647,535	18,550	5,931,051
Unemployment insurance	109,064	5,875,473	5,937,019	-	47,518
Annuity	72,657	42,260,870	42,262,142	-	71,385
	<u>1,303,938</u>	<u>231,574,162</u>	<u>226,846,696</u>	<u>18,550</u>	<u>6,049,954</u>

Notes to the Financial Statements

For the six months ended 30 June 2019

Renminbi Yuan

V. NOTES TO KEY ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

28 Taxes payable

	30 June 2019 (Unaudited)	31 December 2018 (Audited)
Corporate income tax	69,008,531	40,102,635
VAT	50,270,888	119,280,489
City maintenance and construction and education surcharge	6,874,369	20,716,486
Individual income tax	22,389,722	68,469,801
Others	5,577,931	8,619,804
	<u>154,121,441</u>	<u>257,189,215</u>

29 Other payables

(1) The analysis of other payables by nature is as follows:

	30 June 2019 (Unaudited)	31 December 2018 (Audited)
Dividends payable (Note V. 37)	531,824,487	2,860,000
Interests payable	660,975	674,302
Other payables	590,760,818	665,537,693
	<u>1,123,246,280</u>	<u>669,071,995</u>

Notes to the Financial Statements

For the six months ended 30 June 2019

Renminbi Yuan

V. NOTES TO KEY ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

29 Other payables (continued)

(1) The analysis of other payables by nature is as follows: (continued)

Dividends payable

	30 June 2019 (Unaudited)	31 December 2018 (Audited)
Investors:		
CRRC Zhuzhou Institute Co., Ltd.	265,313,565	–
Foreign share listed in Hong Kong	246,298,230	–
CRRC Zhuzhou Locomotive Co., Ltd.	4,500,000	–
CRRC High-Tech Equipment Co., Ltd.	4,410,000	–
CRRC Investment & Leasing Co., Ltd.	4,221,346	–
Beijing Maohuan Rail Transit Industry Investment Management Partnership	4,221,346	–
CRRC Qingdao Sifang Co., Ltd.	1,976,000	1,976,000
Qingdao Hongda Schnell Science & Technology Co., Ltd.	884,000	884,000
	531,824,487	2,860,000

Others payables

	30 June 2019 (Unaudited)	31 December 2018 (Audited)
Deposits and pledges	347,520,297	302,372,983
Amounts due to related companies	161,519,686	173,717,724
Accrued expenses (Note)	64,240,268	60,322,294
Recovery of factoring	–	114,701,804
Withholding social insurance	8,128,456	12,815,466
Others	9,352,111	1,607,422
	590,760,818	665,537,693

Note: The accrued expenses are all amounts due to related companies.

Notes to the Financial Statements

For the six months ended 30 June 2019

Renminbi Yuan

V. NOTES TO KEY ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

29 Other payables (continued)

(2) The aging analysis of other payables are as follows:

	30 June 2019 (Unaudited)	31 December 2018 (Audited)
Within 1 year	821,370,702	377,539,668
1 to 2 years	64,623,851	70,083,440
2 to 3 years	17,590,917	65,397,029
Over 3 years	219,660,810	156,051,858
	<u>1,123,246,280</u>	<u>669,071,995</u>

30. Current portion of non-current liabilities

	30 June 2019 (Unaudited)	31 December 2018 (Audited)
Long-term borrowings due within one year (Note V. 32)	5,186,027	5,000,000
Lease liabilities due within one year (Note V. 33)	42,127,240	N/A
Provisions due within one year (Note V. 34)	348,195,921	297,750,776
	<u>395,509,188</u>	<u>302,750,776</u>

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

	30 June 2019 (Unaudited)	31 December 2018 (Audited)
Trusted loans	<u>5,186,027</u>	<u>5,000,000</u>

Notes to the Financial Statements

For the six months ended 30 June 2019

Renminbi Yuan

V. NOTES TO KEY ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

31. Other current liabilities

	30 June 2019 (Unaudited)	31 December 2018 (Audited)
VAT collected in advance	61,370,378	–

32. Long-term borrowings

	30 June 2019 (Unaudited)	31 December 2018 (Audited)
Trusted loans	235,450,424	237,329,655
Less: Long-term borrowings due within one year (Note V. 30)	5,186,027	5,000,000
	230,264,397	232,329,655

Maturity analysis:

	30 June 2019 (Unaudited)	31 December 2018 (Audited)
Due within 1 year	5,186,027	5,000,000
Due within 1 to 2 years	5,377,739	5,056,915
Due within 2 to 5 years	154,698,658	154,584,740
Due more than 5 years	70,188,000	72,688,000
	235,450,424	237,329,655

As at 30 June 2019, the annual interest rate of the above borrowings were 1.08%-5.16% (unaudited) (31 December 2018 (audited): 2.30%-4.92%).

Notes to the Financial Statements

For the six months ended 30 June 2019

Renminbi Yuan

V. NOTES TO KEY ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

33. Lease liabilities

	30 June 2019 <i>(Unaudited)</i>
Lease liabilities	103,290,309
Less: Classified as current portion of non-current liabilities (Note V. 30)	<u>42,127,240</u>
Total	<u><u>61,163,069</u></u>

34. Provisions

30 June 2019 (Unaudited)

	Closing balance of prior period	Increase	Decrease	Exchange realignment	Closing balance of current period
Provision for product quality warranties	671,641,771	<u>354,987,946</u>	<u>267,285,586</u>	<u>(2,895)</u>	759,341,236
Less: Provisions due within one year (Note V. 30)	<u>297,750,776</u>				<u>348,195,921</u>
	<u><u>373,890,995</u></u>				<u><u>411,145,315</u></u>

Notes to the Financial Statements

For the six months ended 30 June 2019

Renminbi Yuan

V. NOTES TO KEY ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

34. Provisions (continued)

2018 (Audited)

	Closing balance of prior year	Increase	Decrease	Exchange realignment	Closing balance of current year
Provision for product quality warranties	554,613,997	<u>711,912,824</u>	<u>594,869,516</u>	<u>(15,534)</u>	671,641,771
Less: Provisions due within one year	<u>220,405,849</u>				<u>297,750,776</u>
	<u>334,208,148</u>				<u>373,890,995</u>

35. Deferred income

	30 June 2019 (Unaudited)	31 December 2018 (Audited)
Government grant related to assets	315,440,750	272,403,248
Government grant related to incomes	188,154,080	<u>188,797,645</u>
Total:	<u>503,594,830</u>	<u>461,200,893</u>
Including: Deferred income amortized within 1 year	<u>109,637,402</u>	<u>113,142,931</u>

Notes to the Financial Statements

For the six months ended 30 June 2019

Renminbi Yuan

V. NOTES TO KEY ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

35. Deferred income (continued)

Liabilities relevant to government grants as at 30 June 2019 are listed as follows: (Unaudited)

	Closing balance of prior period	Increase	Recognised as other income	Closing balance of current period	Related to asset/income
(Power electronics) integrated manufacturing technology R&D and industrialization of devices	77,456,200	–	(223,100)	77,233,100	Income
The revamping of high voltage and low voltage IGBT chip module production line	50,000,000	–	–	50,000,000	Asset
Construction of R&D and trial-manufacture center of IGBT for electric vehicles	50,000,000	–	–	50,000,000	Asset
8-inch IGBT intelligent manufacturing and digital factory construction item	42,000,000	–	–	42,000,000	Asset
Research on key technologies of high speed maglev transportation	39,670,000	16,120,000	–	55,790,000	Income
8 MW golden sun demonstration project	21,783,334	–	(5,445,833)	16,337,501	Asset
Industrial foundation fortification project-production of IGBT module for alternative fuel automobiles	23,340,000	–	–	23,340,000	Asset
Maotangao staff dorm building construction project	18,613,718	–	(227,459)	18,386,259	Asset
SIC-based power electronic devices lab & fab construction project (SIC base industrial construction project fund)	17,000,000	–	–	17,000,000	Asset
Development of high performance automotive motor controller based on SiC module	–	4,063,600	–	4,063,600	Income
Basic construction compensation	8,379,936	–	(103,456)	8,276,480	Asset
1MW photo voltaic power generation system construction project	2,691,667	–	(950,000)	1,741,667	Asset
Construction of power semiconductor national manufacturing innovation center	–	10,000,000	–	10,000,000	Income
(Power electronics) research for power electronic devices & built for production line	4,400,000	–	(200,000)	4,200,000	Asset
Construction of intelligent manufacturing works for core components of rolling stock (Manufacturing center)	5,000,000	–	–	5,000,000	Asset
Hunan governmental earmark on the development of mobile internet industry in 2016	5,000,000	–	–	5,000,000	Asset
Test platforms of power electronics devices & electric drive systems	937,500	–	(125,000)	812,500	Asset
R&D, industrialization of 6-inch SiC wafer and application in high power IGBT	7,932,505	22,018,400	(5,973,033)	23,977,872	Asset
Others	86,996,033	32,639,763	(29,199,945)	90,435,851	Asset/Income
	<u>461,200,893</u>	<u>84,841,763</u>	<u>(42,447,826)</u>	<u>503,594,830</u>	

Notes to the Financial Statements

For the six months ended 30 June 2019

Renminbi Yuan

V. NOTES TO KEY ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

35. Deferred income (continued)

Liabilities relevant to government grants as at 31 December 2018 are listed as follows: (Audited)

	Closing balance of prior year	Increase	Recognised as other income/ non-operating income	Closing balance of current year	Related to asset/income
(Power electronics) integrated manufacturing technology R&D and industrialization of SIC based power electronic devices	73,536,200	3,920,000	–	77,456,200	Income
The revamping of high voltage and low voltage IGBT chip module production line	50,000,000	–	–	50,000,000	Asset
Construction of R&D and trial-manufacturing center of IGBT for electric vehicles	50,000,000	–	–	50,000,000	Asset
8-inch IGBT intelligent manufacturing and digital factory construction item	–	42,000,000	–	42,000,000	Asset
8 MW golden sun demonstration project	32,675,000	–	(10,891,666)	21,783,334	Asset
Industrial foundation fortification project-production of IGBT module for alternative fuel automobiles	23,340,000	–	–	23,340,000	Asset
Maotangao staff dorm building construction project	19,068,636	–	(454,918)	18,613,718	Asset
SIC-based power electronic devices lab & fab construction project (SIC base industrial construction project fund)	17,000,000	–	–	17,000,000	Asset
Research on key technologies of high speed maglev transportation	15,800,000	23,870,000	–	39,670,000	Income
R&D, industrialization of 6-inch SIC wafer and application in high power IGBT	12,000,000	–	(4,067,495)	7,932,505	Asset
Basic construction compensation	8,586,848	–	(206,912)	8,379,936	Asset
Construction of intelligent manufacturing works for core components of rolling stock	5,000,000	–	–	5,000,000	Asset
Hunan governmental earmark on the development of mobile internet industry in 2016	5,000,000	–	–	5,000,000	Asset
(Power electronics) research for power electronic devices & built for production line	4,800,000	–	(400,000)	4,400,000	Asset
Photovoltaic power generation comprehensive test system construction project	4,591,667	–	(1,900,000)	2,691,667	Asset
Industrialization of 200KM EMU AC drive & network control system and ATP control device	4,591,667	–	(1,900,000)	2,691,667	Asset
Test platforms of power electronics devices & electric drive systems	1,187,500	–	(250,000)	937,500	Asset
Manufacturing equipment and complete process of large-scale integrated circuit	–	31,913,800	(31,913,800)	–	Income
Others	88,273,098	67,169,396	(71,138,128)	84,304,366	Asset/Income
	<u>415,450,616</u>	<u>168,873,196</u>	<u>(123,122,919)</u>	<u>461,200,893</u>	

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Renminbi Yuan

V. NOTES TO KEY ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

36. Capital reserve

30 June 2019 (Unaudited)

	Closing balance of prior period	Decrease (Note)	Closing balance of current period
Capital reserve	<u>3,369,786,541</u>	<u>39,968,256</u>	<u>3,329,818,285</u>

Note: In March 2019, the Company acquired all of the 25% minority interest of the subsidiary Dynex Power Inc. ("Dynex"). The relevant equity transfer procedures were completed on 15 March 2019 (Canada time), and Dynex was delisted from the Toronto Stock Exchange at the close of trading on 19 March 2019. After the transaction, Dynex became a wholly-owned subsidiary of the Company. See Note VII. 2 for details.

37. Retained earnings

	From 1 January 2019 to 30 June 2019 (Unaudited)	2018 (Audited)
Retained earnings at the end of prior year	13,603,735,926	11,723,779,095
Add: Net profit attributable to shareholders of the Parent	1,066,277,881	2,612,487,749
Less: Appropriation to statutory surplus reserve	–	194,189,238
Cash dividends paid (Note 1)	528,964,487	528,964,487
Other decreases (Note 2)	–	<u>9,377,193</u>
Retained earnings at the end of the year/period	<u>14,141,049,320</u>	<u>13,603,735,926</u>

Note 1: The 2018 scheme of profit distribution proposal of the Company has been reviewed and approved in the 2018 Annual General Meeting held on 20 June 2019, 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).

The 2017 scheme of profit distribution of the Company had been reviewed and approved in the 2017 Annual General Meeting held on 8 June 2018, 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 (audited).

The board of directors do not recommend the payment of an interim dividend (from 1 January 2018 to 30 June 2018: Nil).

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For the six months ended 30 June 2019

Renminbi Yuan

V. NOTES TO KEY ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

37. Retained earnings (continued)

Note 2: As the Company absorbed and merged its wholly-owned subsidiary Zhuzhou CRRC Times Equipment Technology Co., Ltd. ("Times Equipment"), it transferred the surplus reserve of RMB9,347,986 which had been provided by Times Equipment from retained earnings to surplus reserve of the Company, resulting in a decrease in retained earnings by RMB9,347,986.

Due to the loss of control arising from the capital increase by minority shareholders, the Group measured the investment in Wenzhou Electric under equity method and adjusted the surplus reserve and retained earnings of the Group, resulting in a decrease in retained earnings by RMB29,207.

38. Revenue and cost of sales

(1) Revenue is stated as follows:

	From 1 January 2019 to 30 June 2019 (Unaudited)	From 1 January 2018 to 30 June 2018 (Unaudited)
Revenue from principal operations	6,401,307,908	6,282,066,246
Other operating income	23,808,036	38,397,174
	<u>6,425,115,944</u>	<u>6,320,463,420</u>

(2) Details of revenue is listed as follows:

	From 1 January 2019 to 30 June 2019 (Unaudited)	From 1 January 2018 to 30 June 2018 (Unaudited)
Revenue from sales of goods and materials	5,837,343,470	5,577,855,675
Maintenance income	355,401,897	472,973,844
Revenue from construction contracts	214,638,411	233,900,144
Technical service income	11,965,656	23,026,721
Other revenue	5,766,510	12,707,036
	<u>6,425,115,944</u>	<u>6,320,463,420</u>

Notes to the Financial Statements

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Renminbi Yuan

V. NOTES TO KEY ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

38. Revenue and cost of sales (continued)

(3) Significant performance obligations

Sales of goods and materials

The Group principally engages in sales of on-board electric system and components. The Group recognises revenue at the timing that the customer obtains control over the goods. The Group mainly adopts land transportation and recognises revenue upon receipts and approval of the goods as qualified by the customer.

Prepayments received by the customer before delivery of electric equipment and goods are recognised as contract liabilities in the consolidated financial statements. The sales course of electric equipment has no significant financing component and right of return existed.

Maintenance income

The Group's repair and maintenance business is mainly to repair and maintain on-board electric system and components. The Group recognises revenue using input method based on performance progress during performance obligation of repair and maintenance.

Revenue from construction contracts

The Group's revenue from construction contract mainly arises from production of marine engineering products such as deep-water robot. The Group mainly adopts marine transportation and recognises revenue upon receipts and approval of the goods as qualified by the customer.

Prepayments received by the customer before delivery of marine engineering products are recognised as contract liabilities in the consolidated financial statements. The sales course of marine engineering products has no significant financing component and right of return existed.

(4) Cost of sales is stated as follows:

	From 1 January 2019 to 30 June 2019 (Unaudited)	From 1 January 2018 to 30 June 2018 (Unaudited)
Cost of sales from principal operations	3,915,303,479	3,872,883,844
Other operating cost	13,016,494	14,924,532
	<u>3,928,319,973</u>	<u>3,887,808,376</u>

Notes to the Financial Statements

For the six months ended 30 June 2019

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V. NOTES TO KEY ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

39. Finance costs

	From 1 January 2019 to 30 June 2019 (Unaudited)	From 1 January 2018 to 30 June 2018 (Unaudited)
Interest expenses (Note)	10,806,398	4,886,493
Less: Capitalised interests	232,942	544,021
Interest income	(15,171,792)	(34,036,633)
Exchange losses	11,174,667	8,501,721
Others	3,713,699	4,305,115
	<u>10,290,030</u>	<u>(16,887,325)</u>

Note: The interest expenses from 1 January 2019 to 30 June 2019 include the interest expenses of RMB1,319,892 accrued for lease liabilities during the lease term.

40. Other income

	From 1 January 2019 to 30 June 2019 (Unaudited)	From 1 January 2018 to 30 June 2018 (Unaudited)
Refunds of VAT	104,196,811	106,979,729
Technology project fund	33,652,141	16,181,748
Refunds of other tax	–	2,499,042
Government rewards	8,795,685	1,320,032
	<u>146,644,637</u>	<u>126,980,551</u>

Notes to the Financial Statements

For the six months ended 30 June 2019

Renminbi Yuan

V. NOTES TO KEY ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

41. Investment income

	From 1 January 2019 to 30 June 2019 (Unaudited)	From 1 January 2018 to 30 June 2018 (Unaudited)
Income from non-listed investments:		
Long-term equity investments loss under the equity method	(6,128,167)	(7,669,962)
Bank financial products income	42,121,912	15,886,268
Income from disposal of other equity instruments	51,083	–
	<u>36,044,828</u>	<u>8,216,306</u>

42. Gains on fair value changes

	From 1 January 2019 to 30 June 2019 (Unaudited)	From 1 January 2018 to 30 June 2018 (Unaudited)
Derivative finance instrument		
Forward foreign exchange contracts		
– Gains on fair value changes (Note V. 3)	<u>10,816,543</u>	<u>2,741,958</u>

Notes to the Financial Statements

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V. NOTES TO KEY ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

43. Credit impairment losses

	From 1 January 2019 to 30 June 2019 (Unaudited)	From 1 January 2018 to 30 June 2018 (Unaudited)
Credit impairment losses of bills receivable	(28,924,135)	–
Credit impairment losses of trade receivables	30,838,728	86,351,662
Credit impairment losses of other receivables	(88,759)	1,992,529
Credit impairment losses of contract assets	20,539,844	–
Credit impairment losses of long-term receivables	–	809,904
	<u>22,365,678</u>	<u>89,154,095</u>

44. Asset impairment losses

	From 1 January 2019 to 30 June 2019 (Unaudited)	From 1 January 2018 to 30 June 2018 (Unaudited)
Impairment loss of inventories	<u>32,847,182</u>	<u>20,433,790</u>

45. Gains on disposal of non-current assets

	From 1 January 2019 to 30 June 2019 (Unaudited)	From 1 January 2018 to 30 June 2018 (Unaudited)
Gains on disposal of non-current assets	481,130	1,732,615
Losses on disposal of non-current assets	(19,858)	(197,410)
	<u>461,272</u>	<u>1,535,205</u>

Notes to the Financial Statements

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Renminbi Yuan

V. NOTES TO KEY ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

46. Non-operating income

	From 1 January 2019 to 30 June 2019 (Unaudited)	From 1 January 2018 to 30 June 2018 (Unaudited)
Penalty income and default compensation income	2,282,139	1,450,081
Government grants non-related to daily activities	–	39,220
Unsettled payment	13,151	–
Others	1,828,150	1,166,244
	4,123,440	2,655,545

47. Non-operating expenses

	From 1 January 2019 to 30 June 2019 (Unaudited)	From 1 January 2018 to 30 June 2018 (Unaudited)
Losses on penalties and compensation	98,620	635,896
Others	666,416	148,227
	765,036	784,123

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V. NOTES TO KEY ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

48. Expenses by nature

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

	From 1 January 2019 to 30 June 2019 (Unaudited)	From 1 January 2018 to 30 June 2018 (Unaudited)
Consumption of raw materials and semi-finished products	3,537,645,357	4,007,916,050
Inventory movements of finished goods and work in progress	106,123,431	(346,503,495)
Staff costs	958,467,024	879,220,056
Depreciation of fixed assets	165,213,046	162,019,774
Depreciation of right-of-use assets	10,238,182	–
Amortization of intangible assets	43,924,250	52,964,480
Amortization of long-term deferred expenses	3,629,963	611,662
Provision for product quality warranties	354,987,946	125,459,566
Research and development expenses	609,880,616	591,930,205

49. Income tax expense

	From 1 January 2019 to 30 June 2019 (Unaudited)	From 1 January 2018 to 30 June 2018 (Unaudited)
Current income tax expense		
– Mainland China	175,740,396	206,955,986
– Other countries and regions	3,128,702	(6,951,060)
	178,869,098	200,004,926
Deferred tax expense	(87,921,328)	(27,455,182)
	90,947,770	172,549,744

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V. NOTES TO KEY ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

49. Income tax expense (continued)

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

	From 1 January 2019 to 30 June 2019 (Unaudited)	From 1 January 2018 to 30 June 2018 (Unaudited)
Total profit	<u>1,174,647,052</u>	<u>1,227,941,574</u>
Income tax expense at statutory tax rate of 25% (Note)	293,661,763	306,985,394
Effect of different income tax rates for overseas entities	1,304,790	3,799,176
Effect of preferential tax rate applicable to the Company and its certain subsidiaries	(99,492,945)	(144,475,085)
Profits and losses attributable to associates and joint ventures	1,532,042	1,108,255
Income not subject to tax	(2,149,563)	(2,714,726)
Income tax benefits on research and development expenses	(87,758,260)	(21,402,840)
Expenses not deductible for tax	8,916,041	19,659,266
Deductible temporary differences and deductible losses not recognised	3,019,121	12,883,853
Utilization of deductible temporary differences not recognised in the prior years	(17,812,116)	–
Differences of annual filing	(10,273,103)	(3,293,549)
Income tax expense at the Group's effective tax rate	<u>90,947,770</u>	<u>172,549,744</u>

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.

Notes to the Financial Statements

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Renminbi Yuan

V. NOTES TO KEY ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

50. 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:

	From 1 January 2019 to 30 June 2019 (Unaudited)	From 1 January 2018 to 30 June 2018 (Unaudited)
Earnings		
Net profit for the period attributable to ordinary shareholders of the Company	<u>1,066,277,881</u>	<u>1,040,257,544</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>0.91</u>	<u>0.88</u>
Diluted earnings per share (yuan/share)	<u>N/A</u>	<u>N/A</u>

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

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Renminbi Yuan

V. NOTES TO KEY ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

51. Supplementary information to the statement of cash flows

(1) Supplementary information to the statement of cash flows

	From 1 January 2019 to 30 June 2019 (Unaudited)	From 1 January 2018 to 30 June 2018 (Unaudited)
Reconciliation of net profit to cash flows from operating activities:		
Net profit	1,083,699,282	1,055,391,830
Add: Asset impairment losses	32,847,182	20,433,790
Credit impairment losses	22,365,678	89,154,095
Depreciation of fixed assets	165,213,046	162,019,774
Amortization of intangible assets	43,924,250	52,964,480
Depreciation of right-of-use assets	10,238,182	–
Increase in special reserves	5,825,305	4,115,818
Amortization of long-term deferred expenses	3,629,963	611,662
Gains on disposal of fixed assets, intangible assets and other long-term assets	(461,272)	(1,535,205)
Finance costs	(9,886,552)	4,342,472
Rent paid under the new lease standard	13,785,294	–
Investment income	(36,044,828)	(8,216,306)
Gains on fair value changes	(10,816,543)	(2,741,958)
Increase in deferred tax assets	(83,562,486)	(16,713,430)
Decrease in deferred tax liabilities	(4,358,842)	(10,741,752)
Increase in inventories	(715,181,480)	(619,878,653)
(Increase) Decrease in operating receivables	(1,911,761,369)	1,216,698,917
Increase in operating payables	391,222,745	182,432,666
Net cash flows from operating activities	<u>(999,322,445)</u>	<u>2,128,338,200</u>

Notes to the Financial Statements

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Renminbi Yuan

V. NOTES TO KEY ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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

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

Movement in cash and cash equivalents:

	From 1 January 2019 to 30 June 2019 (Unaudited)	From 1 January 2018 to 31 December 2018 (Audited)
Closing balance of cash	4,067,132,259	4,381,012,798
Less: Opening balance of cash	4,381,012,798	3,422,194,522
Net change of cash and cash equivalents	<u>(313,880,539)</u>	<u>958,818,276</u>

(2) Cash and cash equivalents

	30 June 2019 (Unaudited)	31 December 2018 (Audited)
Cash		
Including: Cash on hand	–	61,065
Bank deposits on demand	4,014,132,259	4,345,951,733
Time deposits	53,000,000	35,000,000
Closing balance of cash and cash equivalents	<u>4,067,132,259</u>	<u>4,381,012,798</u>

Notes to the Financial Statements

For the six months ended 30 June 2019

Renminbi Yuan

V. NOTES TO KEY ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

52 Other comprehensive income

30 June 2019 (Unaudited)

	Opening balance of current period <i>RMB</i>	Amount incurred for current period before income tax <i>RMB</i>	Less: Previously- transferred to OCI but to profit or loss for the current period <i>RMB</i>	Less: Income tax expenses <i>RMB</i>	Attributable to shareholders of the Parent company after income tax <i>RMB</i>	Attributable to minority interests after income tax <i>RMB</i>	Closing balance of current period <i>RMB</i>
Changes in fair value of financial assets	(19,941,139)	(26,047,201)	(23,569,193)	(371,701)	(2,106,307)	-	(22,047,446)
Exchange realignment	(118,140,714)	(8,458,515)	-	-	(8,607,123)	148,608	(126,747,837)
	<u>(138,081,853)</u>	<u>(34,505,716)</u>	<u>(23,569,193)</u>	<u>(371,701)</u>	<u>(10,713,430)</u>	<u>148,608</u>	<u>(148,795,283)</u>

31 December 2018 (Audited)

	Opening balance of current year <i>RMB</i>	Amount incurred for current year before income tax <i>RMB</i>	Less: Previously- transferred to OCI but to profit or loss for the current year <i>RMB</i>	Less: Income tax expenses <i>RMB</i>	Attributable to shareholders of the Parent company after income tax <i>RMB</i>	Attributable to minority interests after income tax <i>RMB</i>	Closing balance of current year <i>RMB</i>
Changes in fair value of financial assets	(13,384,000)	(23,569,193)	(15,904,000)	(1,148,379)	(6,557,139)	40,325	(19,941,139)
Exchange realignment	(116,467,835)	(2,281,980)	-	-	(1,672,879)	(609,101)	(118,140,714)
	<u>(129,851,835)</u>	<u>(25,851,173)</u>	<u>(15,904,000)</u>	<u>(1,148,379)</u>	<u>(8,230,018)</u>	<u>(568,776)</u>	<u>(138,081,853)</u>

Notes to the Financial Statements

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Renminbi Yuan

V. NOTES TO KEY ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

53. Assets with restrictions on title

	30 June 2019 (Unaudited)	31 December 2018 (Audited)
Pledged cash and bank balances	<u>13,386,372</u>	<u>13,366,352</u>

As at 30 June 2019, the cash and bank balances of RMB13,386,372 (unaudited) (31 December 2018 (audited): RMB13,366,352) is used as security deposits by the Group for letters of guarantee from bank.

VI. CHANGES IN SCOPE OF CONSOLIDATION

1. Establishment of subsidiary

In December 2018, Baoji CRRC Times Engineering Machinery Co., Ltd. ("Baoji Times"), subsidiary of the Group, and CRRC Times Taiyuan Locomotive and Rolling Stock Co., Ltd. jointly established Taiyuan CRRC Times Railway Engineering Machinery Co., Ltd. ("Taiyuan Times") with the registered capital of RMB50 million. As the Group holds 55% of equity interests and has a majority of voting seats on the board of directors in Taiyuan Times, the Group is considered to have control over Taiyuan Times.

Zhuzhou CRRC Times Semiconductor Co., LTD. ("Times Semiconductor") is a wholly owned subsidiary newly established by the Company in January 2019 with the registered capital of RMB300 million. The industrial and commercial registration was completed on 18 January 2019, but the capital contribution has not been paid as of 30 June 2019.

Notes to the Financial Statements

For the six months ended 30 June 2019

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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	Manufacturing	100%	–	100%
Times Electronics	Zhuzhou, Hunan	RMB80,000,000	Manufacturing	100%	–	100%
Shenyang CRRC Times Transportation Technology Co., Ltd. ("Shenyang Times")	Shenyang, Liaoning	RMB56,000,000	Manufacturing	100%	–	100%
Times Semiconductor (Note VI.1)	Zhuzhou, Hunan	RMB300,000,000	Manufacturing	100%	–	100%
Baoji Times	Baoji, Shanxi	RMB281,655,300	Manufacturing	85.8%	–	85.8%
Taiyuan Times	Taiyuan, Shanxi	RMB50,000,000	Manufacturing	–	55%	55%
Kunming CRRC Times Electric Equipment Co., Ltd. ("Kunming Electric")	Kunming, Yunnan	RMB55,000,000	Manufacturing	100%	–	100%
Hangzhou CRRC Times Electric Equipment Co., Ltd. ("Hangzhou Electric")	Hangzhou, Zhejiang	RMB75,000,000	Manufacturing	60%	–	60%
Guangzhou CRRC Times Electric Technology Co., Ltd. ("Guangzhou Times")	Guangzhou, Guangdong	RMB30,000,000	Manufacturing	60%	–	60%
CRRC Times Electric (Hong Kong) Co., Ltd. ("HK Electric")	Hong Kong	HKD856,952,000	Investment holding	100%	–	100%
Ningbo CRRC Times Electrical Equipment Co., Ltd. ("Ningbo Electric")	Ningbo, Zhejiang	RMB10,000,000	Manufacturing	100%	–	100%
Chengdu CRRC Times Electric Technology Co., Ltd. ("Chengdu Electric")	Chengdu, Sichuan	RMB30,000,000	Manufacturing	100%	–	100%
Qingdao Electric	Qingdao, Shandong	RMB100,000,000	Manufacturing	45%	–	45%
Shanghai CRRC Rail Transit Technology Co., Ltd. ("Shanghai CRRC Rail Transit")	Shanghai	RMB50,000,000	Manufacturing	51%	–	51%
Times Software	Zhuzhou, Hunan	RMB100,000,000	Software service	100%	–	100%
Times Signal & Communication	Changsha, Hunan	RMB229,000,000	Manufacturing	100%	–	100%
Lanzhou CRRC Times Rail Transit Technology Co., Ltd. ("Lanzhou Times")	Lanzhou, Gansu	RMB50,000,000	Manufacturing	51%	–	51%
Specialist Machine Developments (Shanghai) Co., Ltd. ("Shanghai SMD")	Shanghai	RMB30,000,000	Manufacturing	100%	–	100%
CRRC Times Electric Australia Pty. Ltd. ("Times Australia")	Australia	AUD290,000	Trading	100%	–	100%

Notes to the Financial Statements

For the six months ended 30 June 2019

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VII. INTERESTS IN OTHER ENTITIES (continued)

1. Interests in subsidiaries (continued)

Names of companies	Place of registration/ Principal place of business	Registered capital	Nature of business	Proportion of shareholding		Proportion of votes
				Direct	Indirect	
CRRC Times Electric USA, LLC ("Times USA")	USA	USD430,000	Trading	100%	–	100%
CRRC Times Electric Brasil Ltda. ("Times Brasil")	Brazil	USD741,820	Trading	99%	1%	100%
By business combination not involving entities under common control						
Dynex (Note VII.2)	Canada	CAD37,096,192	Investment holding	100%	–	100%
Dynex Semiconductor Limited ("Dynex Semiconductor")	United Kingdom	GBP15,000,000	Manufacturing	–	100%	100%
SMD	United Kingdom	GBP44,049,014	Investment holding	–	100%	100%
Soil Machine Dynamics Limited	United Kingdom	GBP100	Manufacturing	–	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	Manufacturing	–	100%	100%
SMD do Brasil Ltd.	Brazil	BRL100	Trading	–	100%	100%
By business combination involving entities under common control						
ZNERCC	Zhuzhou, Hunan	RMB273,000,000	Manufacturing	100%	–	100%
Shanghai CNR Yongdian Electronic Technology Co., Ltd. ("Shanghai Yongdian")	Shanghai	RMB60,000,000	Manufacturing	100%	–	100%

Subsidiary with significant non-controlling interests is as follows:

From 1 January 2019 to 30 June 2019 (Unaudited)

	Proportion in non-controlling interests	Profits attributable to non-controlling shareholders	Dividends paid to non-controlling shareholders	Accumulated non-controlling interests
Baoji Times	14.2%	996,647	–	92,107,156

Notes to the Financial Statements

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VII. INTERESTS IN OTHER ENTITIES (continued)

1. Interests in subsidiaries (continued)

Subsidiary with significant non-controlling interests is as follows: (continued)

2018 (Audited)

	Proportion in non-controlling interests	Profits attributable to non-controlling shareholders	Dividends paid to non-controlling shareholders	Accumulated non-controlling interests
Baoji Times	14.2%	23,503,261	(12,780,000)	91,120,080

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

	Baoji Times
30 June 2019 (Unaudited)	
Current assets	2,328,776,180
Non-current assets	178,710,062
Total assets	2,507,486,242
Current liabilities	1,817,422,300
Non-current liabilities	18,841,247
Total liabilities	1,836,263,547
From 1 January 2019 to 30 June 2019 (Unaudited)	
Revenue	787,430,492
Net profit	7,018,642
Total comprehensive income	6,066,354
Net cash flows from operating activities	(263,694,178)

Notes to the Financial Statements

For the six months ended 30 June 2019

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VII. INTERESTS IN OTHER ENTITIES (continued)

1. Interests in subsidiaries (continued)

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

	Baoji Times
31 December 2018 (Audited)	
Current assets	2,431,437,237
Non-current assets	<u>185,098,077</u>
Total assets	<u>2,616,535,314</u>
Current liabilities	1,974,716,524
Non-current liabilities	<u>128,083</u>
Total liabilities	<u>1,974,844,607</u>
2018 (Audited)	
Revenue	2,720,223,956
Net profit	165,515,922
Total comprehensive income	<u>164,863,279</u>
Net cash flows from operating activities	<u><u>33,540,140</u></u>

2. Transaction which leads to change in shares of owners' equity in subsidiary without loss of control over subsidiary

(1) Description of change in the share of owners' equity in subsidiary

In March 2019, the Company acquired all the outstanding non-controlling interests (25%) in its subsidiary Dynex Power Inc. ("Dynex"). The equity transfer was completed on 15 March 2019, Canadian Time, and Dynex was then delisted from the Toronto Stock Exchange upon the closing of trading on 19 March 2019. After the transaction, Dynex became a wholly-owned subsidiary of the Company.

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VII. INTERESTS IN OTHER ENTITIES (continued)

2. Transaction which leads to change in shares of owners' equity in subsidiary without loss of control over subsidiary (continued)

(2) Effects of the transaction on non-controlling interests and owners' equity of the parent company

Item	Dynex
Cost of acquisition	
– Cash	65,938,492
Total	<u>65,938,492</u>
Less: Share of net assets of subsidiary based on the shareholding proportion acquired	<u>25,970,236</u>
Difference	<u>39,968,256</u>
Including: Adjustment to capital reserve	<u>39,968,256</u>

3. 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	Manufacturing	USD14,000,000	50%	–	Equity method
Shanghai Shentong CRRC	Shanghai	Service industry R&D and technical	RMB10,000,000	50%	–	Equity method
Wenzhou Electric	Wenzhou, Zhejiang	Manufacturing	RMB30,600,000	50%	–	Equity method
Associates						
Zhuzhou Siemens	Zhuzhou, Hunan	Manufacturing	RMB128,989,000	30%	–	Equity method
CRRC Wabtec	Changsha, Hunan	Manufacturing	RMB32,500,000	50%	–	Equity method
Guoxin Technology	Zhuzhou, Hunan	Manufacturing	RMB500,000,000	25%	–	Equity method
CRRC Hofer	Wuxi, Jiangsu	Manufacturing	EUR40,000,000	–	49%	Equity method

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VII. INTERESTS IN OTHER ENTITIES (continued)

3. Interests in joint ventures and associates (continued)

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

	30 June 2019 (Unaudited)	31 December 2018 (Audited)
Current assets	470,807,825	417,867,139
Including: Cash and bank balances	329,959,374	281,281,951
Non-current assets	52,679,383	55,227,543
Total assets	523,487,208	473,094,682
Current liabilities	98,854,683	50,763,978
Non-current liabilities	–	–
Total liabilities	98,854,683	50,763,978
Net assets	424,632,525	422,330,704
Net assets portion based on shareholding	209,511,826	208,360,915
Less: Unrealised profit of downstream trading	–	–
Carrying amount of investment	209,511,826	208,360,915

Notes to the Financial Statements

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Renminbi Yuan

VII. INTERESTS IN OTHER ENTITIES (continued)

3. Interests in joint ventures and associates (continued)

	From 1 January 2019 to 30 June 2019 (Unaudited)	From 1 January 2018 to 30 June 2018 (Unaudited)
Revenue	29,886,845	64,347,758
Income tax expense	1,602,353	233,858
Net profit (loss)	2,301,821	(9,393,306)
Total comprehensive income	2,301,821	(9,393,306)
Dividends received	—	—

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

	From 1 January 2019 to 30 June 2019 (Unaudited)	From 1 January 2018 to 30 June 2018 (Unaudited)
Total carrying amount of investment	248,963,598	79,393,216
Total amounts based on shareholding		
Net profit (loss)	(7,279,078)	(2,973,309)
Total comprehensive income	(6,692,966)	(2,973,309)

Notes to the Financial Statements

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VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS

1. Classification of financial instruments

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

30 June 2019 (Unaudited)

Financial assets

	Financial assets at amortisation cost	Financial assets at FVTPL	Financial assets at FVTOCI	Total
Cash and bank balances	4,080,518,631	–	–	4,080,518,631
Held-for-trading financial assets	–	3,452,687,808	–	3,452,687,808
Derivative financial assets	–	10,816,543	–	10,816,543
Bills receivable	2,187,410,974	–	–	2,187,410,974
Trade receivables	9,261,247,253	–	–	9,261,247,253
Other receivables	68,252,233	–	–	68,252,233
Trade receivables financing	–	–	1,176,338,598	1,176,338,598
	<u>15,597,429,091</u>	<u>3,463,504,351</u>	<u>1,176,338,598</u>	<u>20,237,272,040</u>

Financial liabilities

	Other financial liabilities
Short-term borrowings	211,562,243
Bills payable	1,604,960,292
Trade payables	4,315,477,768
Other payables	1,123,246,280
Long-term borrowings (including long-term borrowings due within one year)	235,450,424
Lease liabilities (including lease liabilities due within one year)	103,290,309
Long-term payables	41,525,173
	<u>7,635,512,489</u>

Notes to the Financial Statements

For the six months ended 30 June 2019

Renminbi Yuan

VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS (continued)

1. Classification of financial instruments (continued)

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows: (continued)

31 December 2018 (Audited)

Financial assets

	Financial assets at amortisation cost	Financial assets at FVTPL	Financial assets at FVTOCI	Total
Cash and bank balances	4,394,379,150	–	–	4,394,379,150
Held-for-trading financial assets	–	1,603,855,068	–	1,603,855,068
Bills receivable	3,508,440,870	–	–	3,508,440,870
Trade receivables	6,485,964,593	–	–	6,485,964,593
Other receivables	106,146,467	–	–	106,146,467
Trade receivables financing	–	–	1,030,920,086	1,030,920,086
Other current assets	2,634,610,548	–	–	2,634,610,548
Other equity instrument investment	–	–	900,000	900,000
	<u>17,129,541,628</u>	<u>1,603,855,068</u>	<u>1,031,820,086</u>	<u>19,765,216,782</u>

Financial liabilities

	Other financial liabilities
Short-term borrowings	168,246,814
Bills payable	2,349,473,616
Trade payables	3,185,104,692
Other payables	669,071,995
Long-term borrowings (including long-term borrowings due within one year)	237,329,655
Long-term payables	<u>41,525,173</u>
	<u>6,650,751,945</u>

Notes to the Financial Statements

For the six months ended 30 June 2019

Renminbi Yuan

VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS (continued)

1. Classification of financial instruments (continued)

Transferred financial assets that are not derecognised in their entirety

As at 30 June 2019, the Group endorsed specific bank acceptance bills or commercial acceptance bills with a carrying amount of RMB82,373,025 (unaudited) (31 December 2018 (audited): RMB128,819,890) to certain of its suppliers in order to settle the trade payables. In the opinion of the management, the Group has retained the substantial risks and rewards, which include default risks relating to such bills receivable. Accordingly, it continued to recognise the full carrying amounts of the settled trade payables.

Transferred financial assets that are derecognised in their entirety with continuing involvement

As at 30 June 2019, the Group endorsed specific bank acceptance bills derecognized in their entirety with a carrying amount of RMB613,986,927 (unaudited) (31 December 2018 (audited): RMB237,129,183) to certain of its suppliers in order to settle the trade payables. At 30 June 2019, the specific acceptance bills had a maturity of one to twelve months. In accordance with the Bill Law of the People's Republic of China, the holders of the specific bank acceptance bills have a right of recourse against the Group if the PRC banks default (continuing involvement). The management is of the opinion that the Group has transferred substantially all risks and rewards, therefore, the specific bank acceptance bills were derecognised.

From 1 January 2019 to 30 June 2019, the Group has not recognised any gain or loss on the date of transfer of the derecognised bills. The endorsement has been made evenly throughout the period.

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For the six months ended 30 June 2019

Renminbi Yuan

VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS (continued)

2. Financial instruments and their risks

The Group's principal financial instruments, other than derivative instruments, comprise cash and bank balances, held-for-trading financial assets, bills receivable, trade receivables, other receivables and other current assets, bills payable, trade payables, other payables, borrowings, long-term payables and lease liabilities, etc. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as the trade receivables and trade payables, which arise directly from its operations.

The Group also conducts derivative transactions, mainly including forward currency contracts, aiming at managing the exchange rate risk from the operation of the Group. During the period, the Group implements the policy of not conducting derivative instrument speculating transactions.

The main risks arising from the Group's financial instruments are credit risk, liquidity risk, and market risk. In this regard, the Group's risk management policies are outlined below.

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

The credit risk of the Group's other financial assets, which mainly comprise cash and bank balances, other receivables and other current assets, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

The major customers of the Group are CRRC Corporation Limited and its subsidiaries as well as other state-owned enterprises and institutions in the railway transportation industry. Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed by customer. As at 30 June 2019, the Group had certain concentrations of credit risk as 16.5% (unaudited) (31 December 2018 (audited): 16.5%) and 39.8% (unaudited) (31 December 2018 (audited): 37.5%) of the Group's trade receivables were due from the Group's largest customer and the five largest customers, respectively.

Notes to the Financial Statements

For the six months ended 30 June 2019

Renminbi Yuan

VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS (continued)

2. Financial instruments and their risks (continued)

Credit risk (continued)

Principles for assessing whether the credit risk has increased significantly since the initial recognition, basis for determining the credit impairment of financial assets, the method of using financial instruments to assessing expected credit risk and the direct write down policy are listed in Note III.9.2.

As part of the Group's credit risk management, the Group uses the aging of trade receivables to assess the credit impairment losses of receivables arising from various kinds of business. This type of business involves a large number of small customers, which with the same risk characteristics, and the aging information can reflect the solvency of them when the receivables expire.

The above-mentioned expected average loss rate is based on historically actual bad debt rate and takes current conditions and forecasts of future economic conditions into consideration. From 1 January 2019 to 30 June 2019, the Group's assessment methods and major assumptions have not changed.

Liquidity risk

The Group monitors its risk of shortage of funds using a recurring liquidity planning tool. This tool considers both the maturity of its financial instruments and expected cash flows from the Group's operations.

The Group's objective is to maintain a balance between the continuity of funding and flexibility through the use of various financing means, such as bills settlement and bank borrowings. The Group has obtained banking facilities from several commercial banks to meet working capital requirements and capital expenditures.

The Group's management monitors the liquidity position of the Group on an ongoing basis to ensure the availability of sufficient liquid funds to meet all obligations as they fall due and to make the most efficient use of the Group's financial resources.

Notes to the Financial Statements

For the six months ended 30 June 2019

Renminbi Yuan

VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS (continued)

2. Financial instruments and their risks (continued)

Liquidity risk (continued)

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

As at 30 June 2019 (Unaudited)

	Within 1 year	1-2 years	Over 2 years	Total	Carrying amount
Short-term borrowings	213,291,081	–	–	213,291,081	211,562,243
Bills payable	1,604,960,292	–	–	1,604,960,292	1,604,960,292
Trade payables	4,315,477,768	–	–	4,315,477,768	4,315,477,768
Other payables	1,123,246,280	–	–	1,123,246,280	1,123,246,280
Long-term borrowings (including long-term borrowings due within one year)	9,304,952	9,423,654	237,551,573	256,280,179	235,450,424
Lease liabilities (including lease liabilities due within one year)	28,845,573	27,027,442	48,745,011	104,618,026	103,290,309
Long-term payables	–	24,354,272	17,170,901	41,525,173	41,525,173
	<u>7,295,125,946</u>	<u>60,805,368</u>	<u>303,467,485</u>	<u>7,659,398,799</u>	<u>7,635,512,489</u>

As at 31 December 2018 (Audited)

	Within 1 year	1-2 years	Over 2 years	Total	Carrying amount
Short-term borrowings	170,808,318	–	–	170,808,318	168,246,814
Bills payable	2,349,473,616	–	–	2,349,473,616	2,349,473,616
Trade payables	3,185,104,692	–	–	3,185,104,692	3,185,104,692
Other payables	669,071,995	–	–	669,071,995	669,071,995
Long-term borrowings (including long-term borrowings due within one year)	6,374,676	5,056,915	227,272,740	238,704,331	237,329,655
Long-term payables	–	24,354,272	17,170,901	41,525,173	41,525,173
	<u>6,380,833,297</u>	<u>29,411,187</u>	<u>244,443,641</u>	<u>6,654,688,125</u>	<u>6,650,751,945</u>

Notes to the Financial Statements

For the six months ended 30 June 2019

Renminbi Yuan

VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS (continued)

2. Financial instruments and their risks (continued)

Market risk

Foreign currency risk

The businesses of the Group are principally conducted in Mainland China. While most of the transactions of the Group are principally conducted in RMB, certain of its sales, purchases and borrowings are dominated in other currencies including mainly the Japanese yen, United States dollar, Great British pound and European dollar. Fluctuations of exchange rates of RMB against such foreign currencies can affect the Group's results of operations. As at 30 June 2019, the Group's major foreign currency assets and liabilities are as follows:

	Total assets	Total liabilities
JPY	1,079,951	322,874
USD	24,086,342	12,846,384
GBP	109,756,149	111,767,785
EUR	20,491,756	135,889,364

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the exchange rates of JPY, USD, GBP and EUR, with all other variables held constant, of the Group's total profit and shareholder's equity before tax. As the carrying amounts of financial instruments denominated in other currencies are not significant, their sensitivity analysis are omitted here.

As at 30 June 2019 (Unaudited)

	Increase/ (decrease) in exchange rate	Increase/ (decrease) in profit	Increase/ (decrease) in shareholders' equity
JPY			
If RMB strengthens against JPY	+10%	(75,708)	(75,708)
If RMB weakens against JPY	-10%	75,708	75,708
USD			
If RMB strengthens against USD	+10%	(1,123,996)	(1,123,996)
If RMB weakens against USD	-10%	1,123,996	1,123,996
GBP			
If RMB strengthens against GBP	+10%	201,164	201,164
If RMB weakens against GBP	-10%	(201,164)	(201,164)
EUR			
If RMB strengthens against EUR	+10%	11,539,761	11,539,761
If RMB weakens against EUR	-10%	(11,539,761)	(11,539,761)

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For the six months ended 30 June 2019

Renminbi Yuan

VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS (continued)

2. Financial instruments and their risks (continued)

Market risk (continued)

Foreign currency risk (continued)

As at 31 December 2018 (Audited)

	Increase/ (decrease) in exchange rate	Increase/ (decrease) in profit	Increase/ (decrease) in shareholders' equity
JPY			
If RMB strengthens against JPY	+10%	3,933,674	3,933,674
If RMB weakens against JPY	-10%	(3,933,674)	(3,933,674)
USD			
If RMB strengthens against USD	+10%	(5,033,252)	(5,033,252)
If RMB weakens against USD	-10%	5,033,252	5,033,252
GBP			
If RMB strengthens against GBP	+10%	(5,973,146)	(5,973,146)
If RMB weakens against GBP	-10%	5,973,146	5,973,146

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For the six months ended 30 June 2019

Renminbi Yuan

VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS (continued)

3. 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 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. No changes were made in the objectives, policies or processes for managing capital from 1 January to 30 June 2019 and 2018.

The Group monitors capital using a 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 financial liabilities at fair value through profit or loss, all borrowings, bills payable, trade payables, employee benefits payable, other taxes payable excluding income tax payable, other payables, lease liabilities and long-term payables, less cash and cash equivalents. Capital includes equity attributable to shareholders of the Parent. The gearing ratios as at the end of each period were as follows:

	30 June 2019 (Unaudited)	31 December 2018 (Audited)
Short-term borrowings	211,562,243	168,246,814
Bills payable	1,604,960,292	2,349,473,616
Trade payables	4,315,477,768	3,185,104,692
Employee benefits payable	209,888,003	135,840,963
Taxes payable (excluding income tax payable)	85,112,910	217,086,580
Other payables	1,123,246,280	669,071,995
Long-term borrowings (including due within one year)	235,450,424	237,329,655
Lease liabilities (including due within one year)	103,290,309	N/A
Long-term payables	41,525,173	41,525,173
Less: Cash and cash equivalents	4,067,132,259	4,381,012,798
Net debt	3,863,381,143	2,622,666,690
Equity attributable to the shareholders of the Parent	20,316,596,666	19,824,763,980
Capital and net debt	24,179,977,809	22,447,430,670
Gearing ratio	15.98%	11.68%

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Renminbi Yuan

IX. FAIR VALUE

1. Assets and liabilities measured at fair value

As at 30 June 2019 (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)	
Financial assets at fair value through profit or loss				
– Forward foreign exchange contract	–	10,816,543	–	10,816,543
– Held-for-trading financial assets	–	3,452,687,808	–	3,452,687,808
Financial assets at fair value through other comprehensive income				
– Trade receivables financing	–	1,176,338,598	–	1,176,338,598

As at 31 December 2018 (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)	
Financial assets at fair value through profit or loss				
– Held-for-trading financial assets	–	1,603,855,068	–	1,603,855,068
Financial assets at fair value through other comprehensive income				
– Trade receivables financing	–	1,030,920,086	–	1,030,920,086
– Other equity instrument investment	–	–	900,000	900,000

Notes to the Financial Statements

For the six months ended 30 June 2019

Renminbi Yuan

IX. FAIR VALUE (continued)

2. Assets and liabilities disclosed at fair value

As at 30 June 2019 (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)	
Long-term borrowings	–	230,264,397	–	230,264,397
Long-term payables	–	–	41,525,173	41,525,173

As at 31 December 2018 (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)	
Long-term borrowings	–	232,329,655	–	232,329,655
Long-term payables	–	–	41,525,173	41,525,173

Notes to the Financial Statements

For the six months ended 30 June 2019

Renminbi Yuan

IX. FAIR VALUE (continued)

3. Fair value evaluation

The 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, other payables and long-term borrowings due within one year 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 determined at the amount at which the instrument could be exchanged or settled in a fair transaction between willing and informed 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 2019 was assessed to be insignificant.

The Group signed the derivative financial instrument contracts with more than one counterparty (mainly refer to financial institutions with higher credit rating). Derivative financial instruments mainly includes forward foreign exchange contracts which calculated by method of valuation techniques of forward pricing, swap model and present value method. The model covers multiple input values of observed market, including credit quality of counterparty, spot and forward exchange rate and interest rate curve. The carrying amount of the forward foreign exchange contract is accordance with the fair value. As at 30 June 2019, the fair value of the derivative instrument is a net value by offsetting the credit valuation adjustment for the default risk attributable to derivative instruments' counterparties. The change of counterparty credit risk had no significant impact on the effectiveness of derivative hedging evaluation and other financial instrument measured at fair value.

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X. 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 Institute Co., Ltd. ("Zhuzhou ZELRI")	Zhuzhou, Hunan	Manufacturing	8,340,710,000	50.16%	50.16%

Zhuzhou ZELRI and the companies it holds are collectively referred to as "the Zhuzhou ZELRI Group".

The controlling shareholder of the parent is CRRC Corporation Limited.

The ultimate holding party of the Company is CRRC Group, which is an enterprise directly under the central government and directly administered by the State-owned Assets Supervision and Administration Commission of the State Council. The ultimate holding party and the companies it holds are collectively referred to as "the ultimate holding party group".

2. Subsidiaries

For details of the subsidiaries of the Company, please refer to Note VII.1. Interest in subsidiaries.

3. Joint ventures and Associates

For details of the joint ventures and associates of the Company, please refer to Note VII.3. Interests in joint ventures and associates.

4. Other related parties

Name of the companies	Related party relationships
Beijing CRRC CED Railway Electric Tech. Co., Ltd.	Corporation controlled by the ultimate holding party other than the Zhuzhou ZELRI Group
Cangzhou CRRC ZELC Railway Equipment & Service Co., Ltd.	Corporation controlled by the ultimate holding party other than the Zhuzhou ZELRI Group
Changzhou Ruitai Engineering Machinery Co., Ltd.	Corporation controlled by the ultimate holding party other than the Zhuzhou ZELRI Group
CRRC Changzhou Tech-mark Industrial Co., Ltd.	Corporation controlled by the ultimate holding party other than the Zhuzhou ZELRI Group

Notes to the Financial Statements

For the six months ended 30 June 2019

Renminbi Yuan

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (continued)

4. Other related parties (continued)

<u>Name of the companies</u>	<u>Related party relationships</u>
Chengdu CRRC Electric Co., Ltd.	Corporation controlled by the ultimate holding party other than the Zhuzhou ZELRI Group
Dalian CRRC Ruitong Technology Development Co., Ltd.	Corporation controlled by the ultimate holding party other than the Zhuzhou ZELRI Group
Foshan CRRC Sifang Railway Vehicles Co., Ltd.	Corporation controlled by the ultimate holding party other than the Zhuzhou ZELRI Group
Guangzhou CRRC Junfa Electrical Co., Ltd.	Corporation controlled by the ultimate holding party other than the Zhuzhou ZELRI Group
CRRC Hangzhou Co., Ltd.	Corporation controlled by the ultimate holding party other than the Zhuzhou ZELRI Group
Hefei CRRC Rolling Stock Co., Ltd.	Corporation controlled by the ultimate holding party other than the Zhuzhou ZELRI Group
Hunan CRRC Times Electric Vehicle Co., Ltd.	Corporation controlled by the ultimate holding party other than the Zhuzhou ZELRI Group
Meishan CRRC Fastener Science & Technology Co., Ltd.	Corporation controlled by the ultimate holding party other than the Zhuzhou ZELRI Group
Meishan CRRC Brake Technology Co., Ltd.	Corporation controlled by the ultimate holding party other than the Zhuzhou ZELRI Group
Nanjing CRRC Puzhen Rapid Transit Vehicles Co., Ltd.	Corporation controlled by the ultimate holding party other than the Zhuzhou ZELRI Group
Nanjing CRRC Puzhen Haitai Brake Equipment Co., Ltd.	Corporation controlled by the ultimate holding party other than the Zhuzhou ZELRI Group
Ningbo Jiangbei Gofront Herong Electric Co., Ltd.	Corporation controlled by the ultimate holding party other than the Zhuzhou ZELRI Group
Ningbo CRRC New Energy Technology Co., Ltd.	Corporation controlled by the ultimate holding party other than the Zhuzhou ZELRI Group

Notes to the Financial Statements

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Renminbi Yuan

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (continued)

4. Other related parties (continued)

<u>Name of the companies</u>	<u>Related party relationships</u>
Qingdao Sri Technology Co., Ltd.	Corporation controlled by the ultimate holding party other than the Zhuzhou ZELRI Group
Bombardier Sifang (Qingdao) Transportation Co., Ltd.	Corporation controlled by the ultimate holding party other than the Zhuzhou ZELRI Group
Qingdao CRRC Sifang Sales Co., Ltd.	Corporation controlled by the ultimate holding party other than the Zhuzhou ZELRI Group
Quanzhou CRRC Tangshan Railway Vehicle Co., Ltd.	Corporation controlled by the ultimate holding party other than the Zhuzhou ZELRI Group
Shanghai Alstom Transport Co., Ltd.	Corporation controlled by the ultimate holding party other than the Zhuzhou ZELRI Group
Shijiazhuang King Transportation Equipment Co., Ltd.	Corporation controlled by the ultimate holding party other than the Zhuzhou ZELRI Group
Shijiazhuang CRRC Railway Vehicles Equipment Co., Ltd.	Corporation controlled by the ultimate holding party other than the Zhuzhou ZELRI Group
Suzhou CRRC Rolling Stock Co., Ltd.	Corporation controlled by the ultimate holding party other than the Zhuzhou ZELRI Group
CRRC Tianjin JL Equipment Co., Ltd.	Corporation controlled by the ultimate holding party other than the Zhuzhou ZELRI Group
Tianjin CRRC Sifang Co., Ltd.	Corporation controlled by the ultimate holding party other than the Zhuzhou ZELRI Group
Wuxi CRRC Times Intelligent Equipment Co., Ltd.	Corporation controlled by the ultimate holding party other than the Zhuzhou ZELRI Group
Wuhan CRRC Changke Railway Vehicles Co., Ltd.	Corporation controlled by the ultimate holding party other than the Zhuzhou ZELRI Group
Xi'an CRRC Yongdian Electric Co., Ltd.	Corporation controlled by the ultimate holding party other than the Zhuzhou ZELRI Group

Notes to the Financial Statements

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Renminbi Yuan

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (continued)

4. Other related parties (continued)

<u>Name of the companies</u>	<u>Related party relationships</u>
CRRC Xi'an Yongdianjietong Electric Co., Ltd.	Corporation controlled by the ultimate holding party other than the Zhuzhou ZELRI Group
Changchun CRRC Railway Vehicles Co., Ltd.	Corporation controlled by the ultimate holding party other than the Zhuzhou ZELRI Group
Zhejiang CRRC Electric Vehicles Co., Ltd.	Corporation controlled by the ultimate holding party other than the Zhuzhou ZELRI Group
CRRC Erqi Co., Ltd.	Corporation controlled by the ultimate holding party other than the Zhuzhou ZELRI Group
CRRC Finance Co., Ltd.	Corporation controlled by the ultimate holding party other than the Zhuzhou ZELRI Group
CRRC Chengdu Co., Ltd.	Corporation controlled by the ultimate holding party other than the Zhuzhou ZELRI Group
CRRC Dalian Electric Traction Research and Development Center Co., Ltd.	Corporation controlled by the ultimate holding party other than the Zhuzhou ZELRI Group
CRRC Dalian Co., Ltd.	Corporation controlled by the ultimate holding party other than the Zhuzhou ZELRI Group
CRRC Dalian Institute Co., Ltd.	Corporation controlled by the ultimate holding party other than the Zhuzhou ZELRI Group
CRRC Datong Co., Ltd.	Corporation controlled by the ultimate holding party other than the Zhuzhou ZELRI Group
CRRC Industry Research Institute Co., Ltd.	Corporation controlled by the ultimate holding party other than the Zhuzhou ZELRI Group
CRRC Guangdong Co., Ltd.	Corporation controlled by the ultimate holding party other than the Zhuzhou ZELRI Group
CRRC Lanzhou Co., Ltd.	Corporation controlled by the ultimate holding party other than the Zhuzhou ZELRI Group

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Renminbi Yuan

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (continued)

4. Other related parties (continued)

<u>Name of the companies</u>	<u>Related party relationships</u>
CRRC Luoyang Co., Ltd.	Corporation controlled by the ultimate holding party other than the Zhuzhou ZELRI Group
CRRC Nanjing Puzhen Co., Ltd.	Corporation controlled by the ultimate holding party other than the Zhuzhou ZELRI Group
CRRC Qishuyan Institute Co., Ltd.	Corporation controlled by the ultimate holding party other than the Zhuzhou ZELRI Group
CRRC Qishuyan Co., Ltd.	Corporation controlled by the ultimate holding party other than the Zhuzhou ZELRI Group
CRRC Qingdao Sifang Rolling Stock Research Institute Co., Ltd.	Corporation controlled by the ultimate holding party other than the Zhuzhou ZELRI Group
CRRC Qingdao Sifang Co., Ltd.	Corporation controlled by the ultimate holding party other than the Zhuzhou ZELRI Group
CRRC Shandong Co., Ltd.	Corporation controlled by the ultimate holding party other than the Zhuzhou ZELRI Group
CRRC Sifang Co., Ltd.	Corporation controlled by the ultimate holding party other than the Zhuzhou ZELRI Group
CRRC Taiyuan Co., Ltd.	Corporation controlled by the ultimate holding party other than the Zhuzhou ZELRI Group
CRRC Tangshan Co., Ltd.	Corporation controlled by the ultimate holding party other than the Zhuzhou ZELRI Group
CRRC Logistics Co., Ltd.	Corporation controlled by the ultimate holding party other than the Zhuzhou ZELRI Group
CRRC Xi'an Co., Ltd.	Corporation controlled by the ultimate holding party other than the Zhuzhou ZELRI Group
CRRC Yongji Electric Co., Ltd.	Corporation controlled by the ultimate holding party other than the Zhuzhou ZELRI Group

Notes to the Financial Statements

For the six months ended 30 June 2019

Renminbi Yuan

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (continued)

4. Other related parties (continued)

<u>Name of the companies</u>	<u>Related party relationships</u>
CRRC Changchun Railway Vehicles Co., Ltd.	Corporation controlled by the ultimate holding party other than the Zhuzhou ZELRI Group
CRRC Yangtze Co., Ltd.	Corporation controlled by the ultimate holding party other than the Zhuzhou ZELRI Group
CRRC Yangtze Tongling Co., Ltd.	Corporation controlled by the ultimate holding party other than the Zhuzhou ZELRI Group
CRRC Zhuzhou Electric Co., Ltd.	Corporation controlled by the ultimate holding party other than the Zhuzhou ZELRI Group
CRRC Zhuzhou Locomotive Co., Ltd.	Corporation controlled by the ultimate holding party other than the Zhuzhou ZELRI Group
CRRC Ziyang Co., Ltd.	Corporation controlled by the ultimate holding party other than the Zhuzhou ZELRI Group
Chongqing CRRC Construction Engrg Co., Ltd.	Corporation controlled by the ultimate holding party other than the Zhuzhou ZELRI Group
Chongqing CRRC Changke Railway Vehicles Co., Ltd.	Corporation controlled by the ultimate holding party other than the Zhuzhou ZELRI Group
Zhuzhou CRRC Special Equipment Technology Co., Ltd.	Corporation controlled by the ultimate holding party other than the Zhuzhou ZELRI Group
Zhuzhou CRRC Logistics Co., Ltd.	Corporation controlled by the ultimate holding party other than the Zhuzhou ZELRI Group
CRRC Ziyang Transmission Co., Ltd.	Corporation controlled by the ultimate holding party other than the Zhuzhou ZELRI Group
Ziyang CRRC Electric Locomotive Co., Ltd.	Corporation controlled by the ultimate holding party other than the Zhuzhou ZELRI Group
Ziyang CRRC Electrical Technology Co., Ltd.	Corporation controlled by the ultimate holding party other than the Zhuzhou ZELRI Group
CRRC Investment & Leasing Co., Ltd.	Corporation controlled by the ultimate holding party other than the Zhuzhou ZELRI Group

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For the six months ended 30 June 2019

Renminbi Yuan

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (continued)

4. Other related parties (continued)

<u>Name of the companies</u>	<u>Related party relationships</u>
Shandong CRRC Huateng Environmental Protection Technology Co., Ltd.	Corporation controlled by the ultimate holding party other than the Zhuzhou ZELRI Group
CRRC Environmental & Technology Co., Ltd.	Corporation controlled by the ultimate holding party other than the Zhuzhou ZELRI Group
CRRC Zhuzhou Electric Locomotive Industrial Management Co., Ltd.	Corporation controlled by the ultimate holding party other than the Zhuzhou ZELRI Group
CRRC Guiyang Vehicle Co., Ltd.	Corporation controlled by the ultimate holding party other than the Zhuzhou ZELRI Group
CRRC Hong Kong Capital Management Co., Ltd.	Corporation controlled by the ultimate holding party other than the Zhuzhou ZELRI Group
Australia CRRC Changke Rail Transit Equipment Co., Ltd.	Corporation controlled by the ultimate holding party other than the Zhuzhou ZELRI Group
CRRC Sifang Railway Vehicles (Chengdu) Co., Ltd.	Corporation controlled by the ultimate holding party other than the Zhuzhou ZELRI Group
Hunan CRRC Environmental Engineering Co. Ltd.	Corporation controlled by the ultimate holding party other than the Zhuzhou ZELRI Group
Kunming CRRC Urban Rail Transit Equipment Co., Ltd.	Corporation controlled by the ultimate holding party other than the Zhuzhou ZELRI Group
CRRC Massachusetts Co., Ltd.	Corporation controlled by the ultimate holding party other than the Zhuzhou ZELRI Group
CRRC Qingdao Sifang Vehicle logistics Co., Ltd.	Corporation controlled by the ultimate holding party other than the Zhuzhou ZELRI Group
Wuhan CRRC Sifang Maintenance Center Ltd.	Corporation controlled by the ultimate holding party other than the Zhuzhou ZELRI Group
CRRC Wuhan Railway Equipment Co.,Ltd.	Corporation controlled by the ultimate holding party other than the Zhuzhou ZELRI Group

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For the six months ended 30 June 2019

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X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (continued)

4. Other related parties (continued)

<u>Name of the companies</u>	<u>Related party relationships</u>
CRRC Transnet Rail (Pty) Ltd.	Corporation controlled by the ultimate holding party other than the Zhuzhou ZELRI Group
CRRC Qiqihar Co., Ltd.	Corporation controlled by the ultimate holding party other than the Zhuzhou ZELRI Group
CRRC Hong Kong Co., Ltd.	Corporation controlled by the ultimate holding party other than the Zhuzhou ZELRI Group
Chongqing CRRC Sifang Rolling Stock Institute Technology Co., Ltd.	Corporation controlled by the ultimate holding party other than the Zhuzhou ZELRI Group
CRRC Sifang Railway Vehicles (Zhengzhou) Co., Ltd.	Corporation controlled by the ultimate holding party other than the Zhuzhou ZELRI Group
CRRC Science And Technology Park Development Co., Ltd.	Corporation controlled by the ultimate holding party other than the Zhuzhou ZELRI Group
CRRC Shenyang Co., Ltd.	Corporation controlled by the ultimate holding party other than the Zhuzhou ZELRI Group
Beijing North Gofront Science Business Co., Ltd.	Associate of the ultimate holding group other than the Zhuzhou ZELRI Group
Guangzhou Locomotive Co., Ltd.	Associate of the ultimate holding group other than the Zhuzhou ZELRI Group
Tianjin Electric Locomotive Co., Ltd.	Associate of the ultimate holding group other than the Zhuzhou ZELRI Group
Changzhou Ruiyang Transmission Technology Co., Ltd.	A joint venture of the ultimate holding group other than the Zhuzhou ZELRI Group
Qingdao Faiveley SRI Rail Brake Co., Ltd.	A joint venture of the ultimate holding group other than the Zhuzhou ZELRI Group
Shentong CNR (Shanghai) Railway Vehicles Maintenance Co., Ltd.	A joint venture of the ultimate holding group other than the Zhuzhou ZELRI Group
Shentong CSR (Shanghai) Railway Vehicles Maintenance Co., Ltd.	A joint venture of the ultimate holding group other than the Zhuzhou ZELRI Group

Notes to the Financial Statements

For the six months ended 30 June 2019

Renminbi Yuan

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (continued)

4. Other related parties (continued)

<u>Name of the companies</u>	<u>Related party relationships</u>
Zhuzhou Jiufang Casting Co., Ltd.	A joint venture of the ultimate holding group other than the Zhuzhou ZELRI Group
CRRC Beijing Heavy Industry and Mechanics Co., Ltd.	Corporation controlled by the Zhuzhou ZELRI
Hunan CRRC Special Electric Equipment Co., Ltd.	Corporation controlled by the Zhuzhou ZELRI
Qingdao CRRC Huaxuan Water Co., Ltd.	Corporation controlled by the Zhuzhou ZELRI
Shanghai CRRC Hange Shipping and Marine Engineering Co., Ltd.	Corporation controlled by the Zhuzhou ZELRI
Xiangyang CRRC Electric Machinery Co., Ltd.	Corporation controlled by the Zhuzhou ZELRI
Xiangyang China Railway Hongji Engineering Co., Ltd.	Corporation controlled by the Zhuzhou ZELRI
CRRC Zhuzhou Traction Electrical Equipment Test & Certification Co., Ltd.	Corporation controlled by the Zhuzhou ZELRI
Zhuzhou Times Electric Insulation Co., Ltd.	Corporation controlled by the Zhuzhou ZELRI
Zhuzhou Times Rubber and Plastics Components Development Co., Ltd.	Corporation controlled by the Zhuzhou ZELRI
Zhuzhou Times New Material Technology Co., Ltd.	Corporation controlled by the Zhuzhou ZELRI
Zhuzhou CRRC Electromechanical Technology Co., Ltd.	Corporation controlled by the Zhuzhou ZELRI
CRRC-AVC Thermal Technologies (Zhuzhou) Co., Ltd.	Corporation controlled by the Zhuzhou ZELRI

Notes to the Financial Statements

For the six months ended 30 June 2019

Renminbi Yuan

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (continued)

5. Major transactions between the Group and its related parties

(1) Sales of goods to related parties

	From 1 January 2019 to 30 June 2019 (Unaudited)	From 1 January 2018 to 30 June 2018 (Unaudited)
Corporations controlled by the ultimate holding party other than the Zhuzhou ZELRI Group	2,625,838,458	2,020,655,574
Zhuzhou ZELRI	35,757,235	2,045,147
Associates of the ultimate holding group other than the Zhuzhou ZELRI Group	13,577,090	27,034,914
Corporations controlled by the Zhuzhou ZELRI	4,619,424	39,094,092
Joint ventures of the ultimate holding group other than the Zhuzhou ZELRI Group	521,368	3,144,073
	<u>2,680,313,575</u>	<u>2,091,973,800</u>

(2) Purchases of goods from related parties

	From 1 January 2019 to 30 June 2019 (Unaudited)	From 1 January 2018 to 30 June 2018 (Unaudited)
Corporations controlled by the ultimate holding party other than the Zhuzhou ZELRI Group	423,370,409	338,604,982
Corporations controlled by the Zhuzhou ZELRI	173,506,559	233,868,937
Joint ventures of the Company	34,900,332	531,538
Associates of the Company	4,421,035	48,633,775
Joint ventures of the ultimate holding group other than the Zhuzhou ZELRI Group	2,834,487	14,651,727
Zhuzhou ZELRI	—	3,334
	<u>639,032,822</u>	<u>636,294,293</u>

Notes to the Financial Statements

For the six months ended 30 June 2019

Renminbi Yuan

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (continued)

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

(3) Sales of electricity to related parties

	From 1 January 2019 to 30 June 2019 (Unaudited)	From 1 January 2018 to 30 June 2018 (Unaudited)
Corporations controlled by the Zhuzhou ZELRI	327,062	57,698
Zhuzhou ZELRI	198,860	–
Associates of the Company	3,165	12,625
Corporations controlled by the ultimate holding party other than the Zhuzhou ZELRI Group	<u>–</u>	<u>209,424</u>
	<u>529,087</u>	<u>279,747</u>

(4) Purchases of electricity from related parties

	From 1 January 2019 to 30 June 2019 (Unaudited)	From 1 January 2018 to 30 June 2018 (Unaudited)
Corporations controlled by the ultimate holding party other than the Zhuzhou ZELRI Group	<u>–</u>	<u>50,708</u>

Notes to the Financial Statements

For the six months ended 30 June 2019

Renminbi Yuan

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (continued)

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

(5) Related party leases

As lessor

	From 1 January 2019 to 30 June 2019 (Unaudited)	From 1 January 2018 to 30 June 2018 (Unaudited)
Zhuzhou ZELRI	1,794,718	1,546,289
Associates of the Company	245,502	–
Corporations controlled by the Zhuzhou ZELRI	3,077,065	3,052,497
	5,117,285	4,598,786

As lessee

	From 1 January 2019 to 30 June 2019 (Unaudited)	From 1 January 2018 to 30 June 2018 (Unaudited)
Corporations controlled by the Zhuzhou ZELRI	2,631,761	981,084
Corporations controlled by the ultimate holding party other than the Zhuzhou ZELRI Group	1,854,408	1,463,474
Zhuzhou ZELRI	1,287,968	487,229
	5,774,137	2,931,787

Notes to the Financial Statements

For the six months ended 30 June 2019

Renminbi Yuan

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (continued)

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

(6) Technical service income from related parties

	From 1 January 2019 to 30 June 2019 (Unaudited)	From 1 January 2018 to 30 June 2018 (Unaudited)
Corporations controlled by the ultimate holding party other than the Zhuzhou ZELRI Group	424,528	8,053,774

(7) Maintenance services provided to related parties

	From 1 January 2019 to 30 June 2019 (Unaudited)	From 1 January 2018 to 30 June 2018 (Unaudited)
Corporations controlled by the ultimate holding party other than the Zhuzhou ZELRI Group	263,549,370	212,594,512
Associates of the ultimate holding group other than the Zhuzhou ZELRI Group	965,676	24,756,062
	264,515,046	237,350,574

Notes to the Financial Statements

For the six months ended 30 June 2019

Renminbi Yuan

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (continued)

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

(8) Technical service fees paid to related parties

	From 1 January 2019 to 30 June 2019 (Unaudited)	From 1 January 2018 to 30 June 2018 (Unaudited)
Zhuzhou ZELRI	43,500,000	65,985,000
Corporations controlled by the Zhuzhou ZELRI	–	1,191,420
Joint ventures of the Company	–	215,000
	<u>43,500,000</u>	<u>67,391,420</u>

(9) Interest income form cash and bank balances

	From 1 January 2019 to 30 June 2019 (Unaudited)	From 1 January 2018 to 30 June 2018 (Unaudited)
Corporations controlled by the ultimate holding party other than the Zhuzhou ZELRI Group	<u>3,353,556</u>	<u>2,051,281</u>

(10) Interest expenses to borrowings

	From 1 January 2019 to 30 June 2019 (Unaudited)	From 1 January 2018 to 30 June 2018 (Unaudited)
Shareholders of the Zhuzhou ZELRI	<u>522,196</u>	<u>544,021</u>

Notes to the Financial Statements

For the six months ended 30 June 2019

Renminbi Yuan

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (continued)

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

(11) Remuneration of key management

	From 1 January 2019 to 30 June 2019 (Unaudited)	From 1 January 2018 to 30 June 2018 (Unaudited)
Remuneration of key management	<u>5,123,528</u>	<u>3,670,187</u>

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

(12) 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 end of each period are as follows:

Sales of goods to related parties

	For the second half of 2019 (Unaudited)
Corporations controlled by the ultimate holding party other than the Zhuzhou ZELRI Group	1,138,642,525
Associates of the ultimate holding group other than the Zhuzhou ZELRI Group	<u>26,163,600</u>
	<u>1,164,806,125</u>

Purchases of goods from related parties

	For the second half of 2019 (Unaudited)
Joint ventures of the Company	156,541,965
Corporations controlled by the ultimate holding party other than the Zhuzhou ZELRI Group	150,635,835
Corporations controlled by the Zhuzhou ZELRI	3,201,812
Joint ventures of the ultimate holding group other than the Zhuzhou ZELRI Group	<u>465,169</u>
	<u>310,844,781</u>

Notes to the Financial Statements

For the six months ended 30 June 2019

Renminbi Yuan

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (continued)

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

	30 June 2019 (Unaudited)	31 December 2018 (Audited)
Prepayments:		
Corporations controlled by the ultimate holding party other than the Zhuzhou ZELRI Group	–	1,750,027
Zhuzhou ZELRI	–	145,020
	<u>–</u>	<u>1,895,047</u>
	30 June 2019 (Unaudited)	31 December 2018 (Audited)
Other receivables:		
Zhuzhou ZELRI	2,363,012	1,081,500
Corporations controlled by the ultimate holding party other than the Zhuzhou ZELRI Group	1,637,167	602,880
Corporations controlled by the Zhuzhou ZELRI Associates of the Company	41,993	2,727
	–	117,915
	<u>4,042,172</u>	<u>1,805,022</u>
	30 June 2019 (Unaudited)	31 December 2018 (Audited)
Contract assets:		
Corporations controlled by the ultimate holding party other than the Zhuzhou ZELRI Group	26,588,400	22,943,899
Corporations controlled by the Zhuzhou ZELRI Joint ventures of the ultimate holding group other than the Zhuzhou ZELRI Group	356,703	267,508
	98,938	8,361
Associates of the ultimate holding group other than the Zhuzhou ZELRI Group	–	300,000
	<u>27,044,041</u>	<u>23,519,768</u>

Notes to the Financial Statements

For the six months ended 30 June 2019

Renminbi Yuan

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (continued)

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

	30 June 2019 (Unaudited)	31 December 2018 (Audited)
Trade receivables financing:		
Corporations controlled by the ultimate holding party other than the Zhuzhou ZELRI Group	221,798,640	231,900,436
Zhuzhou ZELRI	36,968,164	30,882,117
Corporations controlled by the Zhuzhou ZELRI	—	368,635
	<u>258,766,804</u>	<u>263,151,188</u>
Other non-current assets:		
Corporations controlled by the Zhuzhou ZELRI	8,669,283	8,669,283
Corporations controlled by the ultimate holding party other than the Zhuzhou ZELRI Group	4,780,673	8,143,384
Zhuzhou ZELRI	508,466	—
Joint ventures of the ultimate holding party other than the Zhuzhou ZELRI Group	92,587	—
	<u>14,051,009</u>	<u>16,812,667</u>
Deposit of cash and bank balances:		
Corporations controlled by the ultimate holding party other than the Zhuzhou ZELRI Group (Note)	<u>588,886,048</u>	<u>687,881,170</u>

Note: As at 30 June 2019, the Company's deposit with CRRC Finance Co., Ltd. is amounted to RMB588,886,048 (unaudited) (31 December 2018 (audited): RMB687,881,170).

As at 28 December 2018, the Company and CRRC Finance Co., Ltd. entered into the framework agreement on financial services. In accordance with the agreement, from 31 December 2018 to 30 December 2019, the maximum amount of total deposits per day in the CRRC Finance Co., Ltd. is RMB700,000,000 and the deposit rate is no less than the higher of the benchmark interest rate issued by the People's Bank of China for similar type of deposits, the interest rate at which other major commercial banks of China should pay for comparable deposits and the interest rate at which CRRC Finance Co., Ltd. should pay for comparable deposits to other member companies of CRRC.

Notes to the Financial Statements

For the six months ended 30 June 2019

Renminbi Yuan

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (continued)

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

	30 June 2019 (Unaudited)	31 December 2018 (Audited)
Trade payables:		
Corporations controlled by the ultimate holding party other than the Zhuzhou ZELRI Group	402,338,334	177,352,045
Corporations controlled by the Zhuzhou ZELRI	138,269,406	49,929,507
Joint ventures of the Company	41,951,166	12,694,065
Joint ventures of the ultimate holding group other than the Zhuzhou ZELRI Group	4,352,001	11,463,618
Associates of the Company	812,278	55,000
Zhuzhou ZELRI	200,930	8,354,231
	<u>587,924,115</u>	<u>259,848,466</u>

	30 June 2019 (Unaudited)	31 December 2018 (Audited)
Bills payable:		
Corporations controlled by the ultimate holding party other than the Zhuzhou ZELRI Group	103,592,143	245,700,000
Corporations controlled by the Zhuzhou ZELRI	18,664,390	145,437,553
Joint ventures of the ultimate holding group other than the Zhuzhou ZELRI Group	–	21,060,000
Joint ventures of the Company	–	5,940,000
	<u>122,256,533</u>	<u>418,137,553</u>

	30 June 2019 (Unaudited)	31 December 2018 (Audited)
Contract liabilities:		
Corporations controlled by the ultimate holding party other than the Zhuzhou ZELRI Group	57,082,651	163,252,072
Zhuzhou ZELRI	6,100,000	–
Associates of the ultimate holding group other than the Zhuzhou ZELRI Group	131,509	–
Corporations controlled by the Zhuzhou ZELRI	100	–
	<u>63,314,260</u>	<u>163,252,072</u>

Notes to the Financial Statements

For the six months ended 30 June 2019

Renminbi Yuan

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (continued)

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

	30 June 2019 (Unaudited)	31 December 2018 (Audited)
Interests payable: Shareholders of the Zhuzhou ZELRI	28,556	–
Dividends payable: Zhuzhou ZELRI	265,313,565	–
Corporations controlled by the ultimate holding party other than the Zhuzhou ZELRI Group	10,697,346	1,976,000
	276,010,911	1,976,000
Other payables: Zhuzhou ZELRI	224,061,219	220,709,990
Corporations controlled by the Zhuzhou ZELRI	880,560	13,018,412
Corporations controlled by the ultimate holding party other than the Zhuzhou ZELRI Group	818,175	311,616
	225,759,954	234,040,018

Notes to the Financial Statements

For the six months ended 30 June 2019

Renminbi Yuan

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (continued)

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

	30 June 2019 (Unaudited)	
Lease liabilities (including due within one year):		
Zhuzhou ZELRI	2,487,620	
Corporation controlled by the ultimate holding party other than the Zhuzhou ZELRI Group	15,464,608	
	17,952,228	
	30 June 2019 (Unaudited)	31 December 2018 (Audited)
Long-term borrowings (including due within one year):		
Shareholders of the Zhuzhou ZELRI	95,188,000	97,688,000

From 1 January 2019 to 30 June 2019, goods and service provided amounting to RMB2,945,779,070 (unaudited) (from 1 January 2018 to 30 June 2018 (unaudited): RMB2,243,867,109) and purchases of goods and service amounting to RMB643,211,455 (unaudited) (from 1 January 2018 to 30 June 2018 (unaudited): RMB587,128,980) in related parties between the Group and the Zhuzhou ZELRI Group, the ultimate holding party group other than the Zhuzhou ZELRI Group, joint ventures of the ultimate holding party group other than the Zhuzhou ZELRI Group and associates with above 30% share held by the ultimate holding party group other than the Zhuzhou ZELRI group, constituted connected transactions or continuing connected transactions under the provisions of Chapter 14A of the Hong Kong Listing Rules. The underlying agreement is the product and supporting service mutual supplying framework agreement signed between the Company and CRRC Group (along with its subsidiaries excluding the Group) on 28 March 2016.

Transactions between the Group (other than Qingdao Electric) and Qingdao Electric, also constituted connected transactions or continuing connected transactions under the provisions of Chapter 14A of the Hong Kong Listing Rules. The underlying agreement is the product and supporting service mutual supplying framework agreement signed between the Company and Qingdao Electric (along with its subsidiaries) on 22 December 2016. From 1 January 2019 to 30 June 2019, no transactions were made between the Group (other than Qingdao Electric) and Qingdao Electric (unaudited) (from 1 January 2018 to 30 June 2018, goods and service provided amounting to RMB4,808,184 (unaudited); purchases of goods and service amounting to RMB8,811 (unaudited)).

Notes to the Financial Statements

For the six months ended 30 June 2019

Renminbi Yuan

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (continued)

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

China Railway Baoji Machinery Co., Ltd. (the “CRBM”, a wholly-owned subsidiary of China Railway Group Limited (the “CREC”)) is the major shareholder of Baoji Times, subsidiary of the Group. From 1 January 2019 to 30 June 2019, goods and service provided amounting to RMB50,338,739 (unaudited)(from 1 January 2018 to 30 June 2018: RMB1,931,375(unaudited)) and purchases of goods and service amounting to RMB2,770,989(unaudited)(from 1 January 2018 to 30 June 2018: RMB4,241,036 (unaudited)) between the Group and CREC (along with its subsidiaries), these transactions constituted connected transactions or continuing connected transactions under the provisions of Chapter 14A of the Hong Kong Listing Rules. The underlying agreement is the product and supporting service mutual supplying framework agreement signed between the Company and CREC (along with its subsidiaries) on 12 January 2017.

Transactions between the Group (other than Taiyuan Times) and Taiyuan Times also constituted connected transactions or continuing connected transactions under the provisions of Chapter 14A of the Hong Kong Listing Rules. The underlying agreement is the product and supporting service mutual supplying framework agreement signed between the Company and Taiyuan Times (along with its subsidiaries) on 28 December 2018. From 1 January 2019 to 30 June 2019, no goods and service transactions were made (unaudited) and purchases of goods and service amounting to RMB16,556,604 (unaudited) between the Group (other than Taiyuan Times) and Taiyuan Times.

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 deposits 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 subjected to the provisions of the trading terms, and non-trading amounts have no fixed repayment periods.

XI. COMMITMENTS AND CONTINGENCIES

1. Commitments

	30 June 2019 (Unaudited)	31 December 2018 (Audited)
Contracted but not provided for		
Capital commitments	323,314,791	385,505,762
Investment in subsidiaries	100,000,000	27,500,000
	<u>423,314,791</u>	<u>413,005,762</u>

2. Contingencies

The Group had no contingencies which should be disclosed.

Notes to the Financial Statements

For the six months ended 30 June 2019

Renminbi Yuan

XII. POST BALANCE SHEET EVENTS

As at 30 June 2019, the Group had no post balance sheet events which should be disclosed.

XIII. 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 railway transportation equipment and relevant products and services in the market. Therefore, no other operating segment is presented.

Other information

Products and services information

Revenue from external customers

	From 1 January 2019 to 30 June 2019 (Unaudited)	From 1 January 2018 to 30 June 2018 (Unaudited)
Railway transportation equipment and relevant products and services	<u>6,425,115,944</u>	<u>6,320,463,420</u>

Geographical information

Revenue from external customers

	From 1 January 2019 to 30 June 2019 (Unaudited)	From 1 January 2018 to 30 June 2018 (Unaudited)
Mainland China	<u>6,014,754,833</u>	5,968,641,335
Other countries and regions	<u>410,361,111</u>	<u>351,822,085</u>
	<u>6,425,115,944</u>	<u>6,320,463,420</u>

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

Notes to the Financial Statements

For the six months ended 30 June 2019

Renminbi Yuan

XIII. OTHER SIGNIFICANT EVENTS (continued)

1. Segment reporting (continued)

Other information (continued)

Total non-current assets

	30 June 2019 (Unaudited)	31 December 2018 (Audited)
Mainland China	3,885,964,732	3,934,996,092
Other countries and regions	1,141,676,378	1,094,283,306
	<u>5,027,641,110</u>	<u>5,029,279,398</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

From 1 January 2019 to 30 June 2019, the Group's operating revenue (which accounted for more than 10% of the Group's total revenue) of RMB2,660,384,290 (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) (from 1 January 2018 to 30 June 2018 (unaudited): RMB2,061,794,813 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 2019 (Unaudited)	31 December 2018 (Audited)
Within 1 year, inclusive	10,191,445	8,738,559
1 to 2 years, inclusive	4,105,080	10,046,661
2 to 3 years, inclusive	3,960,000	4,250,160
Over 3 years	9,900,000	11,880,000
	<u>28,156,525</u>	<u>34,915,380</u>

Notes to the Financial Statements

For the six months ended 30 June 2019

Renminbi Yuan

XIII. OTHER SIGNIFICANT EVENTS (continued)

3. Other financial information

	30 June 2019 (Unaudited)		31 December 2018 (Audited)	
	Group	Company	Group	Company
Net current assets	16,413,383,887	14,302,302,456	15,858,753,699	12,775,983,128
Total assets less current liabilities	<u>21,950,283,088</u>	<u>20,682,592,175</u>	<u>21,310,769,972</u>	<u>19,114,763,628</u>

XIV. NOTES TO THE FINANCIAL STATEMENTS

1. Trade receivables

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

(1) The aging analysis of trade receivables is as follows:

	30 June 2019 (Unaudited)	31 December 2018 (Audited)
Within 6 months	5,245,568,877	4,378,300,687
6 months to 1 year	2,451,599,943	321,343,339
1 to 2 years	326,783,109	294,297,963
2 to 3 years	27,850,004	44,980,487
Over 3 years	<u>11,881,745</u>	<u>1,287,670</u>
	8,063,683,678	5,040,210,146
Less: Provision for credit loss	<u>105,613,867</u>	<u>81,188,171</u>
	<u>7,958,069,811</u>	<u>4,959,021,975</u>

Notes to the Financial Statements

For the six months ended 30 June 2019

Renminbi Yuan

XIV. NOTES TO THE FINANCIAL STATEMENTS (continued)

1. Trade receivables (continued)

(2) Categorized by method of provision for credit loss

Category	30 June 2019 (Unaudited)					31 December 2018 (Audited)				
	Gross Carrying Amount		Provision for credit loss		Carrying Amount	Gross Carrying Amount		Provision for credit loss		Carrying Amount
	Amount	Ratio (%)	Amount	Ratio (%)		Amount	Ratio (%)	Amount	Ratio (%)	
Trade receivables for which provision for credit loss is collectively assessed on a portfolio basis and credit risk characteristics	8,063,683,678	100.00	105,613,867	1.31	7,958,069,811	4,997,913,997	99.16	38,892,022	0.78	4,959,021,975
Trade receivables for which provision for credit loss is individually assessed	-	0.00	-	-	-	42,296,149	0.84	42,296,149	100.00	-
Total	8,063,683,678	100.00	105,613,867	1.31	7,958,069,811	5,040,210,146	100.00	81,188,171	1.61	4,959,021,975

Provision for credit loss assessed on a portfolio basis:

Trade receivables for which provision for credit loss is assessed on a portfolio basis Category I

Item	Closing balance		
	Gross Carrying Amount	Provision for credit loss	Ratio (%)
Within 6 months	2,858,099,202	3,481,814	0.12
6 months to 1 year	475,965,275	1,835,867	0.39
1 to 2 years	148,136,683	1,525,651	1.03
2 to 3 years	12,769,812	639,047	5.00
Over 3 years	656,583	142,603	21.72
Total	3,495,627,555	7,624,982	

Notes to the Financial Statements

For the six months ended 30 June 2019

Renminbi Yuan

XIV. NOTES TO THE FINANCIAL STATEMENTS (continued)

1. Trade receivables (continued)

(2) Categorized by method of provision for credit loss (continued)

Provision for credit loss assessed on a portfolio basis: (continued)

Trade receivables for which provision for credit loss is assessed on a portfolio basis Category II

Item	Closing balance		Ratio (%)
	Gross Carrying Amount	Provision for credit loss	
Within 6 months	467,586	4,679	1.00
1 to 2 years	3,045	152	5.00
Total	<u>470,631</u>	<u>4,831</u>	

Trade receivables for which provision for credit loss is assessed on a portfolio basis Category III

Item	Closing Balance		Ratio (%)
	Gross Carrying Amount	Provision for credit loss	
Within 6 months	66,056,989	168,749	0.26
6 months to 1 year	21,135,439	63,959	0.30
1 to 2 years	4,269,782	95,037	2.23
Total	<u>91,462,210</u>	<u>327,745</u>	

Notes to the Financial Statements

For the six months ended 30 June 2019

Renminbi Yuan

XIV. NOTES TO THE FINANCIAL STATEMENTS (continued)

1. Trade receivables (continued)

(2) Categorized by method of provision for credit loss (continued)

Provision for credit loss assessed on a portfolio basis: (continued)

Trade receivables for which provision for credit loss is assessed on a portfolio basis Category IV

Item	Closing Balance		Ratio (%)
	Gross Carrying Amount	Provision for credit loss	
Within 6 months	2,320,945,099	38,634,542	1.66
6 months to 1 year	1,954,499,229	41,203,160	2.11
1 to 2 years	174,373,599	10,255,913	5.88
2 to 3 years	15,080,191	1,614,837	10.71
Over 3 years	11,225,164	5,947,857	52.99
Total	<u>4,476,123,282</u>	<u>97,656,309</u>	–

(3) Credit loss allowance for trade receivables:

	Lifetime ECL (Non credit-impaired) (Unaudited)	Lifetime ECL (Credit-impaired) (Unaudited)	From 1 January 2019 to 30 June 2019 (Unaudited)
31 December 2018	38,892,022	42,296,149	81,188,171
Transferred-in non credit-impaired losses	42,296,149	(42,296,149)	–
Provision in the current period	<u>24,425,696</u>	<u>–</u>	<u>24,425,696</u>
30 June 2019	<u>105,613,867</u>	<u>–</u>	<u>105,613,867</u>

Notes to the Financial Statements

For the six months ended 30 June 2019

Renminbi Yuan

XIV. NOTES TO THE FINANCIAL STATEMENTS (continued)

1. Trade receivables (continued)

(4) Five highest trade receivables are listed as follows:

	30 June 2019 (Unaudited)
CRRC Qingdao Sifang Co., Ltd.	1,501,805,471
CRRC Zhuzhou Locomotive Co., Ltd.	1,014,931,129
Non-related party 4	465,352,609
Times Signal & Communication	356,234,075
ZNERCC	343,601,824
	<u>3,681,925,108</u>

	31 December 2018 (Audited)
CRRC Qingdao Sifang Co., Ltd.	1,088,024,902
Times Signal & Communication	322,587,217
Non-related party 4	317,597,549
Baoji Times	291,232,232
ZNERCC	271,237,611
	<u>2,290,679,511</u>

Notes to the Financial Statements

For the six months ended 30 June 2019

Renminbi Yuan

XIV. NOTES TO THE FINANCIAL STATEMENTS (continued)

2. Other receivables

Aging analysis of other receivables is as follows:

	30 June 2019 (Unaudited)	31 December 2018 (Audited)
Within 1 year	698,663,703	644,376,456
1 to 2 years	93,039,057	83,443,222
2 to 3 years	41,023,135	23,611,574
Over 3 years	2,019,334	1,636,778
	834,745,229	753,068,030
Less: Provision for credit loss	1,779,767	1,901,950
	832,965,462	751,166,080

Other receivables of the Company have not shown a significant increase in credit risk since initial recognition.

The movements of provision for credit loss of other receivables are as follows:

	From 1 January 2019 to 30 June 2019 (Unaudited)	2018 (Audited)
12-month ECL		
Opening balance	1,901,950	8,433,273
Accrual in the current period/year	8,283	–
Reversal in the current period/year	(130,466)	(6,531,323)
Closing balance	1,779,767	1,901,950

Notes to the Financial Statements

For the six months ended 30 June 2019

Renminbi Yuan

XIV. NOTES TO THE FINANCIAL STATEMENTS (continued)

2. Other receivables (continued)

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

	30 June 2019 (Unaudited)	31 December 2018 (Audited)
Dividends receivable	128,360,000	120,760,000
Interests receivable	47,847,968	39,836,613
Receivables from subsidiaries	617,929,662	520,840,336
Tender deposit	28,508,342	44,200,248
Deposit	2,099,279	20,008,386
Others	8,220,211	5,520,497
	<u>832,965,462</u>	<u>751,166,080</u>

Dividends receivable:

	30 June 2019 (Unaudited)	31 December 2018 (Audited)
Baoji Times	77,220,000	77,220,000
Ningbo Times	35,200,000	38,200,000
Ningbo Electric	13,600,000	3,000,000
Qingdao Electric	2,340,000	2,340,000
	<u>128,360,000</u>	<u>120,760,000</u>

Notes to the Financial Statements

For the six months ended 30 June 2019

Renminbi Yuan

XIV. NOTES TO THE FINANCIAL STATEMENTS (continued)

2. Other receivables (continued)

Five highest other receivables (including dividends receivable and interests receivable) are as follows:

	30 June 2019 (Unaudited)
Baoji Times (including dividends receivable RMB77,220,000)	387,219,045
Ningbo Electric (including dividends receivable RMB13,600,000)	111,200,000
Ningbo Times (including dividends receivable RMB35,200,000)	93,236,123
HK Electric (including interests receivable RMB47,847,968)	84,940,850
Times Signal & Communication	69,567,685
	<u>746,163,703</u>
	31 December 2018 (Audited)
Baoji Times (including dividends receivable RMB77,220,000)	282,865,890
Ningbo Electric (including dividends receivable RMB3,000,000)	100,600,000
Times Signal & Communication	69,035,826
Ningbo Times (including dividends receivable RMB38,200,000)	95,157,562
HK Electric (including interests receivable RMB39,836,613)	85,820,473
	<u>633,479,751</u>

Notes to the Financial Statements

For the six months ended 30 June 2019

Renminbi Yuan

XIV. NOTES TO THE FINANCIAL STATEMENTS (continued)

3. Long-term receivables

	30 June 2019 (Unaudited)	31 December 2018 (Audited)
Receivables from subsidiaries	<u>527,820,000</u>	<u>525,720,000</u>

4. Long-term equity investments

	30 June 2019 (Unaudited)	31 December 2018 (Audited)
Long-term equity investments under equity method	313,538,254	311,424,236
Long-term equity investments under cost method	<u>2,496,486,516</u>	<u>2,430,548,024</u>
Less: Impairment of long-term equity investments	<u>2,810,024,770</u> <u>178,169,001</u>	2,741,972,260 <u>178,169,001</u>
	<u>2,631,855,769</u>	<u>2,563,803,259</u>

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

	From 1 January 2019 to 30 June 2019 (Unaudited)	2018 (Audited)
Opening balance and closing balance	<u>178,169,001</u>	<u>178,169,001</u>

Notes to the Financial Statements

For the six months ended 30 June 2019

Renminbi Yuan

XIV. NOTES TO THE FINANCIAL STATEMENTS (continued)

4. Long-term equity investments (continued)

Long-term equity investments under equity method

30 June 2019 (Unaudited)

	Current period movements		
	Closing balance of prior year	Investment income and loss recognised under equity method	Closing balance of current period
Non-listed investments Equity method			
Joint ventures			
Shiling	208,360,915	1,150,911	209,511,826
Wenzhou Electric	15,783,118	131,475	15,914,593
Shanghai Shentong CRRC	6,257,031	147,770	6,404,801
	<u>230,401,064</u>	<u>1,430,156</u>	<u>231,831,220</u>
Associates			
Zhuzhou Siemens	45,790,970	1,085,474	46,876,444
Guoxin Technology	25,000,000	(218,715)	24,781,285
CRRC Wabtec	10,232,202	(182,897)	10,049,305
	<u>81,023,172</u>	<u>683,862</u>	<u>81,707,034</u>
	<u><u>311,424,236</u></u>	<u><u>2,114,018</u></u>	<u><u>313,538,254</u></u>

Details of joint ventures and associates refer to the disclosure of Note V.12.

Notes to the Financial Statements

For the six months ended 30 June 2019

Renminbi Yuan

XIV. NOTES TO THE FINANCIAL STATEMENTS (continued)

4. Long-term equity investments (continued)

Long-term equity investments using cost method

30 June 2019 (Unaudited)

	Closing balance of prior year	Changes for the current period	Closing balance of current period
Non-listed investments			
Times Electronics	182,977,618	—	182,977,618
Ningbo Times	133,507,255	—	133,507,255
Times USA	3,187,516	—	3,187,516
Shenyang Times	56,000,000	—	56,000,000
Baoji Times	260,000,000	—	260,000,000
Kunming Electric	55,000,000	—	55,000,000
Hangzhou Electric	33,000,000	—	33,000,000
Guangzhou Times	18,000,000	—	18,000,000
HK Electric	731,009,400	—	731,009,400
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	45,000,000	—	45,000,000
Times Software	50,000,000	—	50,000,000
Shanghai CRRC Rail Transit	25,500,000	—	25,500,000
Times Signal & Communication	229,000,000	—	229,000,000
Lanzhou Times	25,500,000	—	25,500,000
ZNERCC	280,654,981	—	280,654,981
Shanghai SMD	30,000,000	—	30,000,000
Shanghai Yongdian	9,794,810	—	9,794,810
Chengdu Electric	30,000,000	—	30,000,000
	2,214,008,296	—	2,214,008,296
Listed investments			
Dynex (Note)	216,539,728	65,938,492	282,478,220
	2,430,548,024	65,938,492	2,496,486,516
Less: Impairment of long-term equity Investments	178,169,001	—	178,169,001
	2,252,379,023	65,938,492	2,318,317,515

Note: On 15 March 2019, the Company acquired all ordinary shares issued and in issue of Dynex (subsidiary) in cash at a price of 0.65 CAD per share (equivalent to RMB65,938,492), and Dynex became the Company's wholly-owned subsidiary.

Notes to the Financial Statements

For the six months ended 30 June 2019

Renminbi Yuan

XIV. NOTES TO THE FINANCIAL STATEMENTS (continued)

4. Long-term equity investments (continued)

Long-term equity investments using cost method (continued)

31 December 2018 (Audited)

	Closing balance of prior year	Changes for the current year	Closing balance of current year
Non-listed investments			
Times Electronics	182,977,618	–	182,977,618
Ningbo Times	133,507,255	–	133,507,255
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	55,000,000	–	55,000,000
Hangzhou Electric	33,000,000	–	33,000,000
Guangzhou Times	18,000,000	–	18,000,000
HK Electric	352,308,400	378,701,000	731,009,400
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	45,000,000	–	45,000,000
Wenzhou Electric	15,300,000	(15,300,000)	–
Times Software	50,000,000	–	50,000,000
Shanghai CRRC Rail Transit	25,500,000	–	25,500,000
Times Signal & Communication	129,000,000	100,000,000	229,000,000
Lanzhou Times	25,500,000	–	25,500,000
ZNERCC	280,654,981	–	280,654,981
Shanghai SMD	30,000,000	–	30,000,000
Shanghai Yongdian	9,794,810	–	9,794,810
Chengdu Electric	30,000,000	–	30,000,000
	<u>1,850,168,453</u>	<u>363,839,843</u>	<u>2,214,008,296</u>
Listed investments			
Dynex	216,539,728	–	216,539,728
	<u>2,066,708,181</u>	<u>363,839,843</u>	<u>2,430,548,024</u>
Less: Impairment of long-term equity Investments	<u>178,169,001</u>	<u>–</u>	<u>178,169,001</u>
	<u><u>1,888,539,180</u></u>	<u><u>363,839,843</u></u>	<u><u>2,252,379,023</u></u>

Notes to the Financial Statements

For the six months ended 30 June 2019

Renminbi Yuan

XIV. NOTES TO THE FINANCIAL STATEMENTS (continued)

5. 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:

	From 1 January 2019 to 30 June 2019 (Unaudited)	From 1 January 2018 to 30 June 2018 (Unaudited)
Revenue from principal operations	4,801,467,734	4,364,390,547
Other operating income	333,341,160	1,494,775
	<u>5,134,808,894</u>	<u>4,365,885,322</u>

Details of revenue are listed as follows:

	From 1 January 2019 to 30 June 2019 (Unaudited)	From 1 January 2018 to 30 June 2018 (Unaudited)
Revenue from sales of goods and materials	4,834,871,870	4,074,327,889
Maintenance income	291,063,821	268,165,422
Technical service income	3,564,490	15,891,691
Other revenue	5,308,713	7,500,320
	<u>5,134,808,894</u>	<u>4,365,885,322</u>

Notes to the Financial Statements

For the six months ended 30 June 2019

Renminbi Yuan

XIV. NOTES TO THE FINANCIAL STATEMENTS (continued)

5. Revenue and cost of sales (continued)

Cost of sales is stated as follows:

	From 1 January 2019 to 30 June 2019 (Unaudited)	From 1 January 2018 to 30 June 2018 (Unaudited)
Cost of sales from principal operations	3,458,177,364	3,099,573,083
Other operating cost	305,719,508	1,042,518
	<u>3,763,896,872</u>	<u>3,100,615,601</u>

6. Investment income

	From 1 January 2019 to 30 June 2019 (Unaudited)	From 1 January 2018 to 30 June 2018 (Unaudited)
Income from non-listed investments:		
Long-term equity investment income under the cost method	1,466,541,511	1,114,646,600
Long-term equity investment income under the equity method	2,114,018	(6,374,886)
Bank financial products income	42,121,912	15,604,672
Income from disposals of other equity instruments	51,083	–
	<u>1,510,828,524</u>	<u>1,123,876,386</u>

Notes to the Financial Statements

For the six months ended 30 June 2019

Renminbi Yuan

XIV. NOTES TO THE FINANCIAL STATEMENTS (continued)

7. Supplementary information to the statement of cash flows

(1) Supplementary information to the statement of cash flows

	From 1 January 2019 to 30 June 2019 (Unaudited)	From 1 January 2018 to 30 June 2018 (Unaudited)
Adjustment of net profit to cash flows from operating activities:		
Net profit	2,032,621,330	1,576,652,957
Add: Asset impairment losses	19,236,430	21,137,278
Credit impairment losses	(3,843,155)	88,595,214
Depreciation of fixed assets	138,316,430	119,375,811
Depreciation of right-of-use assets	1,527,238	–
Amortisation of intangible assets	29,442,760	27,740,694
Accrued special reserve	1,692,753	2,233,642
Gains on disposal of fixed assets, intangible assets and other long-term assets	(444,276)	(1,732,615)
Gains on fair value changes	(10,816,543)	(2,741,958)
Finance costs	1,795,859	(6,586,998)
Rent paid under the new lease standard	3,823,776	–
Investment income	(1,510,828,524)	(1,123,876,386)
Increase in deferred tax assets	(41,437,204)	(29,612,439)
Increase in inventories	(789,579,570)	(809,534,655)
(Increase)/decrease in operating receivables	(2,078,621,804)	725,541,242
Decrease in operating payables	(58,246,419)	(47,124,961)
Net cash flows from operating activities	<u>(2,265,360,919)</u>	<u>540,066,826</u>

Notes to the Financial Statements

For the six months ended 30 June 2019

Renminbi Yuan

XIV. NOTES TO THE FINANCIAL STATEMENTS (continued)

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

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

Movement in cash and cash equivalents:

	From 1 January 2019 to 30 June 2019 (Unaudited)	From 1 January 2018 to 31 December 2018 (Audited)
Closing balance of cash	2,691,256,684	2,924,163,813
Less: Opening balance of cash	2,924,163,813	2,064,146,853
Net change of cash and cash equivalents	<u>(232,907,129)</u>	<u>860,016,960</u>

(2) Cash and cash equivalents

	30 June 2019 (Unaudited)	31 December 2018 (Audited)
Cash		
Including: Bank deposits on demand	2,691,256,684	2,924,163,813
Closing balance of cash and cash equivalents	<u>2,691,256,684</u>	<u>2,924,163,813</u>

Notes to the Financial Statements

For the six months ended 30 June 2019

Renminbi Yuan

XIV. NOTES TO THE FINANCIAL STATEMENTS (continued)

8. Major transactions between the Company and its related parties

(1) Sales of goods to related parties

	From 1 January 2019 to 30 June 2019 (Unaudited)	From 1 January 2018 to 30 June 2018 (Unaudited)
Subsidiaries	356,260,690	373,650,025
Corporations controlled by the ultimate holding party other than the Zhuzhou ZELRI Group	2,587,690,319	1,907,060,152
Associates of the ultimate holding group other than the Zhuzhou ZELRI Group	13,577,090	25,564,676
Corporations controlled by the Zhuzhou ZELRI	4,324,139	290,446
Joint ventures of the ultimate holding group other than the Zhuzhou ZELRI Group	521,368	–
Zhuzhou ZELRI	204,980	–
	<u>2,962,578,586</u>	<u>2,306,565,299</u>

(2) Purchases of goods from related parties

	From 1 January 2019 to 30 June 2019 (Unaudited)	From 1 January 2018 to 30 June 2018 (Unaudited)
Subsidiaries	1,344,848,031	990,545,040
Corporations controlled by the ultimate holding party other than the Zhuzhou ZELRI Group	315,547,065	264,528,882
Corporations controlled by the Zhuzhou ZELRI	163,600,318	167,935,040
Joint ventures of the Company	34,900,332	531,538
Associates of the Company	4,421,035	48,633,775
Joint ventures of the ultimate holding group other than the Zhuzhou ZELRI Group	2,834,487	14,651,727
Zhuzhou ZELRI	–	3,334
	<u>1,866,151,268</u>	<u>1,486,829,336</u>

Notes to the Financial Statements

For the six months ended 30 June 2019

Renminbi Yuan

XIV. NOTES TO THE FINANCIAL STATEMENTS (continued)

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

(3) Sales of electricity to related parties

	From 1 January 2019 to 30 June 2019 (Unaudited)	From 1 January 2018 to 30 June 2018 (Unaudited)
Subsidiaries	–	416,040
Corporations controlled by the Zhuzhou ZELRI	327,062	57,698
Zhuzhou ZELRI	198,860	–
Associates of the Company	3,165	12,625
Corporations controlled by the ultimate holding party other than the Zhuzhou ZELRI Group	–	209,424
	529,087	695,787

(4) Purchases of electricity from related parties

	From 1 January 2019 to 30 June 2019 (Unaudited)	From 1 January 2018 to 30 June 2018 (Unaudited)
Corporations controlled by the ultimate holding party other than the Zhuzhou ZELRI Group	–	50,708
	–	50,708

Notes to the Financial Statements

For the six months ended 30 June 2019

Renminbi Yuan

XIV. NOTES TO THE FINANCIAL STATEMENTS (continued)

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

(5) Related party leases

As lessor

	From 1 January 2019 to 30 June 2019 (Unaudited)	From 1 January 2018 to 30 June 2018 (Unaudited)
Subsidiaries	786,794	1,418,007
Corporations controlled by the Zhuzhou ZELRI	2,638,439	3,052,497
Zhuzhou ZELRI	1,527,420	1,546,289
Associates of the Company	208,938	–
	<u>5,161,591</u>	<u>6,016,793</u>

As lessee

	From 1 January 2019 to 30 June 2019 (Unaudited)	From 1 January 2018 to 30 June 2018 (Unaudited)
Corporations controlled by the Zhuzhou ZELRI	2,631,761	981,084
Zhuzhou ZELRI	964,325	487,229
Corporations controlled by the ultimate holding party other than the Zhuzhou ZELRI Group	352,906	458,066
	<u>3,948,992</u>	<u>1,926,379</u>

Notes to the Financial Statements

For the six months ended 30 June 2019

Renminbi Yuan

XIV. NOTES TO THE FINANCIAL STATEMENTS (continued)

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

(6) Technical service income from related parties

	From 1 January 2019 to 30 June 2019 (Unaudited)	From 1 January 2018 to 30 June 2018 (Unaudited)
Corporations controlled by the ultimate holding party other than the Zhuzhou ZELRI Group	<u>424,528</u>	<u>8,053,774</u>

(7) Maintenance services provided to related parties

	From 1 January 2019 to 30 June 2019 (Unaudited)	From 1 January 2018 to 30 June 2018 (Unaudited)
Subsidiaries	36,684,717	–
Corporations controlled by the ultimate holding party other than the Zhuzhou ZELRI Group	263,549,370	212,594,512
Associates of the ultimate holding group other than the Zhuzhou ZELRI Group	<u>965,676</u>	<u>24,756,062</u>
	<u>301,199,763</u>	<u>237,350,574</u>

Notes to the Financial Statements

For the six months ended 30 June 2019

Renminbi Yuan

XIV. NOTES TO THE FINANCIAL STATEMENTS (continued)

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

(8) Technical service fees paid to related parties

	From 1 January 2019 to 30 June 2019 (Unaudited)	From 1 January 2018 to 30 June 2018 (Unaudited)
Zhuzhou ZELRI	43,500,000	65,985,000
Corporations controlled by the Zhuzhou ZELRI	–	1,191,420
Joint ventures of the Company	–	215,000
	<u>43,500,000</u>	<u>67,391,420</u>

(9) Fund lending to related parties

From 1 January 2019 to 30 June 2019 (Unaudited)

	Closing balance of the prior period	Borrowed amount of the period	Repayment of the period	Closing balance of the period	Interest rate	Start date	Expiry date
Subsidiaries	520,840,336	100,000,000	(2,910,674)	617,929,662	3%-4.35%	24 October 2018	24 August 2021

From 1 January 2018 to 30 June 2018 (Unaudited)

	Closing balance of the prior period	Borrowed amount of the period	Repayment of the period	Closing balance of the period	Interest rate	Start date	Expiry date
Subsidiaries	711,144,457	30,000,000	(374,111,859)	367,032,598	3%-4.35%	21 May 2018	17 May 2019

Notes to the Financial Statements

For the six months ended 30 June 2019

Renminbi Yuan

XIV. NOTES TO THE FINANCIAL STATEMENTS (continued)

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

(10) Interest income from cash and bank balances

	From 1 January 2019 to 30 June 2019 (Unaudited)	From 1 January 2018 to 30 June 2018 (Unaudited)
Subsidiaries	14,087,583	16,259,671
Corporations controlled by the ultimate holding party other than the Zhuzhou ZELRI Group	3,353,556	2,051,281
	17,441,139	18,310,952

(11) Interest expenses to borrowings

	From 1 January 2019 to 30 June 2019 (Unaudited)	From 1 January 2018 to 30 June 2018 (Unaudited)
Shareholders of the Zhuzhou ZELRI	522,196	544,021

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.

Notes to the Financial Statements

For the six months ended 30 June 2019

Renminbi Yuan

XIV. NOTES TO THE FINANCIAL STATEMENTS (continued)

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

(12) Guarantee provided to related parties

From 1 January 2019 to 30 June 2019 (Unaudited)

	Guaranteed amount	Starting date	Expiry date	Completed or not
Subsidiary	243,643,600	25 October 2018	25 October 2019	No
Subsidiary	95,438,200	24 October 2018	24 October 2019	No
Subsidiary	84,920,000	24 October 2018	24 October 2019	No
Subsidiary	175,240,000	5 November 2018	5 November 2021	No
	<u>599,241,800</u>			

From 1 January 2018 to 30 June 2018 (Unaudited)

	Guaranteed amount	Starting date	Expiry date	Completed or not
Subsidiary	235,709,350	26 October 2017	26 October 2018	No
Subsidiary	94,947,710	24 October 2017	24 October 2018	No
Subsidiary	65,000,000	11 December 2017	29 December 2018	No
	<u>395,657,060</u>			

Notes to the Financial Statements

For the six months ended 30 June 2019

Renminbi Yuan

XIV. NOTES TO THE FINANCIAL STATEMENTS (continued)

9. Amounts due from and due to related parties

	30 June 2019 (Unaudited)	31 December 2018 (Audited)
Trade receivables(including long-term trade receivables):		
Subsidiaries	2,006,832,257	1,306,634,604
Corporations controlled by the ultimate holding party other than the Zhuzhou ZELRI Group	3,209,019,012	1,607,806,231
Corporations controlled by the Zhuzhou ZELRI Associates of the ultimate holding group other than the Zhuzhou ZELRI Group	8,478,257	10,037,991
Joint ventures of the Company	2,876,194	3,349,712
Associates of the Company	–	86,485,618
Zhuzhou ZELRI	–	9,734,640
Joint ventures of the ultimate holding group other than the Zhuzhou ZELRI Group	–	6,572,409
	<u>–</u>	<u>3,050,701</u>
	<u>5,227,205,720</u>	<u>3,033,671,906</u>

	30 June 2019 (Unaudited)	31 December 2018 (Audited)
Bills receivable:		
Subsidiaries	29,228,000	14,800,000
Corporations controlled by the ultimate holding party other than the Zhuzhou ZELRI Group	1,430,366,517	1,602,753,540
Zhuzhou ZELRI	1,597,237	–
Associates of the ultimate holding group other than the Zhuzhou ZELRI Group	145,000,000	165,000,000
	<u>–</u>	<u>–</u>
	<u>1,606,191,754</u>	<u>1,782,553,540</u>

Notes to the Financial Statements

For the six months ended 30 June 2019

Renminbi Yuan

XIV. NOTES TO THE FINANCIAL STATEMENTS (continued)

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

	30 June 2019 (Unaudited)	31 December 2018 (Audited)
Prepayments:		
Subsidiaries	10,986,491	9,174,339
Zhuzhou ZELRI	—	145,020
	10,986,491	9,319,359
Other receivables:		
Subsidiaries	617,929,662	520,840,336
Zhuzhou ZELRI	2,363,012	1,081,500
Corporations controlled by the ultimate holding party other than the Zhuzhou ZELRI Group	1,290,552	600,000
Corporations controlled by the Zhuzhou ZELRI	41,993	2,727
Associates of the Company	—	117,915
	621,625,219	522,642,478

Notes to the Financial Statements

For the six months ended 30 June 2019

Renminbi Yuan

XIV. NOTES TO THE FINANCIAL STATEMENTS (continued)

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

	30 June 2019 (Unaudited)	31 December 2018 (Audited)
Dividends receivable: Subsidiaries	<u>128,360,000</u>	<u>120,760,000</u>
	30 June 2019 (Unaudited)	31 December 2018 (Audited)
Interests receivable: Subsidiaries	<u>47,847,968</u>	<u>39,836,613</u>
	30 June 2019 (Unaudited)	31 December 2018 (Audited)
Contract assets: Corporations controlled by the ultimate holding party other than the Zhuzhou ZELRI Group	<u>26,179,652</u>	<u>20,980,325</u>
Corporations controlled by the Zhuzhou ZELRI	<u>89,000</u>	<u>54,000</u>
	<u>26,268,652</u>	<u>21,034,325</u>

Notes to the Financial Statements

For the six months ended 30 June 2019

Renminbi Yuan

XIV. NOTES TO THE FINANCIAL STATEMENTS (continued)

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

	30 June 2019 (Unaudited)	31 December 2018 (Audited)
Trade receivables financing:		
Subsidiaries	67,877	5,204,467
Corporations controlled by the ultimate holding party other than the Zhuzhou ZELRI Group	151,382,679	177,512,032
Zhuzhou ZELRI	20,862,153	7,518,476
Corporations controlled by the Zhuzhou ZELRI	–	291,513
	<u>172,312,709</u>	<u>190,526,488</u>
Other non-current assets:		
Subsidiaries	–	1,100,000
Corporations controlled by the Zhuzhou ZELRI	8,669,283	8,669,283
Corporations controlled by the ultimate holding party other than the Zhuzhou ZELRI Group	2,852,258	8,051,584
	<u>11,521,541</u>	<u>17,820,867</u>
Deposit of cash and bank balances:		
Corporations controlled by the ultimate holding party other than the Zhuzhou ZELRI Group (Note)	<u>588,860,604</u>	<u>587,824,924</u>

Notes to the Financial Statements

For the six months ended 30 June 2019

Renminbi Yuan

XIV. NOTES TO THE FINANCIAL STATEMENTS (continued)

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

Note: As at 30 June 2019, the Company's deposit with CRRC Finance Co., Ltd. is amounted to RMB588,860,604 unaudited) (31 December 2018 (audited): RMB587,824,924).

As at 28 December 2018, the Company and CRRC Finance Co., Ltd. entered into the framework agreement on financial services. In accordance with the agreement, from 31 December 2018 to 30 December 2019, the maximum amount of total deposits per day in the CRRC Finance Co., Ltd. is RMB700,000,000 and the deposit rate is no less than the higher of the benchmark interest rate issued by the People's Bank of China for similar type of deposits, the interest rate at which other major commercial banks of China should pay for comparable deposits and the interest rate at which CRRC Finance Co., Ltd. should pay for comparable deposits to other member companies of CRRC.

	30 June 2019 (Unaudited)	31 December 2018 (Audited)
Trade payables:		
Subsidiaries	1,683,636,809	2,253,886,313
Corporations controlled by the ultimate holding party other than the Zhuzhou ZELRI Group	311,206,019	126,633,842
Corporations controlled by the Zhuzhou ZELRI Joint ventures of the Company	125,418,395	39,026,331
Joint ventures of the Company	41,951,166	12,694,065
Joint ventures of the ultimate holding group other than the Zhuzhou ZELRI Group	4,352,001	11,463,618
Associates of the Company	812,278	55,000
Zhuzhou ZELRI	200,930	8,354,231
	<u>2,167,577,598</u>	<u>2,452,113,400</u>

Notes to the Financial Statements

For the six months ended 30 June 2019

Renminbi Yuan

XIV. NOTES TO THE FINANCIAL STATEMENTS (continued)

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

	30 June 2019 (Unaudited)	31 December 2018 (Audited)
Bills payable:		
Subsidiaries	478,580	521,061
Corporations controlled by the ultimate holding party other than the Zhuzhou ZELRI Group	97,315,177	236,950,000
Corporations controlled by the Zhuzhou ZELRI Joint ventures of the ultimate holding group other than the Zhuzhou ZELRI Group	15,164,390	107,819,510
Joint ventures of the Company	–	21,060,000
	–	5,940,000
	<u>112,958,147</u>	<u>372,290,571</u>
Contract liabilities:		
Subsidiaries	5,370,000	5,370,000
Corporations controlled by the ultimate holding party other than the Zhuzhou ZELRI Group	11,055,236	107,304,834
Zhuzhou ZELRI	1,100,000	–
Corporations controlled by the Zhuzhou ZELRI	100	–
	<u>17,525,336</u>	<u>112,674,834</u>
Dividends payable:		
Zhuzhou ZELRI	265,313,565	–
Corporations controlled by the ultimate holding party other than the Zhuzhou ZELRI Group	8,721,346	–
	<u>274,034,911</u>	<u>–</u>

Notes to the Financial Statements

For the six months ended 30 June 2019

Renminbi Yuan

XIV. NOTES TO THE FINANCIAL STATEMENTS (continued)

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

	30 June 2019 (Unaudited)	31 December 2018 (Audited)
Other payables:		
Subsidiaries	1,502,180	15,365,543
Zhuzhou ZELRI	223,721,393	220,709,990
Corporations controlled by the Zhuzhou ZELRI	875,560	13,018,412
Corporations controlled by the ultimate holding party other than the Zhuzhou ZELRI Group	200,000	250,000
	<u>226,299,133</u>	<u>249,343,945</u>
	30 June 2019 (Unaudited)	31 December 2018 (Audited)
Interest payable :		
Shareholders of the Zhuzhou ZELRI	<u>28,556</u>	<u>-</u>
		30 June 2019 (Unaudited)
Lease liabilities (including due within one year):		
Zhuzhou ZELRI		1,236,065
Corporation controlled by the ultimate holding party other than the Zhuzhou ZELRI Group		<u>1,242,127</u>
		<u>2,478,192</u>

Notes to the Financial Statements

For the six months ended 30 June 2019

Renminbi Yuan

XIV. NOTES TO THE FINANCIAL STATEMENTS (continued)

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

	30 June 2019 (Unaudited)	31 December 2018 (Audited)
Long-term borrowings (including due within one year): Shareholders of the Zhuzhou ZELRI	<u>95,188,000</u>	<u>97,688,000</u>

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 the 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 Group's unaudited consolidated financial statements and their notes as set out in this Interim Report. The Group has implemented certain new standards prepared by the Ministry of Finance since 1 January 2019 and the impact of the implementation of the new standards on the Group is detailed in Note III.28 to the Financial Statements.

REVENUE

	For the six months ended 30 June	
	2019 (Unaudited) (RMB million)	2018 (Unaudited) (RMB million)
Locomotives	1,275.1	744.7
Electric Multiple Units	1,429.7	1,393.1
Metropolitan rail transportation equipment	1,705.3	1,641.9
Railway maintenance machineries related products	995.6	1,301.8
Signal & communication products	230.3	230.9
Key electric system and component products	430.4	622.8
Marine engineering products and others	358.7	385.3
Total revenue	6,425.1	6,320.5

The Group's revenue increased by RMB104.6 million or 1.7% from RMB6,320.5 million for the six months ended 30 June 2018 to RMB6,425.1 million for the six months ended 30 June 2019.

In the first half of 2019, except for the revenue growth in locomotives, electric multiple units and metropolitan rail transportation equipment, the Group experienced revenue decreases in various degrees in other products. Locomotives recorded the highest growth for the six months ended 30 June 2019, representing an increase in revenue of RMB530.4 million compared to the same period of last year, which was mainly due to the delivery of locomotives including 7200KW and 9600KW.

COST OF SALES

The Group's cost of sales increased by RMB40.5 million from RMB3,887.8 million for the six months ended 30 June 2018 to RMB3,928.3 million for the six months ended 30 June 2019. The increase in the cost of sales was mainly due to the combined effects of the growth in the Group's revenue and the change of product sales structure.

GROSS PROFIT

The Group's gross profit increased by RMB64.1 million from RMB2,432.7 million for the six months ended 30 June 2018 to RMB2,496.8 million for the six months ended 30 June 2019. The Group's gross profit margin increased from 38.5% for the six months ended 30 June 2018 to 38.9% for the six months ended 30 June 2019. The change in gross profit margin was mainly due to the change of product sales structure.

Management Discussion and Analysis

SELLING EXPENSES

The Group's selling expenses increased by RMB151.1 million from RMB316.6 million for the six months ended 30 June 2018 to RMB467.7 million for the six months ended 30 June 2019. The increase in selling expenses was mainly due to the increase in product warranty provision.

ADMINISTRATIVE EXPENSES

The Group's administrative expenses increased by RMB23.9 million from RMB296.4 million for the six months ended 30 June 2018 to RMB320.3 million for the six months ended 30 June 2019. The increase in administrative expenses was mainly due to the increase in labor costs.

RESEARCH AND DEVELOPMENT EXPENSES

The Group's research and development expenses increased by RMB18.0 million from RMB591.9 million for the six months ended 30 June 2018 to RMB609.9 million for the six months ended 30 June 2019. The increase in research and development expenses was mainly due to the increase in labor costs.

FINANCE COSTS

The Group's finance costs increased by RMB27.2 million from negative RMB16.9 million for the six months ended 30 June 2018 to RMB10.3 million for the six months ended 30 June 2019. The increase in finance costs was mainly due to the increase in interest expenses and the decrease in interest income.

OTHER INCOME

The Group's other income increased by RMB19.6 million from RMB127.0 million for the six months ended 30 June 2018 to RMB146.6 million for the six months ended 30 June 2019, which was mainly due to the refund of taxes received by the Group relating to its daily operating activities.

INVESTMENT INCOME

The Group's investment income increased by RMB27.8 million from RMB8.2 million for the six months ended 30 June 2018 to RMB36.0 million for the six months ended 30 June 2019. The increase in investment income was mainly due to the increase in income from held-for-trading financial assets.

GAINS ON FAIR VALUE CHANGES

The Group's gains on fair value changes increased by RMB8.1 million from RMB2.7 million for the six months ended 30 June 2018 to RMB10.8 million for the six months ended 30 June 2019. The increase was mainly due to the increase in gains on fair value changes of the undue forward foreign exchange contracts signed by the Group with banks.

CREDIT IMPAIRMENT LOSSES

The Group's credit impairment losses decreased by RMB66.8 million from RMB89.2 million for the six months ended 30 June 2018 to RMB22.4 million for the six months ended 30 June 2019.

Management Discussion and Analysis

ASSET IMPAIRMENT LOSSES

The Group's asset impairment losses increased by RMB12.4 million from RMB20.4 million for the six months ended 30 June 2018 to RMB32.8 million for the six months ended 30 June 2019. In the first half of 2019, the Group made a provision of RMB32.8 million for inventories with signs of impairment.

GAINS ON DISPOSAL OF ASSETS

The Group's gains on disposal of assets decreased by RMB1.0 million from RMB1.5 million for the six months ended 30 June 2018 to RMB0.5 million for the six months ended 30 June 2019.

NON-OPERATING INCOME

The Group's non-operating income increased by RMB1.4 million from RMB2.7 million for the six months ended 30 June 2018 to RMB4.1 million for the six months ended 30 June 2019.

NON-OPERATING EXPENSES

The Group's non-operating expenses for the six months ended 30 June 2018 and 30 June 2019 were both RMB0.8 million.

TOTAL PROFIT

The Group's total profit decreased by RMB53.3 million from RMB1,227.9 million for the six months ended 30 June 2018 to RMB1,174.6 million for the six months ended 30 June 2019. The decrease in total profit was mainly due to the increase in period expenses. The Group's sales profit margins for the six months ended 30 June 2018 and 30 June 2019 were 19.4% and 18.3% respectively.

INCOME TAX EXPENSE

The Group's income tax expense decreased by RMB81.6 million from RMB172.5 million for the six months ended 30 June 2018 to RMB90.9 million for the six months ended 30 June 2019.

The Company, Times Electronics, Ningbo Times, ZNERCC and Times Signal & Communication were accredited as high and new technology enterprises and received approvals from the relevant government authorities, and they were subject to the preferential corporate income tax rate of 15%.

Baoji Times was subject to the preferential tax policy of the Development of the Western Region in China, and was entitled to be taxed at the preferential corporate income tax rate of 15%.

Times Software enjoyed the preferential tax policy of "Two years exemptions and three years halves" ("兩免三減半").

The effective income tax rates of the Group for the six months ended 30 June 2018 and 30 June 2019 were 14.0% and 7.7% respectively.

NET PROFIT ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT

Net profit attributable to Shareholders of the Parent increased by RMB26.0 million from RMB1,040.3 million for the six months ended 30 June 2018 to RMB1,066.3 million for the six months ended 30 June 2019. The Group's sales net profit margin for the six months ended 30 June 2018 and 30 June 2019 were 16.5% and 16.6% respectively.

NON-CONTROLLING INTERESTS

Non-controlling interests increased by RMB2.3 million from RMB15.1 million for the six months ended 30 June 2018 to RMB17.4 million for the six months ended 30 June 2019. The increase in non-controlling interests was mainly due to the increase in net profit for the period from the Group's non-wholly owned subsidiaries as compared to the same period of last year.

EARNINGS PER SHARE

Earnings per share increased by RMB0.03 from RMB0.88 for the six months ended 30 June 2018 to RMB0.91 for the six months ended 30 June 2019.

LIQUIDITY AND SOURCE OF CAPITAL

Cash flows and working capital

The Group's needs for working capital were mainly satisfied by cash generated from operations. The net decrease in cash and cash equivalents of the Group amounted to RMB313.9 million for the six months ended 30 June 2019, which was mainly due to the decrease in the Group's net cash inflows from operating activities in the first half of 2019.

Net cash outflows from operating activities

The Group's net cash outflow from operating activities decreased by RMB3,127.6 million from a net inflow of RMB2,128.3 million for the six months ended 30 June 2018 to a net outflow of RMB999.3 million for the six months ended 30 June 2019, which was mainly due to the decrease in the Group's operating cash inflows as compared to the same period of last year.

Net cash inflows from investing activities

For the six months ended 30 June 2019, the Group's net cash inflow from investing activities was approximately RMB642.5 million, which principally includes the cash received from the returns of investments of RMB5,430.9 million, the cash paid for acquisition of investments of RMB4,650.0 million, and the cash paid for acquisition of fixed assets, intangible assets and other long-term assets of RMB121.1 million.

Net cash inflows from financing activities

For the six months ended 30 June 2019, the Group's net cash inflow from financing activities was approximately RMB42.3 million. The cash inflows principally included the cash received from the borrowings of RMB46.8 million and the cash received from investment absorption of RMB22.5 million, while the cash outflows mainly represented the cash disbursed in connection with other fund-raising activities of RMB13.8 million.

Liquidity

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

Management Discussion and Analysis

COMMITMENTS

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

	30 June 2019 (Unaudited) (RMB million)	31 December 2018 (Audited) (RMB million)
Contracted but not provided for		
Capital commitments	323.3	385.5
Investments in subsidiaries	100.0	27.5
Total	423.3	413.0

INDEBTEDNESS

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

	30 June 2019 (Unaudited) (RMB million)	31 December 2018 (Audited) (RMB million)
Short-term borrowings	211.6	168.2
Long-term borrowings (including due within one year)	235.5	237.3
Total	447.1	405.5

The Group's borrowings were mainly fixed rate loans.

Maturity analysis:

	30 June 2019 (Unaudited) (RMB million)	31 December 2018 (Audited) (RMB million)
Due within 1 year	216.8	173.1
Due within 1 to 2 years	5.4	5.1
Due within 2 to 5 years	154.7	154.6
Due over 5 years	70.2	72.7
	447.1	405.5

As at 30 June 2019, the annual interest rates for loans above were 1.08-5.16% (31 December 2018: 2.15-4.92%).

Management Discussion and Analysis

INDEBTEDNESS (continued)

Pursuant to the relevant borrowing agreements, the loans amounting to RMB178.0 million on 30 June 2019 (31 December 2018: RMB139.3 million) were entitled to priority to be repaid with certain assets if the Group is default in repayment. The carrying amount of such assets as at 30 June 2019 and 31 December 2018 were RMB529.4 million and RMB247.6 million respectively.

PLEDGE

As at 30 June 2019, the group has no fixed assets (31 December 2018: nil) for the pledge of bank borrowings.

As at 30 June 2019, the group has no land use rights (31 December 2018: nil) for the pledge of bank borrowings.

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 development and to maximise Shareholders' value.

The Group manages its capital structure and makes adjustment to it in light of changes in economic conditions and 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 2019 and in 2018.

The Group monitors capital 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 below 30%. Net debt includes the net amount of financial liabilities at fair value through profit or loss, all borrowings, bills payable, trade payables, employee benefits payable, other taxes payable excluding income tax payable, other payables, lease liabilities and long-term payables, less cash and cash equivalents. Capital includes equity attributable to Shareholders of the Parent. The Group's gearing ratio was 11.7% as at 31 December 2018 and 16.0% as at 30 June 2019.

OPERATING SEGMENTS

For management purposes, the Group's operating activities are attributable to a single operating segment, focusing on railway transportation equipment and relevant products and services in the market. Therefore, no other operating segment is presented.

Management Discussion and Analysis

ACQUISITION OF NON-CONTROLLING SHAREHOLDERS' SHARES

On 18 January 2019, the Company entered into a plan of arrangement with Dynex, pursuant to which, the Company acquired all the issued and outstanding ordinary shares of Dynex not held by the Company at a cash consideration of 0.65 Canadian dollar per share in accordance with the plan of arrangement under the Canada Business Corporations Act, at a total consideration of approximately Canadian dollar 13.1 million (equivalent to approximately RMB65.9 million). The plan of arrangement was completed on 15 March 2019 and Dynex became a wholly-owned subsidiary of the Company. The delisting of the shares of Dynex from the TSX Venture Exchange took place at the close of trading on 19 March 2019 (Canada time).

CONTINGENT LIABILITIES

The Group did not have any material contingent liabilities as at 30 June 2019, and no member of the Group was engaged in any litigation, arbitration or claims of material importance and, so far as the Board was aware, no litigation or claim of material importance was pending or threatened by or against any member of the Group.

MAJOR RISKS AND UNCERTAINTIES

The Group has reviewed the possible risks and uncertainties which may affect its businesses, financial condition, operations and prospects, and considered that the major risks and uncertainties that may affect the Group are those as set out below:

Market Risks

The Group is subject to various market risks, including foreign exchange 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, purchases and borrowings are denominated in foreign currencies including Japanese yen, United States dollar, Great British pound and European dollar. Fluctuations of exchange rates of RMB against such foreign currencies can affect the Group's results of operations. Details of such risks are set out in Note VIII. 2.

Policy Risk

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

EMPLOYEES, REMUNERATION AND TRAINING

Please refer to the section headed "Other Information – Employees and Training" for details on the number of employees and remuneration policies, bonus and share appreciation rights scheme and training scheme.

Other Information

1. CORPORATE GOVERNANCE

- **Corporate governance**

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

During the Reporting Period, the Company has fully complied with the code provisions of the Corporate Governance Code contained in Appendix 14 to the Listing Rules, except for code provisions A.6.7 and E.1.2 as set out below.

Mr. Zhang Xinning, a non-executive Director, had not attended the Annual General Meeting due to his other important commitments which constituted a deviation from the requirement of code provision A.6.7, while Mr. Li Donglin, the Chairman of the Board and an executive Director, had not attended the Annual General Meeting due to his important commitments which constituted a deviation from the requirement of code provision E.1.2.

- **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 to the Listing Rules as the code of conduct for Directors’ securities transactions.

Having made specific enquiry of all Directors in relation to the compliance with the Model Code, the Company confirmed that all Directors have complied with the required standards set out in the Model Code during the Reporting Period.

- **Board of Directors**

The Board currently consists of ten Directors, among whom Mr. Li Donglin is the Chairman of the Board and an executive Director; Mr. Yang Shouyi is the Vice Chairman of the Board and an executive Director; Mr. Liu Ke’an and Mr. Yan Wu are executive Directors; Mr. Zhang Xinning is the non-executive Director; and Mr. Chan Kam Wing, Clement, Mr. Pao Ping Wing, Ms. Liu Chunru, Mr. Chen Xiaoming and Mr. Gao Feng are the independent non-executive Directors.

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 relationships, there was no other relationship between the members of the Board (especially between the Chairman of the Board and the General Manager), whether financial, business, family or other material relationships.

Other Information

1. CORPORATE GOVERNANCE (continued)

- **Supervisory Committee**

On 20 June 2019, (1) Mr. Xiong Ruihua resigned as the Chairman of the Supervisory Committee and as a supervisor due to adjustment in work allocation; and (2) Mr. Li Lue was appointed as the Chairman of the Supervisory Committee and a supervisor.

The Supervisory Committee currently consists of four supervisors, among whom Mr. Li Lue 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 is one less than the number required by the Articles, the Company hopes to search for a suitable candidate to fill the vacancy as soon as possible.

- **Audit Committee**

The Company's audit committee was established in October 2005. It currently consists of five independent non-executive Directors. The members of the audit committee are Mr. Chan Kam Wing, Clement, Mr. Pao Ping Wing, Ms. Liu Chunru, Mr. Chen Xiaoming and Mr. Gao Feng. 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 consolidated financial statements for the six months ended 30 June 2019 prepared in accordance with the PRC Accounting Standards and was satisfied that the unaudited consolidated financial statements complied with applicable accounting standards, the relevant regulatory and legal requirements and that adequate disclosure had been made.

2. INTERNAL CONTROL

The Company has a sound internal control organization system. The Board of Directors is responsible for the establishment, improvement and effective implementation of the internal control system. Under the guidance of the audit committee and the risk control committee of the Board of Directors, the Audit and Risk Control Department conducts inspection, supervision and evaluation of the internal control of the Company and its subsidiaries by focusing on important monitoring aspects such as financial monitoring, operational monitoring, compliance monitoring and risk management functions, supervises and promptly rectifies internal control defects, and effectively controls various risks in the course of operation.

During the Reporting Period, the Company's internal control system proved to be stable and reliable and continued to deepen the risk management work as follows: continued to conduct special audit of the Company's system process for implementation in order to promote the culture of following process rules, conducted special audit of closed-loop management, established long-term closed-loop management mechanism, initiated significant risks inspection, formulated risk mitigation solution, defined risk mitigation responsibilities, conducted post-investment project evaluation, enhanced business subcontracting management and maintained effective operation of internal monitoring. The Company is able to withstand changes in business and external environment in terms of financial, operational and risk management to safeguard the Company's asset security and shareholders' interests.

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

As at 30 June 2019, none of the Directors, supervisors, and the general manager 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 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 Stock Exchange pursuant to the Model Code.

Other Information

4. STRUCTURE OF SHARE CAPITAL

The Company's share capital structure as at 30 June 2019 was as follows:

Shareholder	Type	Number of shares	Approximate % of the issued share capital as at 30 June 2019
CRRC ZELRI	Domestic share	589,585,699	50.16%
CRRC Zhuzhou	Domestic share	10,000,000	0.85%
CRRC Investment & Leasing	Domestic share	9,380,769	0.80%
CRCCE	Domestic share	9,800,000	0.83%
Beijing Maohuan Rail Transit Industry Investment Management Partnership (Limited Partnership)	Domestic share	9,380,769	0.80%
Shares in public circulation (Note)	H share	<u>547,329,400</u>	<u>46.56%</u>
Total		<u><u>1,175,476,637</u></u>	<u><u>100%</u></u>

Note: 6,673,600 H shares are held by CRRC Hongkong Capital Management Co., Limited, a wholly-owned subsidiary of CRRC.

5. SUBSTANTIAL SHAREHOLDERS

Interests and short positions in the shares and relevant underlying shares of the Company pursuant to the disclosure requirements of Divisions 2 and 3 of Part XV of the SFO as at 30 June 2019 were as follows:

Name of substantial shareholder	Number of shares held	Capacity	Approximate % of Domestic Share share capital	Approximate % of H Share share capital	Approximate % of issued share capital
CRRZ ZELRI	589,585,699 (Long position)	Beneficial owner	93.86%	–	50.16%
CRRZ (Note 1)	608,966,468 (Long position)	Interest in controlled entity	96.95%	–	51.81%
	6,673,600 (Long position)	Interest in controlled entity	–	1.22%	0.57%
CRRZ Group (Note 2)	608,966,468 (Long position)	Interest in controlled entity	96.95%	–	51.81%
	6,673,600 (Long position)	Interest in controlled entity	–	1.22%	0.57%
Schroders Plc	54,681,773 (Long position)	Investment manager	–	9.99%	4.65%
Pandanus Associates Inc (Note 3)	46,405,200 (Long position)	Interest in controlled entity	–	8.48%	3.95%

Other Information

5. SUBSTANTIAL SHAREHOLDERS (continued)

Name of substantial shareholder	Number of shares held	Capacity	Approximate % of Domestic Share share capital	Approximate % of H Share share capital	Approximate % of issued share capital
Pandanus Partners L.P. (Note 3)	46,405,200 (Long position)	Interest in controlled entity	–	8.48%	3.95%
FIL Limited (Note 3)	46,405,200 (Long position)	Interest in controlled entity	–	8.48%	3.95%
Citigroup Inc.	7,053,440 (Long position)	Interest in controlled entity	–	1.29%	3.66%
	2,686,440 (Short position)	Interest in controlled entity	–	0.49%	0.23%
	35,910,832 (Lending pool shares – long position)	Approved lending agent	–	6.56%	3.06%
BlackRock, Inc.	28,587,270 (Long position)	Interest in controlled entity	–	5.22%	2.43%
	2,748,100 (Short position)	Interest in controlled entity	–	0.50%	0.23%
FIDELITY FUNDS	27,682,700 (Long position)	Beneficial owner	–	5.06%	2.36%

5. SUBSTANTIAL SHAREHOLDERS (continued)

Note:

- (1) 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. CRRC is interested in 6,673,600 H shares through CRRC Hongkong Capital Management Co., Limited, a wholly-owned subsidiary of CRRC.
- (2) CRRC Group is directly and indirectly interested in 51.43% of the shares of CRRC. Accordingly, CRRC Group is deemed under the SFO to be interested in the shares held by CRRC.
- (3)
 - (a) The corporate substantial shareholder notice filed by Pandanus Associates Inc. indicated that it is deemed under the SFO to be interested in 46,405,200 shares held through Pandanus Partners L.P., a corporation wholly controlled by it.
 - (b) The corporate substantial shareholder notice filed by Pandanus Partners L.P. indicated that Pandanus Partners L.P. is interested in 37.51% of the issued share capital of FIL Limited. Under the SFO, Pandanus Partners L.P. is deemed to be interested in 46,405,200 shares held through FIL Limited.
 - (c) The corporate substantial Shareholder notice filed by FIL Limited indicated that FIL Limited is interested in 46,405,200 shares held through corporations controlled by it.

6. 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.

7. DISTRIBUTION OF DIVIDENDS

(1) Distribution plan and implementation of 2018 final dividend

Having been considered and approved by the shareholders 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 2018 to all shareholders whose names appeared on the register of members of the Company on 1 July 2019. Based on the Company's total share capital of 1,175,476,637 shares in issue, a total amount of dividend of approximately RMB528.96 million was paid. Implementation of the final dividend distribution plan was completed before the approval of this interim report.

(2) 2019 Interim profit distribution plan

The Board did not recommend the distribution of an interim dividend for the six months ended 30 June 2019.

Other Information

8. CONNECTED TRANSACTIONS

During the Reporting Period, the Company has strictly complied with the relevant requirements in respect of connected transactions or continuing 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 together with its subsidiaries and their respective associates but excluding the Group (collectively, the "CRRC Group of Companies"). In addition, the independent non-executive Directors have conducted quarterly reviews on the terms of the relevant transactions under the framework agreement entered into between the Company and CRRC Group on 28 March 2016 for the mutual supply of products and ancillary services between the Group and the CRRC Group of Companies for a term of three years commencing from 1 January 2017 and ending on 31 December 2019, and the review opinions regarding the terms of such transactions would be disclosed by the Company to its shareholders by way of announcements.

In respect of other connected transactions or continuing connected transactions of the Company, please refer to the relevant announcements of the Company.

9. EMPLOYEES AND TRAINING

As at 30 June 2019, the Company had 7,998 full-time employees. Total employment expenses for the six months ended 30 June 2019 was approximately RMB958.47 million. The Group's remuneration policy for its employees takes into account the level of responsibilities, work performance, qualifications and competence of the individual employees. 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 the key front-line management training programme, which provided systematic training for front-line management talents in research and development, production, IT and finance functions; continued to organize talent team training for new cadres, international talents and marketing talents. The Company also enhanced the development, application and promotion of internal training resources, as well as further developed the promotion and application of internal training courses (such as boutique courses, micro courses and product knowledge courses) with Happy Learning Class, Expert Forum and special talent training programmes. The professional quality and leading ability of the employees are enhanced through a combination of internal and external resources.

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	Li Donglin Tang Tuong Hock, Gabriel
3	Company secretary	Tang Tuong Hock, Gabriel
	Secretary of the Board	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.crrczic.cc
	Principal place of business in Hong Kong	Unit 1106, 11th Floor, Jubilee Centre, 18 Fenwick Street, Wanchai, Hong Kong
4	Listing information	H Shares The Stock Exchange of Hong Kong Limited Stock Code: 3898 Stock Name: CRRC Times Elec
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	MinterEllison LLP Grandall Law Firm (Hangzhou)
7	Auditor	Deloitte Touche Tohmatsu Certified Public Accountants LLP 30/F Bund Center 222 Yan An Road East Huangpu District, Shanghai, PRC, 200002

Glossary

“AGM” or “Annual General Meeting”	The annual general meeting for year 2018 of the Company held on Thursday, 20 June 2019
“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.), a subsidiary of the Company in which the Company holds 85.8% of its equity interests
“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 to the Listing Rules
“Chengdu Electric”	成都中車時代電氣科技有限公司 (Chengdu CRRC Times Electric Technology Co., Ltd.), a wholly-owned subsidiary of the Company
“CNR”	formerly known as 中國北車股份有限公司 (China CNR Corporation Limited)
“Company”	株州中車時代電氣股份有限公司 (Zhuzhou CRRC 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
“CRCCE”	中國鐵建高新裝備股份有限公司 (CRCC High-Tech Equipment Corporation Limited), whose H shares are listed on the Main Board of the Hong Kong Stock Exchange (stock code: 1786)
“CRRC”	中國中車股份有限公司 (CRRC Corporation Limited), a joint stock limited liability company established in the PRC and formed through the merger of CSR and CNR, the A shares and H shares of which are listed on the Shanghai Stock Exchange and the Main Board of the Stock Exchange, respectively. CRRC holds the entire equity interest in the Parent Company

Glossary

“CRRC Finance”	中車財務有限公司 (CRRC Finance Co., Ltd.), a company established under the laws of the PRC with limited liability
“CRRC Group”	中國中車集團有限公司 (CRRC Group Co., Ltd.), a State-owned enterprise of the PRC, which was established through 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 Hofer”	無錫中車浩夫爾動力總成有限公司 (Wuxi CRRC Hofer Powertrain Co., Ltd.), a limited liability company established under the laws of the PRC and is held as to 49%, 39% and 12% by the Company, Hofer Powertrain International GmbH and Wuxi Jintou Huicun Investment Enterprise (Limited Partnership)
“CRRC Investment & Leasing”	中車投資租賃有限公司 (CRRC Investment & Leasing Co., Ltd.), a wholly-owned subsidiary of CRRC
“CRRC Sifang”	中車青島四方機車車輛股份有限公司 (CRRC Qingdao Sifang Co., Ltd.), which is held as to 97.81% by CRRC
“CRRC Taiyuan”	中車太原機車車輛有限公司 (CRRC Taiyuan Co., Ltd.), a company established under the laws of the PRC with limited liability, an indirect wholly-owned subsidiary of CRRC
“CRRC Wabtec”	湖南中車西屋軌道交通技術有限公司 (Hunan CRRC-Wabtec Rail Transit Technology Co., Ltd.), a company held as to 50% by the Company and as to 50% by Wabtec China Rail Products & Services Holding Limited
“CRRC Zhuzhou”	中車株洲電力機車有限公司 (CRRC Zhuzhou Locomotive Co., Ltd.), a wholly-owned subsidiary of CRRC
“CSR”	formerly known as 中國南車股份有限公司 (CSR Corporation Limited)

“Director(s)” the director(s) of the Company

Glossary

“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 interests was acquired by the Company in October 2008, and the remaining interest was acquired by the Company on 15 March 2019 (Canada time) and is a wholly-owned subsidiary of the Company and the shares of which were delisted from TSX Venture Exchange on 19 March 2019 (Canada time). 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.), a subsidiary of the Company in which the Company holds 60% of its equity interests
“Guoxin Technology”	湖南國芯半導體科技有限公司 (Hunan Guoxin Semiconductor Technology Co., Ltd.), a limited liability company established under the laws of the PRC and is held as to 25%, 25%, 10%, 10%, 10%, 10%, 5% and 5% by the Company, Chongqing Chang’an Automobile Company Limited, Electric Power Research Institute, CSG., Gree Electric Appliances, Inc. of Zhuhai, Tianjin Zhonghuan Semiconductor Co., Ltd., Hunan Xiangtou Holdings Group Co., Ltd., Hunan CRRC Times Electric Vehicle Co., Ltd. and Times New Material respectively
“Hangzhou Electric”	杭州中車時代電氣設備有限公司 (Hangzhou CRRC Times Electric Equipment Co., Ltd.), a subsidiary of the Company in which the Company holds 60% of its equity interests
“HK Electric”	中車時代電氣(香港)有限公司 (CRRC Times Electric (Hong Kong) Co., Limited), a company established under the law of Hong Kong and a wholly-owned subsidiary of the Company
“Kunming Electric”	昆明中車時代電氣設備有限公司 (Kunming CRRC Times Electric Equipment Co., Ltd.), a wholly-owned subsidiary of the Company

Glossary

“Lanzhou Times”	蘭州中車時代軌道交通科技有限公司 (Lanzhou CRRC Times Rail Transit Technology Co., Ltd.), a wholly-owned subsidiary of the Company
“Listing Rules”	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“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.), a wholly-owned subsidiary of the Company
“Ningbo Times”	寧波中車時代傳感技術有限公司 (Ningbo CRRC Times Transducer 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.), a wholly-owned subsidiary of CRRC 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
“Qingdao Electric”	青島中車電氣設備有限公司 (Qingdao CRRC Electric Equipment Co., Ltd.), which is held as to 45% by the Company, as to 38% by CRRC Sifang and as to 17% by 青島宏達賽耐爾科技股份有限公司 (Qingdao Hongda Schnell Science & Technology Co., Ltd.). It is a subsidiary of the Company since the Company has actual control over it
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shanghai CRRC Rail Transit”	上海中車軌道交通科技有限公司 (Shanghai CRRC Rail Transit Technology Co., Ltd.), a subsidiary of the Company in which the Company holds 51% of its equity interests

Glossary

“Shanghai Shentong CRRC”	上海申通中車軌道交通運行安全工程技術研究有限公司 (Shanghai Shentong CRRC Rail Transit Operation Safety Engineering Technology Research Co., Ltd.), a company in which the Company holds 50% of its equity interests
“Shanghai SMD”	上海中車艾森迪海洋裝備有限公司 (Specialist Machine Developments (Shanghai) Co., Ltd.), a wholly-owned subsidiary of the Company
“Shanghai Yongdian”	上海北車永電電子科技有限公司 (Shanghai CNR Yongdian Electronic Technology Co., Ltd.), a wholly-owned subsidiary of the Company
“Share(s)”	domestic share(s) and/or H Shares(s) of RMB1.00 each in the share capital of the Company
“Shareholder(s)”	holder(s) of Share(s)
“Shenyang Times”	瀋陽中車時代交通設備有限公司 (Shenyang CRRC Times Transportation Technology 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
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supervisory Committee”	the supervisory committee of the Company
“Taiyuan Times”	太原中車時代軌道工程機械有限公司 (Taiyuan CRRC Times Rail Engineering Machinery Co., Ltd.), a limited liability company established under the laws of the PRC, and is owned as to 55% and 45% by Baoji Times and CRRC Taiyuan, respectively
“the Reporting Period”	the six-month period ended 30 June 2019

“Times Australia”	CRRC Times Electric Australia Pty. Ltd., a company established under the law of Australia and a wholly-owned subsidiary of the Company
“Times Brasil”	CRRC Times Electric Brasil Ltda., a company established under the law of Brasil 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.), 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 (stock code: 600458), a subsidiary of CRRC ZELRI
“Times Semiconductor”	株洲中車時代半導體有限公司 (Zhuzhou CRRC Times Semiconductor Co., Ltd.), a company established under the laws of the PRC with limited liability and a wholly-owned subsidiary of the Company
“Times Signal & Communication”	湖南中車時代通信信號有限公司 (Hunan CRRC Times Signal & Communication Co., Ltd.), a wholly-owned subsidiary of the Company
“Times Software”	株洲中車時代軟件技術有限公司 (Zhuzhou CRRC Times Software Technology Co., Ltd.), a wholly-owned subsidiary of the Company
“Times USA”	CRRC Times Electric USA LLC., a company established under the law of the United States of America and a wholly-owned subsidiary of the Company
“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 interests

Glossary

“Wenzhou Electric”	溫州中車電氣設備有限公司 (Wenzhou CRRC Electric Equipment Co., Ltd.), a limited liability company established under the laws of the PRC, and is held as to 50% by the Company
“Zhuzhou Siemens”	株洲西門子牽引設備有限公司 (Siemens Traction Equipment Ltd., Zhuzhou), a limited liability company established under the laws of the PRC, and is 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 Company