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

(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 2020

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 2020. This announcement, containing the main text of the 2020 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 2020 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 September 2020.

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

Zhuzhou, China, 26 August 2020

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 2020 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 2020 amounted to RMB5,570,059,638 (for the six months ended 30 June 2019: RMB6,425,115,944), representing a decrease of 13% over the same period of last year. Total profit amounted to RMB842,456,376 (for the six months ended 30 June 2019: RMB1,174,647,052), representing a decrease of 28% over the same period of last year. Net profit attributable to shareholders of the Parent Company amounted to RMB688,150,248 (for the six months ended 30 June 2019: RMB1,066,277,881), representing a decrease of 35% over the same period of last year. Basic earnings per share amounted to RMB0.59 (for the six months ended 30 June 2019: RMB0.91), representing a decrease of 35% 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 2020, the Company adhered to the development concept of “operating with high quality and high efficiency” and worked hard to overcome the adverse impact of the COVID-19 epidemic and the macro environment, and it also continued to deepen reforms and strengthen fine management, striving to develop a concentric and diversified industrial development pattern.

Business of railway equipment: the existing orders for the locomotive traction system have been delivered normally; the 350-kilometer-per-hour China's standard EMU products have been delivered normally while the 250-kilometer-per-hour China's standard EMU products began to be delivered, and the promotion of non-traction system products was progressing smoothly; LKJ-15C has been installed and used in local railway networks, making a breakthrough in overseas orders for vehicle signal equipment; and we spared no efforts to guarantee the delivery of rail engineering machinery products as well as propel the products' technological transformation and the sales of new products.

Business of urban railway equipment: the Company managed to maintain its leading position as a domestic supplier of traction systems. China's first full-line permanent magnet traction system subway Changsha Line 5 was successfully opened. Our non-traction system products were expanding smoothly, and we were vigorously expanding the urban rail high-end engineering vehicle market.

Business of new industry: the Company's bipolar device business saw significant rises, the Company obtained bulk orders for 1500A/4500V crimp IGBTs, and the wind power IGBTs were applied in batches; existing projects of electric drive systems for passenger cars were steadily advancing while we actively explored new customers and increased products' market share; and we made a breakthrough in the domestic market of marine engineering equipment.

During the “13th Five-Year Plan”, the scale of national railway construction was stable. The year 2020 is the final year to fully implement the “13th Five-Year” strategic development plan. In the second half of 2020, the Company will focus on the innovation of mechanisms and systems and the technology quality and the strengthening of the refined management and the organizational guarantee.

Business of railway equipment: We will make every effort to guarantee the delivery of products such as locomotives and standard EMUs with a speed of 250 kilometers per hour, and enhance our efforts in investigation and research on front-end products of the railway market as well as the development and promotion of new products.

Business of urban railway equipment: We will deepen the concept of “operating cities”, and consolidate our leading position in the domestic market with permanent magnet traction core technology. We will also try to drive the overall development of diversified industries.

Business of new industry: We will increase the supply of IGBTs in the power grid, new energy vehicles, wind power and high-end industrial fields and promote the commissioning of automotive component projects. The self-developed CBTC system will be vigorously promoted. We insist on product iteration and innovation and deepen lean production in terms of electric drive products for passenger cars.

Consolidated Statement of Financial Position

30 June 2020

Renminbi Yuan

ASSETS	Note V	30 June 2020 (Unaudited)	31 December 2019 (Audited)
CURRENT ASSETS			
Cash and bank balances	1	5,617,911,584	4,302,487,192
Held-for-trading financial assets	2	3,120,588,918	4,905,776,761
Bills receivable	3	2,040,740,682	2,726,110,422
Trade receivables	4	8,412,195,059	7,413,964,722
Trade receivables financing	5	1,239,758,540	2,554,953,370
Prepayments	6	301,401,174	325,425,161
Other receivables	7	166,864,828	106,498,054
Inventories	8	5,524,612,832	3,768,038,771
Contract assets	9	132,233,783	185,348,674
Other current assets	10	507,991,554	486,019,130
Total current assets		27,064,298,954	26,774,622,257
NON-CURRENT ASSETS			
Long-term equity investments	11	560,338,539	527,041,129
Other equity instrument investment	12	92,832,300	2,400,000
Fixed assets	13	2,797,257,852	2,982,555,754
Construction in progress	14	344,536,370	92,209,800
Right-of-use assets	15	91,599,168	106,551,628
Intangible assets	16	684,433,496	746,172,701
Development expenditure	17	242,547,009	205,708,046
Goodwill	18	268,799,927	417,097,375
Long-term deferred expenses	19	49,067,872	34,744,515
Deferred tax assets	20	459,592,669	431,128,139
Other non-current assets	21	1,048,616,567	665,384,012
Total non-current assets		6,639,621,769	6,210,993,099
TOTAL ASSETS		33,703,920,723	32,985,615,356



Consolidated Statement of Financial Position

30 June 2020

Renminbi Yuan

LIABILITIES AND SHAREHOLDER'S EQUITY	Note V	30 June 2020 (Unaudited)	31 December 2019 (Audited)
CURRENT LIABILITIES			
Short-term borrowings	22	247,486,607	146,596,015
Bills payable	23	2,259,730,072	2,282,345,169
Trade payables	24	4,683,766,786	4,391,411,209
Contract liabilities	25	737,211,819	896,368,688
Employee benefits payable	26	203,121,298	150,388,408
Taxes payable	27	164,563,698	153,056,373
Other payables	28	1,201,185,548	857,451,744
Current portion of non-current liabilities	29	375,479,439	391,687,113
Other current liabilities	30	82,723,943	112,563,399
Total current liabilities		9,955,269,210	9,381,868,118
NON-CURRENT LIABILITIES			
Long-term borrowings	31	230,622,707	230,535,828
Lease liabilities	32	66,807,188	71,511,895
Long-term payables	33	16,517,630	16,517,630
Provisions	34	450,573,395	450,100,880
Deferred income	35	528,460,391	565,440,683
Deferred tax liabilities	20	43,770,079	49,592,228
Other non-current liabilities		28,116,842	23,768,937
Total non-current liabilities		1,364,868,232	1,407,468,081
Total liabilities		11,320,137,442	10,789,336,199



Consolidated Statement of Financial Position

30 June 2020

Renminbi Yuan

LIABILITIES AND SHAREHOLDER'S EQUITY	Note V	30 June 2020 (Unaudited)	31 December 2019 (Audited)
SHAREHOLDERS' EQUITY			
Share capital		1,175,476,637	1,175,476,637
Capital reserve	36	3,321,880,949	3,321,880,949
Other comprehensive income	52	(116,155,507)	(140,316,129)
Special reserve		25,179,003	17,509,972
Surplus reserve		2,072,158,058	2,072,158,058
Retained earnings	37	15,622,739,633	15,463,553,872
Total equity attributable to shareholders of the Parent		22,101,278,773	21,910,263,359
Non-controlling interests		282,504,508	286,015,798
Total shareholders' equity		22,383,783,281	22,196,279,157
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		33,703,920,723	32,985,615,356



Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2020

Renminbi Yuan

		Unaudited Six months ended 30 June	
	Note V	2020	2019
Revenue	38	5,570,059,638	6,425,115,944
Less: Cost of sales	38	3,424,346,947	3,928,319,973
Tax and surcharges		34,297,862	56,154,821
Selling expenses		360,252,467	467,672,915
Administrative expenses		272,523,718	320,263,361
Research and development expenses		605,241,313	609,880,616
Finance costs	39	5,006,384	10,290,030
Including: Interest expenses	39	7,300,109	10,573,456
Interest income	39	19,623,334	15,171,792
Add: Other income	40	151,628,980	146,644,637
Investment income	41	55,902,036	36,044,828
Including: share of losses of associates and joint ventures	41	(8,117,432)	(6,128,167)
Gains from fair value changes	42	10,588,918	10,816,543
Credit losses	43	(75,217,281)	(22,365,678)
Impairment losses	44	(198,098,342)	(32,847,182)
Gains from disposal of assets	45	2,063,538	461,272
Operating profit		815,258,796	1,171,288,648
Add: Non-operating income	46	28,083,300	4,123,440
Less: Non-operating expenses	47	885,720	765,036
Total profit		842,456,376	1,174,647,052
Less: Income tax expense	49	157,667,774	90,947,770
Net profit		684,788,602	1,083,699,282



Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2020

Renminbi Yuan

		Unaudited Six months ended 30 June	
	Note V	2020	2019
(i) Net profit classified by business continuity:			
1. Net profit from continuing operations		684,788,602	1,083,699,282
2. Net profit from discontinued operations		—	—
(ii) Net profit classified by ownership:			
1. Net profit attributable to non-controlling Interests		(3,361,646)	17,421,401
2. Net profit attributable to shareholders of the Parent		688,150,248	1,066,277,881
Other comprehensive income, net of tax			
Other comprehensive income attributable to shareholders of the Parent, net of tax		24,160,622	(10,713,430)
(i) Items that will not be reclassified to profit or loss		—	—
(ii) Items that may be reclassified to profit or loss			
1. Changes in fair value of financial assets at fair value through other comprehensive income	52	35,225,164	(2,106,307)
2. Arising from translation of foreign currency financial statements	52	(11,064,542)	(8,607,123)
Other comprehensive income attributable to non-controlling interests, net of tax		(363,238)	148,608
Total comprehensive income:		708,585,986	1,073,134,460
Including:			
Total comprehensive income attributable to shareholders of the Parent		712,310,870	1,055,564,451
Total comprehensive income attributable to non-controlling interests		(3,724,884)	17,570,009
Earnings per share (Yuan/Share)			
Basic earnings per share	50	0.59	0.91
Diluted earnings per share		N/A	N/A



Consolidated Statement of Changes in Equity

For the six months ended 30 June 2020

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 2019 (Audited)	1,175,476,637	3,321,880,949	(140,316,129)	17,509,972	2,072,158,058	15,463,553,872	21,910,263,359	286,015,798	22,196,279,157
II.	Movements during the period									
(i)	Total comprehensive income (Unaudited)	-	-	24,160,622	-	-	688,150,248	712,310,870	(3,724,884)	708,585,986
(ii)	Profit appropriation									
1.	Transfer to surplus reserve (Unaudited)	-	-	-	-	-	-	-	-	-
2.	Dividends distribution (Unaudited)	-	-	-	-	-	(528,964,487)	(528,964,487)	(1,174,530)	(530,139,017)
(iii)	Special reserve									
1.	Accrued during the period (Unaudited)	-	-	-	22,318,141	-	-	22,318,141	1,678,154	23,996,295
2.	Utilised during the period (Unaudited)	-	-	-	(14,649,110)	-	-	(14,649,110)	(290,030)	(14,939,140)
IV.	At 30 June 2020 (Unaudited)	1,175,476,637	3,321,880,949	(116,155,507)	25,179,003	2,072,158,058	15,622,739,633	22,101,278,773	282,504,508	22,383,783,281

		Attributable to shareholders of the Parent								Total shareholders' equity
		Share capital	Capital reserve	Other comprehensive income	Special reserve	Surplus reserve	Retained earnings	Sub-total	Non-controlling interests	
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
II.	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 (Unaudited)	-	(39,968,256)	-	-	-	-	(39,968,256)	(25,970,236)	(65,938,492)
2.	Capital contribution to the establishment of Taiyuan Times (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.	Utilised during the period (Unaudited)	-	-	-	(13,700,593)	-	-	(13,700,593)	(507,744)	(14,208,337)
III.	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

Consolidated Statement of Cash Flows

For the six months ended 30 June 2020

Renminbi Yuan

		Unaudited Six months ended 30 June	
	Note V	2020	2019
I. Cash flows from operating activities			
Cash received from sales of goods or rendering of services		6,907,201,085	5,772,753,195
Refund of taxes		84,122,346	104,196,811
Cash received relating to other operating activities		106,362,207	271,758,445
Sub-total of cash inflows from operating activities		7,097,685,638	6,148,708,451
Cash paid for goods and services		4,972,025,175	4,938,139,382
Cash paid to and for employees		840,673,421	884,719,021
Cash paid for various taxes		386,444,676	696,433,942
Cash paid relating to other operating activities		602,029,947	628,738,551
Sub-total of cash outflows from operating activities		6,801,173,219	7,148,030,896
Net cash flow from operating activities	51	296,512,419	(999,322,445)
II. Cash flows from investing activities			
Cash received from disposal of investments		10,890,000,000	5,430,900,000
Cash received from investments returns		69,779,705	47,950,803
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		3,490,606	674,242
Sub-total of cash inflows from investing activities		10,963,270,311	5,479,525,045
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets		686,706,753	121,120,919
Cash paid for acquisition of investments		9,129,117,550	4,650,000,000
Cash paid relating to other investing activities		—	65,938,492
Sub-total of cash outflows from investing activities		9,815,824,303	4,837,059,411
Net cash flows from investing activities		1,147,446,008	642,465,634



Consolidated Statement of Cash Flows

For the six months ended 30 June 2020

Renminbi Yuan

		Unaudited Six months ended 30 June	
	Note V	2020	2019
III. Cash flows from financing activities			
Cash received from investors		—	22,500,000
Cash received from borrowings		91,806,458	46,782,589
Sub-total of cash inflows from financing activities		91,806,458	69,282,589
Cash repayments of borrowings		6,176,814	3,895,341
Cash paid for dividends profit distributions or interest		8,579,600	9,266,891
Cash paid relating to other financing activities		209,511,668	13,785,294
Sub-total of cash outflows from financing activities		224,268,082	26,947,526
Net cash flows from financing activities		(132,461,624)	42,335,063
IV. Effect of foreign exchange rate changes on cash and cash equivalents		7,907,395	641,209
V. Net increase (decrease) in cash and cash equivalents		1,319,404,198	(313,880,539)
Add: Cash and cash equivalents at beginning of the period		4,244,080,658	4,381,012,798
VI. Cash and cash equivalents at end of the period	51	5,563,484,856	4,067,132,259



Company's Statement of Financial Position

30 June 2020

Renminbi Yuan

ASSETS	Note XIII	30 June 2020 (Unaudited)	31 December 2019 (Audited)
CURRENT ASSETS			
Cash and bank balances		3,945,127,050	2,465,395,739
Held-for-trading financial assets		3,120,588,918	4,905,776,761
Bills receivable		1,935,201,383	2,567,140,197
Trade receivables	1	6,609,438,594	5,603,550,516
Trade receivables financing		746,063,642	2,076,951,571
Prepayments		173,702,857	230,806,361
Other receivables	2	468,627,807	633,649,288
Inventories		3,947,442,365	2,494,280,044
Contract assets		15,932,525	62,030,876
Other current assets		434,149,108	434,857,889
Total current assets		21,396,274,249	21,474,439,242
NON-CURRENT ASSETS			
Long-term receivables	3	605,561,678	585,853,200
Long-term equity investments	4	5,549,686,644	5,216,549,510
Other equity instrument investment		92,832,300	2,400,000
Fixed assets		832,816,168	877,405,258
Construction in progress		332,927,758	83,843,317
Right-of-use assets		27,804,934	31,335,518
Intangible assets		321,466,060	365,097,018
Development expenditure		112,829,885	94,296,144
Long-term deferred expenses		7,330,546	—
Deferred tax assets		229,496,636	242,152,108
Other non-current assets		979,771,752	638,983,709
Total non-current assets		9,092,524,361	8,137,915,782
TOTAL ASSETS		30,488,798,610	29,612,355,024



Company's Statement of Financial Position

30 June 2020

Renminbi Yuan

LIABILITIES AND SHAREHOLDERS' EQUITY	Notes XIII	30 June 2020 (Unaudited)	31 December 2019 (Audited)
CURRENT LIABILITIES			
Bills payable		1,236,838,746	1,229,996,571
Trade payables		4,530,540,659	5,206,700,509
Contract liabilities		618,266,344	746,023,383
Employee benefits payable		111,913,662	104,121,169
Taxes payable		9,108,373	15,139,793
Other payables		993,679,842	687,538,734
Current portion of non-current liabilities		280,898,899	285,796,402
Other current liabilities		74,353,817	100,414,635
Total current liabilities		7,855,600,342	8,375,731,196
NON-CURRENT LIABILITIES			
Long-term borrowings		85,188,000	87,688,000
Lease liabilities		26,601,890	26,999,497
Long-term payables		16,517,630	16,517,630
Provisions		406,457,384	410,793,211
Deferred income		305,886,479	343,133,904
Other non-current liabilities		28,116,842	23,768,937
Total non-current liabilities		868,768,225	908,901,179
Total liabilities		8,724,368,567	9,284,632,375
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		(11,898,359)	(41,975,605)
Special reserve		5,420,385	4,296,322
Surplus reserve		2,072,158,058	2,072,158,058
Retained earnings		15,151,826,892	13,746,320,807
Total shareholders' equity		21,764,430,043	20,327,722,649
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		30,488,798,610	29,612,355,024

Company's Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2020

Renminbi Yuan

		Unaudited Six months ended 30 June	
	Note XIII	2020	2019
Revenue	5	4,235,886,194	5,134,808,894
Less: Cost of sales	5	3,000,290,891	3,763,896,872
Tax and surcharges		7,820,940	33,116,467
Selling expenses		245,412,395	322,668,212
Administrative expenses		103,162,973	156,307,382
Research and development expenses		304,231,177	369,144,267
Finance costs		(21,641,818)	(12,452,833)
Including: Interest expenses		1,637,654	4,018,880
Interest income		22,440,130	25,414,706
Add: Other income		28,145,286	23,531,465
Investment income	6	1,599,254,730	1,510,828,524
Including: share of profits and losses of associates and joint ventures	6	812,381	2,114,018
Gains from fair value changes		10,588,918	10,816,543
Credit losses		(56,202,296)	3,843,155
Impairment losses		(174,291,028)	(19,236,430)
Gains on disposal of assets		29,342	444,276
Operating profit		2,004,134,588	2,032,356,060
Add: Non-operating income		12,312,997	2,740,301
Less: Non-operating expenses		41,839	1,000
Total profit		2,016,405,746	2,035,095,361
Less: Income tax expense		81,935,174	2,474,031
Net profit		1,934,470,572	2,032,621,330
(i) Net profit classified by business continuity			
1. Net profit from continuing operations		1,934,470,572	2,032,621,330
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. Changes in fair value of financial assets at fair value through other comprehensive income		30,742,745	1,770,434
2. Arising from translation of foreign currency financial statements		(665,499)	(2,149,065)
Other comprehensive income, net of tax		30,077,246	(378,631)
Total comprehensive income		1,964,547,818	2,032,242,699



Company's Statement of Changes in Equity

For the six months ended 30 June 2020

Renminbi Yuan

	Share capital	Capital reserve	Other comprehensive income	Special reserve	Surplus reserve	Retained earnings	Total shareholders' equity
I. At 31 December 2019 (Audited)	1,175,476,637	3,371,446,430	(41,975,605)	4,296,322	2,072,158,058	13,746,320,807	20,327,722,649
II. Movements during the period							
(i) Total comprehensive income (Unaudited)	-	-	30,077,246	-	-	1,934,470,572	1,964,547,818
(ii) Profit appropriation							
1. Dividends distribution (Unaudited)	-	-	-	-	-	(528,964,487)	(528,964,487)
(iii) Special reserve							
1. Accrued during the period (Unaudited)	-	-	-	12,668,495	-	-	12,668,495
2. Utilised during the period (Unaudited)	-	-	-	(11,544,432)	-	-	(11,544,432)
III. At 30 June 2020 (Unaudited)	1,175,476,637	3,371,446,430	(11,898,359)	5,420,385	2,072,158,058	15,151,826,892	21,764,430,043

	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
II. 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. Utilised during the period (Unaudited)	-	-	-	(9,699,407)	-	-	(9,699,407)
III. At 30 June 2019 (Unaudited)	1,175,476,637	3,371,446,430	(14,807,076)	5,586,431	1,801,776,624	13,345,509,232	19,684,988,278

Company's Statement of Cash Flows

For the six months ended 30 June 2020

Renminbi Yuan

		Unaudited Six months ended 30 June	
	Note XIII	2020	2019
I. Cash flows from operating activities			
Cash received from sales of goods or rendering of services		5,601,485,014	3,974,920,881
Refunds of taxes		913,661	—
Cash received relating to other operating activities		58,208,608	123,958,708
Sub-total of cash inflows from operating activities		5,660,607,283	4,098,879,589
Cash paid for goods and services		5,547,155,096	5,079,574,629
Cash paid to and for employees		389,510,430	457,488,309
Cash paid for various taxes		52,354,934	359,408,118
Cash paid relating to other operating activities		413,019,925	467,769,452
Sub-total of cash outflows from operating activities		6,402,040,385	6,364,240,508
Net cash flows from operating activities	7	(741,433,102)	(2,265,360,919)
II. Cash flows from investing activities			
Cash received from disposal of investments		10,892,400,000	5,430,900,000
Cash received from investments returns		1,592,619,116	1,506,892,314
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		11,998,657	572,747
Cash received relating to other investing activities		143,653,692	2,910,674
Sub-total of cash inflows from investing activities		12,640,671,465	6,941,275,735
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets		635,768,757	86,825,576
Cash paid for acquisition of investments		9,579,881,052	4,650,000,000
Cash payments to acquire non-controlling shareholders' share		—	65,938,492
Cash paid relating to other investing activities		—	100,000,000
Sub-total of cash outflows from investing activities		10,215,649,809	4,902,764,068
Net cash flows from investing activities		2,425,021,656	2,038,511,667



Company's Statement of Cash Flows

For the six months ended 30 June 2020

Renminbi Yuan

		Unaudited Six months ended 30 June	
	Note XIII	2020	2019
III. Cash flows from financing activities			
Cash received from borrowings		2,500,000	2,971,966
Sub-total of cash inflows from financing activities		2,500,000	2,971,966
Cash repayments of borrowings		5,000,000	2,500,000
Cash paid for dividends profit distribution or interest expenses		2,389,115	2,829,088
Cash paid relating to other financing activities		197,086,210	3,823,776
Sub-total of cash outflows from financing activities		204,475,325	9,152,864
Net cash flows from financing activities		(201,975,325)	(6,180,898)
IV. Effect of foreign exchange rate changes on cash and cash equivalents		(1,902,112)	123,021
V. Net increase (decrease) in cash and cash equivalents		1,479,711,117	(232,907,129)
Add: Cash and cash equivalents at beginning of the period		2,452,789,205	2,924,163,813
VI. Cash and cash equivalents at end of the period	7	3,932,500,322	2,691,256,684



Notes to the Financial Statements

For the six months ended 30 June 2020

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. (中國鐵建高新裝備股份有限公司) (formerly named China Railway Large Maintenance Machinery Co., Ltd. Kunming (昆明中鐵大型養路機械集團有限公司) at the date of 26 September 2005. The H shares of the Company were listed on the Stock Exchange of Hong Kong Limited (the “Hong Kong Stock Exchange”).

The registered office of the Company is located at Times Road, Shifeng District, Zhuzhou City, Hunan Province, the PRC. The Company and its subsidiaries (together, the “Group”) are principally engaged in the sale and manufacture of train-borne electrical systems and electrical components.

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

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

As at 30 June 2020, the Company had issued an aggregate of 1,175,476,637 shares as share capital.

As at 30 June 2020, 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 financial statements were approved by the board of directors of the Company on 26 August 2020.



Notes to the Financial Statements

For the six months ended 30 June 2020

Renminbi Yuan

II. BASIS OF PREPARATION

Basis of preparation

The financial statements are prepared in accordance with the Accounting Standards for Business Enterprises issued by the China Ministry of Finance and other related regulations issued and revised thereafter (Accounting Standards for Business Enterprises, “ASBE”, collectively).

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. Where assets are impaired, provisions for asset impairment are made in accordance with relevant requirements.

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 2020

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 2020 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 2020, and the Company's and consolidated operating results and cash flows from 1 January 2020 to 30 June 2020.

2. Accounting period

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

3. Functional currency

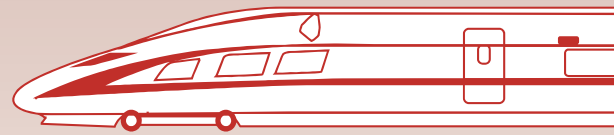
Renminbi ("RMB") is the currency of the primary economic environment in which the Company and its domestic subsidiaries operate. Therefore, the Company and its domestic subsidiaries choose RMB as their functional currency. The Company's primary foreign subsidiary chooses GBP as its functional currency 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 enterprises 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 2020

Renminbi Yuan

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

4. Business combination (continued)

4.1 Business combinations involving enterprises 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 party. 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 enterprises 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 share of net identifiable assets acquired at the acquisition date. After initial recognition, goodwill is measured at cost less any accumulated impairment losses. In the event that the sum of the fair value of the consolidation consideration paid (or the fair value of the equity securities issued) and the fair value of the equity interests in the acquiree held before the date of acquisition is less than the share of the fair value of the net identifiable assets of the acquiree acquired in the consolidation, the measurement of the fair value of the various identifiable assets, liabilities and contingent liabilities of the acquiree acquired and the fair value of the consolidation consideration paid (or the fair value of the equity securities issued) and the fair value of the equity interests in the acquiree held before the date of acquisition shall first be reviewed. If the sum of this consideration and other items mentioned above is lower than the fair value of the share of 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 2020

Renminbi Yuan

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

4. Business combination (continued)

4.2 *Business combinations not involving enterprises 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

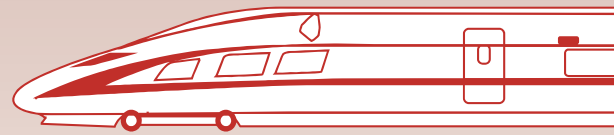
The scope of the consolidated financial statements is determined on the basis of control. Control is achieved when the investor has power over the investee; which is exposed, or has rights, to variable returns from its involvement with the investee; and has the ability to use its power to affect its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

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

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 owners' 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 operating results and cash flows of the acquiree shall be included in the consolidated financial statements, from the date on which the Group obtains control, till the Group ceases to have control over 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 2020

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

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

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 2020

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 ventures. 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.

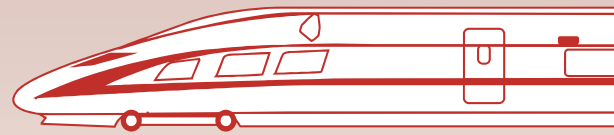
7. Cash and cash equivalents

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 balance sheet date, foreign currency monetary items are translated using the spot exchange rate at the balance sheet date. All the resulting exchange differences are taken to profit or loss, except for those relating to foreign currency borrowings specifically for the construction and acquisition of qualifying assets, which are capitalized in accordance with the principle of capitalization 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 2020

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: all the asset and liability items in the balance sheet are translated using the spot exchange rates at the balance sheet, and shareholders' equity items are translated using the spot exchange rates at the dates of transactions, all the items in the income statement and the items other than "Retained earnings" reflecting the profit distribution are translated using the average exchange rate for the period during which the transactions occur. The resulted exchange of differences of total asset items and liability items as well as the shareholders' equity items are recognised in other comprehensive income and included in shareholders' equity. 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 to subsidiary 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 constitutes a net investment 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 2020

Renminbi Yuan

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

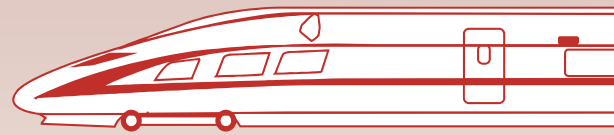
9. Financial instruments

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 included in their initial recognised amounts. For trade receivables initially recognised 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 2020

Renminbi Yuan

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

9. Financial instruments (continued)

9.1 Classification and measurement of financial assets

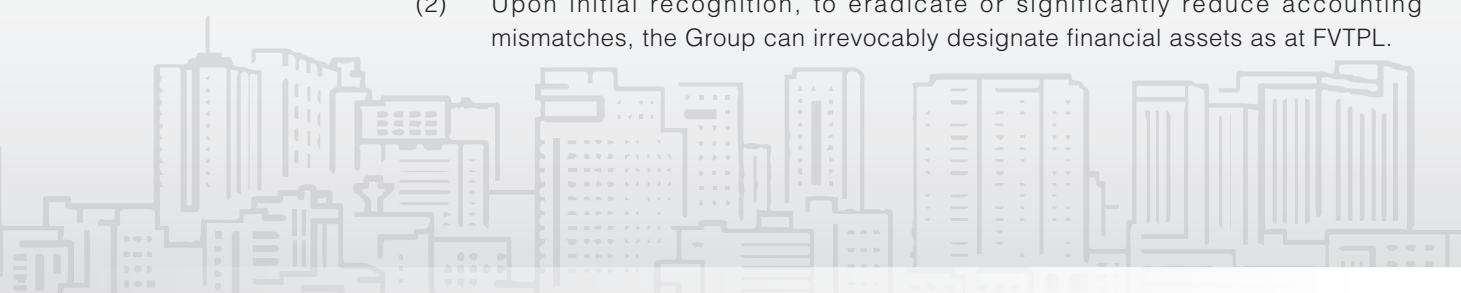
Subsequent to initial recognition, the Group's financial assets of various categories are subsequently measured at amortized cost, fair value through other comprehensive income ("FVTOCI") or fair value through profit or loss ("FVTPL").

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 amortized cost. Such type of financial assets mainly comprise cash and bank balances, bills receivable, trade receivables, other receivables, contract assets, equity 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 equity investments and financial assets due within one year (inclusive) since the balance sheet date are presented as non-current assets due within one year; trade receivables and bills receivable at FVTOCI are presented as trade receivables financing, and other 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 FVTPL and those designated as at FVTPL 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 FVTOCI are classified as at FVTPL.
- (2) Upon initial recognition, to eradicate or significantly reduce accounting mismatches, the Group can irrevocably designate financial assets as at FVTPL.



Notes to the Financial Statements

For the six months ended 30 June 2020

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 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 FVTOCI based on individual financial assets. 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.

Financial assets at FVTPL consist of financial assets at FVTPL and these designated as at FVTPL:

- (1) Financial assets that are unqualified for the classification as at amortized cost and at FVTOCI are classified as at FVTPL.
- (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.

Financial assets at FVTPL are presented as held-for-trading financial assets. Financial assets due over one year (or without a fixed term) and expected to be held over one year as of the balance sheet date are presented as other non-current financial assets.



Notes to the Financial Statements

For the six months ended 30 June 2020

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 measured at amortized cost

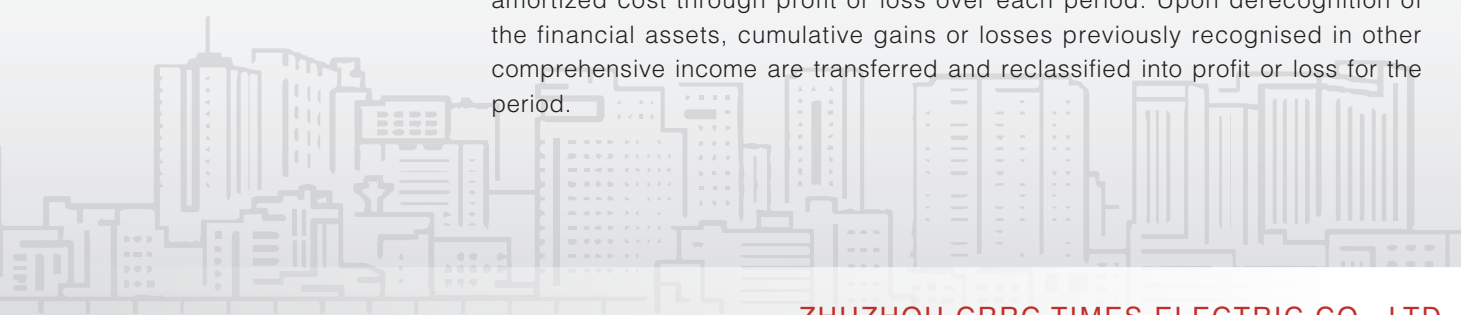
Financial assets at amortized cost are measured subsequently at amortized cost using the effective interest method. Gains or losses arising from impairment or derecognition are recorded to profit or loss for the period.

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 amortized cost and credit-adjusted effective interest rate of such financial assets since initial recognition.
- (2) For purchased or original financial assets without credit impairment but subsequently becoming credit impaired, the Group subsequently recognises their interest income based on amortized 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.



Notes to the Financial Statements

For the six months ended 30 June 2020

Renminbi Yuan

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

9. Financial instruments (continued)

9.1 Classification and measurement of financial assets (continued)

9.1.3 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 the non-held-for-trading 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.

9.2 Impairment of financial instruments

The Group recognised loss allowance for financial instruments classified as financial assets measured at amortized 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 contract assets, bill receivable and trade receivables arising from the transactions under revenue standards.



Notes to the Financial Statements

For the six months ended 30 June 2020

Renminbi Yuan

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

9. Financial instruments (continued)

9.2 Impairment of financial instruments (continued)

For other financial instruments, except for purchased or original credit-impaired financial assets, at the end of each period, the Group assesses 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 2020

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 operating results 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 2020

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)

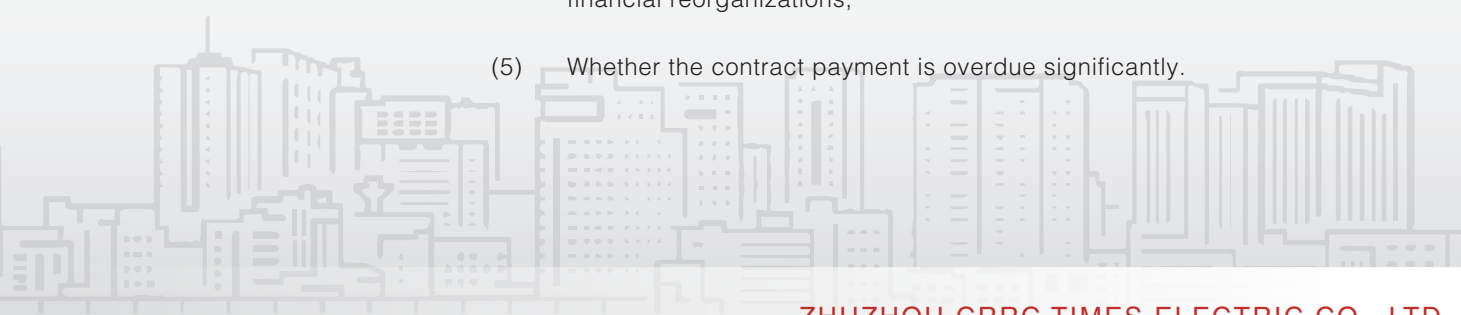
No matter whether the credit risk is increased significantly after above assessment, it indicates that the credit risk of such financial instrument has been increased significantly if it lasts over 30 (inclusive) days after the overdue payment of the financial instrument contract.

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) Whether the contract payment is overdue significantly.



Notes to the Financial Statements

For the six months ended 30 June 2020

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 that are individually significant or credit-impaired on a collectively basis using a provision matrix in addition that the credit loss is recognised on a basis of individual asset/contract. The Group classifies financial instruments into different groups based on shared risk characteristics. Shared credit risk characteristics include type of financial instruments, type of debtors, industry of debtors, initial recognition date, and contract collection term 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 grouped trade receivables and contract assets, 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, including 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 2020

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

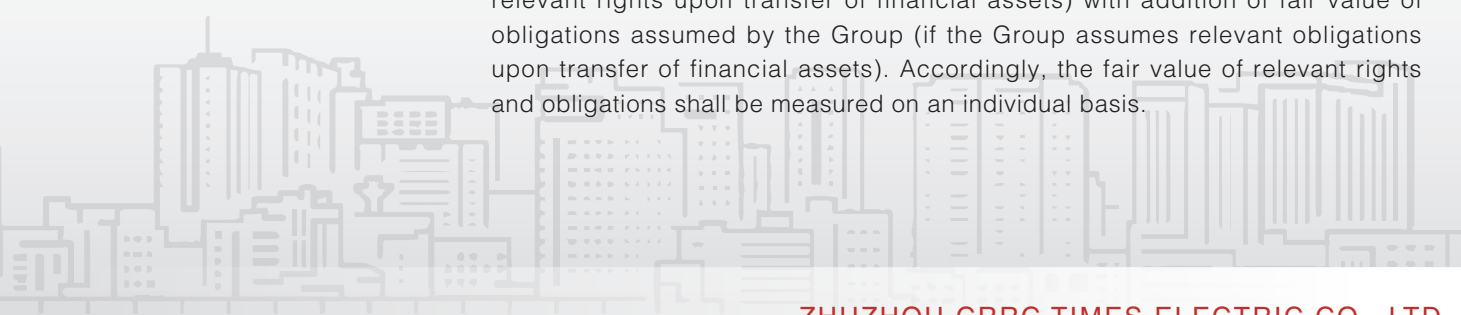
The Group directly reduces the carrying amount of financial assets when ceasing to reasonably expect that the contractual cash flows of such financial assets may be fully or partially recoverable. Such reduction constitutes derecognition of relevant financial assets.

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 amortized cost, the carrying amount of relevant liabilities is the carrying amount of financial assets transferred with continuing involvement less amortized cost of the Group's retained rights (if the Group retains relevant rights upon transfer of financial assets) with addition of amortized 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 2020

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 amortized 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 2020

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 FVTPL

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 liabilities 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 are 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 2020

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 amortized 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 amortization 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 liabilities that is subsequently measured at amortized cost, the Group shall recalculate the carrying amount of the financial liabilities and shall recognise related gains or losses in profit or loss. The carrying amount of the financial liabilities 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 liabilities and are amortized over the remaining term of the modified financial liabilities.



Notes to the Financial Statements

For the six months ended 30 June 2020

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 the issuer which 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 2020

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, etc. 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 embedded 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 2020

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. Receivables financing

Bills receivable and trade receivables classified as at FVTOCI with a period of one year (inclusive) since obtaining are presented as receivables financing; those with a period of over one year since obtaining are presented as other lending investments. For the relevant accounting policies, see Note III 9.1, 9.2 and 9.3.

11. 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 amortized 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 realizable value. If the cost of inventories is higher than the net realizable 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 2020

Renminbi Yuan

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

12. Contract assets

12.1 Determination method and standards of contract assets

Contract asset refers to the Group's right to receive 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. 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.

12.2 Determination and accounting methods of expected credit loss ("ECL") of contract assets

For the determination and accounting methods of expected credit loss of contract assets, see Note III, "9.2 Impairment of financial instruments".

13. 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.



Notes to the Financial Statements

For the six months ended 30 June 2020

Renminbi Yuan

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

13. Held-for-sale non-current assets and disposal groups (continued)

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.

When 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.

14. 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.



Notes to the Financial Statements

For the six months ended 30 June 2020

Renminbi Yuan

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

14. Long-term equity investments (continued)

14.1 Recognition of investment cost

For a long-term equity investment acquired through business combination involving enterprises 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 enterprises 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 2020

Renminbi Yuan

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

14. Long-term equity investments (continued)

14.1 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.

14.2 Subsequent measurement and recognition of profit and loss

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

For a long-term equity investment where the Company can exercise real-time 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.

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

The Group's investments in associates and joint ventures are accounted for using the equity method. Associates refer to investees that the Group can exercise significant influence on.



Notes to the Financial Statements

For the six months ended 30 June 2020

Renminbi Yuan

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

14. Long-term equity investments (continued)

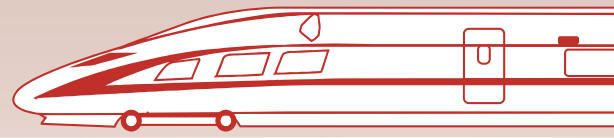
14.2 Subsequent measurement and recognition of profit and loss (continued)

14.2.2 Long-term equity investment accounted for using the equity method (continued)

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 Group's share of the fair value of the investee's identifiable net assets at the acquisition date, the cost is made to the initial investment cost. Where the initial investment cost is less than the Group's share of the fair value of the investee's identifiable net assets at the 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 2020

Renminbi Yuan

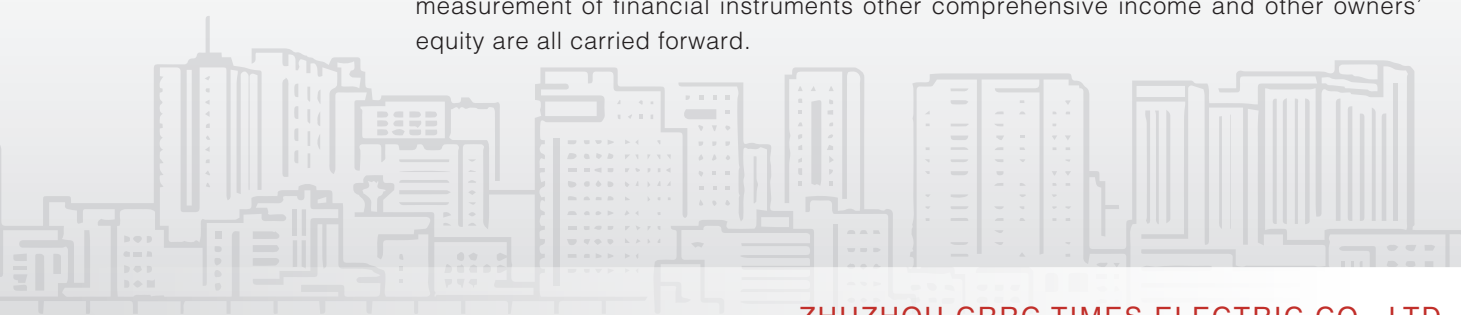
III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

14. Long-term equity investments (continued)

14.3 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 2020

Renminbi Yuan

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

15. 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.

16. 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 2020

Renminbi Yuan

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

17. Borrowing cost

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

The borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized. 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.

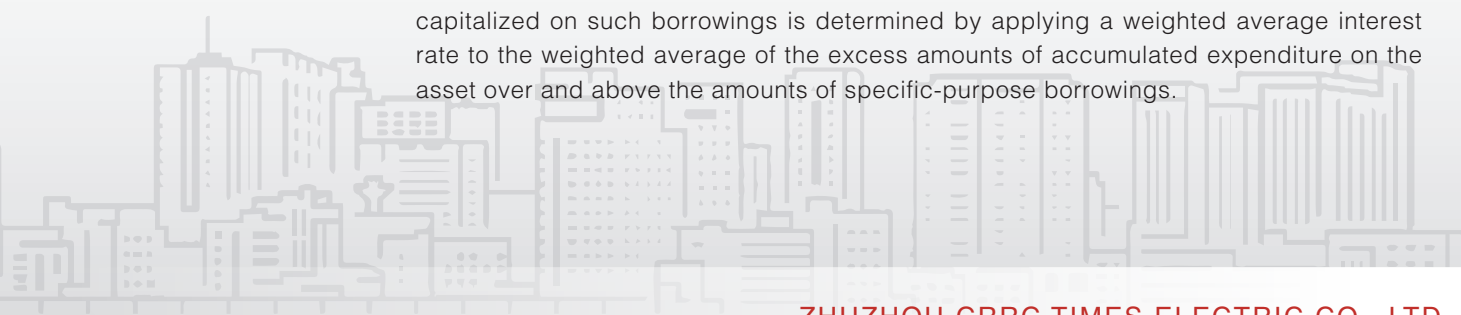
The capitalization of borrowing costs commences only when all of the following conditions are satisfied:

- (1) expenditures for the asset have 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.

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

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

- (1) Where funds are borrowed for a specific purpose, the amount of interest to be capitalized is the actual interest expense incurred on that borrowing for the period less any bank interest earned from depositing the borrowed funds before being used on the asset or any investment income on the temporary investment of those funds.
- (2) Where funds are borrowed for a general purpose, the amount of interest to be capitalized 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.



Notes to the Financial Statements

For the six months ended 30 June 2020

Renminbi Yuan

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

17. Borrowing cost (continued)

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

18. 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.

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



Notes to the Financial Statements

For the six months ended 30 June 2020

Renminbi Yuan

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

18. Intangible assets (continued)

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 amortized, 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 life.

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 capitalized 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.

19. Impairment of assets

The Group determines the impairment of assets of goodwill, long-term equity investments, fixed assets, construction in progress, right-of-use assets, 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.

Notes to the Financial Statements

For the six months ended 30 June 2020

Renminbi Yuan

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

19. Impairment of assets (continued)

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

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

In testing an asset group or a set of asset groups to which goodwill has been allocated for impairment, if there is any indication of impairment, the Group firstly tests the asset group or set of asset groups excluding the amount of goodwill allocated for impairment, compares the recoverable amount with the carrying amount and 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 asset 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.



Notes to the Financial Statements

For the six months ended 30 June 2020

Renminbi Yuan

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

20. Long-term deferred expenses

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

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

21. 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.

21.1 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.

21.2 Benefits after demission (defined contribution plan)

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

21.3 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.



Notes to the Financial Statements

For the six months ended 30 June 2020

Renminbi Yuan

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

22. Provisions

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

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

A provision is initially measured at the best estimate of the expenditure required to settle the related present obligation, with comprehensive consideration of factors such as the risks, uncertainty and time value of money relating to a contingency. The carrying amount of a provision is reviewed at the 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 amortization recognised in accordance with the principle of revenue recognition.



Notes to the Financial Statements

For the six months ended 30 June 2020

Renminbi Yuan

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

23. Revenue

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

- a. Sales of goods and raw materials
- b. Maintenance revenue
- c. Construction contracts revenue
- d. Technology service revenue

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.

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. When 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.

Notes to the Financial Statements

For the six months ended 30 June 2020

Renminbi Yuan

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

23. Revenue (continued)

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".

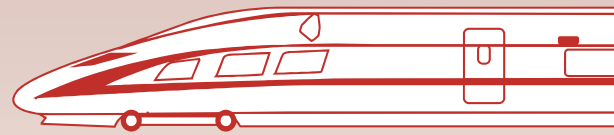
The Group determines whether it is a principal or an agent at the time of the transaction based on whether it owns the "control" of the goods or services before the transfer of such goods or services to the customer. The Group is a principal if it controls the specified good or service before that good 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 recognise 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 amortized 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 assets 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.



Notes to the Financial Statements

For the six months ended 30 June 2020

Renminbi Yuan

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

23. Revenue (continued)

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

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

24. 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 an asset shall be deducted from the carrying amount of the asset; or recognised as deferred income and included in profit or loss over the useful life of the related asset with a reasonable and systemic method. (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 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 is 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 2020

Renminbi Yuan

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

25. 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 2020

Renminbi Yuan

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

25. 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 utilized, 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 utilized 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 realized 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 utilized. 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 realize 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 2020

Renminbi Yuan

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

26. Leases

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

At inception 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.

26.1 The Group as a Lessee

26.1.1 Separating components of a lease

For a contract that contains lease and non-lease components, the Group allocate 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.

26.1.2 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;

Right-of-use assets are depreciated based on depreciation provisions in Accounting Standards for Business Enterprises No. 4 – Fixed Assets. 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 ASBE 8 Impairment of Assets, to determine whether the right-of-use assets is impaired and to account for any impairment loss identified.



Notes to the Financial Statements

For the six months ended 30 June 2020

Renminbi Yuan

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

26. Leases (continued)

26.1 The Group as a Lessee (continued)

26.1.3 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. The Group determines the present value of the lease payments using the interest rate implicit in the lease as the discount rate. If the interest rate implicit in the lease cannot be readily determined, the lessee shall use the lessee's incremental borrowing rate.

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;

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.

After the commencement date of the lease, 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, and recognised in profit or loss, or relevant asset cost.



Notes to the Financial Statements

For the six months ended 30 June 2020

Renminbi Yuan

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

26. Leases (continued)

26.1 The Group as a Lessee (continued)

26.1.3 Lease liabilities (continued)

After the commencement date of the lease, the Group re-measures the lease liabilities and adjusts the right-of-use assets accordingly, if either (the Group will include the difference in the profit or loss if the carrying amount of right-of-use assets is adjusted to zero but the lease liabilities are still required to be decreased):

- (1) there is a change in the lease term, or in the assessment of an option to purchase the underlying asset, the Group re-measures 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 re-measures the lease liabilities, on the basis of the revised lease payments and the unchanged discount rate.

26.1.4 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, for 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 2020

Renminbi Yuan

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

26. Leases (continued)

26.1 The Group as a Lessee (continued)

26.1.5 Lease modifications

The Group accounts for a lease modification as a separate lease if:

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

For a lease modification that is not accounted for as a separate lease, the Group reallocates the consideration in the contract, and re-measures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

If a lease modification reduces the scope of the lease or shortens the lease term, the Group shall reduce the carrying amount of right-of-use assets accordingly, and recognize the gains or losses on part or complete derecognition of lease in profit or loss of the period. For other lease modifications that result in re-measurement of lease liabilities, the Group shall adjust the carrying amount of right-of-use assets accordingly.



Notes to the Financial Statements

For the six months ended 30 June 2020

Renminbi Yuan

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

26. Leases (continued)

26.2 The Group as a Lessor

26.2.1 Separating components of a lease

For a contract that contains lease and non-lease components, the Group shall allocate the consideration in the contract applying ASBE 14 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.

26.2.2 Classification of leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

26.2.2.1 The Group as a lessor/lessee 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.

26.2.3 Lease modifications

For an operating lease modification, the Group accounts for it as a separate lease since the effective date of the modification. The amount received in advance or lease receivable related to the lease before the modification shall be treated as the receivable of the new lease.



Notes to the Financial Statements

For the six months ended 30 June 2020

Renminbi Yuan

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

27. Production safety expenses

Production safety expenses withdrawn 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, summarize 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.

28. 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 2020

Renminbi Yuan

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

29. 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.

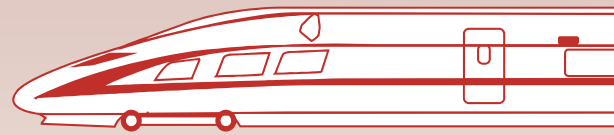
The Group reviews the above judgments, estimates and assumptions periodically based on going concern. If the changes of accounting estimates only affect the current period, the influence amount is recognised in the current period. If the changes of accounting estimates affect both of the current period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



Notes to the Financial Statements

For the six months ended 30 June 2020

Renminbi Yuan

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

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

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:

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

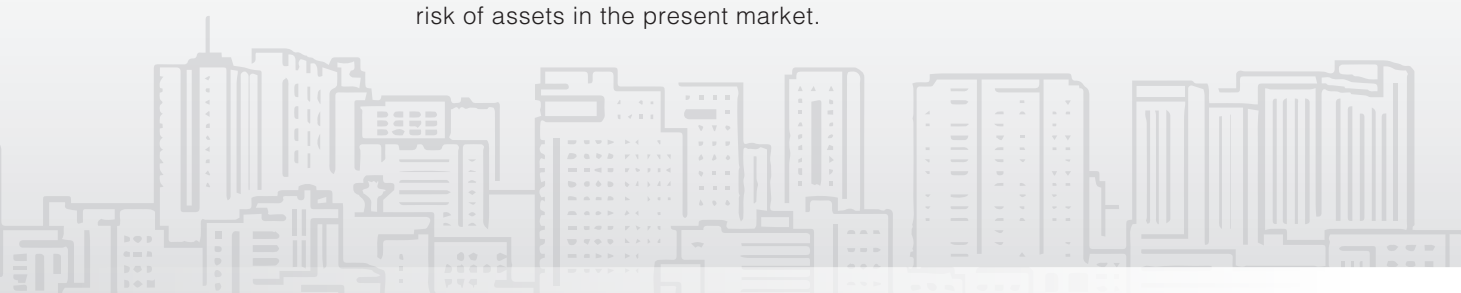
The Group recognises impairment provision for contract assets and trade receivables based on expected credit losses. The Group divides the above items into different portfolios based on the common risk characteristics, and employs impairment matrix on the basis of portfolios to determine the credit loss 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 2020, the Group has re-evaluated 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.

29.2 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.

29.3 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 2020

Renminbi Yuan

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

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

The key assumptions and uncertainties used in accounting estimates (continued)

29.4 *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.

29.5 *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.

29.6 *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 discount 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 2020

Renminbi Yuan

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

30. Presentation of financial statements

The Group has prepared the 2020 interim financial statements in accordance with the Notice of the Revised Format of 2019 Financial Statements for General Business Enterprises (Cai Kuai (2019) No. 6, hereinafter referred to as the “Cai Kuai No. 6 Document”) released by the Ministry of Finance on 30 April 2019.

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)	– Output VAT is calculated on product sales and taxable services revenue. The basis for VAT payable is to deduct input VAT from the output VAT for the period
City maintenance and construction surtax	– It is levied at 7% on the VAT

Note: 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 2020

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"), Shenyang CRRC Times Transportation Technology Co., Ltd. ("Shenyang Times"), Qingdao CRRC Electric Equipment Co., Ltd. ("Qingdao Electric"), Zhuzhou CRRC Times Software Technology Co., Ltd. ("Times Software"), Hunan CRRC Times Signal & Communication Co., Ltd. ("Times Signal & Communication"), Zhuzhou National Engineering Research Centre of Converters Co., Ltd. ("ZNERCC"), and Specialist Machine Developments (Shanghai) Co., Ltd. ("Shanghai SMD") were accredited as high-tech enterprises and granted certificates of high-tech enterprise and are subject to income tax at the rate of 15%. The granted certificates are valid for three years. The valid period for the Company, Times Electronics and ZNERCC is from 5 September 2017 to 5 September 2020; for Ningbo times, is from 29 November 2017 to 29 November 2020; for Shenyang Times, is from 30 November 2017 to 30 November 2020; for Qingdao Electric, is from 28 November 2019 to 28 November 2022; for Times Software, is from 20 September 2019 to 20 September 2022; for Times Signal & Communication, is from 1 December 2017 to 1 December 2020; for Shanghai SMD, is from 28 October 2019 to 28 October 2022; the Company and the above subsidiaries are subject to income tax rate at 15% for the period from 1 January 2020 to 30 June 2020 (2019: 15%, Times Software was 12.5%).

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》) (Cai Shui [2011] No. 58) and "Announcement of the Ministry of Finance, the State Taxation Administration and the National Development and Reform Commission on Continuing the Enterprise Income Tax Policies for the Large-Scale Development of Western China" (《財政部、稅務總局、國家發展改革委關於延續西部大開發企業所得稅政策的公告》) (Cai Shui [2020] No. 23), the subsidiary of the Company, Baoji CRRC Times Engineering Machinery Co., Ltd. ("Baoji Times") enjoyed the preferential tax at the rate of 15%.

Pursuant to provisions of the Corporate Income Tax Law of the People's Republic of China, Notice on Increasing the Proportion of the Weighted Pre-tax Deduction of Research and Development Expenses of Small and Medium-sized Scientific and Technological Enterprises (Cai Shui [2017] No. 34), Notice of the Ministry of Finance, the State Administration of Taxation and the Ministry of Science and Technology on Raising the Proportion of Weighted Pre-tax Deduction of the Research and Development Expenses (Cai Shui[2018] No. 99), for the year ended 31 December 2019 and the period from 1 January 2020 to 30 June 2020, in the determination of the taxable income, research and development expenditures for the Company and its subsidiaries, including Times Electronics, Baoji Times, (Ningbo CRRC Times Electric Equipment Co., Ltd. ("Ningbo Electric"), Ningbo Times, Qingdao Electric, Times Software, Times Signal & Communication, ZNERCC and Shanghai SMD were deducted plus 75%.



Notes to the Financial Statements

For the six months ended 30 June 2020

Renminbi Yuan

V. NOTES TO KEY ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS

1. Cash and bank balances

	30 June 2020 (Unaudited)	31 December 2019 (Audited)
Cash on hand	32,221	37,683
Bank deposits	5,604,452,635	4,289,042,975
Other cash and bank balances	13,426,728	13,406,534
	<u>5,617,911,584</u>	<u>4,302,487,192</u>

As at 30 June 2020, the bank deposits of RMB13,426,728 (Unaudited) (31 December 2019 (Audited): RMB13,406,534) of the Group were restricted as security deposits for issuance of bank letters of guarantee.

As at 30 June 2020, the cash and bank balances deposited overseas by the Group approximately were equivalent to RMB219,740,569 (Unaudited) (31 December 2019 (Audited): RMB207,530,596).

Interest income earned on current deposits is calculated by using the current deposit interest rate. The deposit periods for short-term deposits vary from 1 day to 3 months depending on the cash requirements of the Group and earn interest at the respective deposit rates.

As at 30 June 2020, the Group had time deposits at banks of RMB41,000,000 (Unaudited) (31 December 2019: RMB45,000,000 (Audited)), with an original maturity of more than three months.



Notes to the Financial Statements

For the six months ended 30 June 2020

Renminbi Yuan

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

2. Held-for-trading financial assets

	30 June 2020 (Unaudited)	31 December 2019 (Audited)
Financial products issued by banks	400,429,986	500,202,178
Structural deposits	2,720,158,932	4,405,574,583
	3,120,588,918	4,905,776,761

As at 30 June 2020, Financial products issued by banks and structural deposits held by the Group, carried interest rates per annual ranging from 2.20%-4.19%.

3. Bills receivable

(1) Category of bills receivable

	30 June 2020 (Unaudited)	31 December 2019 (Audited)
Bank acceptance bills	199,707,881	291,318,895
Commercial acceptance bills	1,857,727,267	2,455,230,090
	2,057,435,148	2,746,548,985
Less: Provision for credit loss	16,694,466	20,438,563
	2,040,740,682	2,726,110,422

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 2020

Renminbi Yuan

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

3. Bills receivable (continued)

- (2) As at 30 June 2020 (unaudited), no pledged bills receivable were included in the balances of bills receivable (31 December 2019 (audited): Nil).
- (3) As at 30 June 2020 (unaudited), bill receivables amounting to RMB700,000 were impaired due to the default of the drawer (31 December 2019 (audited): RMB800,000).
- (4) Analysis of bills receivable for which provision for credit loss is assessed on a portfolio basis:

Commercial acceptance bills

As at 30 June 2020

Credit losses has not occurred	Expected average loss rate %	Gross carrying amount	Credit impairment provision	Carrying amount
Category I	0.97	753,191,263	7,306,956	745,884,307
Category II	—	—	—	—
Category III	0.84	1,100,665,853	9,288,963	1,091,376,890
Category IV	2.55	3,870,151	98,547	3,771,604
Total	0.90	<u>1,857,727,267</u>	<u>16,694,466</u>	<u>1,841,032,801</u>

As at 30 June 2020, 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 2020

Renminbi Yuan

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

3. Bills receivable (continued)

- (4) Analysis of bills receivable for which provision for credit loss is assessed on a portfolio basis: (continued)

Commercial acceptance bills (continued)

As at 30 June 2020 (continued)

Provision for credit loss of bills receivable:

	Six months ended 30 June 2020 (Unaudited)	Year ended 31 December 2019 (Audited)
Opening balance	20,438,563	61,669,115
Provision in the period/year	1,707,332	2,279,182
Reversal in the period/year	(5,451,429)	(43,509,734)
Closing balance	16,694,466	20,438,563

- (5) Top five bills receivables are listed as follows:

	30 June 2020 (Unaudited)	31 December 2019 (Audited)
Non-related party 1	580,000,000	
CRRC Zhuzhou Locomotive Co., Ltd.	530,000,000	
Non-related party 2	455,000,000	
Bombardier Sifang (Qingdao) Transportation Ltd.	145,312,500	
Non-related party 3	56,665,853	
	1,766,978,353	
Non-related party 2		915,000,000
CRRC Zhuzhou Locomotive Co., Ltd.		550,000,000
Bombardier Sifang (Qingdao) Transportation Ltd.		238,501,006
Non-related party 4		180,000,000
Non-related party 5		62,300,000
		1,945,801,006



Notes to the Financial Statements

For the six months ended 30 June 2020

Renminbi Yuan

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

4. Trade receivables

(1) Disclosed by aging:

	30 June 2020 (Unaudited)	31 December 2019 (Audited)
Within 6 months	4,839,473,214	6,092,206,421
6 months to 1 year	2,942,701,162	781,919,918
1 to 2 years	793,957,242	664,376,177
2 to 3 years	167,597,510	91,700,692
Over 3 years	184,629,407	226,785,652
	8,928,358,535	7,856,988,860
Less: Provision for credit loss	516,163,476	443,024,138
	8,412,195,059	7,413,964,722

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

(2) Categorized by method of provision for credit loss

By category	30 June 2020 (Unaudited)					31 December 2019 (Audited)				
	Gross carrying amount		Provision for credit loss		Carrying amount	Gross carrying amount		Provision for credit loss		Carrying amount
	Amount	Proportion (%)	Amount	Proportion of provision (%)		Amount	Proportion (%)	Amount	Proportion of provision (%)	
Collective assessment	8,758,762,237	98.10	346,567,178	3.96	8,412,195,059	7,660,392,926	97.50	246,428,204	3.22	7,413,964,722
Individual assessment	169,596,298	1.90	169,596,298	100.00	-	196,595,934	2.50	196,595,934	100.00	-
Total	8,928,358,535	100.00	516,163,476	5.78	8,412,195,059	7,856,988,860	100.00	443,024,138	5.64	7,413,964,722

Notes to the Financial Statements

For the six months ended 30 June 2020

Renminbi Yuan

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

4. Trade receivables (continued)

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

Provision for credit loss assessed collectively:

Trade receivables for which provision for credit loss is assessed collectively by category (Category I)

Item	30 June 2020 (Unaudited)		
	Gross carrying amount	Provision for credit loss	Expected average loss rate (%)
Within 6 months	3,331,283,242	35,953,519	1.08
6 months to 1 year	2,041,299,402	79,615,742	3.90
1 to 2 years	426,292,128	51,694,201	12.13
2 to 3 years	104,046,893	29,598,692	28.45
Over 3 years	12,257,213	9,029,505	73.67
Total	5,915,178,878	205,891,659	

Trade receivables for which provision for credit loss is assessed collectively by category (Category II)

Item	30 June 2020 (Unaudited)		
	Gross carrying amount	Provision for credit loss	Expected average loss rate (%)
Within 6 months	230,378,098	3,007,849	1.31
6 months to 1 year	124,656,542	4,106,279	3.29
1 to 2 years	69,948,296	5,659,613	8.09
2 to 3 years	1,971,316	431,127	21.87
Over 3 years	6,373,020	2,984,486	46.83
Total	433,327,272	16,189,354	



Notes to the Financial Statements

For the six months ended 30 June 2020

Renminbi Yuan

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

4. Trade receivables (continued)

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

Provision for credit loss assessed collectively: (continued)

Trade receivables for which provision for credit loss is assessed collectively by category (Category III)

Item	30 June 2020 (Unaudited)		
	Gross carrying amount	Provision for credit loss	Expected average loss rate (%)
Within 6 months	631,256,653	3,268,670	0.52
6 months to 1 year	481,694,865	8,045,874	1.67
1 to 2 years	61,270,388	3,059,688	4.99
2 to 3 years	16,900	10,560	62.49
Total	<u>1,174,238,806</u>	<u>14,384,792</u>	

Trade receivables for which provision for credit loss is assessed collectively by category (Category IV)

Item	30 June 2020 (Unaudited)		
	Gross carrying amount	Provision for credit loss	Expected average loss rate (%)
Within 6 months	647,601,640	37,864,615	5.85
6 months to 1 year	294,554,149	23,337,467	7.92
1 to 2 years	235,451,710	23,545,171	10.00
2 to 3 years	42,161,159	11,187,262	26.53
Over 3 years	16,248,623	14,166,858	87.19
Total	<u>1,236,017,281</u>	<u>110,101,373</u>	

Notes to the Financial Statements

For the six months ended 30 June 2020

Renminbi Yuan

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

4. Trade receivables (continued)

(3) Provision for credit loss of trade receivables are as follows:

	Lifetime expected credit losses (Non credit- impaired) (Unaudited)	Lifetime expected credit losses (Credit-impaired) (Unaudited)	Six months ended 30 June 2020 (Unaudited)
1 January 2020	115,090,926	327,933,212	443,024,138
Transferred to credit-impaired losses	(565,530)	565,530	—
Provision in the period	63,737,839	9,387,518	73,125,357
Foreign exchange translation	—	13,981	13,981
30 June 2020	<u>178,263,235</u>	<u>337,900,241</u>	<u>516,163,476</u>



Notes to the Financial Statements

For the six months ended 30 June 2020

Renminbi Yuan

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

4. Trade receivables (continued)

(4) Top five trade receivables are listed as follows:

	30 June 2020 (Unaudited)
CRRC Qingdao Sifang Co., Ltd.	748,940,689
CRRC Zhuzhou Locomotive Co., Ltd.	680,884,418
Non-related party 6	511,446,179
Non-related party 7	340,009,780
Non-related party 8	245,811,830
	<u>2,527,092,896</u>
	31 December 2019 (Audited)
Non-related party 6	538,451,858
CRRC Qingdao Sifang Co., Ltd.	446,815,431
Non-related party 7	418,665,125
Non-related party 9	245,027,417
Non-related party 10	196,351,084
	<u>1,845,310,915</u>



Notes to the Financial Statements

For the six months ended 30 June 2020

Renminbi Yuan

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

5. Trade receivables financing

	30 June 2020 (Unaudited)	31 December 2019 (Audited)
Bills receivable measured at fair value	639,975,880	1,884,817,895
Trade receivables measured at fair value	599,782,660	670,135,475
	1,239,758,540	2,554,953,370

The Group discounted and endorsed a part of bank acceptance bills while transferred a part of trade receivables according to its daily fund management needs, which qualified for derecognition. Therefore, the part of bank acceptance bills and trade receivables were classified by the Group as financial assets at fair value through other comprehensive income.

Measurement at fair value

Item	30 June 2020 (Unaudited)	31 December 2019 (Audited)
Cost	1,263,246,822	2,619,248,453
Carrying amount	1,239,758,540	2,554,953,370
Changes in fair value included in other comprehensive income	23,488,282	64,295,083



Notes to the Financial Statements

For the six months ended 30 June 2020

Renminbi Yuan

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

5. Trade receivables financing (continued)

Measurement at fair value (continued)

Bills receivable endorsed or discounted and not yet due at the balance sheet date:

As at 30 June 2020 (Unaudited)

Item	Derecognized amount	Non-derecognized amount
Commercial acceptance bills	–	7,170,000
Bank acceptance bills	204,847,810	39,117,119
Total	204,847,810	46,287,119

As at 31 December 2019 (Audited)

Item	Derecognized amount	Non-derecognized amount
Commercial acceptance bills	–	11,526,536
Bank acceptance bills	188,449,023	54,526,982
Total	188,449,023	66,053,518

Notes to the Financial Statements

For the six months ended 30 June 2020

Renminbi Yuan

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

6. Prepayments

Aging analysis of prepayments is as follows:

	30 June 2020 (Unaudited)	31 December 2019 (Audited)
Within 1 year	268,768,023	272,875,127
1 to 2 years	16,806,511	39,417,798
2 to 3 years	4,965,354	4,480,479
Over 3 years	10,861,286	8,651,757
	<u>301,401,174</u>	<u>325,425,161</u>



Notes to the Financial Statements

For the six months ended 30 June 2020

Renminbi Yuan

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

6. Prepayments (continued)

Top five prepayments are listed as follows

	30 June 2020 (Unaudited)
Non-related party 11	39,037,671
CRRC (Hong Kong) Co., Limited	36,899,059
Non-related party 12	25,747,844
Non-related party 13	24,124,619
Non-related party 14	17,452,250
	<u>143,261,443</u>
	31 December 2019 (Audited)
Non-related party 13	85,771,143
Non-related party 15	21,314,275
Non-related party 16	19,614,584
Non-related party 12	9,350,516
Non-related party 17	6,641,027
	<u>142,691,545</u>



Notes to the Financial Statements

For the six months ended 30 June 2020

Renminbi Yuan

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

7. Other receivables

Aging analysis of other receivables is as follows:

	30 June 2020 (Unaudited)	31 December 2019 (Audited)
Within 1 year	110,924,376	58,795,290
1 to 2 years	43,871,256	12,130,406
2 to 3 years	9,896,737	35,974,804
Over 3 years	5,143,296	2,962,283
	169,835,665	109,862,783
Less: Provision for credit loss	2,970,837	3,364,729
	166,864,828	106,498,054

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

	Six months ended 30 June 2020 (Unaudited)	Year ended 31 December 2019 (Audited)
12-months expected credit losses		
Opening balance	3,364,729	2,636,753
Provision in the period/year	340,817	2,041,225
Reversal in the period/year	(734,670)	(248,248)
Write-off in the period/year	(39)	(1,065,001)
	2,970,837	3,364,729
Closing balance		



Notes to the Financial Statements

For the six months ended 30 June 2020

Renminbi Yuan

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

7. Other receivables (continued)

Net value of other receivables by nature is as follows:

	30 June 2020 (Unaudited)	31 December 2019 (Audited)
Deposit for bidding	69,634,805	69,630,031
Deposit	5,034,198	3,701,446
Others	92,195,825	33,166,577
	166,864,828	106,498,054

Top five other receivables are listed as follows:

	30 June 2020 (Unaudited)
Non-related party 6	33,894,620
Non-related party 18	3,200,000
Non-related party 19	2,595,468
Non-related party 20	2,311,400
Non-related party 21	1,880,882
	43,882,370

31 December
2019
(Audited)

Non-related party 6	33,894,620
Non-related party 18	4,600,000
Non-related party 22	3,600,000
Non-related party 19	2,595,468
Non-related party 23	2,120,000
	46,810,088

Notes to the Financial Statements

For the six months ended 30 June 2020

Renminbi Yuan

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

8. Inventories

	30 June 2020 (Unaudited)		
	Gross carrying amount	Provision for impairment	Carrying amount
Raw materials	2,365,224,361	119,432,878	2,245,791,483
Semi-finished products	888,405,156	13,826,157	874,578,999
Work in progress	784,413,648	18,473,000	765,940,648
Finished goods	1,613,072,780	18,597,416	1,594,475,364
Turnover materials	44,632,388	806,050	43,826,338
	<u>5,695,748,333</u>	<u>171,135,501</u>	<u>5,524,612,832</u>

	31 December 2019 (Audited)		
	Gross carrying amount	Provision for impairment	Carrying amount
Raw materials	1,571,039,288	88,643,409	1,482,395,879
Semi-finished products	601,854,485	5,834,533	596,019,952
Work in progress	501,211,448	18,169,178	483,042,270
Finished goods	1,198,640,652	17,595,093	1,181,045,559
Turnover materials	25,558,054	22,943	25,535,111
	<u>3,898,303,927</u>	<u>130,265,156</u>	<u>3,768,038,771</u>



Notes to the Financial Statements

For the six months ended 30 June 2020

Renminbi Yuan

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

8. Inventories (continued)

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

Six months ended 30 June 2020

	Balance at the beginning of the period	Provision	Reversal	Foreign exchange translation	Balance at the end of the period
Raw materials	88,643,409	34,925,715	(2,531,943)	(1,604,303)	119,432,878
Semi-finished products	5,834,533	13,893,918	(5,902,294)	–	13,826,157
Work in progress	18,169,178	996,248	–	(692,426)	18,473,000
Finished goods	17,595,093	4,181,724	(2,972,133)	(207,268)	18,597,416
Turnover materials	22,943	783,107	–	–	806,050
	<u>130,265,156</u>	<u>54,780,712</u>	<u>(11,406,370)</u>	<u>(2,503,997)</u>	<u>171,135,501</u>

Year ended 31 December 2019

	Balance at the beginning of the year	Provision	Reversal	Write-off	Foreign exchange translation	Balance at the end of the year
Raw materials	82,642,516	11,311,984	(2,085,985)	(4,847,426)	1,622,320	88,643,409
Semi-finished products	17,131,598	3,970,974	(2,556,661)	(12,711,378)	–	5,834,533
Work in progress	11,116,301	6,375,876	–	–	677,001	18,169,178
Finished goods	17,598,733	4,726,440	(4,950,536)	–	220,456	17,595,093
Turnover materials	736,367	961,379	(46,958)	(1,627,845)	–	22,943
	<u>129,225,515</u>	<u>27,346,653</u>	<u>(9,640,140)</u>	<u>(19,186,649)</u>	<u>2,519,777</u>	<u>130,265,156</u>



Notes to the Financial Statements

For the six months ended 30 June 2020

Renminbi Yuan

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

9. Contract assets

(1) Details of contract assets

	30 June 2020 (Unaudited)		
	Gross carrying amount	Provision for credit loss	Carrying amount
Quality guarantee deposit	533,959,774	17,913,036	516,046,738
Less: Contract assets included in other non-current assets (Note V. 21)	399,023,266	15,210,311	383,812,955
	<u>134,936,508</u>	<u>2,702,725</u>	<u>132,233,783</u>

	31 December 2019 (Audited)		
	Gross carrying amount	Provision for credit loss	Carrying amount
Quality guarantee deposit	546,145,090	11,683,162	534,461,928
Less: Contract assets included in other non-current assets	356,396,035	7,282,781	349,113,254
	<u>189,749,055</u>	<u>4,400,381</u>	<u>185,348,674</u>



Notes to the Financial Statements

For the six months ended 30 June 2020

Renminbi Yuan

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

9. Contract assets (continued)

(2) Provision for credit loss of contract assets

	Six months ended 30 June 2020 (Unaudited)	Year ended 31 December 2019 (Audited)
Opening balance	11,683,162	5,173,409
Provision in the period/year	6,229,874	6,460,489
Foreign exchange translation	—	49,264
Closing balance	17,913,036	11,683,162

As at 30 June 2020, the Group had no credit-impaired contract assets.

10. Other current assets

	30 June 2020 (Unaudited)	31 December 2019 (Audited)
Structural deposits (Note)	—	100,000,000
Deductible value-added tax	441,932,937	296,595,434
Other taxes retained	66,058,617	89,423,696
	507,991,554	486,019,130

Note: As at 31 December 2019, the Company had structural deposits with fixed yield rate per annum of 3.50% whose counterparties were all banks with high-level credit ratings. Therefore, the credit risk was assessed as low. These structural deposits was matured on 27 January 2020.



Notes to the Financial Statements

For the six months ended 30 June 2020

Renminbi Yuan

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

11. Long-term equity investments

As at 30 June 2020 (Unaudited)

	Balance at the beginning of the period	Changes for the current period			Balance at the end of the period
		Investment	Investment income and loss recognised under equity method	Foreign exchange translation	
Non-listed equity investments					
Equity method					
Joint ventures					
Zhuzhou Shiling Transportation Equipment Co., Ltd. ("Shiling")	208,663,918	–	2,384,999	–	211,048,917
Wenzhou CRRC Electric Equipment Co., Ltd. ("Wenzhou Electric")	16,020,801	–	(65,916)	–	15,954,885
Shanghai Shentong CRRC Rail Transit Operation Safety Engineering Technology Research Co., Ltd. ("Shanghai Shentong CRRC")	6,343,316	–	65,000	–	6,408,316
	<u>231,028,035</u>	<u>–</u>	<u>2,384,083</u>	<u>–</u>	<u>233,412,118</u>



Notes to the Financial Statements

For the six months ended 30 June 2020

Renminbi Yuan

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

11. Long-term equity investments (continued)

As at 30 June 2020 (Unaudited) (continued)

	Balance at the beginning of the period	Changes for the current period			Balance at the end of the period
		Investment	Investment income and loss recognised under equity method	Foreign exchange translation	
Associates					
Wuxi CRRC Hofer Powertrain Co., Ltd. ("CRRC Hofer")	141,847,140	–	(7,946,666)	2,729,592	136,630,066
Siemens Traction Equipment Ltd., Zhuzhou ("Zhuzhou Siemens")	45,962,196	–	78,000	–	46,040,196
Hunan Guoxin Semiconductor Technology Co., Ltd. ("Guoxin Technology")	50,033,270	–	(162,500)	–	49,870,770
Hunan CRRC-Wabtec Rail Transit Technology Co., Ltd. ("CRRC Wabtec")	11,072,000	–	(1,487,202)	–	9,584,798
Zhirui Semiconductor Co., Ltd. ("Zhirui Semiconductor") (Note 1)	47,098,488	23,500,000	(983,147)	–	69,615,341
India CRRC Rail Transit Vehicles Limited ("India CRRC") (Note 2)	–	15,185,250	–	–	15,185,250
	<u>296,013,094</u>	<u>38,685,250</u>	<u>(10,501,515)</u>	<u>2,729,592</u>	<u>326,926,421</u>
	<u>527,041,129</u>	<u>38,685,250</u>	<u>(8,117,432)</u>	<u>2,729,592</u>	<u>560,338,539</u>

Notes to the Financial Statements

For the six months ended 30 June 2020

Renminbi Yuan

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

11. Long-term equity investments (continued)

As at 30 June 2020 (Unaudited) (continued)

Note 1: In May 2019, the Group and other two companies including Dongfeng Electric Vehicle Co., Ltd. jointly established Zhirui Semiconductor in which the Group contributed RMB47,000,000. Zhirui Semiconductor has 5 directors in total, one of which is appointed by the Group. The Group does not have control over Zhirui Semiconductor, which is accounted for as investment in associates. In January 2020, capital contribution to Zhirui Semiconductor was increased to RMB150,000,000, of which RMB23,500,000 was contributed by the Group. The Group's total capital contribution increased to RMB70,500,000, holding 47% shares.

Note 2: In January and April 2020, The Group actually invested 7.5 million and 150.0 million Indian rupees respectively to establish India CRRC with three companies including CRRC Nanjing Puzhen. India CRRC has 7 directors in total, one of which is appointed by the Group. The Group does not have control over India CRRC, which is accounted for as investment in associates. The total capital of India CRRC is 2,000 million Indian rupees, of which the Group has subscribed 300.0 million Indian rupees and holds 15% shares.

12. Other equity instrument investments

Other equity instrument investment designated at FVTOCI

	30 June 2020 (Unaudited)	31 December 2019 (Audited)
Xicheng CRRC (Wuxi) Urban Transit Transport Engineering Co., Ltd. ("Xicheng CRRC") (Note 1)	60,432,300	—
CRRC Environmental & Technology Co., Ltd. ("CRRC Environmental") (Note 2)	30,000,000	—
Guochuang Energy Internet Innovation Center (Guangdong) Co., Ltd. ("Guochuang Energy")	2,400,000	2,400,000
	92,832,300	2,400,000

Note 1: The Group invested RMB60,432,300 in Xicheng CRRC in January 2020, holding 4.00% shares.

Note 2: The Group invested RMB30,000,000 to CRRC Environmental in January 2020, holding 1.98% shares.

Details of fair value measurement of the above other equity instrument investments are set out in Note VIII.

The Group does not hold the above investments for the purpose of selling them in the near future for short-term returns and therefore designates them as financial assets at fair value through other comprehensive income.



Notes to the Financial Statements

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Renminbi Yuan

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

13. Fixed assets

(1) Details of fixed assets

As at 30 June 2020 (Unaudited)

	Buildings	Machinery	Vehicles	Office facilities and others	Total
Cost					
Opening balance	1,919,472,425	2,804,081,727	45,174,639	460,226,522	5,228,955,313
Purchase	56,374	16,417,408	22,124	10,184,107	26,680,013
Transferred from construction in progress	1,857,731	1,164,827	–	5,993,278	9,015,836
Disposals or written-offs	(249,089)	(12,626,165)	(1,305,483)	(947,768)	(15,128,505)
Other transfers out	–	–	–	(21,410,999)	(21,410,999)
Foreign exchange translation	(1,753,805)	(13,325,119)	(19,360)	(876,468)	(15,974,752)
Closing balance	1,919,383,636	2,795,712,678	43,871,920	453,168,672	5,212,136,906
Accumulated depreciation					
Opening balance	477,787,150	1,433,591,328	37,497,352	240,656,819	2,189,532,649
Increase	31,677,677	137,168,954	1,322,345	34,005,863	204,174,839
Disposals or written-offs	–	(11,004,685)	(1,305,483)	(597,685)	(12,907,853)
Other transfers out	–	–	–	(11,680,730)	(11,680,730)
Foreign exchange translation	(214,424)	(9,963,397)	(16,188)	(119,168)	(10,313,177)
Closing balance	509,250,403	1,549,792,200	37,498,026	262,265,099	2,358,805,728
Impairment provision					
Opening balance	10,513,264	46,347,067	–	6,579	56,866,910
Disposals or written-offs	–	(793,584)	–	–	(793,584)
Closing balance	10,513,264	45,553,483	–	6,579	56,073,326
Net carrying amount					
Closing balance	1,399,619,969	1,200,366,995	6,373,894	190,896,994	2,797,257,852
Opening balance	1,431,172,011	1,324,143,332	7,677,287	219,563,124	2,982,555,754

Notes to the Financial Statements

For the six months ended 30 June 2020

Renminbi Yuan

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

13. Fixed assets (continued)

(1) Details of fixed assets (continued)

As at 31 December 2019 (Audited)

	Buildings	Machinery	Vehicles	Office facilities and others	Total
Cost					
Opening balance	1,768,574,567	2,446,290,309	46,550,945	360,809,613	4,622,225,434
Purchase	449,203	72,679,920	2,532,441	77,598,429	153,259,993
Transferred from construction in progress	148,783,985	287,557,392	–	28,143,647	464,485,024
Disposals or written-offs	–	(10,106,709)	(3,923,805)	(7,761,531)	(21,792,045)
Foreign exchange translation	1,664,670	7,660,815	15,058	1,436,364	10,776,907
Closing balance	1,919,472,425	2,804,081,727	45,174,639	460,226,522	5,228,955,313
Accumulated depreciation					
Opening balance	414,025,001	1,182,837,375	36,377,178	189,432,703	1,822,672,257
Increase	63,630,978	255,176,516	4,819,711	56,293,033	379,920,238
Disposals or written-offs	–	(9,002,461)	(3,713,523)	(5,487,017)	(18,203,001)
Foreign exchange translation	131,171	4,579,898	13,986	418,100	5,143,155
Closing balance	477,787,150	1,433,591,328	37,497,352	240,656,819	2,189,532,649
Impairment provision					
Opening balance	10,513,264	46,887,139	–	607,170	58,007,573
Disposals or written-offs	–	(540,072)	–	(600,591)	(1,140,663)
Closing balance	10,513,264	46,347,067	–	6,579	56,866,910
Net carrying amount					
Closing balance	1,431,172,011	1,324,143,332	7,677,287	219,563,124	2,982,555,754
Opening balance	1,344,036,302	1,216,565,795	10,173,767	170,769,740	2,741,545,604



Notes to the Financial Statements

For the six months ended 30 June 2020

Renminbi Yuan

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

13. Fixed assets (continued)

- (2) As at 30 June 2020, the Group had no temporarily idle fixed assets.
- (3) As at 30 June 2020, the fixed assets leased out by the Group through operating lease were buildings, carrying an amount of RMB37,066,955 (unaudited) (31 December 2019 (audited): RMB35,415,817).
- (4) As at 30 June 2020 and 31 December 2019, there were no buildings for which the certificate of ownership had not yet been obtained.

14. Construction in progress

	30 June 2020 (Unaudited)	31 December 2019 (Audited)
Automobile components supporting construction project	176,337,511	1,370,521
Large beam current ion implantation machine	67,589,671	465,726
Innovation experiment platform construction project	30,385,845	30,291,863
The revamping and expansion of high voltage IGBT chip module production line	29,298,003	24,657,434
Automatic placement machine, automatic placement welding line (SL series)	7,907,091	58,763
Homogenizing equipment	4,208,849	680
Semiconductor intelligent manufacturing project	3,652,275	3,247,955
Verification and screening platform for key materials of rail transit products	3,264,204	3,232,180
X-ray inspection equipment	2,803,527	2,803,527
Laboratory of urban rail transit driverless signal system	1,821,650	1,429,490
Data centre computer room	—	8,273,087
Office renovation	—	7,697,056
Others	17,267,744	8,681,518
	344,536,370	92,209,800



Notes to the Financial Statements

For the six months ended 30 June 2020

Renminbi Yuan

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

14. Construction in progress (continued)

As at 30 June 2020 (Unaudited)

	Budget	Opening balance of the period	Increase	Transferred to fixed assets	Other transfer-out	Foreign exchange translation	Closing balance of the period	Capital resource	Proportion of budget invested
Automobile components supporting construction project	3,337,700,000	1,370,521	174,966,990	-	-	-	176,337,511	Self-raised	5%
Large beam current ion implantation machine	111,696,000	465,726	67,123,945	-	-	-	67,589,671	Self-raised	61%
Innovation experiment platform construction project	964,500,000	30,291,863	93,982	-	-	-	30,385,845	Self-raised	3%
The revamping and expansion of high voltage IGBT chip module production line	505,000,000	24,657,434	4,640,569	-	-	-	29,298,003	Government grant and Self-raised	23%
Automatic placement welding line (SL series)	19,494,957	58,763	7,848,328	-	-	-	7,907,091	Self-raised	40%
Homogenizing equipment	7,046,370	680	4,208,169	-	-	-	4,208,849	Self-raised	60%
Semiconductor intelligent manufacturing project	43,400,000	3,247,955	404,320	-	-	-	3,652,275	Self-raised	59%
Verification and screening platform for key materials of rail transit products	21,571,000	3,232,180	32,024	-	-	-	3,264,204	Self-raised	15%
X-ray inspection equipment	4,537,650	2,803,527	-	-	-	-	2,803,527	Self-raised	62%
Laboratory of urban rail transit driverless signal system	4,760,000	1,429,490	392,160	-	-	-	1,821,650	Self-raised	38%
Data centre computer room	16,500,000	8,273,087	740,215	9,013,302	-	-	-	Self-raised	55%
Office renovation	8,000,000	7,697,056	-	-	7,697,056	-	-	Self-raised	96%
Others		8,681,518	8,745,888	2,534	-	(157,128)	17,267,744		
		<u>92,209,800</u>	<u>269,196,590</u>	<u>9,015,836</u>	<u>7,697,056</u>	<u>(157,128)</u>	<u>344,536,370</u>		

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 RMB104,961 (unaudited) (1 January 2019 to 30 June 2019 (unaudited): RMB232,942). As at 30 June 2020, among the balances of construction in progress, the accumulated capitalised interest amounts to RMB505,316 (unaudited) (As at 30 June 2019 (unaudited): the accumulated capitalised interest was RMB3,266,924).



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For the six months ended 30 June 2020

Renminbi Yuan

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

14. Construction in progress (continued)

As at 31 December 2019 (Audited)

	Budget	Opening balance of the year	Increase	Transferred to fixed assets	Foreign exchange translation	Closing balance of the year	Capital resource	Proportion of budget invested
Innovation experiment platform construction project	964,500,000	29,894,316	397,547	–	–	30,291,863	Self-raised	3%
The revamping and expansion of high voltage IGBT chip module production line	505,000,000	16,625,106	83,497,337	75,465,009	–	24,657,434	Government grant and self-raised	22%
Data centre computer room	16,500,000	4,821,690	3,451,397	–	–	8,273,087	Self-raised	50%
Office renovation	8,000,000	–	7,697,056	–	–	7,697,056	Self-raised	96%
Semiconductor intelligent manufacturing project	43,400,000	3,028,576	22,170,122	21,950,743	–	3,247,955	Self-raised	58%
Verification and screening platform for key materials of rail transit products	19,610,000	–	3,232,180	–	–	3,232,180	Self-raised	16%
X-ray inspection equipment	4,537,650	–	2,803,527	–	–	2,803,527	Self-raised	62%
Laboratory of urban rail transit driverless signal system	4,760,000	–	1,429,490	–	–	1,429,490	Self-raised	30%
Semiconductor key lab construction project	341,880,000	144,742,066	16,412,626	161,154,692	–	–	Government grant and self-raised	67%
HCMT test bench	12,612,667	11,427,371	–	11,495,985	68,614	–	Self-raised	91%
Development of electrical drive system for passenger cars and tester of industrialized power drive	12,000,000	10,062,925	72,768	10,135,693	–	–	Self-raised	84%
Laboratory Relocation and Expansion Project	9,961,349	9,961,349	–	9,961,349	–	–	Self-raised	100%
Changsha laboratory of CSL3 Signal system-engineering verification system	7,123,146	7,070,696	52,450	7,123,146	–	–	Self-raised	100%
Changsha laboratory of CSL4 Signal system-engineering verification system	5,673,352	5,146,569	526,783	5,673,352	–	–	Self-raised	100%
Germany laboratory of CSL3 Signal system-engineering verification system	4,401,030	4,401,030	–	4,401,030	–	–	Self-raised	100%
Others		27,899,987	139,673,023	157,124,025	128,223	10,577,208		
		<u>275,081,681</u>	<u>281,416,306</u>	<u>464,485,024</u>	<u>-196,837</u>	<u>92,209,800</u>		

Notes to the Financial Statements

For the six months ended 30 June 2020

Renminbi Yuan

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

15 Right-of-use assets

As at 30 June 2020 (Unaudited)

	Land use right (Note)	Buildings	Machinery	Vehicles	Office facilities and others	Total
Cost						
Opening balance	14,881,413	111,514,107	8,148,271	8,185,249	1,542,830	144,271,870
Increase	–	5,175,657	–	1,636,711	260,587	7,072,955
Decrease	(708,608)	(4,530,685)	(1,866,239)	(427,256)	(62,919)	(7,595,707)
Closing balance	14,172,805	112,159,079	6,282,032	9,394,704	1,740,498	143,749,118
Accumulated depreciation						
Opening balance	1,417,278	30,671,394	2,808,728	2,226,695	596,147	37,720,242
Provision	691,767	17,305,064	861,225	1,321,967	273,872	20,453,895
Decrease	–	(4,369,991)	(1,312,351)	(309,910)	(31,935)	(6,024,187)
Closing balance	2,109,045	43,606,467	2,357,602	3,238,752	838,084	52,149,950
Net carrying value						
Closing balance	12,063,760	68,552,612	3,924,430	6,155,952	902,414	91,599,168
Opening balance	13,464,135	80,842,713	5,339,543	5,958,554	946,683	106,551,628

Note: Land use right are industrial land use rights rented by Specialist Machine Developments (SMD) Limited ("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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For the six months ended 30 June 2020

Renminbi Yuan

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

15 Right-of-use assets (continued)

As at 31 December 2019 (Audited)

	Land use right	Buildings	Machinery	Vehicles	Office facilities and others	Total
Cost						
Opening balance	–	75,218,151	–	2,252,749	–	77,470,900
Increase	14,881,413	36,295,956	8,148,271	5,932,500	1,542,830	66,800,970
Closing balance	14,881,413	111,514,107	8,148,271	8,185,249	1,542,830	144,271,870
Accumulated depreciation						
Opening balance	–	–	–	–	–	–
Provision	1,417,278	30,671,394	2,808,728	2,226,695	596,147	37,720,242
Closing balance	1,417,278	30,671,394	2,808,728	2,226,695	596,147	37,720,242
Net carrying value						
Closing balance	13,464,135	80,842,713	5,339,543	5,958,554	946,683	106,551,628
Opening balance	–	75,218,151	–	2,252,749	–	77,470,900



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Renminbi Yuan

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

16. Intangible assets

As at 30 June 2020 (Unaudited)

	Land use rights	Software licenses	Patents, licenses and technical know-how	Trademarks	Backlog orders and service contracts	Total
Cost						
Opening balance	229,745,038	171,184,026	875,074,811	127,703,038	54,370,215	1,458,077,128
Purchase	–	5,773,055	–	–	–	5,773,055
Decrease	–	(66,723)	–	–	(54,370,215)	(54,436,938)
Foreign exchange translation	(708,513)	(1,488,894)	(13,846,196)	(6,080,831)	–	(22,124,434)
Closing balance	229,036,525	175,401,464	861,228,615	121,622,207	–	1,387,288,811
Accumulated amortization						
Opening balance	46,355,236	120,775,518	308,733,702	35,125,092	54,370,215	565,359,763
Provision	2,185,940	8,323,833	42,742,249	3,575,377	–	56,827,399
Decrease	–	(66,723)	–	–	(54,370,215)	(54,436,938)
Foreign exchange translation	–	(1,130,817)	(8,571,806)	(1,736,950)	–	(11,439,573)
Closing balance	48,541,176	127,901,811	342,904,145	36,963,519	–	556,310,651
Impairment provision						
Closing balance	–	506,859	146,037,805	–	–	146,544,664
Net carrying value						
Closing balance	180,495,349	46,992,794	372,286,665	84,658,688	–	684,433,496
Opening balance	183,389,802	49,901,649	420,303,304	92,577,946	–	746,172,701



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Renminbi Yuan

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

16. Intangible assets (continued)

As at 31 December 2019 (Audited)

	Land use rights	Software licenses	Patents, licenses and technical know-how	Trademarks	Backlog orders and service contracts	Total
Cost						
Opening balance	228,873,766	155,956,632	726,361,052	121,466,800	52,924,818	1,285,583,068
Purchase	139,524	15,735,429	11,400	–	–	15,886,353
Transferred from development expenditure	–	–	136,170,842	–	–	136,170,842
Decrease	–	(1,394,548)	–	–	–	(1,394,548)
Foreign exchange translation	731,748	886,513	12,531,517	6,236,238	1,445,397	21,831,413
Closing balance	229,745,038	171,184,026	875,074,811	127,703,038	54,370,215	1,458,077,128
Accumulated amortization						
Opening balance	41,967,296	105,576,232	240,186,128	22,775,025	52,924,818	463,429,499
Provision	4,387,940	15,248,591	64,625,109	10,398,675	–	94,660,315
Decrease	–	(655,589)	–	–	–	(655,589)
Foreign exchange translation	–	606,284	3,922,465	1,951,392	1,445,397	7,925,538
Closing balance	46,355,236	120,775,518	308,733,702	35,125,092	54,370,215	565,359,763
Impairment provision						
Closing balance	–	506,859	146,037,805	–	–	146,544,664
Net carrying amount						
Closing balance	183,389,802	49,901,649	420,303,304	92,577,946	–	746,172,701
Opening balance	186,906,470	49,873,541	340,137,119	98,691,775	–	675,608,905

Notes to the Financial Statements

For the six months ended 30 June 2020

Renminbi Yuan

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

16. Intangible assets (continued)

As at 30 June 2020 and 31 December 2019, 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.

17. Development expenditure

As at 30 June 2020 (Unaudited)

	Balance at the beginning of the period	Internal development	Decrease		Balance at the end of the period
			Recognised as intangible assets	Recognised in profit or loss	
Research and development expenses	–	605,241,313	–	605,241,313	–
Development expenditure	205,708,046	36,838,963	–	–	242,547,009
	<u>205,708,046</u>	<u>642,080,276</u>	<u>–</u>	<u>605,241,313</u>	<u>242,547,009</u>

As at 31 December 2019 (Audited)

	Balance at the beginning of the year	Internal development	Decrease		Balance at the end of the year
			Recognised as intangible assets	Recognised in profit or loss	
Research and development expenses	–	1,606,529,489	–	1,606,529,489	–
Development expenditure	188,436,535	153,442,353	136,170,842	–	205,708,046
	<u>188,436,535</u>	<u>1,759,971,842</u>	<u>136,170,842</u>	<u>1,606,529,489</u>	<u>205,708,046</u>



Notes to the Financial Statements

For the six months ended 30 June 2020

Renminbi Yuan

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

18. Goodwill

As at 30 June 2020 (Unaudited)

	Balance at the beginning of the period	Foreign exchange translation	Balance at the end of the 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
SMD	606,549,627	11,930,837	618,480,464	363,451,070	255,029,394
	<u>666,838,118</u>	<u>11,930,837</u>	<u>678,768,955</u>	<u>409,969,028</u>	<u>268,799,927</u>

As at 31 December 2019 (Audited)

	Balance at the beginning of the year	Foreign exchange translation	Balance at the end of the 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	593,291,637	13,257,990	606,549,627	203,222,785	403,326,842
	<u>653,580,128</u>	<u>13,257,990</u>	<u>666,838,118</u>	<u>249,740,743</u>	<u>417,097,375</u>



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For the six months ended 30 June 2020

Renminbi Yuan

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

18. Goodwill (continued)

The movements of impairment of goodwill are as follows:

Six months ended 30 June 2020 (Unaudited)

	Balance at the beginning of the period	Provision	Foreign exchange translation	Balance at the end of the period
Dynex	46,517,958	—	—	46,517,958
SMD	203,222,785	154,724,000	5,504,285	363,451,070
	<u>249,740,743</u>	<u>154,724,000</u>	<u>5,504,285</u>	<u>409,969,028</u>

Year ended 31 December 2019 (Audited)

	Balance at the beginning of the year	Provision	Foreign exchange translation	Balance at the end of the year
Dynex	46,517,958	—	—	46,517,958
SMD	131,532,117	68,000,000	3,690,668	203,222,785
	<u>178,050,075</u>	<u>68,000,000</u>	<u>3,690,668</u>	<u>249,740,743</u>



Notes to the Financial Statements

For the six months ended 30 June 2020

Renminbi Yuan

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

18. Goodwill (continued)

As at 30 June 2020, the Group assessed the recoverable amount of the asset portfolio forming the goodwill of SMD, and determined that the goodwill of SMD was impaired. The amount of impairment accrued is RMB154,724,000 (unaudited) for the current period (The amount of impairment accrued in 2019 is RMB68,000,000 (audited)). The main factor of impairment occurred in the asset portfolio is affecting by the declining world economic environment due to COVID-19, which will affect the overall development of SMD's business. There are no other assets in the asset portfolio that require the provision for impairment.

The recoverable amount of the goodwill of SMD is determined based on present value of the expected future cash flows of the asset portfolio. The management prepares the cash flow prediction for the next five years (the "budget period") based on the latest financial budget assumptions, deduces the cash flow of the subsequent years, and sets the discount rate before tax used to calculate the recoverable amount as 16% (2019: 16%). A key assumption used in predicting future cash flows is the revenue growth rate in the budget period, which is set to be 2% (2019: 2%) in the calculation period. Other key assumptions used in predicting future cash flows include a stable gross margin of budget. The gross margin of budget is based on the Company's past performance.

19. Long-term deferred expenses

As at 30 June 2020 (Unaudited)

	Opening balance	Increase (Note)	Amortized for the period	Closing balance
Lease improvement	<u>34,744,515</u>	<u>17,361,191</u>	<u>3,037,834</u>	<u>49,067,872</u>

Note: Transfer from construction in progress of RMB7,697,056 was included in lease improvement for the period.

As at 31 December 2019 (Audited)

	Opening balance	Increase	Amortized for the year	Closing balance
Lease improvement	<u>31,924,398</u>	<u>7,711,930</u>	<u>4,891,813</u>	<u>34,744,515</u>

Notes to the Financial Statements

For the six months ended 30 June 2020

Renminbi Yuan

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

20. Deferred tax assets/liabilities

Recognised deferred tax assets:

	30 June 2020 (Unaudited)		31 December 2019 (Audited)	
	Deductible temporary differences	Deferred tax assets	Deductible temporary differences	Deferred tax assets
Deferred tax assets				
Provision for product quality warranties	790,749,606	119,148,016	803,484,009	121,745,502
Provision for credit loss	552,691,084	80,418,071	477,477,927	71,307,081
Provision for impairment of assets	185,666,271	25,558,186	155,584,970	24,309,329
Government grant	528,460,391	52,436,022	523,853,408	56,791,459
Unrealized profits from internal transactions	761,867,031	114,280,055	556,790,152	83,518,523
Depreciation differences arising from different depreciation terms in tax laws and accounting	46,684,659	7,632,123	53,226,116	8,690,061
Deductible losses	195,970,034	39,639,031	173,332,726	32,403,104
Accrued expenses	29,216,937	4,518,201	73,589,313	11,038,711
Unpaid employee benefits accrued	72,829,749	10,924,462	67,531,936	10,129,790
Fair value through other comprehensive income	23,488,282	3,595,555	64,101,910	9,540,430
Others	9,619,643	1,442,947	11,027,661	1,654,149
	3,197,243,687	459,592,669	2,960,000,128	431,128,139



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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 2020 (Unaudited)		31 December 2019 (Audited)	
	Taxable temporary differences	Deferred tax liabilities	Taxable temporary differences	Deferred tax liabilities
Deferred tax liabilities				
Asset valuation appreciation	201,359,885	38,258,378	230,670,260	43,827,349
Depreciation differences arising from different depreciation terms in tax laws and accounting	20,798,870	5,511,701	21,754,260	5,764,879
	222,158,755	43,770,079	252,424,520	49,592,228

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

	30 June 2020 (Unaudited)	31 December 2019 (Audited)
Deductible losses	219,533,636	180,063,740
Deductible temporary differences	118,818,524	113,699,594
	338,352,160	293,763,334



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For the six months ended 30 June 2020

Renminbi Yuan

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 2020 (Unaudited)	31 December 2019 (Audited)
2020	394,094	431,317
2021	12,116,962	12,116,962
2022	6,387,938	11,913,401
2025	3,929,476	—
2027	5,525,463	—
2029	8,750,182	8,750,182
2030	39,178,417	—
Non-fixed term (Note)	143,251,104	146,851,878
	219,533,636	180,063,740

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. ("HK Electric") and Dynex.

21 Other non-current assets

	30 June 2020 (Unaudited)	31 December 2019 (Audited)
Prepayments for acquisition of land use rights	42,831,600	42,831,600
Prepayments for purchase of machineries and equipments	621,972,012	273,439,158
Contract assets	383,812,955	349,113,254
	1,048,616,567	665,384,012



Notes to the Financial Statements

For the six months ended 30 June 2020

Renminbi Yuan

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

22 Short-term borrowings

	30 June 2020 (Unaudited)	31 December 2019 (Audited)
Credit loans	<u>247,486,607</u>	<u>146,596,015</u>

As at 30 June 2020, the annual interest rates of the above borrowings were ranging from 2.05%-3.50% (unaudited) (31 December 2019 (audited): 2.50%-3.50%).

23. Bills payable

	30 June 2020 (Unaudited)	31 December 2019 (Audited)
Commercial acceptance bills	<u>248,129,723</u>	<u>329,539,815</u>
Bank acceptance bills	<u>2,011,600,349</u>	<u>1,952,805,354</u>
	<u>2,259,730,072</u>	<u>2,282,345,169</u>



Notes to the Financial Statements

For the six months ended 30 June 2020

Renminbi Yuan

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

24. Trade payables

Trade payables are set out as follows:

Trade payables are interest-free and usually be paid within 3 months.

Aging	30 June 2020 (Unaudited)	31 December 2019 (Audited)
Within 3 months	3,343,864,618	3,660,957,358
3 months to 1 year	955,669,295	307,196,251
1 to 2 years	156,706,740	201,659,803
2 to 3 years	119,459,056	126,575,374
Over 3 years	124,584,707	111,540,053
	4,700,284,416	4,407,928,839
Less: Classified as long-term payables (Note V. 33)	16,517,630	16,517,630
	4,683,766,786	4,391,411,209

25. Contract liabilities

Aging	30 June 2020 (Unaudited)	31 December 2019 (Audited)
Within 1 year	621,740,441	722,915,442
1 to 2 years	94,465,864	139,804,474
2 to 3 years	14,826,752	26,511,893
Over 3 years	6,178,762	7,136,879
	737,211,819	896,368,688



Notes to the Financial Statements

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Renminbi Yuan

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

26. Employee benefits payable

As at 30 June 2020 (Unaudited)

	Opening balance	Increase	Decrease	Foreign exchange translation	Closing balance
Short-term benefits	143,742,758	810,012,650	756,196,163	(314,887)	197,244,358
Post-employment benefits (defined contribution plan)	6,645,650	84,081,391	84,477,258	(372,843)	5,876,940
	<u>150,388,408</u>	<u>894,094,041</u>	<u>840,673,421</u>	<u>(687,730)</u>	<u>203,121,298</u>

As at 31 December 2019 (Audited)

	Opening balance	Increase	Decrease	Foreign exchange translation	Closing balance
Short-term benefits	129,791,009	1,941,356,971	1,927,668,161	262,939	143,742,758
Post-employment benefits (defined contribution plan)	6,049,954	258,273,109	257,915,996	238,583	6,645,650
	<u>135,840,963</u>	<u>2,199,630,080</u>	<u>2,185,584,157</u>	<u>501,522</u>	<u>150,388,408</u>



Notes to the Financial Statements

For the six months ended 30 June 2020

Renminbi Yuan

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

26. Employee benefits payable (continued)

Details of short-term benefits are as follows:

As at 30 June 2020 (Unaudited)

	Opening balance	Increase	Decrease	Foreign exchange translation	Closing balance
Salaries, bonuses, allowances and subsidies	70,948,275	632,687,230	585,584,829	654,442	118,705,118
Staff welfare	95,430	21,491,941	21,386,625	(33,153)	167,593
Social Insurance	992,458	48,143,449	47,866,335	–	1,269,572
Including: Basic medical insurance	449,492	23,319,110	23,149,220	–	619,382
Supplementary medical insurance	10,724	20,793,449	20,804,173	–	–
Work injury insurance	481,153	3,733,356	3,703,954	–	510,555
Maternity insurance	51,089	297,534	208,988	–	139,635
Housing fund	507,087	54,922,561	54,787,711	–	641,937
Union fund and employee education fund	70,238,324	26,387,851	21,276,139	–	75,350,036
Others	961,184	26,379,618	25,294,524	(936,176)	1,110,102
	<u>143,742,758</u>	<u>810,012,650</u>	<u>756,196,163</u>	<u>(314,887)</u>	<u>197,244,358</u>



Notes to the Financial Statements

For the six months ended 30 June 2020

Renminbi Yuan

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

26. Employee benefits payable (continued)

As at 31 December 2019 (Audited)

	Opening balance	Increase	Decrease	Foreign exchange translation	Closing balance
Salaries, bonuses, allowances and subsidies	70,430,343	1,513,849,391	1,513,594,398	262,939	70,948,275
Staff welfare	297,981	71,109,838	71,312,389	–	95,430
Social Insurance	816,431	124,517,070	124,341,043	–	992,458
Including: Basic medical insurance	349,389	68,356,432	68,256,329	–	449,492
Supplementary medical insurance	61,177	38,387,775	38,438,228	–	10,724
Work injury insurance	322,673	11,817,204	11,658,724	–	481,153
Maternity insurance	83,192	5,955,659	5,987,762	–	51,089
Housing fund	159,560	107,298,129	106,950,602	–	507,087
Union fund and employee education fund	57,041,073	66,674,498	53,477,247	–	70,238,324
Others	1,045,621	57,908,045	57,992,482	–	961,184
	<u>129,791,009</u>	<u>1,941,356,971</u>	<u>1,927,668,161</u>	<u>262,939</u>	<u>143,742,758</u>



Notes to the Financial Statements

For the six months ended 30 June 2020

Renminbi Yuan

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

26. Employee benefits payable (continued)

Details of defined contribution plan are as follows:

As at 30 June 2020 (Unaudited)

	Opening balance	Increase	Decrease	Foreign exchange translation	Closing balance
Basic pension insurance	6,549,523	56,501,350	56,946,544	(372,843)	5,731,486
Unemployment insurance	86,073	1,988,957	1,934,272	–	140,758
Annuity	10,054	25,591,084	25,596,442	–	4,696
	<u>6,645,650</u>	<u>84,081,391</u>	<u>84,477,258</u>	<u>(372,843)</u>	<u>5,876,940</u>

As at 31 December 2019 (Audited)

	Opening balance	Increase	Decrease	Foreign exchange translation	Closing balance
Basic pension insurance	5,931,051	204,575,931	204,196,042	238,583	6,549,523
Unemployment insurance	47,518	6,114,670	6,076,115	–	86,073
Annuity	71,385	47,582,508	47,643,839	–	10,054
	<u>6,049,954</u>	<u>258,273,109</u>	<u>257,915,996</u>	<u>238,583</u>	<u>6,645,650</u>



Notes to the Financial Statements

For the six months ended 30 June 2020

Renminbi Yuan

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

27 Taxes payable

	30 June 2020 (Unaudited)	31 December 2019 (Audited)
Corporate income tax	95,275,622	42,149,269
VAT	55,635,677	65,331,545
City maintenance and construction and education surcharge	5,762,168	8,821,572
Individual income tax	4,270,147	27,067,189
Others	3,620,084	9,686,798
	164,563,698	153,056,373

28 Other payables

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

	30 June 2020 (Unaudited)	31 December 2019 (Audited)
Dividends payable (Note V. 37)	528,964,487	—
Other payables	672,221,061	857,451,744
	1,201,185,548	857,451,744

Dividends payable

	30 June 2020 (Unaudited)	31 December 2019 (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	—
	528,964,487	—

Notes to the Financial Statements

For the six months ended 30 June 2020

Renminbi Yuan

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

28 Other payables (continued)

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

Others payables

	30 June 2020 (Unaudited)	31 December 2019 (Audited)
Deposits and pledges	158,203,406	359,879,287
Amounts due to related companies	322,484,900	206,428,430
Accrued expenses	66,325,185	73,589,313
Recovery of factoring	693,365	193,871,569
Withholding social insurance	23,925,496	19,267,328
Others	100,588,709	4,415,817
	672,221,061	857,451,744

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

	30 June 2020 (Unaudited)	31 December 2019 (Audited)
Within 1 year	910,379,992	543,997,677
1 to 2 years	35,171,228	49,473,269
2 to 3 years	40,614,061	43,716,352
Over 3 years	215,020,267	220,264,446
	1,201,185,548	857,451,744



Notes to the Financial Statements

For the six months ended 30 June 2020

Renminbi Yuan

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

29. Current portion of non-current liabilities

	30 June 2020 (Unaudited)	31 December 2019 (Audited)
Lease liabilities due within one year (Note V. 32)	29,820,893	33,272,918
Provisions due within one year (Note V. 34)	340,176,211	353,383,129
Long-term borrowings due within the year (Note V. 31)	5,482,335	5,031,066
	375,479,439	391,687,113

30. Other current liabilities

	30 June 2020 (Unaudited)	31 December 2019 (Audited)
VAT collected from receipt in advance	82,723,943	112,563,399

31. Long-term borrowings

	30 June 2020 (Unaudited)	31 December 2019 (Audited)
Credit loans	236,105,042	235,566,894
Less: Long-term borrowings due within the year (Note V. 29)	5,482,335	5,031,066
	230,622,707	230,535,828



Notes to the Financial Statements

For the six months ended 30 June 2020

Renminbi Yuan

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

31. Long-term borrowings (continued)

Maturity analysis:

	30 June 2020 (Unaudited)	31 December 2019 (Audited)
Due within 1 year	5,482,335	5,031,066
Due within 1 to 2 years	150,434,707	147,847,828
Due within 2 to 5 years	15,000,000	15,000,000
Due more than 5 years	65,188,000	67,688,000
	236,105,042	235,566,894

As at 30 June 2020, the annual interest rates of the above borrowings were ranging from 1.08%-2.31% (unaudited) (31 December 2019 (audited): 1.08%-4.92%).

32. Lease liabilities

	30 June 2020 (Unaudited)	31 December 2019 (Audited)
Lease liabilities	96,628,081	104,784,813
Less: Current portion of non-current liabilities (Note V. 29)	29,820,893	33,272,918
Total	66,807,188	71,511,895

33. Long-term payables

Maturity analysis:

	30 June 2020 (Unaudited)	31 December 2019 (Audited)
1 to 2 years	16,517,630	16,517,630



Notes to the Financial Statements

For the six months ended 30 June 2020

Renminbi Yuan

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

34. Provisions

As at 30 June 2020 (Unaudited)

	Opening balance of the period	Increase	Decrease	Foreign exchange translation	Closing balance of the period
Provision for product quality warranties	803,484,009	<u>196,050,684</u>	<u>208,777,006</u>	<u>(8,081)</u>	790,749,606
Less: Provisions due within one year (Note V. 29)	<u>353,383,129</u>				<u>340,176,211</u>
	<u>450,100,880</u>				<u>450,573,395</u>

As at 31 December 2019 (Audited)

	Opening balance of the year	Increase	Decrease	Foreign exchange translation	Closing balance of the year
Provision for product quality warranties	671,641,771	<u>709,866,153</u>	<u>578,048,588</u>	<u>24,673</u>	803,484,009
Less: Provisions due within one year	<u>297,750,776</u>				<u>353,383,129</u>
	<u>373,890,995</u>				<u>450,100,880</u>

35. Deferred income

	30 June 2020 (Unaudited)	31 December 2019 (Audited)
Government grant related to assets	243,078,811	263,893,303
Government grant related to incomes	<u>285,381,580</u>	<u>301,547,380</u>
Total:	<u>528,460,391</u>	<u>565,440,683</u>
Including: Deferred income amortized within 1 year	173,558,461	182,736,902

Notes to the Financial Statements

For the six months ended 30 June 2020

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 2020 are listed as follows: (Unaudited)

	Opening balance of the period	Increase	Recognised as other income	Closing balance of the period	Related to asset/ income
Automobile component project	150,000,000	–	–	150,000,000	Income
Research on key technologies of high speed maglev transportation	55,566,900	–	(13,920,000)	41,646,900	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	–	(2,916,667)	39,083,333	Asset
Industrial foundation fortification project-production of IGBT module for alternative fuel automobiles	23,340,000	–	–	23,340,000	Asset
SIC single crystal material R & D and industrialization project	21,987,785	–	(7,733,560)	14,254,225	Asset
Maotangao public rental housing construction project	18,158,800	–	(227,459)	17,931,341	Asset
SIC-based power electronic devices lab & fab construction project (SIC base industrial construction project fund)	13,640,016	–	(1,496,631)	12,143,385	Asset
Research and development of power transmission and control system	11,113,500	808,500	–	11,922,000	Income



Notes to the Financial Statements

For the six months ended 30 June 2020

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 2020 are listed as follows: (Unaudited) (continued)

	Opening balance of the period	Increase	Recognised as other income	Closing balance of the period	Related to asset/ income
8 MW golden sun demonstration project	10,891,667	–	(5,445,833)	5,445,834	Asset
Basic construction compensation	8,173,024	–	(103,456)	8,069,568	Income
Hunan governmental earmark on the development of mobile internet industry in 2016	5,000,000	–	–	5,000,000	Asset
Construction of intelligent manufacturing works for core components of rolling stock	4,097,222	–	(416,667)	3,680,555	Asset
(Power electronics) research for power electronic devices & built for production line	4,000,000	–	(200,000)	3,800,000	Asset
Others	97,471,769	29,717,841	(35,046,360)	92,143,250	Asset/Income
	<u>565,440,683</u>	<u>30,526,341</u>	<u>(67,506,633)</u>	<u>528,460,391</u>	



Notes to the Financial Statements

For the six months ended 30 June 2020

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 2019 are listed as follows: (Audited)

	Opening balance of the year	Increase	Recognised as other income	Closing balance of the year	Related to asset/income
Automobile component project	–	150,000,000	–	150,000,000	Income
Research on key technologies of high speed maglev transportation	39,670,000	15,896,900	–	55,566,900	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
Industrial foundation fortification project-production of IGBT module for alternative fuel automobiles	23,340,000	–	–	23,340,000	Asset
SIC single crystal material R & D and industrialization project	–	28,000,000	(6,012,215)	21,987,785	Asset
Maotangao staff dorm building construction project	18,613,718	–	(454,918)	18,158,800	Asset
SIC-based power electronic devices lab & fab construction project (SIC base industrial construction project fund)	17,000,000	–	(3,359,984)	13,640,016	Asset
Research and development of power transmission and control system	10,305,000	808,500	–	11,113,500	Income
8 MW golden sun demonstration project	21,783,334	–	(10,891,667)	10,891,667	Asset
Basic construction compensation	8,379,936	–	(206,912)	8,173,024	Asset
Hunan governmental earmark on the development of mobile internet industry in 2016	5,000,000	–	–	5,000,000	Asset
Construction of intelligent manufacturing works for core components of rolling stock	5,000,000	–	(902,778)	4,097,222	Asset
(Power electronics) research for power electronic devices & built for production line	4,400,000	–	(400,000)	4,000,000	Asset



Notes to the Financial Statements

For the six months ended 30 June 2020

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 2019 are listed as follows: (Audited) (continued)

	Opening balance of the year	Increase	Recognised as other income	Closing balance of the year	Related to asset/income
R&D, industrialization of 6-inch SiC Wafer and application in high power IGBT	7,932,505	–	(5,973,033)	1,959,472	Asset
Photovoltaic power generation comprehensive test system construction project	2,691,667	–	(1,900,000)	791,667	Asset
Industrialization of 200KM EMU AC Drive & network control system and ATP control device	2,691,667	–	(1,900,000)	791,667	Asset
Test platforms of power electronics devices & electric drive systems	937,500	–	(250,000)	687,500	Asset
(Power electronics) integrated manufacturing technology R&D and industrialization of SiC based power electronic devices	77,456,200	–	(77,230,000)	226,200	Income
Guiding funds for transformation of Finance Bureau to industrial structure adjustment	–	35,496,419	(35,496,419)	–	Income
Others	73,999,366	120,411,742	(101,395,845)	93,015,263	Asset/Income
	<u>461,200,893</u>	<u>350,613,561</u>	<u>(246,373,771)</u>	<u>565,440,683</u>	



Notes to the Financial Statements

For the six months ended 30 June 2020

Renminbi Yuan

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

36. Capital reserve

	30 June 2020	31 December 2019
Share capital premium	3,304,217,538	3,304,217,538
Others	17,663,411	17,663,411
	3,321,880,949	3,321,880,949

37. Retained earnings

	Six months ended 30 June 2020 (Unaudited)	Year ended 31 December 2019 (Audited)
Retained earnings at the beginning of the period/year	15,463,553,872	13,603,735,926
Add: Net profits attributable to shareholders of the Parent	688,150,248	2,659,163,867
Less: Appropriation to statutory surplus reserve	—	270,381,434
Cash dividends paid (Note)	528,964,487	528,964,487
Retained earnings at the end of the period/year	15,622,739,633	15,463,553,872

Note: The 2019 scheme of profit distribution proposal of the Company has been reviewed and approved in the 2019 Annual General Meeting held on 23 June 2020, 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 2018 scheme of profit distribution of the Company had 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 (audited).

The board of directors do not recommend the payment of an interim dividend (from 1 January 2019 to 30 June 2019: Nil).



Notes to the Financial Statements

For the six months ended 30 June 2020

Renminbi Yuan

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

38. Revenue and cost of sales

(1) Revenue is stated as follows:

	Unaudited Six months ended 30 June	
	2020	2019
Revenue from principal operations	5,460,134,401	6,401,307,908
Other operating income	109,925,237	23,808,036
	<u>5,570,059,638</u>	<u>6,425,115,944</u>

(2) Details of revenue is listed as follows:

	Unaudited Six months ended 30 June	
	2020	2019
Revenue from sales of goods and materials	5,063,211,766	5,837,343,470
Maintenance income	330,235,497	355,401,897
Revenue from construction contracts	156,208,025	214,638,411
Technical service income	15,987,969	11,965,656
Other revenue	4,416,381	5,766,510
	<u>5,570,059,638</u>	<u>6,425,115,944</u>



Notes to the Financial Statements

For the six months ended 30 June 2020

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 from 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 from 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.



Notes to the Financial Statements

For the six months ended 30 June 2020

Renminbi Yuan

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

38. Revenue and cost of sales (continued)

(4) Cost of sales is stated as follows:

	Unaudited Six months ended 30 June	
	2020	2019
Cost of sales from principal operations	3,321,848,416	3,915,303,479
Other operating cost	102,498,531	13,016,494
	<u>3,424,346,947</u>	<u>3,928,319,973</u>

39. Finance costs

	Unaudited Six months ended 30 June	
	2020	2019
Interest expenses (Note)	7,405,070	10,806,398
Less: Capitalised interests	104,961	232,942
Interest income	(19,623,334)	(15,171,792)
Exchange losses	9,236,310	11,174,667
Service charges of financial institutions	6,141,250	3,713,699
Cash discount income	1,952,049	—
	<u>5,006,384</u>	<u>10,290,030</u>

Note: The interest expenses for the period include the interest expenses of RMB2,675,297 (unaudited) accrued for lease liabilities during the lease term (six months ended 30 June 2020: RMB1,319,892) (unaudited).



Notes to the Financial Statements

For the six months ended 30 June 2020

Renminbi Yuan

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

40. Other income

	Unaudited Six months ended 30 June	
	2020	2019
Refunds of VAT	84,048,920	104,196,811
Technology project fund	36,813,200	33,652,141
Government rewards	30,693,433	8,795,685
Refunds of other tax	73,427	—
	151,628,980	146,644,637

41. Investment income

	Unaudited Six months ended 30 June	
	2020	2019
Income from non-listed investments:		
Long-term equity investments loss under the equity method	(8,117,432)	(6,128,167)
Bank financial products income	62,382,795	42,121,912
Income from disposal of held-for-trading financial assets	1,636,673	—
Income from disposal of other equity instruments	—	51,083
	55,902,036	36,044,828



Notes to the Financial Statements

For the six months ended 30 June 2020

Renminbi Yuan

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

42. Gains from fair value changes

	Unaudited Six months ended 30 June	
	2020	2019
Held-for-trading financial assets	10,588,918	10,816,543
	<u>10,588,918</u>	<u>10,816,543</u>

43. Credit losses

	Unaudited Six months ended 30 June	
	2020	2019
Credit losses of bills receivable	(3,744,097)	(28,924,135)
Credit losses of trade receivables	73,125,357	30,838,728
Credit losses of other receivables	(393,853)	(88,759)
Credit losses of contract assets	6,229,874	20,539,844
	<u>75,217,281</u>	<u>22,365,678</u>



Notes to the Financial Statements

For the six months ended 30 June 2020

Renminbi Yuan

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

44. Impairment losses

	Unaudited Six months ended 30 June	
	2020	2019
Impairment losses of inventories	43,374,342	32,847,182
Impairment losses of goodwill	154,724,000	—
	<u>198,098,342</u>	<u>32,847,182</u>

45. Gains from disposal of assets

	Unaudited Six months ended 30 June	
	2020	2019
Gains from disposal of non-current assets	2,063,538	481,130
Losses from disposal of non-current assets	—	(19,858)
	<u>2,063,538</u>	<u>461,272</u>



Notes to the Financial Statements

For the six months ended 30 June 2020

Renminbi Yuan

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

46. Non-operating income

	Unaudited Six months ended 30 June	
	2020	2019
Unsettled payment	9,578,118	13,151
Insurance claims income	8,695,640	22,243
Penalty income and default compensation income	6,008,183	2,282,139
Government grants non-related to daily activities	805,975	–
Others	2,995,384	1,805,907
	28,083,300	4,123,440

47. Non-operating expenses

	Unaudited Six months ended 30 June	
	2020	2019
Losses on penalties and compensation	8,679	98,620
Others	877,041	666,416
	885,720	765,036



Notes to the Financial Statements

For the six months ended 30 June 2020

Renminbi Yuan

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:

	Unaudited Six months ended 30 June	
	2020	2019
Consumption of raw materials and semi-finished products	3,265,894,538	3,537,645,357
Inventory movements of finished goods and work in progress	(697,634,328)	106,123,431
Staff costs	894,094,041	958,467,024
Depreciation of fixed assets	204,174,839	165,213,046
Depreciation of right-of-use assets	20,453,895	10,238,182
Amortization of intangible assets	56,827,399	43,924,250
Amortization of long-term deferred expenses	3,037,834	3,629,963
Provision for product quality warranties	196,050,684	354,987,946
Research and development expenses	605,241,313	609,880,616

49. Income tax expense

	Unaudited Six months ended 30 June	
	2020	2019
Current income tax expense		
– Mainland China	194,508,381	175,740,396
– Other countries and regions	1,050,843	3,128,702
	195,559,224	178,869,098
Deferred tax expense	(37,891,450)	(87,921,328)
	157,667,774	90,947,770



Notes to the Financial Statements

For the six months ended 30 June 2020

Renminbi Yuan

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:

	Unaudited Six months ended 30 June	
	2020	2019
Total profit	842,456,376	1,174,647,052
Income tax expense at statutory tax rate of 25% (Note)	210,614,094	293,661,763
Effect of different income tax rates for overseas entities	17,757,610	1,304,790
Effect of preferential tax rate applicable to the Company and its certain subsidiaries	(92,996,506)	(99,492,945)
Profits and losses attributable to associates and joint ventures	1,189,343	1,532,042
Income not subject to tax	(185,308)	(2,149,563)
Income tax benefits on research and development expenses	(40,170,018)	(87,758,260)
Expenses not deductible for tax	50,023,870	8,916,041
Deductible temporary differences and deductible losses not recognised	7,912,977	3,019,121
Utilization of deductible temporary differences not recognised in the prior years	(1,318,821)	(17,812,116)
Differences of annual filing	4,840,533	(10,273,103)
Income tax expense at the Group's effective tax rate	157,667,774	90,947,770

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

For the six months ended 30 June 2020

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:

	Unaudited Six months ended 30 June	
	2020	2019
Earnings		
Net profit for the period attributable to ordinary shareholders of the Company	<u>688,150,248</u>	<u>1,066,277,881</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>0.59</u>	<u>0.91</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.



Notes to the Financial Statements

For the six months ended 30 June 2020

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

	Unaudited Six months ended 30 June	
	2020	2019
Reconciliation of net profit to cash flows from operating activities:		
Net profit	684,788,602	1,083,699,282
Add: Impairment losses	198,098,342	32,847,182
Credit losses	75,217,281	22,365,678
Depreciation of fixed assets	204,174,839	165,213,046
Amortization of intangible assets	56,827,399	43,924,250
Depreciation of right-of-use assets	20,453,895	10,238,182
Increase in special reserves	9,057,155	5,825,305
Amortization of long-term deferred expenses	3,037,834	3,629,963
Gains from disposal of fixed assets, intangible assets and other long-term assets	(2,063,538)	(461,272)
Finance costs	8,069,004	(9,886,552)
Investment income	(55,902,036)	(36,044,828)
Gains from fair value changes	(10,588,918)	(10,816,543)
Increase in deferred tax assets	(32,069,301)	(83,562,486)
Decrease in deferred tax liabilities	(5,822,149)	(4,358,842)
Increase in inventories	(1,797,444,406)	(715,181,480)
Decrease (Increase) in operating receivables	975,473,058	(1,911,761,369)
Increase (Decrease) in operating payables	(34,794,642)	405,008,039
Net cash flows from operating activities	296,512,419	(999,322,445)

Notes to the Financial Statements

For the six months ended 30 June 2020

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:

	Unaudited Six months ended 30 June	
	2020	2019
Closing balance of cash	5,563,484,856	4,244,080,658
Less: Opening balance of cash	4,244,080,658	4,381,012,798
Net increase/(decrease) of cash and cash equivalents	1,319,404,198	(136,932,140)

(2) Cash and cash equivalents

	30 June 2020 (Unaudited)	31 December 2019 (Audited)
Cash		
Including: Cash on hand	32,221	37,683
Bank deposits on demand	5,530,452,635	4,212,042,975
Time deposits	33,000,000	32,000,000
Closing balance of cash and cash equivalents	5,563,484,856	4,244,080,658



Notes to the Financial Statements

For the six months ended 30 June 2020

Renminbi Yuan

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

52 Other comprehensive income

As at 30 June 2020 (Unaudited)

	Opening balance of the period	Amount incurred for current period before income tax	Less: Previously- transferred to OCI but to profit or loss for the current period	Less: Income tax expenses	Attributable to shareholders of the Parent company after income tax	Attributable to minority interests after income tax	Closing balance of the period
Changes in fair value of financial assets	(54,461,850)	(23,488,282)	(64,295,083)	5,944,875	35,225,164	(363,238)	(19,236,686)
Foreign exchange translation	(85,854,279)	(11,064,542)	—	—	(11,064,542)	—	(96,918,821)
	<u>(140,316,129)</u>	<u>(34,552,824)</u>	<u>(64,295,083)</u>	<u>5,944,875</u>	<u>24,160,622</u>	<u>(363,238)</u>	<u>(116,155,507)</u>

As at 31 December 2019 (Audited)

	Opening balance of the year	Amount incurred for current year before income tax	Less: Previously- transferred to OCI but to profit or loss for the current year	Less: Income tax expenses	Attributable to shareholders of the Parent company after income tax	Attributable to minority interests after income tax	Closing balance of the year
Changes in fair value of financial assets	(19,941,139)	(64,295,083)	(23,569,193)	(6,005,051)	(34,520,711)	(200,128)	(54,461,850)
Foreign exchange translation	(118,140,714)	31,938,493	—	—	32,286,435	(347,942)	(85,854,279)
	<u>(138,081,853)</u>	<u>(32,356,590)</u>	<u>(23,569,193)</u>	<u>(6,005,051)</u>	<u>(2,234,276)</u>	<u>(548,070)</u>	<u>(140,316,129)</u>

Notes to the Financial Statements

For the six months ended 30 June 2020

Renminbi Yuan

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

53. Assets with restrictions on title

	30 June 2020 (Unaudited)	31 December 2019 (Audited)
Pledged cash and bank balances	13,426,728	13,406,534
Bills receivable endorsed or discounted and not yet due at the balance sheet date	251,134,929	66,053,518

As at 30 June 2020, the cash and bank balances of RMB13,426,728 (unaudited) (31 December 2019 (audited): RMB13,406,534) is used as security deposits by the Group for letters of guarantee from bank.

VI. 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 ^{#1}	RMB148,826,200	Manufacturing	100%	–	100%
Times Electronics	Zhuzhou, Hunan ^{#2}	RMB80,000,000	Manufacturing	100%	–	100%
Shenyang Times	Shenyang, Liaoning ^{#2}	RMB56,000,000	Manufacturing	100%	–	100%
Times Semiconductor (Note)	Zhuzhou, Hunan ^{#2}	RMB2,700,000,000	Manufacturing	100%	–	100%
Baoji Times	Baoji, Shanxi ^{#3}	RMB406,136,600	Manufacturing	90.15%	–	90.15%
Taiyuan Times	Taiyuan, Shanxi ^{#4}	RMB50,000,000	Manufacturing	–	55%	55%
Kunming CRRC Times Electric Equipment Co., Ltd. ("Kunming Electric")	Kunming, Yunnan ^{#2}	RMB55,000,000	Manufacturing	100%	–	100%
Hangzhou CRRC Times Electric Equipment Co., Ltd. ("Hangzhou Electric")	Hangzhou, Zhejiang ^{#5}	RMB75,000,000	Manufacturing	60%	–	60%

Note: Times Semiconductor has completed the business registration of change in June 2020, and the registered capital has been changed from RMB300,000,000 to RMB2,700,000,000.



Notes to the Financial Statements

For the six months ended 30 June 2020

Renminbi Yuan

VI. INTERESTS IN OTHER ENTITIES (continued)

1. Interests in subsidiaries (continued)

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

Names of companies	Place of registration/ Principal place of business	Registered capital	Nature of business	Proportion of shareholding		Proportion of votes
				Direct	Indirect	
Guangzhou CRRC Times Electric Technology Co., Ltd. ("Guangzhou Times")	Guangzhou, Guangdong ^{#6}	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 ^{#7}	RMB10,000,000	Manufacturing	100%	–	100%
Chengdu CRRC Times Electric Technology Co., Ltd. ("Chengdu Electric")	Chengdu, Sichuan ^{#6}	RMB30,000,000	Manufacturing	100%	–	100%
Qingdao Electric	Qingdao, Shandong ^{#4}	RMB100,000,000	Manufacturing	45%	–	45%
Shanghai CRRC Rail Transit Technology Co., Ltd. ("Shanghai CRRC Rail Transit")	Shanghai ^{#6}	RMB50,000,000	Manufacturing	51%	–	51%
Times Software	Zhuzhou, Hunan ^{#8}	RMB100,000,000	Software service	100%	–	100%
Times Signal & Communication	Changsha, Hunan ^{#2}	RMB229,000,000	Manufacturing	100%	–	100%
Lanzhou CRRC Times Rail Transit Technology Co., Ltd. ("Lanzhou Times")	Lanzhou, Gansu ^{#5}	RMB50,000,000	Manufacturing	51%	–	51%
Specialist Machine Shanghai SMD	Shanghai ^{#3}	RMB30,000,000	Manufacturing	100%	–	100%
CRRC Times Electric Australia Pty. Ltd. ("Times Australia")	Australia	AUD 290,000	Trading	100%	–	100%
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%

Notes to the Financial Statements

For the six months ended 30 June 2020

Renminbi Yuan

VI. INTERESTS IN OTHER ENTITIES (continued)

1. Interests in subsidiaries (continued)

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

Names of companies	Place of registration/ Principal place of business	Registered capital	Nature of business	Proportion of shareholding		Proportion of votes
				Direct	Indirect	
By business combination not involving entities under common control						
Dynex	Canada	CAD 37,096,192	Investment holding	100%	–	100%
Dynex Semiconductor Limited	United Kingdom	GBP 15,000,000	Manufacturing	–	100%	100%
SMD	United Kingdom	GBP 44,049,014	Investment holding	–	100%	100%
Soil Machine Dynamics Limited	United Kingdom	GBP 100	Manufacturing	–	100%	100%
SMD Offshore Support Limited	United Kingdom	GBP 2	Trading	–	100%	100%
Soil Machine Dynamics USA LLC	USA	USD 0	Trading	–	100%	100%
SMD Robotics Limited	United Kingdom	GBP 1	Trading	–	100%	100%
Soil Machine Dynamics Singapore Pte. Ltd.	Singapore	SGD 1	Manufacturing	–	100%	100%
SMD do Brasil Ltd.	Brazil	BRL 100	Trading	–	100%	100%

By business combination involving entities under common control

ZNERCC	Zhuzhou, Hunan ^{#2}	RMB273,000,000	Manufacturing	100%	–	100%
Shanghai CNR Yongdian Electronic Technology Co., Ltd. ("Shanghai Yongdian")	Shanghai ^{#10}	RMB60,000,000	Manufacturing	100%	–	100%

- # 1 Limited liability company (wholly-owned by the legal person)
- # 2 Limited liability company (wholly-owned by a non-natural person)
- # 3 Limited liability company (other)
- # 4 Other limited liability company
- # 5 Limited liability company
- # 6 Limited liability company (foreign investment enterprise and domestic enterprise)
- # 7 Limited liability company (invested by a foreign investment enterprise)
- # 8 Limited liability company (wholly-owned by a natural person)
- # 9 One-person limited liability company (wholly-owned by the legal person)
- # 10 Limited liability company (foreign investment enterprise wholly-owned by the legal person)



Notes to the Financial Statements

For the six months ended 30 June 2020

Renminbi Yuan

VI. INTERESTS IN OTHER ENTITIES (continued)

1. Interests in subsidiaries (continued)

Subsidiary with significant non-controlling interests is as follows:

Six months ended 30 June 2020 (Unaudited)

	Proportion in non-controlling interests	Profits attributable to non-controlling shareholders	Dividends paid to non-controlling shareholders	Accumulated non-controlling interests
Baoji Times	<u>9.85%</u>	<u>(626,594)</u>	<u>—</u>	<u>84,189,550</u>

Year ended 31 December 2019 (Audited)

	Proportion in non-controlling interests	Profits attributable to non-controlling shareholders	Dividends paid to non-controlling shareholders	Accumulated non-controlling interests
Baoji Times	<u>9.85%</u>	<u>(1,244,701)</u>	<u>(12,691,761)</u>	<u>84,816,144</u>



Notes to the Financial Statements

For the six months ended 30 June 2020

Renminbi Yuan

VI. 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:

Baoji Times

	30 June 2020 (Unaudited)	31 December 2019 (Audited)
Current assets	2,721,971,020	2,580,449,571
Non-current assets	253,617,285	259,048,105
Total assets	<u>2,975,588,305</u>	<u>2,839,497,676</u>
Current liabilities	2,117,620,079	1,961,780,520
Non-current liabilities	9,414,933	12,859,925
Total liabilities	<u>2,127,035,012</u>	<u>1,974,640,445</u>

	Unaudited Six months ended 30 June 2020	2019
Revenue	806,966,760	787,430,492
Net profit	(16,673,050)	7,018,642
Total comprehensive income	(18,307,163)	6,066,354
Net cash flows from operating activities	<u>(217,772,247)</u>	<u>(263,694,178)</u>



Notes to the Financial Statements

For the six months ended 30 June 2020

Renminbi Yuan

VI. INTERESTS IN OTHER ENTITIES (continued)

2. Interests in joint ventures and associates

	Place of registration/ Principal place of business	Nature of business	Registered capital	Proportion of shareholding		Accounting method
				Direct	Indirect	
Joint ventures						
Shiling	Zhuzhou, Hunan	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
Zhirui Semiconductor	Hubei, Wuhan	Manufacturing	RMB300,000,000	47%	–	Equity method
India CRRC	India	Manufacturing	INR2,000,000,000	15%	–	Equity method



Notes to the Financial Statements

For the six months ended 30 June 2020

Renminbi Yuan

VI. INTERESTS IN OTHER ENTITIES (continued)

2. Interests in joint ventures and associates (continued)

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

	30 June 2020 (Unaudited)	31 December 2019 (Audited)
Current assets	453,325,752	456,692,710
Including: Cash and bank balances	283,488,440	315,171,467
Non-current assets	48,389,309	50,357,527
Total assets	501,715,061	507,050,237
Current liabilities	74,727,546	84,113,527
Total liabilities	74,727,546	84,113,527
Net assets	426,987,515	422,936,710
Net assets portion based on shareholding	211,048,917	208,663,918
Less: Unrealised profit of downstream trading	—	—
Carrying amount of investment	211,048,917	208,663,918



Notes to the Financial Statements

For the six months ended 30 June 2020

Renminbi Yuan

VI. INTERESTS IN OTHER ENTITIES (continued)

2. Interests in joint ventures and associates (continued)

	Unaudited Six months ended 30 June	
	2020	2019
Revenue	308,184,930	29,886,845
Income tax expense	—	1,602,353
Net profit	4,769,998	2,301,821
Total comprehensive income	4,769,998	2,301,821

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

	Unaudited Six months ended 30 June	
	2020	2019
Total carrying amount of investment	349,289,622	248,963,598
Total amounts based on shareholding		
Net loss	(10,502,431)	(7,279,078)
Total comprehensive income	(7,772,839)	(6,692,966)



Notes to the Financial Statements

For the six months ended 30 June 2020

Renminbi Yuan

VII. 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:

As at 30 June 2020 (Unaudited)

Financial assets

	Financial assets at amortized cost	Financial assets at FVTPL	Financial assets at FVTOCI	Total
Cash and bank balances	5,617,911,584	–	–	5,617,911,584
Held-for-trading financial assets	–	3,120,588,918	–	3,120,588,918
Bills receivable	2,040,740,682	–	–	2,040,740,682
Trade receivables	8,412,195,059	–	–	8,412,195,059
Other receivables	166,864,828	–	–	166,864,828
Trade receivables financing	–	–	1,239,758,540	1,239,758,540
Contract assets	132,233,783	–	–	132,233,783
Other non-current assets	383,812,955	–	–	383,812,955
Other equity instrument investment	–	–	92,832,300	92,832,300
	<u>16,753,758,891</u>	<u>3,120,588,918</u>	<u>1,332,590,840</u>	<u>21,206,938,649</u>

Financial liabilities

	Total
Short-term borrowings	247,486,607
Bills payable	2,259,730,072
Trade payables	4,683,766,786
Other payables	1,201,185,548
Long-term borrowings (including long-term borrowings due within one year)	236,105,042
Lease liabilities (including lease liabilities due within one year)	96,628,081
Long-term payables	16,517,630
	<u>8,741,419,766</u>



Notes to the Financial Statements

For the six months ended 30 June 2020

Renminbi Yuan

VII. 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)

As at 31 December 2019 (Audited)

Financial assets

	Financial assets at amortized cost	Financial assets at FVTPL	Financial assets at FVTOCI	Total
Cash and bank balances	4,302,487,192	–	–	4,302,487,192
Held-for-trading financial assets	–	4,905,776,761	–	4,905,776,761
Bills receivable	2,726,110,422	–	–	2,726,110,422
Trade receivables	7,413,964,722	–	–	7,413,964,722
Trade receivables financing	–	–	2,554,953,370	2,554,953,370
Other receivables	106,498,054	–	–	106,498,054
Other current assets	100,000,000	–	–	100,000,000
Contract assets	185,348,674	–	–	185,348,674
Other non-current assets	349,113,254	–	–	349,113,254
Other equity instrument investment	–	–	2,400,000	2,400,000
	<u>15,183,522,318</u>	<u>4,905,776,761</u>	<u>2,557,353,370</u>	<u>22,646,652,449</u>

Financial liabilities

	Total
Short-term borrowings	146,596,015
Bills payable	2,282,345,169
Trade payables	4,391,411,209
Other payables	857,451,744
Long-term borrowings (including long-term borrowings due within one year)	235,566,894
Lease liabilities (including lease liabilities due within one year)	104,784,813
Long-term payables	<u>16,517,630</u>
	<u>8,034,673,474</u>

Notes to the Financial Statements

For the six months ended 30 June 2020

Renminbi Yuan

VII. 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 2020, the Group endorsed specific bank acceptance bills or commercial acceptance bills with a carrying amount of RMB46,287,119 (unaudited) (31 December 2019 (audited): RMB66,053,518) 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 2020, the Group endorsed specific bank acceptance bills derecognized in their entirety with a carrying amount of RMB204,847,810 (unaudited) (31 December 2019 (audited): RMB188,449,023) to certain of its suppliers in order to settle the trade payables. As at 30 June 2020, 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 2020 to 30 June 2020, 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.



Notes to the Financial Statements

For the six months ended 30 June 2020

Renminbi Yuan

VII. 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, trade receivable financing, other equity instrument investment, other receivables, contract assets, other current assets and other non-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, bills receivable, other receivables and contract 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 subsidiaries of CRRC Corporation Limited 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. Credit risks are centrally managed by customer. As at 30 June 2020, the Group had certain credit risk concentrated as 8.39% (unaudited) (31 December 2019 (audited): 6.85%) and 28.30% (unaudited) (31 December 2019 (audited): 23.49%) 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 2020

Renminbi Yuan

VII. 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 2020 to 30 June 2020, 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 2020

Renminbi Yuan

VII. 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 2020 (Unaudited)

	Within 1 year	1-2 years	Over 2 years	Total	Carrying amount
Short-term borrowings	250,661,131	—	—	250,661,131	247,486,607
Bills payable	2,259,730,072	—	—	2,259,730,072	2,259,730,072
Trade payables	4,683,766,786	—	—	4,683,766,786	4,683,766,786
Other payables	1,201,185,548	—	—	1,201,185,548	1,201,185,548
Long-term borrowings (including long-term borrowings due within one year)	9,105,050	154,485,757	92,013,644	255,604,451	236,105,042
Lease liabilities (including lease liabilities due within one year)	34,882,767	23,780,344	46,763,679	105,426,790	96,628,081
Long-term payables	—	16,517,630	—	16,517,630	16,517,630
	<u>8,439,331,354</u>	<u>194,783,731</u>	<u>138,777,323</u>	<u>8,772,892,408</u>	<u>8,741,419,766</u>

As at 31 December 2019 (Audited)

	Within 1 year	1-2 years	Over 2 years	Total	Carrying amount
Short-term borrowings	148,781,940	—	—	148,781,940	146,596,015
Bills payable	2,282,345,169	—	—	2,282,345,169	2,282,345,169
Trade payables	4,391,411,209	—	—	4,391,411,209	4,391,411,209
Other payables	857,451,744	—	—	857,451,744	857,451,744
Long-term borrowings (including long-term borrowings due within one year)	9,545,057	147,847,828	82,688,000	240,080,885	235,566,894
Lease liabilities (including lease liabilities due within one year)	38,029,337	26,011,303	54,742,619	118,783,259	104,784,813
Long-term payables	—	16,517,630	—	16,517,630	16,517,630
	<u>7,727,564,456</u>	<u>190,376,761</u>	<u>137,430,619</u>	<u>8,055,371,836</u>	<u>8,034,673,474</u>

Notes to the Financial Statements

For the six months ended 30 June 2020

Renminbi Yuan

VII. 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, European dollar, Hong Kong dollar and Australian dollar. Fluctuations of exchange rates of RMB against such foreign currencies can affect the Group's results of operations. As at 30 June 2020, the Group's major foreign currency assets and liabilities are as follows:

	Total assets	Total liabilities
JPY	1,113,662	14,975,594
USD	86,091,543	17,848,248
GBP	268,527,789	316,519,178
EUR	19,574,421	96,157,936
HKD	29,109,303	145,434,707
AUD	<u>140,479,638</u>	<u>53,181,796</u>

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, EUR, HKD and AUD, 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.



Notes to the Financial Statements

For the six months ended 30 June 2020

Renminbi Yuan

VII. RISKS RELATED TO FINANCIAL INSTRUMENTS (continued)

2. Financial instruments and their risks (continued)

Market risk (continued)

Foreign currency risk (continued)

As at 30 June 2020 (Unaudited)

	Increase/ (decrease) in exchange rate	Increase/ (decrease) in shareholders' equity
JPY		
If RMB strengthens against JPY	+10%	1,178,264
If RMB weakens against JPY	-10%	(1,178,264)
USD		
If RMB strengthens against USD	+10%	(5,800,680)
If RMB weakens against USD	-10%	5,800,680
GBP		
If RMB strengthens against GBP	+10%	4,079,268
If RMB weakens against GBP	-10%	(4,079,268)
EUR		
If RMB strengthens against EUR	+10%	6,509,599
If RMB weakens against EUR	-10%	(6,509,599)
HKD		
If RMB strengthens against HKD	+10%	9,887,659
If RMB weakens against HKD	-10%	(9,887,659)
AUD		
If RMB strengthens against AUD	+10%	(7,420,317)
If RMB weakens against AUD	-10%	7,420,317



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For the six months ended 30 June 2020

Renminbi Yuan

VII. RISKS RELATED TO FINANCIAL INSTRUMENTS (continued)

2. Financial instruments and their risks (continued)

Market risk (continued)

Foreign currency risk (continued)

As at 31 December 2019 (Audited)

	Increase/ (decrease) in exchange rate	Increase/ (decrease) in shareholders' equity
JPY		
If RMB strengthens against JPY	+10%	8,567,804
If RMB weakens against JPY	-10%	(8,567,804)
USD		
If RMB strengthens against USD	+10%	(7,639,157)
If RMB weakens against USD	-10%	7,639,157
GBP		
If RMB strengthens against GBP	+10%	(2,765,315)
If RMB weakens against GBP	-10%	2,765,315
HKD		
If RMB strengthens against HKD	+10%	10,948,271
If RMB weakens against HKD	-10%	(10,948,271)



Notes to the Financial Statements

For the six months ended 30 June 2020

Renminbi Yuan

VII. 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 2020 and 2019.

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 corporate 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 2020 (Unaudited)	31 December 2019 (Audited)
Short-term borrowings	247,486,607	146,596,015
Bills payable	2,259,730,072	2,282,345,169
Trade payables	4,683,766,786	4,391,411,209
Employee benefits payable	203,121,298	150,388,408
Taxes payable (excluding corporate income tax payable)	69,288,076	110,907,104
Other payables	1,201,185,548	857,451,744
Long-term borrowings (including due within one year)	236,105,042	235,566,894
Lease liabilities (including due within one year)	96,628,081	104,784,813
Long-term payables	16,517,630	16,517,630
Less: Cash and cash equivalents	5,563,484,856	4,244,080,658
Net debt	3,450,344,284	4,051,888,328
Equity attributable to the shareholders of the Parent	22,101,278,773	21,910,263,359
Capital and net debt	25, 551,623,057	25,962,151,687
Gearing ratio	13.50%	15.61%

Notes to the Financial Statements

For the six months ended 30 June 2020

Renminbi Yuan

VIII. FAIR VALUE

1. Assets and liabilities measured at fair value

As at 30 June 2020 (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				
– Held-for-trading financial assets	–	3,120,588,918	–	3,120,588,918
Financial assets at fair value through other comprehensive income				
– Trade receivables financing	–	1,239,758,540	–	1,239,758,540
– Other equity instrument investment	–	–	92,832,300	92,832,300

As at 31 December 2019 (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	–	4,905,776,761	–	4,905,776,761
Financial assets at fair value through other comprehensive income				
– Trade receivables financing	–	2,554,953,370	–	2,554,953,370
– Other equity instrument investment	–	–	2,400,000	2,400,000



Notes to the Financial Statements

For the six months ended 30 June 2020

Renminbi Yuan

VIII. FAIR VALUE (continued)

2. Fair value evaluation

The Management has assessed that the fair values of the amortized cost of financial assets and financial liabilities, such as cash and bank balances, bills receivable, trade receivables, other receivables, contract assets, other current assets, short-term borrowings, bills payable, trade payables, other payables, current portion of non-current liabilities, other current liabilities, long-term borrowings, lease liabilities, long-term payables etc. The management of the Group agrees that the book value of the amortized cost of financial assets and financial liabilities is close to the fair value of these assets and liabilities.

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.



Notes to the Financial Statements

For the six months ended 30 June 2020

Renminbi Yuan

IX. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

1. Parent company

Name of the parent company	Place of Registration	Nature of business	Registered capital	Proportion of shareholding	Proportion of votes
CRRC Zhuzhou 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 VI.1. Interest in subsidiaries.

3. Joint ventures and Associates

For details of the joint ventures and associates of the Company, please refer to Note VI.2. Interests in joint ventures and associates.

4. Other related parties

(1) Corporations controlled by the Zhuzhou ZELRI

Zhuzhou Times Rubber and Plastics Components Development Co., Ltd.

CRRC Beijing Heavy Industry and Mechanics Co., Ltd.

Zhuzhou Times New Material Technology Co., Ltd.

Hunan CRRC Special Electric Equipment Co., Ltd.

Qingdao CRRC Huaxuan Water Co., Ltd.

Zhuzhou CRRC Electromechanical Technology Co., Ltd.

CRRC-AVC Thermal Technologies (Zhuzhou) Co., Ltd.



Notes to the Financial Statements

For the six months ended 30 June 2020

Renminbi Yuan

IX. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (continued)

4. Other related parties (continued)

(1) Corporations controlled by the Zhuzhou ZELRI (continued)

Shanghai CRRC Hange Shipping and Marine Engineering Co., Ltd.

CRRC Zhuzhou Traction Electrical Equipment Test & Certification Co., Ltd.

Xiangyang CRRC Electric Machinery Co., Ltd.

China Railway Inspection Certification (Qingdao) Vehicle Inspection Station Co., Ltd.

Zhuzhou CRRC Times Publishing Co., Ltd.

Xiangyang China Railway Hongji Engineering Co., Ltd.

(2) Corporations controlled by the ultimate holding party other than the Zhuzhou ZELRI Group

Tianjin CRRC Sifang Co., Ltd.

CRRC Dalian Electric Traction Research and Development Center Co., Ltd.

Foshan CRRC Sifang Railway Vehicles Co., Ltd.

Nanjing CRRC Puzhen Haitai Brake Equipment Co., Ltd.

Chongqing CRRC Changke Railway Vehicles Co., Ltd.

Cangzhou CRRC ZELC Railway Equipment & Service Co., Ltd.

Qingdao CRRC Sifang Sales Co., Ltd.

Zhengzhou CRRC Sifang Rail Vehicle Co., Ltd.

Changchun CRRC Railway Vehicles Co., Ltd.

Wuhan CRRC Sifang Maintenance Center Ltd.

CRRC Xi'an Co., Ltd.

CRRC Qishuyan Co., Ltd.

Kunming CRRC Urban Rail Transit Equipment Co., Ltd.

Notes to the Financial Statements

For the six months ended 30 June 2020

Renminbi Yuan

IX. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (continued)

4. Other related parties (continued)

(2) Corporations controlled by the ultimate holding party other than the Zhuzhou ZELRI Group (continued)

Chongqing CRRC Construction Engrg Co., Ltd.

CRRC Sifang Co., Ltd.

Shijiazhuang King Transportation Equipment Co., Ltd.

Bombardier Sifang (Qingdao) Transportation Co., Ltd.

CRRC Logistics Co., Ltd.

CRRC Tangshan Co., Ltd.

Zhuzhou CRRC Logistics Co., Ltd.

Dalian CRRC Ruitong Technology Development Co., Ltd.

Zhuzhou Jiufang Equipment Co., Ltd.

Beijing Nankou SKF Railway Bearing Co., Ltd.

CRRC Shenyang Co., Ltd.

Zhuzhou Jiufang Casting Co., Ltd.

CRRC Taiyuan Co., Ltd.

CRRC Guangdong Co., Ltd.

Zhejiang CRRC Electric Vehicles Co., Ltd.

CRRC Datong Co., Ltd.

CRRC Dalian Co., Ltd.

Shanghai Alstom Transport Co., Ltd.

Nanjing CRRC Puzhen Rapid Transit Vehicles Co., Ltd.

CRRC Ziyang Co., Ltd.



Notes to the Financial Statements

For the six months ended 30 June 2020

Renminbi Yuan

IX. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (continued)

4. Other related parties (continued)

(2) Corporations controlled by the ultimate holding party other than the Zhuzhou ZELRI Group (continued)

CRRC Hangzhou Co., Ltd.

Suzhou CRRC Rolling Stock Co., Ltd.

CRRC Changchun Railway Vehicles Co., Ltd.

Ziyang CRRC Electric Locomotive Co., Ltd.

CRRC (Hong Kong) Co., Ltd.

CRRC Yangtze Co., Ltd.

CRRC Industry Research Institute Co., Ltd.

CRRC Wuhan Railway Equipment Co., Ltd.

CRRC Finance Co., Ltd.

CRRC Qingdao Sifang Co., Ltd.

Beijing CRRC CED Railway Electric Tech. Co., Ltd.

CRRC Zhuzhou Locomotive Co., Ltd., Braking Branch

CRRC Times Electric Vehicle Co., Ltd.

CRRC Xi'an Yongdianjietong Electric Co., Ltd.

Changzhou Langrui Forging Co., Ltd.

CRRC Commercial Factoring Co., Ltd.

Zhuzhou CRRC Special Equipment Technology Co., Ltd.

Wuhan CRRC Changke Railway Vehicles Co., Ltd.

Qingdao Sri Technology Co., Ltd.

CRRC Beijing Nankou Machinery Co., Ltd.

Notes to the Financial Statements

For the six months ended 30 June 2020

Renminbi Yuan

IX. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (continued)

4. Other related parties (continued)

(2) Corporations controlled by the ultimate holding party other than the Zhuzhou ZELRI Group (continued)

Zhuzhou CRRC Tianli Forging Co., Ltd.

CRRC Chengdu Co., Ltd.

Bombardier Transportation GmbH

CRRC Qishuyan Institute Co., Ltd.

Zhuzhou Jiufang Casting Co., Ltd.

Ziyang CRRC Electrical Technology Co., Ltd.

Changzhou CRRC General Electric Diesel Engine Co., Ltd.

Wuxi CRRC Times Intelligent Equipment Co., Ltd.

Guangzhou CRRC Junfa Electrical Co., Ltd.

Ningbo Jiangbei Gofront Herong Electric Co., Ltd.

CRRC Luoyang Co., Ltd.

CRRC Zhuzhou Electric Co., Ltd.

Quanzhou CRRC Tangshan Railway Vehicle Co., Ltd.

CRRC Investment & Leasing Co., Ltd.

CRRC Zhuzhou Locomotive Co., Ltd.

CRRC Qingdao Sifang Rolling Stock Research Institute Co., Ltd.

CRRC Dalian Institute Co., Ltd.

CRRC Yongji Electric Co., Ltd.

Nanjing CRRC Logistics Service Co., Ltd.

Hunan CRRC Environmental Engineering Co., Ltd.



Notes to the Financial Statements

For the six months ended 30 June 2020

Renminbi Yuan

IX. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (continued)

4. Other related parties (continued)

(2) Corporations controlled by the ultimate holding party other than the Zhuzhou ZELRI Group (continued)

Century Huayang Environmental Engineering Co., Ltd.

CRRC Lanzhou Co., Ltd.

CRRC Sifang Railway Vehicles (Chengdu) Co., Ltd.

Chongqing CRRC Sifang Rolling Stock Institute Technology Co., Ltd.

Chengdu CRRC Electric Co., Ltd.

CRRC Shandong Co., Ltd.

CRRC Zhuzhou Vehicle Co., Ltd.

Xi'an CRRC Yongdian Electric Co., Ltd.

CRRC Nanjing Puzhen Co., Ltd.

Australia CRRC Changke Rail Transit Equipment Co., Ltd.

CRRC Yangtze Tongling Co., Ltd.

CRRC Massachusetts Co., Ltd.

Changzhou CRRC Auto Parts Co., Ltd.

Shandong CRRC Huateng Environmental Protection Technology Co., Ltd.

Hefei CRRC Rolling Stock Co., Ltd.

Changde CRRC New Energy Vehicle Co., Ltd.

CRRC Environmental & Technology Co., Ltd.

CRRC Qiqihar Co., Ltd.

CRRC Qingdao Sifang Vehicle logistics Co., Ltd.

Changzhou Ruitai Engineering Machinery Co., Ltd.

Notes to the Financial Statements

For the six months ended 30 June 2020

Renminbi Yuan

IX. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (continued)

4. Other related parties (continued)

(2) Corporations controlled by the ultimate holding party other than the Zhuzhou ZELRI Group (continued)

CRRC Erqi Co., Ltd.

CRRC Tianjin JL Equipment Co., Ltd.

Meishan CRRC Brake Technology Co., Ltd.

Taiyuan CRRC Rail Transit Equipment Co., Ltd.

Wuhan Zhuji Rail Transit Equipment Co., Ltd.

Meishan CRRC Fastener Science & Technology Co., Ltd.

(3) Associates of the ultimate holding party other than the Zhuzhou ZELRI Group

Guangzhou Locomotive Co., Ltd.

Tianjin Electric Locomotive Co., Ltd.

Beijing North Gofront Science Business Co., Ltd.

Shenyang CRRC Wabtec Track Brake Technology Co., Ltd.

(4) Joint ventures of the ultimate holding party other than the Zhuzhou ZELRI Group

Anhui CRRC Ruida Electric Co., Ltd.

Changzhou Ruiyang Transmission Technology Co., Ltd.

Qingdao Faiveley SRI Rail Brake Co., Ltd.

Shentong CNR (Shanghai) Railway Vehicles Maintenance Co., Ltd.

Shentong CSR (Shanghai) Railway Vehicles Maintenance Co., Ltd.

Baweitong Technology Co., Ltd.



Notes to the Financial Statements

For the six months ended 30 June 2020

Renminbi Yuan

IX. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (continued)

5. Major transactions between the Group and its related parties

(1) Sales of goods to related parties

	Unaudited Six months ended 30 June	
	2020	2019
Corporations controlled by the ultimate holding party other than the Zhuzhou ZELRI Group	2,330,695,399	2,625,838,458
Zhuzhou ZELRI	53,023,606	35,757,235
Associates of the ultimate holding party other than the Zhuzhou ZELRI Group	37,863,540	13,577,090
Corporations controlled by the Zhuzhou ZELRI	20,694,995	4,619,424
Joint ventures of the ultimate holding party other than other than the Zhuzhou ZELRI Group	153,076	521,368
Joint ventures of the Company	3,416	—
	<u>2,442,434,032</u>	<u>2,680,313,575</u>

(2) Purchases of goods from related parties

	Unaudited Six months ended 30 June	
	2020	2019
Corporations controlled by the ultimate holding party other than the Zhuzhou ZELRI Group	635,431,428	423,370,409
Corporations controlled by the Zhuzhou ZELRI	219,900,611	173,506,559
Joint ventures of the Company	69,347,536	34,900,332
Associate of the ultimate holding party other than the Zhuzhou ZELRI Group	20,068,265	—
Associates of the Company	11,906,938	4,421,035
Joint ventures of the ultimate holding party other than other than the Zhuzhou ZELRI Group	6,385,062	2,834,487
Zhuzhou ZELRI	288,380	—
	<u>963,328,220</u>	<u>639,032,822</u>

Notes to the Financial Statements

For the six months ended 30 June 2020

Renminbi Yuan

IX. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (continued)

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

(3) Sales of electricity to related parties

	Unaudited Six months ended 30 June	
	2020	2019
Corporations controlled by the Zhuzhou ZELRI	1,247,788	327,062
Corporations controlled by the ultimate holding party other than the Zhuzhou ZELRI Group	4,367	–
Zhuzhou ZELRI	–	198,860
Associates of the Company	–	3,165
	<u>1,252,155</u>	<u>529,087</u>

(4) Purchases of electricity from related parties

	Unaudited Six months ended 30 June	
	2020	2019
Corporations controlled by the ultimate holding party other than the Zhuzhou ZELRI Group	<u>162,687</u>	<u>–</u>

(5) Purchases of fixed assets from related parties

	Unaudited Six months ended 30 June	
	2020	2019
Corporations controlled by the ultimate holding party other than the Zhuzhou ZELRI Group	<u>272,759</u>	<u>–</u>



Notes to the Financial Statements

For the six months ended 30 June 2020

Renminbi Yuan

IX. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (continued)

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

(6) Related party leases

As a lessor

	Unaudited Six months ended 30 June	
	2020	2019
Zhuzhou ZELRI	1,635,440	1,794,718
Corporations controlled by the Zhuzhou ZELRI Associates of the Company	1,196,909	3,077,065
Corporations controlled by the ultimate holding party other than the Zhuzhou ZELRI Group	208,939	245,502
	107,783	—
	<u>3,149,071</u>	<u>5,117,285</u>

As a lessee

	Unaudited Six months ended 30 June	
	2020	2019
Corporations controlled by the ultimate holding party other than the Zhuzhou ZELRI Group	3,944,596	1,854,408
Corporations controlled by the Zhuzhou ZELRI Zhuzhou ZELRI	850,041	2,631,761
	779,182	1,287,968
	<u>5,573,819</u>	<u>5,774,137</u>



Notes to the Financial Statements

For the six months ended 30 June 2020

Renminbi Yuan

IX. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (continued)

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

(6) Related party leases (continued)

As a lessee (continued)

During the year ended 30 June 2020, the cost of right-of-use assets that the Group leased from the Corporations controlled by the ultimate holding party other than the Zhuzhou ZELRI Group was RMB8,670,923 (31 December 2019: RMB8,670,923) and corresponding interest expenses arising from lease liabilities amounting to RMB473,731 (2019: RMB3,266,229). The cost of right-of-use assets that the Group leased from the Parent Company was RMB2,429,267 (31 December 2019: RMB2,429,267) and corresponding interest expenses arising from lease liabilities amounting to RMB29,174 (2019: RMB1,286,743). As at 30 June 2020, the lease liabilities to the Corporations controlled by the ultimate holding party other than the Zhuzhou ZELRI Group and the Parent Company were RMB18,956,781 (31 December 2019: RMB21,489,248) and RMB628,615 (31 December 2019: RMB1,242,812), respectively.

(7) Technical services provided to related parties

	Unaudited Six months ended 30 June	
	2020	2019
Corporations controlled by the ultimate holding party other than the Zhuzhou ZELRI Group	1,367,925	424,528
Zhuzhou ZELRI	300,000	—
	<u>1,667,925</u>	<u>424,528</u>



Notes to the Financial Statements

For the six months ended 30 June 2020

Renminbi Yuan

IX. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (continued)

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

(8) Maintenance services provided to related parties

	Unaudited Six months ended 30 June	
	2020	2019
Corporations controlled by the ultimate holding party other than the Zhuzhou ZELRI Group	273,186,032	263,549,370
Joint ventures of the ultimate holding party other than the Zhuzhou ZELRI Group	141,593	—
Associates of the ultimate holding party other than the Zhuzhou ZELRI Group	—	965,676
	<u>273,327,625</u>	<u>264,515,046</u>

(9) Technical services provided by related parties

	Unaudited Six months ended 30 June	
	2020	2019
Zhuzhou ZELRI	78,050,000	43,500,000
Corporations controlled by the Zhuzhou ZELRI	283	—
	<u>78,050,283</u>	<u>43,500,000</u>

Notes to the Financial Statements

For the six months ended 30 June 2020

Renminbi Yuan

IX. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (continued)

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

(10) Maintenance services provided by related parties

	Unaudited Six months ended 30 June	
	2020	2019
Corporations controlled by the ultimate holding party other than the Zhuzhou ZELRI Group	424,597	—
Zhuzhou ZELRI	102,358	—
	<u>526,955</u>	<u>—</u>

(11) Interest income from cash and bank balances

	Unaudited Six months ended 30 June	
	2020	2019
Corporations controlled by the ultimate holding party other than the Zhuzhou ZELRI Group	3,389,077	3,353,556

(12) Interest expenses to borrowings

	Unaudited Six months ended 30 June	
	2020	2019
Shareholders of the Zhuzhou ZELRI	498,201	522,196



Notes to the Financial Statements

For the six months ended 30 June 2020

Renminbi Yuan

IX. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (continued)

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

(13) Remuneration of key management

	Unaudited Six months ended 30 June	
	2020	2019
Remuneration of key management	<u>5,240,422</u>	<u>5,123,528</u>

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

(14) 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 2020 (Unaudited)
Corporations controlled by the ultimate holding party other than the Zhuzhou ZELRI Group	<u>2,193,192,171</u>
Associates of the ultimate holding party other than the Zhuzhou ZELRI Group	<u>388,400</u>
	<u>2,193,580,571</u>

Purchases of goods from related parties

	For the second half of 2020 (Unaudited)
Corporations controlled by the ultimate holding party other than the Zhuzhou ZELRI Group	<u>619,456,921</u>
Corporations controlled by the Zhuzhou ZELRI	<u>282,482,201</u>
Joint ventures of the ultimate holding party other than other than the Zhuzhou ZELRI Group	<u>20,672,598</u>
	<u>922,611,720</u>

Renminbi Yuan

6. Amounts due from and due to related parties

	30 June 2020 (Unaudited)	31 December 2019 (Audited)
Bills receivable:		
Corporations controlled by the ultimate holding party other than the Zhuzhou ZELRI Group	760,421,990	856,777,935
Associates of the ultimate holding party other than the Zhuzhou ZELRI Group	18,000,000	15,000,000
Corporations controlled by the Zhuzhou ZELRI	—	195,129
	778,421,990	871,973,064



Notes to the Financial Statements

For the six months ended 30 June 2020

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IX. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (continued)

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

	30 June 2020 (Unaudited)	31 December 2019 (Audited)
Prepayments:		
Corporations controlled by the ultimate holding party other than the Zhuzhou ZELRI Group	40,551,273	3,333,210
Corporations controlled by the Zhuzhou ZELRI	6,552,000	1,674
Zhuzhou ZELRI	—	108,220
	<u>47,103,273</u>	<u>3,443,104</u>

	30 June 2020 (Unaudited)	31 December 2019 (Audited)
Other receivables:		
Zhuzhou ZELRI	3,067,066	2,230,700
Corporations controlled by the Zhuzhou ZELRI	468,004	1,702,573
Corporations controlled by the ultimate holding party other than the Zhuzhou ZELRI Group	953,645	604,000
Associates of the Company	—	204,478
	<u>4,488,715</u>	<u>4,741,751</u>

	30 June 2020 (Unaudited)	31 December 2019 (Audited)
Contract assets:		
Corporations controlled by the ultimate holding party other than the Zhuzhou ZELRI Group	19,766,903	38,881,058
Joint ventures of the ultimate holding party other than other than the Zhuzhou ZELRI Group	94,477	34,253
Zhuzhou ZELRI	135,470	—
Associates of the ultimate holding party other than the Zhuzhou ZELRI Group	—	31,900
	<u>19,996,850</u>	<u>38,947,211</u>

Notes to the Financial Statements

For the six months ended 30 June 2020

Renminbi Yuan

IX. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (continued)

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

	30 June 2020 (Unaudited)	31 December 2019 (Audited)
Trade receivables financing:		
Corporations controlled by the ultimate holding party other than the Zhuzhou ZELRI Group	557,913,338	481,336,159
Zhuzhou ZELRI	168,154,503	90,508,901
Joint ventures of the ultimate holding party other than the Zhuzhou ZELRI Group	—	2,848,316
Corporations controlled by the Zhuzhou ZELRI Associates of the ultimate holding party other than the Zhuzhou ZELRI Group	695,952	676,816
	659,487	—
	727,423,280	575,370,192
Other non-current assets:		
Corporations controlled by the ultimate holding party other than the Zhuzhou ZELRI Group	31,319,809	29,359,799
Zhuzhou ZELRI	5,927,409	180,000
Associates of the ultimate holding party other than the Zhuzhou ZELRI Group	48,859	—
	37,296,077	29,539,799
Deposit of cash and bank balances:		
Corporations controlled by the ultimate holding party other than the Zhuzhou ZELRI Group (Note)	587,378,938	686,991,594



Notes to the Financial Statements

For the six months ended 30 June 2020

Renminbi Yuan

IX. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (continued)

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

Note: As at 30 June 2020, the Company's deposit with CRRC Finance Co., Ltd. is amounted to RMB587,378,938 (unaudited) (31 December 2019 (audited): RMB686,991,594).

As at 25 October 2019, the Company and CRRC Finance Co., Ltd. entered into the framework agreement on financial services. In accordance with the agreement, from 31 December 2019 to 30 December 2020, 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 2020 (Unaudited)	31 December 2019 (Audited)
Trade payables:		
Corporations controlled by the ultimate holding party other than the Zhuzhou ZELRI Group	723,007,109	523,334,624
Corporations controlled by the Zhuzhou ZELRI	120,956,748	156,004,885
Joint ventures of the Company	28,964,891	31,513,716
Joint ventures of the ultimate holding party other than the Zhuzhou ZELRI Group	11,187,836	7,621,997
Associates of the Company	1,634,519	103,687
Zhuzhou ZELRI	1,042,331	2,598,562
Associates of the ultimate holding party other than the Zhuzhou ZELRI Group	—	21,327
	886,793,434	721,198,798

	30 June 2020 (Unaudited)	31 December 2019 (Audited)
Bills payable:		
Corporations controlled by the ultimate holding party other than the Zhuzhou ZELRI Group	157,134,027	328,354,523
Joint ventures of the ultimate holding party other than the Zhuzhou ZELRI Group	4,700,000	11,020,000
Corporations controlled by the Zhuzhou ZELRI	41,880,160	94,685,803
Associates of the Company	20,000,000	20,000,000
	223,714,187	454,060,326

Notes to the Financial Statements

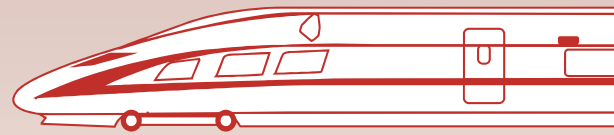
For the six months ended 30 June 2020

Renminbi Yuan

IX. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (continued)

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

	30 June 2020 (Unaudited)	31 December 2019 (Audited)
Contract liabilities:		
Corporations controlled by the ultimate holding party other than the Zhuzhou ZELRI Group	50,154,984	251,463,725
Corporations controlled by the Zhuzhou ZELRI	1,367,624	10,000
	51,522,608	251,473,725
	30 June 2020 (Unaudited)	31 December 2019 (Audited)
Dividends payable:		
Zhuzhou ZELRI	265,313,565	—
Corporations controlled by the ultimate holding party other than the Zhuzhou ZELRI Group	8,721,346	—
	274,034,911	—
	30 June 2020 (Unaudited)	31 December 2019 (Audited)
Other payables:		
Zhuzhou ZELRI	282,037,764	273,547,515
Corporations controlled by the ultimate holding party other than the Zhuzhou ZELRI Group	7,835,248	5,033,239
Corporations controlled by the Zhuzhou ZELRI	1,379,527	1,436,989
	291,252,539	280,017,743
	30 June 2020 (Unaudited)	31 December 2019 (Audited)
Current portion of non-current liabilities		
Shareholders of the Zhuzhou ZELRI	5,482,335	5,031,066



Notes to the Financial Statements

For the six months ended 30 June 2020

Renminbi Yuan

IX. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (continued)

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

	30 June 2020 (Unaudited)	31 December 2019 (Audited)
Long-term borrowings:		
Shareholders of the Zhuzhou ZELRI	<u>85,188,000</u>	<u>87,688,000</u>

For the six months ended 30 June 2020, goods and service provided amounting to RMB2,721,830,808 (unaudited) (For the six months ended 30 June 2019: RMB2,945,779,070 (unaudited)) and purchases of goods and service amounting to RMB1,047,387,768 (unaudited) (For the six months ended 30 June 2019: RMB643,211,455 (unaudited)) 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 26 March 2019.

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 24 April 2020. For the six months ended 30 June 2020, goods and service provided between the Group (other than Qingdao Electric) and Qingdao Electric (unaudited) amounting to RMB9,021,161 (unaudited), no purchases of goods and service (For the six months ended 30 June 2019, no transactions between the Group (other than Qingdao Electric) and Qingdao Electric (unaudited)).

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. For the six months ended 30 June 2020, goods and service provided between the Group (other than Taiyuan Times) and Taiyuan Times (unaudited) amounting to RMB26,643,405 (unaudited), purchases of goods and service amounting to RMB25,441,989 (For the six months ended 30 June 2019, no goods and service provided between the Group (other than Taiyuan Times) and Taiyuan Times (unaudited); purchases of goods and service amounting to RMB16,556,604 (unaudited)).

Notes to the Financial Statements

For the six months ended 30 June 2020

Renminbi Yuan

IX. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (continued)

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

The Group's bills receivable from and bills payable to related parties are non-interest-bearing, unsecured and have fixed terms of repayment, the cash and bank deposits of related parties are interest-bearing, unsecured and have no fixed terms of repayment, and the long-term borrowings of related parties 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.

X. COMMITMENTS AND CONTINGENCIES

1. Significant Commitments

	30 June 2020 (Unaudited)	31 December 2019 (Audited)
Contracted but not provided for		
Capital commitments	275,646,705	426,073,824
Investments in subsidiaries	50,000,000	50,000,000
	325,646,705	476,073,824

2. Contingencies

The Group had no contingencies which should be disclosed.

XI. POST BALANCE SHEET EVENTS

As at 30 June 2020, the Group had no post balance sheet events which should be disclosed.



Notes to the Financial Statements

For the six months ended 30 June 2020

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XII. OTHER SIGNIFICANT EVENTS

1. Segment reporting

Operating segments

For management purposes, the Group's operating activities are attributable to a single operating segment, focusing on the 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

	Unaudited Six months ended 30 June	
	2020	2019
Railway transportation equipment and relevant products and services	<u>5,570,059,638</u>	<u>6,425,115,944</u>

Geographical information

Revenue from external customers

	Unaudited Six months ended 30 June	
	2020	2019
Mainland China	<u>5,232,162,751</u>	<u>6,014,754,833</u>
Other countries and regions	<u>337,896,887</u>	<u>410,361,111</u>
	<u>5,570,059,638</u>	<u>6,425,115,944</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 2020

Renminbi Yuan

XII. OTHER SIGNIFICANT EVENTS (continued)

1. Segment reporting (continued)

Other information (continued)

Total non-current assets

	30 June 2020 (Unaudited)	31 December 2019 (Audited)
Mainland China	4,820,642,808	4,381,594,956
Other countries and regions	882,741,037	1,046,756,750
	5,703,383,845	5,428,351,706

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

Information of major customers

For the six months ended 30 June 2020, the Group's operating revenue (which accounted for more than 10% of the Group's total revenue) of RMB2,404,414,000 (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) (for the six months ended 30 June 2019 (unaudited): RMB2,660,384,290 from a single customer).

2. Operating lease

As a lessor

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

	30 June 2020 (Unaudited)	31 December 2019 (Audited)
Within 1 year (inclusive)	4,491,000	5,001,070
1 to 2 years (inclusive)	4,491,000	4,513,800
2 to 3 years (inclusive)	3,494,000	4,513,800
Over 3 years	—	3,516,800
	12,476,000	17,545,470



Notes to the Financial Statements

For the six months ended 30 June 2020

Renminbi Yuan

XII. OTHER SIGNIFICANT EVENTS (continued)

3. Other financial information

	30 June 2020 (Unaudited)		31 December 2019 (Audited)	
	Group	Company	Group	Company
Net current assets	17,109,029,744	13,540,673,907	17,392,754,139	13,098,708,046
Total assets less current liabilities	<u>23,748,651,513</u>	<u>22,633,198,268</u>	<u>23,603,747,238</u>	<u>21,236,623,828</u>

XIII. NOTES TO KEY ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS

1. Trade receivables

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

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

	30 June 2020 (Unaudited)	31 December 2019 (Audited)
Within 6 months	3,679,032,377	4,326,345,123
6 months to 1 year	2,440,412,875	694,483,049
1 to 2 years	563,069,990	590,394,408
2 to 3 years	121,247,117	129,083,151
Over 3 years	20,114,162	21,614,771
	<u>6,823,876,521</u>	<u>5,761,920,502</u>
Less: Provision for credit loss of trade receivables	<u>214,437,927</u>	<u>158,369,986</u>
	<u>6,609,438,594</u>	<u>5,603,550,516</u>



Notes to the Financial Statements

For the six months ended 30 June 2020

Renminbi Yuan

XIII. NOTES TO KEY ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS (continued)

1. Trade receivables (continued)

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

Category	30 June 2020 (Unaudited)					31 December 2019 (Audited)				
	Gross Carrying Amount		Provision for credit loss			Gross Carrying Amount		Provision for credit loss		
	Amount	Proportion	Amount	Proportion	Carrying	Amount	Proportion	Amount	Proportion	Carrying
		%		%	Amount		%		%	Amount
Collective assessment	6,823,876,521	100.00	214,437,927	3.14	6,609,438,594	5,761,920,502	100.00	158,369,986	2.75	5,603,550,516

Provision for credit loss assessed collectively:

Trade receivables for which provision for credit loss is assessed collectively by category (Category I)

Item	30 June 2020 (Unaudited)		
	Gross Carrying Amount	Provision for credit loss	Expected average loss rate (%)
Within 6 months	3,408,920,636	23,593,598	0.69
6 months to 1 year	2,344,925,212	39,394,744	1.68
1 to 2 years	526,638,879	49,851,864	9.47
2 to 3 years	111,101,354	30,121,598	27.11
Over 3 years	11,547,253	11,547,253	100.00
Total	6,403,133,334	154,509,057	



Notes to the Financial Statements

For the six months ended 30 June 2020

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XIII. NOTES TO KEY ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS (continued)

1. Trade receivables (continued)

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

Provision for credit loss assessed collectively: (continued)

Trade receivables for which provision for credit loss is assessed collectively by category (Category II)

Item	30 June 2020 (Unaudited)		
	Gross Carrying Amount	Provision for credit loss	Expected average loss rate (%)
Within 6 months	1,220,436	15,568	1.28
1 to 2 years	5,126,420	478,970	9.34
2 to 3 years	1,334,391	356,138	26.69
Over 3 years	6,373,020	2,903,548	45.56
Total	14,054,267	3,754,224	

Trade receivables for which provision for credit loss is assessed collectively by category (Category III)

Item	30 June 2020 (Unaudited)		
	Gross Carrying Amount	Provision for credit loss	Expected average loss rate (%)
Within 6 months	100,884,131	1,566,278	1.55
6 months to 1 year	36,724,188	2,026,755	5.52
1 to 2 years	10,154,807	1,686,272	16.61
Total	147,763,126	5,279,305	

Notes to the Financial Statements

For the six months ended 30 June 2020

Renminbi Yuan

XIII. NOTES TO KEY ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS (continued)

1. Trade receivables (continued)

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

Provision for credit loss assessed collectively: (continued)

Trade receivables for which provision for credit loss is assessed collectively by category (Category IV)

Item	30 June 2020 (Unaudited)		
	Gross Carrying Amount	Provision for credit loss	Expected average loss rate (%)
Within 6 months	168,007,175	15,241,238	9.07
6 months to 1 year	58,763,475	14,468,999	24.62
1 to 2 years	21,149,883	10,874,464	51.42
2 to 3 years	8,811,372	8,116,751	92.12
Over 3 years	2,193,889	2,193,889	100.00
Total	258,925,794	50,895,341	

(3) Provision for credit loss of trade receivables are as follows:

	Lifetime ECL (Non credit-impaired) (Unaudited)	Lifetime ECL (Credit-impaired) (Unaudited)	Six months ended 30 June 2020 (Unaudited)
1 January 2020	65,345,665	93,024,321	158,369,986
Provision in the period	50,280,027	5,787,914	56,067,941
30 June 2020	115,625,692	98,812,235	214,437,927



Notes to the Financial Statements

For the six months ended 30 June 2020

Renminbi Yuan

XIII. NOTES TO KEY ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS (continued)

1. Trade receivables (continued)

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

	30 June 2020 (Unaudited)
CRRC Qingdao Sifang Co., Ltd.	686,845,968
CRRC Zhuzhou Locomotive Co., Ltd.	677,917,862
ZNERCC	557,767,242
Non-related party 6	538,456,838
Times Signal & Communication	370,987,374
	<u>2,831,975,284</u>
	31 December 2019 (Audited)
Non-related party 6	538,451,858
ZNERCC	444,543,190
CRRC Qingdao Sifang Co., Ltd.	421,284,279
Times Signal & Communication	324,058,891
Non-related party 9	245,027,417
	<u>1,973,365,635</u>



Notes to the Financial Statements

For the six months ended 30 June 2020

Renminbi Yuan

XIII. NOTES TO KEY ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS (continued)

2. Other receivables

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

	30 June 2020 (Unaudited)	31 December 2019 (Audited)
Dividends receivable	214,306,837	202,706,837
Receivables from subsidiaries	191,099,120	399,906,761
Tender deposit	40,157,235	25,346,321
Deposit	3,335,775	1,430,961
Others	19,728,840	4,258,408
	468,627,807	633,649,288

Dividends receivable:

	Six months ended 30 June 2020 (Unaudited)	Year ended 31 December 2019 (Audited)
Baoji Times	153,906,837	153,906,837
Ningbo Times	60,400,000	48,800,000
	214,306,837	202,706,837



Notes to the Financial Statements

For the six months ended 30 June 2020

Renminbi Yuan

XIII. NOTES TO KEY ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS (continued)

2. Other receivables (continued)

Aging analysis of other receivables (not including dividends receivable) is as follows:

	30 June 2020 (Unaudited)	31 December 2019 (Audited)
Within 1 year	67,156,531	279,728,924
1 to 2 years	84,977,202	114,347,447
2 to 3 years	67,378,989	37,640,024
Over 3 years	36,740,346	1,661,647
	256,253,068	433,378,042
Less: Provision for credit loss	1,932,098	2,435,591
	254,320,970	430,942,451

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 (not including dividends receivable) are as follows:

	Unaudited Six months ended 30 June 2020	2019
12-month expected credit losses		
Opening balance	2,435,591	1,901,950
Provision in the period/year	8,384	1,669,771
Reversal in the period/year	(511,877)	(24,771)
Write-off in the period/year	—	(1,000,000)
Transfer-out in the period/year	—	(111,359)
	1,932,098	2,435,591
Closing balance		



Notes to the Financial Statements

For the six months ended 30 June 2020

Renminbi Yuan

XIII. NOTES TO KEY ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS (continued)

2. Other receivables (continued)

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

	30 June 2020 (Unaudited)
Baoji Times	153,906,837
Ningbo Electric	98,905,491
Times Signal & Communication	69,290,376
Shanghai SMD	55,736,079
Non-related party 6	33,894,620
	411,733,403

	31 December 2019 (Audited)
Times semiconductor	183,704,742
Baoji Times	159,534,590
Ningbo Times	87,493,986
Times Signal & Communication	69,323,045
HK Electric	48,495,530
	548,551,893



Notes to the Financial Statements

For the six months ended 30 June 2020

Renminbi Yuan

XIII. NOTES TO KEY ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS (continued)

3. Long-term receivables

	30 June 2020 (Unaudited)	31 December 2019 (Audited)
Receivables from subsidiaries	<u>605,561,678</u>	<u>585,853,200</u>

4. Long-term equity investments

	30 June 2020 (Unaudited)	31 December 2019 (Audited)
Long-term equity investments under equity method	<u>354,093,129</u>	<u>338,095,501</u>
Long-term equity investments under cost method	<u>5,596,486,516</u>	<u>5,124,623,010</u>
	<u>5,950,579,645</u>	<u>5,462,718,511</u>
Less: Provision for impairment of long-term equity investments	<u>400,893,001</u>	<u>246,169,001</u>
	<u>5,549,686,644</u>	<u>5,216,549,510</u>

Movements in provision for impairment of long-term equity investments are as follows:

	Six months ended 30 June 2020 (Unaudited)	Year ended 31 December 2019 (Audited)
Opening balance	<u>246,169,001</u>	<u>178,169,001</u>
Provision in the period/year	<u>154,724,000</u>	<u>68,000,000</u>
Closing balance	<u>400,893,001</u>	<u>246,169,001</u>



Notes to the Financial Statements

For the six months ended 30 June 2020

Renminbi Yuan

XIII. NOTES TO KEY ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS (continued)

4. Long-term equity investments (continued)

Long-term equity investments under equity method

As at 30 June 2020 (Unaudited)

	Current period movements		
	Opening balance of the Period	Investment income and loss recognised under equity method	Closing balance of the Period
Non-listed investments Equity method			
Joint ventures			
Shiling	208,663,918	2,384,999	211,048,917
Wenzhou Electric	16,020,801	(65,916)	15,954,885
Shanghai Shentong CRRC	6,343,316	65,000	6,408,316
	<u>231,028,035</u>	<u>2,384,083</u>	<u>233,412,118</u>
Associates			
Zhuzhou Siemens	45,962,196	78,000	46,040,195
Guoxin Technology	50,033,270	(162,500)	49,870,770
CRRC Wabtec	11,072,000	(1,487,202)	9,584,796
India CRRC	—	—	15,185,250
	<u>107,067,466</u>	<u>(1,571,702)</u>	<u>120,681,011</u>
	<u>338,095,501</u>	<u>812,381</u>	<u>354,093,129</u>

Details of joint ventures and associates refer to the disclosure of Note V.11.



Notes to the Financial Statements

For the six months ended 30 June 2020

Renminbi Yuan

XIII. NOTES TO KEY ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS (continued)

4. Long-term equity investments (continued)

Long-term equity investments under cost method

As at 30 June 2020 (Unaudited)

	Opening balance of the Period	Changes for the current period	Closing balance of the 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	560,000,000	—	560,000,000
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	110,000,000	—	110,000,000
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 Railway	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
Times Semiconductor (Note)	2,228,136,494	471,863,506	2,700,000,000
Dynex	282,478,220	—	282,478,220
	5,124,623,010	471,863,506	5,596,486,516
Less: Provision for impairment of long-term equity Investments	246,169,001	154,724,000	400,893,001
	<u>4,878,454,009</u>	<u>317,139,506</u>	<u>5,195,593,515</u>

Note: In April 2020, the company increased the capital of Times Semiconductor by RMB471,863,506 in the form of physical assets.

Notes to the Financial Statements

For the six months ended 30 June 2020

Renminbi Yuan

XIII. NOTES TO KEY ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS (continued)

4. Long-term equity investments (continued)

Long-term equity investments under cost method (continued)

As at 31 December 2019 (Audited)

	Opening balance of the year	Changes for the current year	Closing balance of the 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
Shenyang Times	56,000,000	—	56,000,000
Baoji Times	260,000,000	300,000,000	560,000,000
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	100,000,000	110,000,000
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
Times Semiconductor	—	2,228,136,494	2,228,136,494
Dynex	216,539,728	65,938,492	282,478,220
	2,430,548,024	2,694,074,986	5,124,623,010
Less: Impairment of long-term equity Investments	178,169,001	68,000,000	246,169,001
	<u>2,252,379,023</u>	<u>2,626,074,986</u>	<u>4,878,454,009</u>



Notes to the Financial Statements

For the six months ended 30 June 2020

Renminbi Yuan

XIII. NOTES TO KEY ITEMS OF THE COMPANY'S 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:

	Unaudited Six months ended 30 June	
	2020	2019
Revenue from principal operations	4,072,427,801	4,801,467,734
Other operating income	163,458,393	333,341,160
	<u>4,235,886,194</u>	<u>5,134,808,894</u>

Details of revenue are listed as follows:

	Unaudited Six months ended 30 June	
	2020	2019
Revenue from sales of goods and materials	3,961,358,109	4,834,871,870
Maintenance income	273,035,589	291,063,821
Technical service income	1,367,925	3,564,490
Other revenue	124,571	5,308,713
	<u>4,235,886,194</u>	<u>5,134,808,894</u>



Notes to the Financial Statements

For the six months ended 30 June 2020

Renminbi Yuan

XIII. NOTES TO KEY ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS (continued)

5. Revenue and cost of sales (continued)

Cost of sales is stated as follows:

	Unaudited Six months ended 30 June	
	2020	2019
Cost of sales from principal operations	2,837,400,507	3,458,177,364
Other operating cost	162,890,384	305,719,508
	<u>3,000,290,891</u>	<u>3,763,896,872</u>

6. Investment income

	Unaudited Six months ended 30 June	
	2020	2019
Income from non-listed investments:		
Long-term equity investment income under the cost method	1,534,422,881	1,466,541,511
Long-term equity investment income under the equity method	812,381	2,114,018
Bank financial products income	62,382,795	42,121,912
Investment income on disposal of Held-for-trading financial assets	1,636,673	—
Investment income on disposal of equity instruments	—	51,083
	<u>1,599,254,730</u>	<u>1,510,828,524</u>



Notes to the Financial Statements

For the six months ended 30 June 2020

Renminbi Yuan

XIII. NOTES TO KEY ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS (continued)

7. Supplementary information to the statement of cash flows

(1) Supplementary information to the statement of cash flows

	Unaudited Six months ended 30 June	
	2020	2019
Reconciliation of net profit to cash flows from operating activities:		
Net profit	1,934,470,572	2,032,621,330
Add: Impairment losses	174,291,028	19,236,430
Credit losses	56,202,296	(3,843,155)
Depreciation of fixed assets	62,779,985	138,316,430
Depreciation of right-of-use assets	4,300,321	1,527,238
Amortisation of intangible assets	34,092,874	29,442,760
Accrued special reserve	1,124,063	1,692,753
Gains from disposal of fixed assets, intangible assets and other long-term assets	(29,342)	(444,276)
Gains from fair value changes	(10,588,918)	(10,816,543)
Finance costs	3,880,789	1,795,859
Investment income	(1,599,254,730)	(1,510,828,524)
Decrease/ (increase) in deferred tax assets	7,223,728	(41,437,204)
Increase in inventories	(1,472,729,348)	(789,579,570)
(Decrease)/ (increase) in receivables under operating activities	1,074,716,660	(2,078,621,804)
Decrease in in payables under operating payables	(1,011,913,080)	(54,422,643)
Net cash flows from operating activities	<u>(741,433,102)</u>	<u>(2,265,360,919)</u>



Notes to the Financial Statements

For the six months ended 30 June 2020

Renminbi Yuan

XIII. NOTES TO KEY ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS (continued)

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

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

Net movement in cash and cash equivalents:

	Six months ended 30 June 2020	Year ended 31 December 2019
Closing balance of cash	3,932,500,322	2,452,789,205
Less: Opening balance of cash	2,452,789,205	2,924,163,813
Net increase/ (decrease) in cash and cash equivalents	1,479,711,117	(471,374,608)

(2) Cash and cash equivalents

	30 June 2020 (Unaudited)	31 December 2019 (Audited)
Cash		
Including: Bank deposits on demand	3,932,500,322	2,452,789,205
Closing balance of cash and cash equivalents	3,932,500,322	2,452,789,205



Notes to the Financial Statements

For the six months ended 30 June 2020

Renminbi Yuan

XIII. NOTES TO KEY ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS (continued)

8. Major transactions between the Company and its related parties

(1) Sales of goods to related parties

	Unaudited Six months ended 30 June	
	2020	2019
Corporations controlled by the ultimate holding party other than the Zhuzhou ZELRI Group	2,108,335,438	2,587,690,319
Subsidiaries	693,376,776	356,260,690
Associates of the ultimate holding party other than the Zhuzhou ZELRI Group	17,622,613	13,577,090
Corporations controlled by the Zhuzhou ZELRI	12,833,509	4,324,139
Joint ventures of the ultimate holding party other than the Zhuzhou ZELRI Group	—	521,368
Zhuzhou ZELRI	6,086,431	204,980
	<u>2,838,254,767</u>	<u>2,962,578,586</u>

(2) Purchases of goods from related parties

	Unaudited Six months ended 30 June	
	2020	2019
Subsidiaries	1,170,584,654	1,344,848,031
Corporations controlled by the ultimate holding party other than the Zhuzhou ZELRI Group	464,176,881	315,547,065
Corporations controlled by the Zhuzhou ZELRI	210,475,663	163,600,318
Joint ventures of the Company	69,347,536	34,900,332
Associates of the ultimate holding party other than other than the Zhuzhou ZELRI Group	20,068,265	—
Associates of the Company	11,906,938	4,421,035
Joint ventures of the ultimate holding party other than the Zhuzhou ZELRI Group	6,385,062	2,834,487
Zhuzhou ZELRI	288,380	—
	<u>1,953,233,379</u>	<u>1,866,151,268</u>

Notes to the Financial Statements

For the six months ended 30 June 2020

Renminbi Yuan

XIII. NOTES TO KEY ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS (continued)

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

(3) Sales of electricity to related parties

	Unaudited Six months ended 30 June	
	2020	2019
Corporations controlled by the Zhuzhou ZELRI	1,247,788	327,062
Zhuzhou ZELRI	—	198,860
Associates of the Company	—	3,165
	<u>1,247,788</u>	<u>529,087</u>

(4) Related party leases

As a lessor

	Unaudited Six months ended 30 June	
	2020	2019
Zhuzhou ZELRI	1,635,440	1,527,420
Subsidiaries	523,408	786,794
Corporations controlled by the Zhuzhou ZELRI	1,196,909	2,638,439
Associates of the Company	208,938	208,938
Corporations controlled by the ultimate holding party other than the Zhuzhou ZELRI Group	107,783	—
	<u>3,672,478</u>	<u>5,161,591</u>



Notes to the Financial Statements

For the six months ended 30 June 2020

Renminbi Yuan

XIII. NOTES TO KEY ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS (continued)

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

(4) Related party leases (continued)

As a lessee

	Unaudited Six months ended 30 June	
	2020	2019
Corporations controlled by the Zhuzhou ZELRI	850,041	2,631,761
Zhuzhou ZELRI	779,182	964,325
Corporations controlled by the ultimate holding party other than the Zhuzhou ZELRI Group	—	352,906
	1,629,223	3,948,992

As at 30 June 2020, the cost of right-of-use assets that the Company leased from the Parent Company was RMB1,207,242 (31 December 2019: RMB1,207,242) and corresponding interest expenses arising from lease liabilities amounting to RMB319,728 for the six months ended 30 June 2020 (RMB639,456 for the year ended 31 December 2019). There was no right-of-use assets that the Company leased from the ultimate holding party other than the Zhuzhou ZELRI Group (31 December 2019: nil) and corresponding interest expenses arising from lease liabilities amounting to RMB295,596 for the six months ended 30 June 2020 (RMB678,366 for the year ended 31 December 2019). As at 30 June 2020, the lease liabilities to the Parent Company and the Corporations controlled by the ultimate holding party other than the Zhuzhou ZELRI Group were RMB312,395 and RMB195,738 (31 December 2019: RMB617,624 and RMB491,370), respectively.

(5) Technical services provided to related parties

	Unaudited Six months ended 30 June	
	2020	2019
Corporations controlled by the ultimate holding party other than the Zhuzhou ZELRI Group	1,367,925	424,528

Notes to the Financial Statements

For the six months ended 30 June 2020

Renminbi Yuan

XIII. NOTES TO KEY ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS (continued)

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

(6) Maintenance services provided to related parties

	Unaudited Six months ended 30 June	
	2020	2019
Corporations controlled by the ultimate holding party other than the Zhuzhou ZELRI Group	272,893,996	263,549,370
Subsidiaries	7,610,619	36,684,717
Joint ventures of the ultimate holding party other than the Zhuzhou ZELRI Group	141,593	—
Associates of the ultimate holding party other than the Zhuzhou ZELRI Group	—	965,676
	<u>280,646,208</u>	<u>301,199,763</u>

(7) Technical service provided by related parties

	Unaudited Six months ended 30 June	
	2020	2019
Zhuzhou ZELRI	58,600,000	43,500,000
Subsidiaries	4,500,000	—
	<u>63,100,000</u>	<u>43,500,000</u>

(8) Maintenance services provided by related parties

	Unaudited Six months ended 30 June	
	2020	2019
Zhuzhou ZELRI	<u>102,358</u>	<u>—</u>



Notes to the Financial Statements

For the six months ended 30 June 2020

Renminbi Yuan

XIII. NOTES TO KEY ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS (continued)

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

(9) Fund lending to related parties

Six months ended 30 June 2020 (Unaudited)

	Opening balance of the period	Borrowed amount of the period	Repayment of the period	Closing balance of the period	Interest rate	Start date	Expiry date
Subsidiaries	643,230,500	20,000,000	(45,750,500)	617,480,000	3%-4.35%	18 May 2019	24 August 2021

Six months ended 30 June 2019 (Unaudited)

	Opening balance of the 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



Notes to the Financial Statements

For the six months ended 30 June 2020

Renminbi Yuan

XIII. NOTES TO KEY ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS (continued)

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

(10) Interest income from cash and bank balances

	Unaudited Six months ended 30 June	
	2020	2019
Subsidiaries	9,579,763	14,087,583
Corporations controlled by the ultimate holding party other than the Zhuzhou ZELRI Group	3,389,027	3,353,556
	<u>12,968,790</u>	<u>17,441,139</u>

(11) Interest expenses to borrowings

	Unaudited Six months ended 30 June	
	2020	2019
Shareholders of the Zhuzhou ZELRI	<u>498,201</u>	<u>522,196</u>

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



Notes to the Financial Statements

For the six months ended 30 June 2020

Renminbi Yuan

XIII. NOTES TO KEY ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS (continued)

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

(12) Guarantee provided to related parties

Six months ended 30 June 2020 (Unaudited)

	Guaranteed amount	Starting date	Expiry date	Completed or not
Subsidiary	251,322,250	17 October 2019	16 October 2020	No
Subsidiary	95,858,400	17 October 2019	16 October 2020	No
Subsidiary	85,636,320	17 October 2019	16 October 2020	No
Subsidiary	182,688,000	5 November 2018	5 November 2021	No
Subsidiary	300,000,000	1 November 2019	1 November 2020	No
	<u>915,504,970</u>			

Six months ended 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>			



Notes to the Financial Statements

For the six months ended 30 June 2020

Renminbi Yuan

XIII. NOTES TO KEY ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS (continued)

9. Amounts due from/to related parties

	30 June 2020 (Unaudited)	31 December 2019 (Audited)
Trade receivables (including long-term trade receivables):		
Subsidiaries	2,240,846,097	1,207,860,445
Corporations controlled by the ultimate holding party other than the Zhuzhou ZELRI Group	1,598,217,622	1,536,980,427
Zhuzhou ZELRI	19,017,236	10,490,184
Corporations controlled by the Zhuzhou ZELRI Associates of the ultimate holding party other than the Zhuzhou ZELRI Group	11,695,478	3,482,065
Joint ventures of the Company	3,634,871	24,265,419
Associates of the Company	—	137,589,236
	—	12,202,609
	3,873,411,304	2,932,870,385
	30 June 2020 (Unaudited)	31 December 2019 (Audited)
Bills receivable:		
Corporations controlled by the ultimate holding party other than the Zhuzhou ZELRI Group	706,664,936	836,623,935
Associates of the ultimate holding party other than the Zhuzhou ZELRI Group	18,000,000	15,000,000
Subsidiaries	—	9,100,000
	724,664,936	860,723,935



Notes to the Financial Statements

For the six months ended 30 June 2020

Renminbi Yuan

XIII. NOTES TO KEY ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS (continued)

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

	30 June 2020 (Unaudited)	31 December 2019 (Audited)
Prepayments:		
Corporations controlled by the ultimate holding party other than the Zhuzhou ZELRI Group	36,899,059	—
Corporations controlled by the Zhuzhou ZELRI Subsidiaries	6,552,000	—
Zhuzhou ZELRI	6,531,653	16,954,459
	—	108,220
	49,982,712	17,062,679
Other receivables:		
Subsidiaries	191,099,120	399,906,761
Zhuzhou ZELRI	3,067,066	2,230,700
Corporations controlled by the ultimate holding party other than the Zhuzhou ZELRI Group	599,000	604,000
Corporations controlled by the Zhuzhou ZELRI Associates of the Company	468,004	1,702,573
	—	204,478
	195,233,190	404,648,512



Notes to the Financial Statements

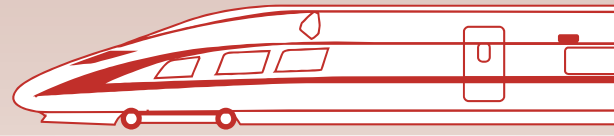
For the six months ended 30 June 2020

Renminbi Yuan

XIII. NOTES TO KEY ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS (continued)

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

	30 June 2020 (Unaudited)	31 December 2019 (Audited)
Dividends receivable: Subsidiaries	214,306,837	202,706,837
	30 June 2020 (Unaudited)	31 December 2019 (Audited)
Contract assets:		
Corporations controlled by the ultimate holding party other than the Zhuzhou ZELRI Group	16,411,651	30,851,047
Joint ventures of the ultimate holding party other than the Zhuzhou ZELRI Group	—	34,253
Associates of the ultimate holding party other than the Zhuzhou ZELRI Group	—	31,900
	16,411,651	30,917,200
	30 June 2020 (Unaudited)	31 December 2019 (Audited)
Trade receivables financing:		
Corporations controlled by the ultimate holding party other than the Zhuzhou ZELRI Group	456,481,218	408,986,847
Zhuzhou ZELRI	62,660,822	43,322,502
Subsidiaries	24,250,000	24,952,722
Corporations controlled by Zhuzhou ZELRI	695,952	676,816
Associates of the ultimate holding party other than the Zhuzhou ZELRI Group	659,487	—
Joint ventures of the ultimate holding party other than the Zhuzhou ZELRI Group	—	2,848,316
	544,747,479	480,787,203



Notes to the Financial Statements

For the six months ended 30 June 2020

Renminbi Yuan

XIII. NOTES TO KEY ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS (continued)

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

	30 June 2020 (Unaudited)	31 December 2019 (Audited)
Other non-current assets:		
Corporations controlled by the ultimate holding party other than the Zhuzhou ZELRI Group	29,653,217	29,064,409
Zhuzhou ZELRI	180,000	180,000
	29,833,217	29,244,409
	30 June 2020 (Unaudited)	31 December 2019 (Audited)
Current portion of non-current liabilities:		
Corporations controlled by the ultimate holding party other than the Zhuzhou ZELRI Group (Note)	587,353,394	686,966,099

Note: As at 30 June 2020, the Company's deposit with CRRC Finance Co., Ltd. is amounted to RMB587,353,394 (unaudited) (31 December 2019 (audited): RMB686,966,099).

As at 25 October 2019, the Company and CRRC Finance Co., Ltd. entered into the framework agreement on financial services. In accordance with the agreement, from 31 December 2019 to 30 December 2020, 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 2020

Renminbi Yuan

XIII. NOTES TO KEY ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS (continued)

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

	30 June 2020 (Unaudited)	31 December 2019 (Audited)
Trade payables:		
Subsidiaries	1,637,413,201	2,384,730,190
Corporations controlled by the ultimate holding party other than the Zhuzhou ZELRI Group	513,173,570	421,133,505
Corporations controlled by the Zhuzhou ZELRI	110,693,911	144,287,833
Joint ventures of the Company	28,964,891	31,513,716
Joint ventures of the ultimate holding party other than the Zhuzhou ZELRI Group	11,187,836	7,562,318
Associates of the Company	1,634,519	103,687
Zhuzhou ZELRI	1,042,331	2,598,562
	2,304,110,259	2,991,929,811
	30 June 2020 (Unaudited)	31 December 2019 (Audited)
Bills payable:		
Corporations controlled by the ultimate holding party other than the Zhuzhou ZELRI Group	54,941,705	69,074,523
Corporations controlled by the Zhuzhou ZELRI	38,339,388	90,198,436
Joint ventures of the Company	20,000,000	20,000,000
Joint ventures of the ultimate holding party other than the Zhuzhou ZELRI Group	4,700,000	11,020,000
Subsidiaries	—	478,580
	117,981,093	190,771,539



Notes to the Financial Statements

For the six months ended 30 June 2020

Renminbi Yuan

XIII. NOTES TO KEY ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS (continued)

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

	30 June 2020 (Unaudited)	31 December 2019 (Audited)
Contract liabilities:		
Subsidiaries	4,427,130	5,370,000
Corporations controlled by Zhuzhou ZELRI	2,622,624	199,371,586
Corporations controlled by the ultimate holding party other than the Zhuzhou ZELRI Group	314,937	—
	<u>7,364,691</u>	<u>204,741,586</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 2020

Renminbi Yuan

XIII. NOTES TO KEY ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS (continued)

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

	30 June 2020 (Unaudited)	31 December 2019 (Audited)
Other payables:		
Zhuzhou ZELRI	273,541,613	273,531,393
Subsidiaries	24,551,022	27,432,351
Corporations controlled by the Zhuzhou ZELRI	1,379,527	1,436,989
Corporations controlled by the ultimate holding party other than the Zhuzhou ZELRI Group	729,307	200,000
	300,201,469	302,600,733
Current portion of non-current liabilities		
Shareholders of the Zhuzhou ZELRI	5,482,335	5,031,066
Long-term borrowings:		
Shareholders of the Zhuzhou ZELRI	85,188,000	87,688,000

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 interim financial statements and their notes as set out in this Interim Report.

REVENUE

	For the six months ended 30 June	
	2020 (Unaudited) (RMB million)	2019 (Unaudited) (RMB million)
Business of railway equipment	2,771.9	3,260.3
Business of urban railway equipment	1,715.3	2,287.6
Business of new industry	976.3	773.7
Others	106.6	103.5
Total revenue	5,570.1	6,425.1

The Group's revenue decreased by RMB855.0 million or 13.3% from RMB6,425.1 million for the six months ended 30 June 2019 to RMB5,570.1 million for the six months ended 30 June 2020.

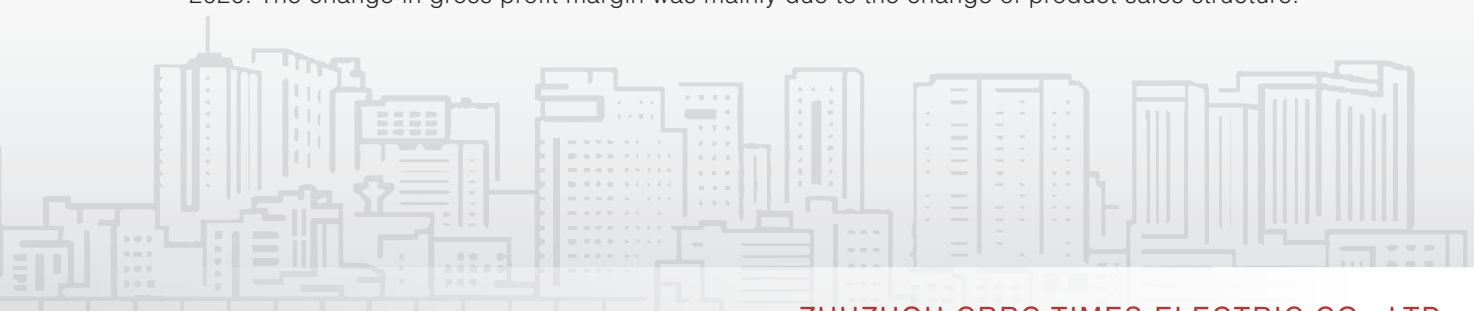
In the first half of 2020, due to the impact of the COVID-19, the revenue of the railway equipment and the urban railway equipment of the Company declined as compared with the same period last year, while the revenue of the business of new industry increased by RMB202.6 million as compared with the same period last year, mainly due to the increase of RMB107.8 million in the semiconductor industry over the same period last year.

COST OF SALES

The Group's cost of sales decreased by RMB504.0 million from RMB3,928.3 million for the six months ended 30 June 2019 to RMB3,424.3 million for the six months ended 30 June 2020. The decrease in the cost of sales was mainly due to the combined effects of the decline in the Group's revenue and the change of product sales structure.

GROSS PROFIT

The Group's gross profit decreased by RMB351.0 million from RMB2,496.8 million for the six months ended 30 June 2019 to RMB2,145.8 million for the six months ended 30 June 2020. The Group's gross profit margin decreased from 38.9% for the six months ended 30 June 2019 to 38.5% for the six months ended 30 June 2020. 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 decreased by RMB107.4 million from RMB467.7 million for the six months ended 30 June 2019 to RMB360.3 million for the six months ended 30 June 2020. The decrease in selling expenses was mainly due to the reduction in the expenses in relation to selling activities of the Group during the period as compared to the same period last year.

ADMINISTRATIVE EXPENSES

The Group's administrative expenses decreased by RMB47.8 million from RMB320.3 million for the six months ended 30 June 2019 to RMB272.5 million for the six months ended 30 June 2020. The decrease in administrative expenses was mainly due to the reduction in the expenses including travelling expenses.

RESEARCH AND DEVELOPMENT EXPENSES

The Group's research and development expenses decreased by RMB4.7 million from RMB609.9 million for the six months ended 30 June 2019 to RMB605.2 million for the six months ended 30 June 2020, which was basically stable with a slight decrease over the same period last year.

FINANCE COSTS

The Group's finance costs decreased by RMB5.3 million from RMB10.3 million for the six months ended 30 June 2019 to RMB5.0 million for the six months ended 30 June 2020. The decrease in finance costs was mainly due to the increase in interest income and the decrease in interest expenses.

OTHER INCOME

The Group's other income increased by RMB5.0 million from RMB146.6 million for the six months ended 30 June 2019 to RMB151.6 million for the six months ended 30 June 2020, 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 RMB19.9 million from RMB36.0 million for the six months ended 30 June 2019 to RMB55.9 million for the six months ended 30 June 2020. The increase in investment income was due to the increase in income from held-for-trading financial assets.

GAINS FROM FAIR VALUE CHANGES

The Group's gains from fair value changes decreased by RMB0.2 million from RMB10.8 million for the six months ended 30 June 2019 to RMB10.6 million for the six months ended 30 June 2020. The decrease in the gains from fair value changes was mainly due to the fair value changes of the undue hold-for-trading financial assets signed by the Group with banks.

CREDIT IMPAIRMENT LOSSES

The Group's credit impairment losses increased by RMB52.8 million from RMB22.4 million for the six months ended 30 June 2019 to RMB75.2 million for the six months ended 30 June 2020, which was mainly due to the increase in the credit loss provision for trade receivables made by the Group based on the expected credit loss model.



Management Discussion and Analysis

IMPAIRMENT LOSSES

The Group's impairment losses increased by RMB165.3 million from RMB32.8 million for the six months ended 30 June 2019 to RMB198.1 million for the six months ended 30 June 2020. The increase in impairment losses was mainly due to the decline in the global economy impacted by the COVID-19 epidemic, which affected the overall development of SMD's business in the future, and in turn, resulted in the impairment allowance of RMB154.7 million made by the Group during the period for the goodwill of SMD Group since the acquisition in 2015.

GAINS FROM DISPOSAL OF ASSETS

The Group's gains from disposal of assets increased by RMB1.6 million from RMB0.5 million for the six months ended 30 June 2019 to RMB2.1 million for the six months ended 30 June 2020.

NON-OPERATING INCOME

The Group's non-operating income increased by RMB24.0 million from RMB4.1 million for the six months ended 30 June 2019 to RMB28.1 million for the six months ended 30 June 2020.

NON-OPERATING EXPENSES

The Group's non-operating expenses increased by RMB0.1 million from RMB0.8 million for the six months ended 30 June 2019 to RMB0.9 million for the six months ended 30 June 2020.

TOTAL PROFIT

The Group's total profit decreased by RMB332.1 million from RMB1,174.6 million for the six months ended 30 June 2019 to RMB842.5 million for the six months ended 30 June 2020. The decrease in total profit was mainly due to the decrease of revenue. The Group's sales profit margins for the six months ended 30 June 2019 and 30 June 2020 were 18.3% and 15.1% respectively.

INCOME TAX EXPENSE

The Group's income tax expense increased by RMB66.8 million from RMB90.9 million for the six months ended 30 June 2019 to RMB157.7 million for the six months ended 30 June 2020.

The Company, Times Electronics, Ningbo Times, ZNERCC, Times Software, Shenyang Times, Qingdao Electric, Shanghai SMD 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%.

The effective income tax rates of the Group for the six months ended 30 June 2019 and 30 June 2020 were 7.7% and 18.7% respectively.

NET PROFIT ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT

Net profit attributable to Shareholders of the Parent decreased by RMB378.1 million from RMB1,066.3 million for the six months ended 30 June 2019 to RMB688.2 million for the six months ended 30 June 2020. The Group's sales net profit margin for the six months ended 30 June 2019 and 30 June 2020 were 16.6% and 12.4% respectively.

Management Discussion and Analysis

NON-CONTROLLING INTERESTS

Non-controlling interests decreased by RMB20.8 million from RMB17.4 million for the six months ended 30 June 2019 to RMB-3.4 million for the six months ended 30 June 2020. The decrease in non-controlling interests was mainly due to the decrease 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 decreased by RMB0.32 from RMB0.91 for the six months ended 30 June 2019 to RMB0.59 for the six months ended 30 June 2020.

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 increase in cash and cash equivalents of the Group amounted to RMB1,319.4 million for the six months ended 30 June 2020, which was mainly due to the increase in the Group's net cash inflows from investing activities and operating activities in the first half of 2020.

Net cash inflows from operating activities

The Group's net cash inflows from operating activities decreased an outflow by RMB1,295.8 million from an outflow of RMB999.3 million for the six months ended 30 June 2019 to an inflow of RMB296.5 million for the six months ended 30 June 2020, which was mainly due to the combined effects of the increase in the Group's operating cash inflows as compared to the same period of last year and the decrease in the Group's operating cash outflows as compared to the same period of last year.

Net cash inflows from investing activities

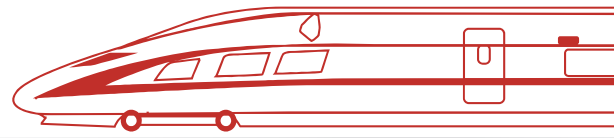
For the six months ended 30 June 2020, the Group's net cash inflow from investing activities was approximately RMB1,147.4 million, which principally includes the cash received from the returns of investments of RMB10,890.0 million, the cash paid for acquisition of investments of RMB9,129.1 million, and the cash paid for acquisition of fixed assets, intangible assets and other long-term assets of RMB686.7 million.

Net cash outflows from financing activities

For the six months ended 30 June 2020, the Group's net cash outflow from financing activities was approximately RMB132.5 million. The cash inflows principally included the cash received from the borrowings of RMB91.8 million, while the cash outflows mainly represented the cash paid relating to other financing activities of RMB209.5 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 2020 (Unaudited) (RMB million)	31 December 2019 (Audited) (RMB million)
Contracted but not provided for		
Capital commitments	275.6	426.1
Investments in subsidiaries	50.0	50.0
Total	325.6	476.1

INDEBTEDNESS

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

	30 June 2020 (Unaudited) (RMB million)	31 December 2019 (Audited) (RMB million)
Short-term borrowings	247.5	146.6
Long-term borrowings (including those due within one year)	236.1	235.6
Total	483.6	382.2

The Group's borrowings were mainly fixed-rate loans.

Maturity analysis:

	30 June 2020 (Unaudited) (RMB million)	31 December 2019 (Audited) (RMB million)
Due within 1 year	253.0	151.7
Due within 1 to 2 years	150.4	147.8
Due within 2 to 5 years	15.0	15.0
Due over 5 years	65.2	67.7
	483.6	382.2

As at 30 June 2020, the annual interest rates for loans above were 1.08-3.50% (31 December 2019: 1.08-4.92%).

Management Discussion and Analysis

PLEDGE

As at 30 June 2020, the Group has no fixed assets (31 December 2019: nil) for the pledge of bank borrowings.

As at 30 June 2020, the Group has no land use rights (31 December 2019: 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 2020 and the year of 2019.

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 15.6% as at 31 December 2019 and 13.5% as at 30 June 2020.

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

CONTINGENT LIABILITIES

The Group did not have any material contingent liabilities as at 30 June 2020, 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, European dollar, Hong Kong dollar and Australian 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 VII. 2 to these financial statements.

Exchange Rate Risk

The Group also conducts derivative transactions, mainly including forward foreign exchange settlement and sale, with the purpose of managing the exchange rate risk of the Group's operations.

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 and remuneration of employees and remuneration policies, bonus and share appreciation rights scheme and training schemes of the Group.



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 provision A.6.7 as set out below.

Owing to the impact of travel restrictions and the mandatory quarantine measures amid the COVID-19 outbreak, Mr. Zhang Xinning, a non-executive Director, and Mr. Chan Kam Wing, Clement, Mr. Pao Ping Wing, Ms. Liu Chunru, Mr. Chen Xiaoming and Mr. Gao Feng, independent non-executive Directors of the Company were unable to attend the Annual General Meeting in person but they fulfilled their duties and attended the meeting by way of video conferencing. However, the foregoing situation still constituted a deviation from the requirement of code provision A.6.7 given that the Articles for the time being in force did not explicitly allow the Directors to attend the general meeting through electronic means.

- **Securities transactions by Directors**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers 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, trustworthy 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**

The Supervisory Committee currently consists of four supervisors, among whom, Mr. Li Lüe 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.

As 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 report for the six months ended 30 June 2020 prepared in accordance with the PRC Accounting Standards and was satisfied that the unaudited consolidated results complied with applicable accounting standards, the relevant regulatory and legal requirements and that adequate disclosure had been made.



Other Information

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: focusing on important risk areas and revealing risks in various areas in depth, cooperating with various functional departments to promote the collection of the old accounts of ZNERCC and the recovery of long-aged accounts receivable of each business unit, assisting business units to establish a solid risk defense line and promote the implementation of various policies of the Company; carrying out special audit of closed-loop management of problems, and establishing a long-term mechanism for closed-loop management of problems; conducting audit supervision and inspection work based on routine audits such as annual business index audits and special audits such as packaging and transportation compliance audits and special audits of accounts receivable, focusing on the audit risk coverage of different lines along the business process, investigating internal control defects of business process, broadening audit coverage and analyzing the Company's distribution of business risks, thereby improving the Company's internal control management level. The Company is able to withstand changes in business and external environment in terms of financial, operational and risk management, so as 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 2020, none of the Directors, supervisors, and the general manager or their respective associates had any personal, family, corporate or other interests and 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 2020 was as follows:

Shareholder	Type	Number of shares	Approximate % of the issued share capital as at 30 June 2020
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	547,329,400	46.56%
Total		1,175,476,637	100%

Note: 16,200,000 H shares are held by CRRC Hongkong Capital Management Co., Limited, a wholly-owned subsidiary of CRRC.

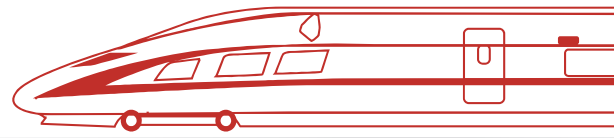


Other Information

5. SUBSTANTIAL SHAREHOLDERS

Interests or short positions in the shares or 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 2020 were as follows:

Name of substantial shareholder	Number of shares held	Capacity	Approximate % of domestic share capital	Approximate % of H share capital	Approximate % of issued share capital
CRRC ZELRI	589,585,699 (Long position)	Beneficial owner	93.86%	–	50.16%
CRRC (Note 1)	608,966,468 (Long position)	Interest in controlled entity	96.95%	–	51.81%
	16,200,000 (Long position)	Interest in controlled entity	–	2.96%	1.38%
CRRC Group (Note 2)	608,966,468 (Long position)	Interest in controlled entity	96.95%	–	51.81%
	16,200,000 (Long position)	Interest in controlled entity	–	2.96%	1.38%
Schroders Plc	48,691,573 (Long position)	Investment manager	–	8.90%	4.14%
Brown Brothers Harriman & Co.	38,365,602 (Long position)	Nominee	–	7.01%	3.26%
	38,365,602 (Lending pool shares – long position)	Nominee	–	7.01%	3.26%
Pandanus Associates Inc. (Note 3)	38,144,669 (Long position)	Interest in controlled entity	–	6.97%	3.25%



Other Information

5. SUBSTANTIAL SHAREHOLDERS (continued)

Name of substantial shareholder	Number of shares held	Capacity	Approximate % of domestic share capital	Approximate % of H share capital	Approximate % of issued share capital
Pandanus Partners L.P. (Note 3)	38,144,669 (Long position)	Interest in controlled entity	–	6.97%	3.25%
FIL Limited (Note 3)	38,144,669 (Long position)	Interest in controlled entity	–	6.97%	3.25%
Citigroup Inc.	99,000 (Long position)	Person having a security interest in Shares	–	0.02%	0.01%
	905,687 (Long position)	Interest in controlled entity	–	0.17%	0.08%
	477,700 (Short position)	Interest in controlled entity	–	0.09%	0.04%
	36,831,004 (Lending pool shares – long position)	Approved lending agent	–	6.73%	3.13%
Vontobel Asset Management AG	33,112,400 (Long position)	Investment manager	–	6.05%	2.82%
Impax Asset Management Group plc	33,014,783 (Long position)	Interest in controlled entity	–	6.03%	2.81%
Vontobel Asset Management S.A.	27,993,100 (Long position)	Investment manager	–	5.11%	2.38%



Other Information

5. SUBSTANTIAL SHAREHOLDERS (continued)

Notes:

- (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 16,200,000 H shares through CRRC Hongkong Capital Management Co., Limited, a wholly-owned subsidiary of CRRC.
- (2) CRRC Group is directly and indirectly interested in 50.73% 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 38,144,669 shares held through Pandanus Partners L.P., a direct wholly-owned subsidiary of Pandanus Associates Inc.
 - (b) The corporate substantial shareholder notice filed by Pandanus Partners L.P. indicated that Pandanus Partners L.P. is interested in 36.18% of the issued share capital of FIL Limited. Under the SFO, Pandanus Partners L.P. is deemed to be interested in 38,144,669 shares by virtue of its interests in FIL Limited.
 - (c) The corporate substantial shareholder notice filed by FIL Limited indicated that FIL Limited is interested in 38,144,669 shares held through its subsidiaries or affiliates.

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 2019 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 2019 to all Shareholders whose names appeared on the register of members of the Company on 6 July 2020. 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) 2020 interim profit distribution plan

The Board did not recommend the distribution of an interim dividend for the six months ended 30 June 2020.



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 the CRRC Group of Companies on 26 March 2019 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 2020 and ending on 31 December 2022, 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

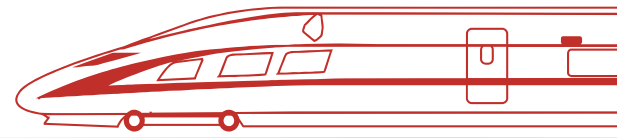
As at 30 June 2020, the Company had 8,237 full-time employees. Total employment expenses for the six months ended 30 June 2020 were approximately RMB829.5 million. The Group's remuneration policy for its employees takes into account the level of responsibilities, work performance, qualifications and 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 continued to carry out the "Sailing" training camp for basic R&D personnel with a view to in-depth cultivating the Company's basic R&D management personnel in various industries. It also adhered to the training of international talents, marketing talents and other talent teams, and planned and organized the "Empowerment" training camp for functional management personnel, with the aim of systematically improving the business and professional management capabilities of the functional management team. The Company further strengthened the development and application promotion of internal training resources. It conducted in-depth promotion and application of a series of internal training courses such as product knowledge, process and system, operation and management and shared experience and knowledge through happy learning lectures, expert forums and training projects for special talents. By combining internal and external resources, the Company strives to comprehensively enhance the professional capabilities, leadership and international capabilities of its employees.

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 the year 2019 of the Company held on Tuesday, 23 June 2020
“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 90.15% of its equity interests
“Board” or “Board of Directors”	the board of Directors of the Company
“CG Code”	the Corporate Governance Code 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”	株洲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 Hong Kong Stock Exchange, respectively. CRRC holds the entire equity interest in the Parent Company
“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

Glossary

“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 held as to 49%, 39% and 12% by the Company, Hofer Powertrain International GmbH and 無錫金投惠村投資企業 (有限合夥) (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.), 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 in 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 西屋中國鐵道產品及服務控股有限公司 (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
“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 (the remaining interest was acquired by the Company on 15 March 2019 (Canada time)) and which 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
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Glossary

“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 held as to 25%, 25%, 10%, 10%, 10%, 10%, 5% and 5% by the Company, Chongqing Chang'an Automobile Company Limited, China Southern Power Grid Research Institute Co., Ltd., 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 Materials 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 with limited liability 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
“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 subsidiary of the Company in which the Company holds 51% of its equity interests
“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
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules
“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

Glossary

“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.), 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
“Reporting Period”	the six-month period ended 30 June 2020
“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
“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



Glossary

“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
“Times Australia”	CRRC Times Electric Australia Pty. Ltd., a limited liability company established under the law of Australia and a wholly-owned subsidiary of the Company
“Times Brasil”	CRRC Times Electric Brasil Ltda., a limited liability company established under the law of Brasil and a subsidiary of the Company that the Company directly and indirectly holds 100% of its equity
“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

Glossary

“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 limited liability 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
“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 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 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