



# 2020 ANNUAL REPORT

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

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


*Stock Code: 3898*

# Contents

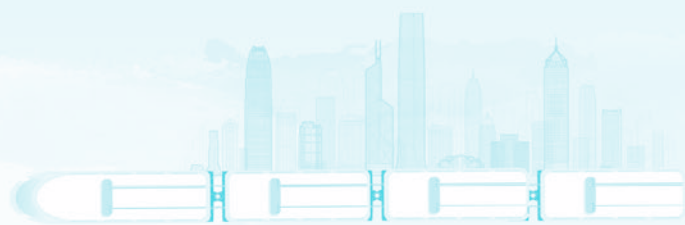


|     |   |
|-----|---|
| 2   | Financial Highlights  |
| 3   | Chairman's Report   |
| 5   | Management Discussion and Analysis                                      |
| 11  | Directors, Supervisors and Senior Management                            |
| 25  | Corporate Governance Report   |
| 42  | Directors' Report   |
| 65  | Supervisory Committee's Report  |
| 67  | Auditors' Report  |
| 72  | Consolidated Statement of Financial Position                            |
| 74  | Company's Statement of Financial Position                               |
| 76  | Consolidated Statement of Profit or Loss and Other Comprehensive Income |
| 78  | Company's Statement of Profit or Loss and Other Comprehensive Income    |
| 79  | Consolidated Statement of Cash Flows                                    |
| 81  | Company's Statement of Cash Flows                                       |
| 83  | Consolidated Statement of Changes in Equity                             |
| 85  | Company's Statement of Changes in Equity                                |
| 87  | Notes to the Financial Statements                                       |
| 289 | Glossary  |
| 296 | Basic Corporate Information   |

## Notes:

1. The financial data in this Annual Report are prepared under PRC Accounting Standards;
  2. This Annual Report is prepared in Chinese and English. In the event of any inconsistency between the Chinese version and the English version, the Chinese version shall prevail.
- 

# Financial Highlights



## CONSOLIDATED STATEMENT OF PROFIT OR LOSS HIGHLIGHTS

|   | Year ended 31 December |                 |                 |                 |                 |
|---|------------------------|-----------------|-----------------|-----------------|-----------------|
|   | 2020<br>RMB'000        | 2019<br>RMB'000 | 2018<br>RMB'000 | 2017<br>RMB'000 | 2016<br>RMB'000 |
| Revenue   | <b>16,033,899</b>      | 16,304,207      | 15,657,900      | 15,143,709      | 14,657,820      |
| Operating profit                                      | <b>2,777,570</b>       | 2,901,285       | 2,942,893       | 2,816,361       | 2,971,620       |
| Total profit  | <b>2,836,938</b>       | 2,932,613       | 2,967,131       | 2,874,309       | 3,320,250       |
| Net profit  | <b>2,496,557</b>       | 2,657,559       | 2,650,535       | 2,562,210       | 2,902,686       |
| Net profit attributable to shareholders of the Parent | <b>2,475,455</b>       | 2,659,164       | 2,612,488       | 2,523,471       | 2,893,142       |
| Net profit attributable to non-controlling interests  | <b>21,102</b>          | -1,605          | 38,047          | 38,739          | 9,544           |
| Basic earnings per share (RMB Yuan/share)             | <b>2.11</b>            | 2.26            | 2.22            | 2.15            | 2.46            |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION HIGHLIGHTS

|                   | As at 31 December |                 |                 |                 |                 |
|-------------------|-------------------|-----------------|-----------------|-----------------|-----------------|
|                   | 2020<br>RMB'000   | 2019<br>RMB'000 | 2018<br>RMB'000 | 2017<br>RMB'000 | 2016<br>RMB'000 |
| Total assets      | <b>33,865,721</b> | 32,985,615      | 29,034,522      | 26,649,648      | 23,735,276      |
| Total liabilities | <b>9,606,131</b>  | 10,789,336      | 8,911,008       | 8,593,083       | 7,664,369       |
| Net assets        | <b>24,259,590</b> | 22,196,279      | 20,123,514      | 18,056,565      | 16,070,907      |



# Chairman's Report

**Dear Shareholders,**

**I am pleased to present the annual report of the Company for the year ended 31 December 2020. On behalf of the Board of Directors, I would like to express my sincere gratitude to all shareholders for your continual support and care.**

## PERFORMANCE REVIEW

The Group's revenue in 2020 amounted to RMB16,033.9 million (2019: RMB16,304.2 million), representing a decrease of 1.7% year-on-year. Net profit attributable to Shareholders of the Parent Company amounted to RMB2,475.5 million (2019: RMB2,659.2 million), representing a decrease of 6.9% year-on-year. Basic earnings per share amounted to RMB2.11 (2019: RMB2.26), representing a decrease of 6.6% year-on-year.

## BUSINESS REVIEW AND OUTLOOK

### Business Review

The year of 2020 is the final year of the "13th Five-Year Plan", and the outbreak of COVID-19 had a profound impact on the world. The Group continued to deepen reform and innovation efforts and consolidate industrial operations, and focused on technology research and development, strengthening the fine management and improving efficiency. The Company has achieved stable development.

In respect of the rail transit sector, the existing orders for the locomotive traction system were delivered as scheduled, the Chinese standard EMU with a speed of 250 kilometers per hour started trial operation in batch, and a high-speed maglev prototype with a speed of 600 kilometers per hour was successfully tested; the Company has led the domestic urban rail traction systems industry for nine consecutive years in terms of market share, and China's first full-line permanent magnet subway Changsha Line 5 was successfully opened, ushering the domestic subway sector into the permanent magnet era; our high-end rail grinder, a road maintenance machinery, gained new orders; and LKJ-15C has been installed for application on local railway systems, while ETCS has been installed for trial in Europe.

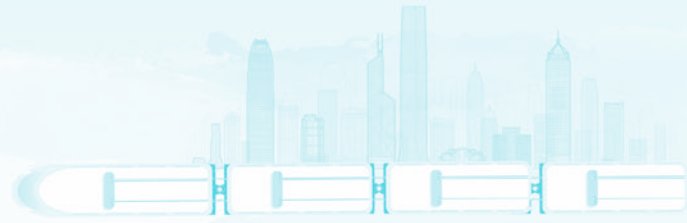
In respect of the new industry sector, IGBT's chips have won orders from projects of China Southern Power Grid, the delivery of Wudongde Flexible DC Transmission Project has been achieved and IGBTs for civil automobiles received batch orders from Guangzhou Automobile and Dongfeng Automobile; the Company has developed joint venture brand for our electric drive system applied in new energy vehicles; our wind power converters and central air conditioning converters continued to be delivered in batches; the Company has received bulk orders for current sensors, and the self-developed Hall ASIC chips have been developed and applied in batches; and the "Shuilong" shallow water trencher successfully conducted subsea tests.

In the past year, the Company spared no effort in innovating mechanisms and systems. The Company has taken key steps in the proposed Initial Public Issue and Listing of A Shares on the Science and Technology Innovation Board, aiming to optimize the allocation of resources, improve operational efficiency and enhance the level of asset management.

### Outlook

As of the end of 2020, China's railway operating mileage reached 146,300 kilometers, of which the high-speed rail mileage reached 37,900 kilometers. The "four vertical and four horizontal" high-speed rail network was completed ahead of schedule while the "eight vertical and eight horizontal" high-speed rail network had been strengthened and formed. 2021 is the opening year of the "14th Five-Year Plan". In the face of the prolonged COVID-19 epidemic and the complicated domestic and international environment, railway investments are expected to maintain stable development and bring development opportunities to the Company.

# Chairman's Report



In 2021, the Company will adhere to the concept of “operating with high quality and high efficiency” and the strategy of “concentric and diversified development”. The Company will deeply cultivate the rail transit field, develop the emerging industries in an innovative manner and give full play to its strong vertical integration capabilities in the industrial chain and cross-professional technical advantages based on the market-oriented principle. In addition, the Company will promote multi-system synergy and complementarity, as well as innovation and integration, and improve quality and empowerment through fine management, so as to steadily improve efficiency and benefits, continuously enhance the innovation of mechanisms and systems and fully realize the Company’s steady development.

In terms of the railway industry, the Company will continue to leverage the advantages of the railway industry platform, step up our efforts on key technology research and accelerate the industrial layout of the maintenance business. In terms of the urban rail industry, the Company will focus on the four core competitiveness of “technology, market, brand and services”, deepen the strategy of “operating cities”, strengthen precision marketing, enhance the product life-cycle management and accelerate the development of maintenance services business. In terms of the rail engineering machinery industry, the Company will comprehensively deepen the synergistic advantage of “system-complete machine-service” of rail engineering machinery, and it will also rely on the railway engineering machinery R&D center to strengthen the technological originality, continue to enrich the product spectrum of railway engineering machinery and promote the development of maintenance service business.

In terms of new industries, the Company will rely on superior resources such as proprietary technology, facilities, channels and brands on rail transit equipment and adhere to the principle of limited diversification to accelerate breakthroughs in new industries and create development boosters.

In terms of the power semiconductors, we will continue to improve the full range of IGBT product models, and will also continue to develop SiC chips and heat-resisting power modules and step up our efforts in market development, striving to increase the market share and brand influence. In the field of the electric drive system for new energy vehicles, we will gradually form a complete product sequence, promote rapid iteration of technology research and development, and build and improve batch delivery capabilities, striving to strengthen our brand image and market share.

Looking forward, the Group has confidence that it can consolidate its position in the industry by leveraging industrial advantages, and will strive to grow businesses, thereby creating greater value for the Shareholders.

**Li Donglin**

*Chairman of the Board*

Zhuzhou, Hunan, the PRC

30 March 2021



# Management Discussion and Analysis

The following discussion and analysis should be read in conjunction with the Group's audited financial statements and their notes as set out in this Annual Report.

## REVENUE

|  | 2020            | 2019     | 2018     |
|--|-----------------|----------|----------|
| Business of railway transportation equipment | <b>13,890.4</b> | 14,434.3 | 13,821.9 |
| Business of emerging equipment               | <b>1,901.2</b>  | 1,765.4  | 1,755.6  |
| Others                                       | <b>242.3</b>    | 104.5    | 80.4     |
| Total revenue                                | <b>16,033.9</b> | 16,304.2 | 15,657.9 |

The Group's revenue decreased by RMB270.3 million from RMB16,304.2 million for the year ended 31 December 2019 to RMB16,033.9 million for the year ended 31 December 2020, representing a decrease of 1.7% year-on-year. The decrease in the Group's revenue is mainly due to the decrease in income from electric multiple unit parts of the business of railway transportation equipment.

## COST OF SALES

The Group's cost of sales increased by RMB101.0 million from RMB9,965.7 million for the year ended 31 December 2019 to RMB10,066.7 million for the year ended 31 December 2020. The increase in the Group's cost of sales was mainly due to the change of product sales mix of the Group.

## GROSS PROFIT

The Group's gross profit decreased by RMB371.3 million from RMB6,338.5 million for the year ended 31 December 2019 to RMB5,967.2 million for the year ended 31 December 2020. The Group's gross profit margin decreased from 38.9% for the year ended 31 December 2019 to 37.2% for the year ended 31 December 2020. The change in gross profit margin was mainly due to the change of product sales mix.

## SELLING EXPENSES

The Group's selling expenses decreased by RMB13.2 million from RMB1,121.0 million for the year ended 31 December 2019 to RMB1,107.8 million for the year ended 31 December 2020. The decrease in selling expenses was mainly due to the sales revenue of the Group for 2020 decreased as compared to last year.

## ADMINISTRATIVE EXPENSES

The Group's administrative expenses decreased by RMB89.2 million from RMB849.9 million for the year ended 31 December 2019 to RMB760.7 million for the year ended 31 December 2020. The decrease in administrative expenses was mainly due to the decrease in management costs of the Group in 2020.

## RESEARCH AND DEVELOPMENT EXPENSES

The Group's research and development expenses increased by RMB80.3 million from RMB1,606.5 million for the year ended 31 December 2019 to RMB1,686.8 million for the year ended 31 December 2020. The increase in research and development expenses was due to the increase in investment in research and development of the Group in 2020.

# Management Discussion and Analysis



## FINANCE COSTS

The Group's finance costs decreased by RMB1.4 million from RMB4.4 million for the year ended 31 December 2019 to RMB3.0 million for the year ended 31 December 2020. The decrease in finance costs was mainly due to the combined effect of increase in interest income and increase in exchange losses of the Group in 2020.

## ASSET IMPAIRMENT LOSSES

The Group's asset impairment losses increased by RMB148.7 million from RMB85.7 million for the year ended 31 December 2019 to RMB234.4 million for the year ended 31 December 2020. During the year, the Group performed impairment tests on the goodwill formed by the acquisition of the SMD Group in 2015 and found that there were signs of impairment and made provision for impairment of RMB154.7 million.

## CREDIT IMPAIRMENT LOSSES

The Group's credit impairment losses decreased by RMB255.4 million from RMB169.8 million for the year ended 31 December 2019 to credit impairment gains of RMB85.6 million for the year ended 31 December 2020. The decrease in credit impairment losses were mainly due to the reversal of provisions for bad debt of trade receivables made by the Group.

## OTHER INCOME

The Group's other income increased by RMB127.0 million from RMB450.5 million for the year ended 31 December 2019 to RMB577.5 million for the year ended 31 December 2020. The increase in other income was mainly due to the increase in government grants received by the Group in 2020.

## INVESTMENT INCOME

The Group's investment income decreased by RMB51.8 million from RMB95.0 million for the year ended 31 December 2019 to RMB43.2 million for the year ended 31 December 2020. The decrease in investment income was mainly due to the increase in losses of long-term equity investments of the Group accounted for using the equity method in 2020.

## GAINS ON FAIR VALUE CHANGES

The gains on fair value changes of the Group decreased by RMB3.5 million from RMB5.8 million for the year ended 31 December 2019 to RMB2.3 million for the year ended 31 December 2020.

## GAINS ON DISPOSAL OF ASSETS

The Group's gains on disposal of assets increased by a gain of RMB6.7 million from losses on disposal of assets of RMB0.3 million for the year ended 31 December 2019 to gains on disposal of assets of RMB6.4 million for the year ended 31 December 2020.

## NON-OPERATING INCOME

The Group's non-operating income increased by RMB32.4 million from RMB33.5 million for the year ended 31 December 2019 to RMB65.9 million for the year ended 31 December 2020.



# Management Discussion and Analysis

## NON-OPERATING EXPENSES

The non-operating expenses of the Group increased by RMB4.5 million from RMB2.1 million for the year ended 31 December 2019 to RMB6.6 million for the year ended 31 December 2020.

## TOTAL PROFIT

The Group's total profit decreased by RMB95.7 million from RMB2,932.6 million for the year ended 31 December 2019 to RMB2,836.9 million for the year ended 31 December 2020. The Group's sales profit margins for the years ended 31 December 2020 and 31 December 2019 were 17.7% and 18.0% respectively.

## INCOME TAX EXPENSE

The Group's income tax expense increased by RMB65.3 million from RMB275.1 million for the year ended 31 December 2019 to RMB340.4 million for the year ended 31 December 2020.

The Company, CRRC Times Electronics, CRRC Times Software, Ningbo CRRC Times, Shenyang CRRC Times, Qingdao CRRC Electric, CRRC National Centre of Converters, Shanghai CRRC SMD and Hunan CRRC Signal 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 CRRC Times was subject to the preferential tax policy of the Development of the Western Region in China, and it was subject to the preferential corporate income tax rate of 15%.

CRRC Times Semiconductor enjoyed the preferential corporate income tax policy of integrate circuit industry and enjoyed the preferential tax policy of "Five years exemptions and five years halve" ("五免五減半").

Chengdu CRRC Electric meets the qualification requirements for small and low-profit enterprises and thus is subject to the corporate income tax rate of 20%.

The effective income tax rates of the Group for the years ended 31 December 2020 and 31 December 2019 were 12.0% and 9.4% respectively.

## NET PROFIT ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT

Net profit attributable to Shareholders of the Parent decreased by RMB183.7 million from RMB2,659.2 million for the year ended 31 December 2019 to RMB2,475.5 million for the year ended 31 December 2020. The decrease in the net profit attributable to Shareholders of the Parent was mainly due to the decrease in revenue of the Group in 2020.

## NON-CONTROLLING INTERESTS

Non-controlling interests increased by RMB22.7 million from negative RMB1.6 million for the year ended 31 December 2019 to RMB21.1 million for the year ended 31 December 2020.

## EARNINGS PER SHARE

Earnings per share decreased by RMB0.15 from RMB2.26 for the year ended 31 December 2019 to RMB2.11 for the year ended 31 December 2020.



# Management Discussion and Analysis

## 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 RMB539.8 million for the current year.

### Net cash inflows from operating activities

The Group's net cash inflow from operating activities decreased by RMB267.9 million from RMB2,015.2 million for the year ended 31 December 2019 to RMB1,747.3 million for the year ended 31 December 2020, which was mainly due to the increase in cash paid for goods and services purchased by the Group as compared to last year.

### Net cash outflows from investing activities

For the year ended 31 December 2020, the Group's net cash outflow from investing activities was RMB629.7 million, which principally includes the cash paid for acquisition of investments of RMB19,986.1 million, and the cash paid for acquisition of fixed assets, intangible assets and other long-term assets of RMB1,855.2 million.

### Net cash outflows from financing activities

For the year ended 31 December 2020, the Group's net cash outflow from financing activities was RMB545.2 million. The cash outflow item in financing activities was mainly the amount of RMB552.3 million of cash paid for distribution of dividend or profits and for interest expenses.

## LIQUIDITY

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

## COMMITMENTS

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

|                                 | 31 December<br>2020<br>(RMB million) | 31 December<br>2019<br>(RMB million) |
|---------------------------------|--------------------------------------|--------------------------------------|
| Contracted but not provided for |                                      |                                      |
| Capital commitments             | 940.5                                | 426.1                                |
| Investments in subsidiaries     | 50.0                                 | 50.0                                 |
| Total                           | 990.5                                | 476.1                                |

# Management Discussion and Analysis

## INDEBTEDNESS

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

|   | 31 December<br>2020<br>(RMB million) | 31 December<br>2019<br>(RMB million) |
|---|--------------------------------------|--------------------------------------|
| Short-term borrowings   | 278.2                                | 146.6                                |
| Long-term borrowings (inclusive of amounts due within one year) | 163.2                                | 235.6                                |
| Total   | <b>441.4</b>                         | <b>382.2</b>                         |

The Group's borrowings were mainly fixed rate loans, with mainly UK Pound sterling as the currency unit.

Maturity analysis:

|                         | 31 December<br>2020<br>(RMB million) | 31 December<br>2019<br>(RMB million) |
|-------------------------|--------------------------------------|--------------------------------------|
| Due within 1 year       | 358.7                                | 151.7                                |
| Due within 1 to 2 years | 5.0                                  | 147.8                                |
| Due within 2 to 5 years | 15.0                                 | 15.0                                 |
| Due over 5 years        | 62.7                                 | 67.7                                 |
| Total                   | <b>441.4</b>                         | <b>382.2</b>                         |

As at 31 December 2020, the annual interest rates for loans above were 0.44%–2.32% (31 December 2019: 1.08%–4.92%).

Pursuant to the relevant borrowing agreements, as at 31 December 2020, no loans were entitled to priority to be repaid with certain assets if the Group is incapable of repayment.

## PLEDGE

As at 31 December 2020, no fixed assets (31 December 2019: nil) was pledged to secure general banking facilities granted to the Group.

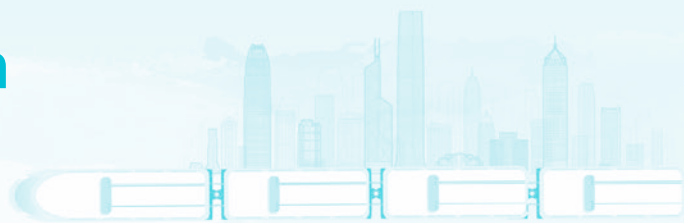
As at 31 December 2020, the Group pledged no land use rights (31 December 2019: nil) to obtain bank borrowings.

## 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 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 2020 and in 2019.

# Management Discussion and Analysis



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 financial liabilities at FVTPL, 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 7.7% as at 31 December 2020 and 15.6% as at 31 December 2019.

## OPERATING SEGMENTS

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

## CONTINGENT LIABILITIES

The Group did not have any material contingent liabilities as at 31 December 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.

## PLANS FOR MAJOR INVESTMENTS IN THE FUTURE

In March 2019, the Company started the construction of automotive parts assembly project (the "Project"). The total investment amount of the Project is estimated to be approximately RMB3,337.7 million, which will be funded by the internal resources of the Group. The project has achieved process integration in 2020. with its infrastructure construction and the expansion of factory systems completed and put into use. As at the date of this annual report, the construction of the package lines for the Project is underway.

## 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, the UK Pound sterling, European dollar and Hong Kong 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.

### 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 subsections headed "Directors' Report – Share appreciation rights scheme" and "Directors' Report – Employees and remuneration policy" respectively for details on the number and remuneration policies of employees, bonus and share appreciation rights scheme and training scheme.

# Directors, Supervisors and Senior Management

## DIRECTORS



**Li Donglin**, male, born in 1967 and aged 54, a Chinese citizen without permanent residency abroad. Mr. Li graduated from Southwest Jiaotong University with a bachelor's degree in Electric Traction and Drive Control in 1989. He is a senior engineer. Mr. Li joined CRRC ZELRI in July 1989 and held the positions of deputy chief engineer, deputy general manager of the rail transport department, director of the manufacturing centre, deputy general manager of the sales and marketing centre of CRRC ZELRI. Mr. Li served as the chief marketing officer of the Company from September 2005 to December 2007 and vice president and Party secretary of the Company from December 2007 to December 2009. From January 2010 to April 2010, he served as the general manager of the Company. From April 2010 to January 2016, he served as an executive director and the general manager of the Company. Mr. Li was a director, the general manager and deputy Party secretary of CRRC ZELRI from December 2015 to May 2018. He has been the chairman of the board of directors and Party secretary of CRRC ZELRI since May 2018. Mr. Li was the Vice Chairman of the Board and an executive Director of the Company from March 2017 to July 2018, and has been the Chairman of the Board and an executive Director of the Company since July 2018. He currently serves as the Chairman of the Board and an executive Director of the Company.



**Liu Ke'an**, male, born in 1971 and aged 50, a Chinese citizen without permanent residency abroad. Mr. Liu graduated from the Department of Electrical Engineering of Tongji University with a bachelor's degree in Industrial Electrical Automation in 1994 and graduated from Zhongnan University of Economics and Law with a master's degree in Corporate Management in 2008, and graduated from Central South University in December 2015 with a doctor's degree in transportation and communication engineering. He is a professorate senior engineer. He joined CRRC ZELRI in August 1994 and served as engineer, the chief engineer, senior engineer and the chief designer of CRRC ZELRI. Mr. Liu held various positions such as director of the drive technology department of technology centre, director of systems project department of the technology centre, deputy director and director of the technology centre of the Company since September 2005. He was an employee representative supervisor of the Company from December 2007 to January 2010, the chief technology officer of the Company from January 2010 to June 2012 and the vice general manager and the chief engineer of the Company from June 2012 to January 2016. From January 2016 to August 2020, he served as an executive director and the general manager of the Company. Mr. Liu has been a director and the general manager of CRRC ZELRI since August 2020, and has been the Vice Chairman of the Board and an executive Director of the Company since September 2020. He currently serves as the Vice Chairman of the Board and an executive Director of the Company.

# Directors, Supervisors and Senior Management



**Shang Jing**, male, born in 1977 and aged 44, a Chinese citizen without permanent residency abroad. Mr. Shang graduated with a bachelor's degree in Mechanical and Electrical Engineering and a master's degree in Power System and Automation from Southwest Jiaotong University in July 2000 and April 2003, respectively. In December 2016, he graduated from Central South University with a doctor degree in control science and engineering. He is a professorate senior engineer. He joined CRRC ZELRI in July 2003 as an engineer at the R&D centre. He served as an engineer at the R&D centre, the director and the deputy director of the industrial drive department of the Company from September 2005 to May 2011, and the deputy director and the director of the foundation and platform research and development centre of CRRC ZELRI Research Institute from June 2011 to February 2015, respectively. He was also the vice chief engineer and the director of the foundation and platform research and development centre of CRRC ZELRI Research Institute from February 2015 to January 2016. He has been serving as the deputy director of the Management Committee of the National Key Laboratories of New Power Semiconductor Devices since February 2016. From January 2016 to September 2020, he served as a vice general manager and chief engineer of the Company. He has been serving as an executive director and the general manager of the Company since September 2020.



**Yan Wu**, male, born in 1967 and aged 54, a Chinese citizen without permanent residency abroad. Mr. Yan graduated from Northwestern Polytechnical University with a bachelor's degree in Electro-Technology in 1989 and a master's degree in Aircraft Navigation and Control in 1992. He is a senior engineer. He joined CRRC ZELRI in 1992. Mr. Yan served as the director of the technical standards department of the Company from September 2005 to December 2007 and as the director of the securities and legal affairs department of the Company from January 2007 to January 2014. From December 2010 to March 2014, he served as a non-executive director of the Company. Mr. Yan was appointed as the secretary to the Board of the Company in December 2007, a vice general manager of the Company in June 2012, an executive director of the Company in March 2014 and the General Legal Counsel of the Company in October 2019. He currently serves as an executive director, vice general manager, the secretary to the Board and the General Legal Counsel of the Company.



**Zhang Xinning**, male, born in 1964 and aged 57, a Chinese citizen without permanent residency abroad. Mr. Zhang graduated from Northern Jiaotong University (currently known as Beijing Jiaotong University) with a bachelor's degree in electric traction and transmission control in 1989 and a master's degree in system engineering in 2001, respectively. He is a professorate senior engineer entitled to the special government subsidy from the State Council. Mr. Zhang served as the deputy head of the Equipment Technology Division of the Department of Technology and Education of the Ministry of Railways, the deputy chief engineer, deputy chief engineer and the general manager of the locomotives business department of CSR Group. He also served as the deputy general manager and chief engineer of CRRC Zhuzhou, the chief engineer of CSR Group as well as the chief engineer of CSR. Since June 2015, he has been serving as the chief engineer of CRRC. Mr. Zhang has been a non-executive Director of the Company since August 2017.

# Directors, Supervisors and Senior Management



**Chan Kam Wing, Clement**, male, born in 1958 and aged 63, an Australian citizen with permanent residence in Hong Kong and Australia. Mr. Chan obtained a bachelor's degree in Accounting and a master's degree in Commerce in the United Kingdom and Australia, respectively. He is a certified public accountant in Hong Kong. Mr. Chan was the Asian regional director and a board member of Horwath International from 1996 to April 2009. Mr. Chan has been the managing director of BDO Limited since May 2009. Mr. Chan was elected as a council member of the HKICPA from 2007 to 2014, during which he was elected as the vice president of the HKICPA in 2012 and 2013, and was further elected as the president of HKICPA in 2014. From 2010 to 2013, he was appointed as the chairman of the financial reporting standards committee of the HKICPA and was responsible for the research, editing and promulgation of the Hong Kong Financial Reporting Standards. In 2015, he was appointed as the honorary advisor of the Hong Kong Financial Reporting Council. Mr. Chan also served as the chairman of the Asian-Oceanian Standard Setters Group in 2014 and 2015 and attended various international conferences on the setting of accounting standards on behalf of Hong Kong. In addition, he was awarded an Honorary Fellowship by the Open University of Hong Kong in 2018 in recognition of his contribution to society and outstanding achievements. In May 2019, he was appointed as a non-executive director of the Hong Kong Securities and Futures Commission. Mr. Chan has been an independent non-executive Director of the Company since September 2005.



**Pao Ping Wing**, male, born in 1947 and aged 74, a Chinese citizen with permanent residence in Hong Kong. Since 1987, Mr. Pao has been appointed as the independent non-executive director of various companies listed on the Stock Exchange. Mr. Pao has substantial experiences in corporate governance. Mr. Pao is currently an independent non-executive director of Oriental Press Group Limited, Sing Lee Software (Group) Limited, Maoye International Holdings Limited, Capital Environment Holdings Limited and Soundwill Holdings Limited. Mr. Pao was appointed as a Justice of Peace in 1987. He was also appointed by the Hong Kong government as a member of the Town Planning Board, the Advisory Council on the Environment, the Hong Kong Housing Authority and the Land Development Corporation. Mr. Pao has been an independent non-executive Director of the Company since September 2005.



**Liu Chunru**, female, born in 1971 and aged 50, a Chinese citizen without permanent residency abroad. Ms. Liu graduated from Chongqing University with a bachelor's degree in Engineering in 1994 and graduated from Tsinghua University with a master's degree in Business Administration in 2008. She is a certified assets valuer. Ms. Liu was the vice president of Beijing China Enterprise Appraisal Co., Ltd. and the president of Zhongfa International Appraisal Co., Ltd. She has been an executive director of Huibao Shuanghe (Beijing) Investment Management Co., Ltd. since September 2011, a director of Beijing Boviss Technology Co., Ltd. since November 2011 and the vice chairman of the board of Beijing Zhuoxindahua Appraisal Co., Ltd since September 2012. Ms. Liu was a supervisor of the Company from September 2005 to April 2008. Ms. Liu has been an independent non-executive Director of the Company since June 2008.

# Directors, Supervisors and Senior Management



**Chen Xiaoming**, male, born in 1963 and aged 58, a Chinese citizen without permanent residency abroad. Mr. Chen graduated from the Law Department of Southwest University of Political Science & Law with a bachelor's degree in Laws in 1985. He graduated from the Law Department of Southwest University of Political Science & Law in 1988 with a master's degree in Laws. He is a lawyer. Mr. Chen was a lawyer of Shenzhen Foreign Economic Law Firm from July 1988 to December 1993. Mr. Chen was a partner and lawyer of Guangdong Huaye Law Firm from January 1994 to December 2002. He was a partner and lawyer of Guangdong Shengdian Law Firm from January 2003 to December 2006. He has been a lawyer, a partner and currently a consultant of Beijing Zhonglun (Shenzhen) Law Firm since January 2007. He has been an independent non-executive Director of the Company since March 2017.



**Gao Feng**, male, born in 1977 and aged 44, a Chinese citizen without permanent residency abroad. Mr. Gao graduated from Tsinghua University majoring in Electrical Engineering with a bachelor's degree and a master's degree in 2000 and 2003, respectively. He also obtained a doctor's degree in Electrical Engineering from University of Washington in the United States of America in June 2008. He is a professorate senior engineer. Mr. Gao served as a senior researcher at the sustainable energy and electrical grid laboratory at the Technical University of Berlin in Germany from January 2008 to April 2010. Between April 2010 to April 2015, he was a senior researcher of IBM China Research Institute. Since April 2015, Mr. Gao has been serving as the vice president of the Energy Internet Research Institute of Tsinghua University. From June 2015 to December 2019, Mr. Gao served as a director of Beijing Tsingsoft Technology Co., Ltd.\* (北京清軟創新科技股份有限公司). Mr. Gao has been an independent non-executive Director of the Company since August 2018.

## SUPERVISORS



**Li Lüe**, male, born in 1969 and aged 52, a Chinese citizen without permanent residency abroad. Mr. Li graduated from the Hunan Finance and Economics College in July 1990 majoring in accounting. From September 2000 to June 2003, he studied accounting at the Hunan University Network College. In December 2010, Mr. Li graduated from Kunming University of Science and Technology with a master's degree in business administration. He is a senior accountant. Mr. Li Lüe joined CRRC Zhuzhou in July 1990, where he held several positions including an accountant and chief accountant of the branch, an accountant and the deputy director of the finance department as well as the director of the restructuring office. From November 2005 to March 2006, Mr. Li successively served as the director of the audit department and the secretary to Party branch of CRRC Zhuzhou. From March 2006 to January 2008, he served as chief accountant of CSR Shijiazhuang Vehicle Factory. From January 2008 to December 2010, he served as deputy director general and chief financial officer of CSR Shijiazhuang Vehicle Co., Ltd. From January 2011 to August 2018, he served as deputy general manager and chief financial officer of Guangzhou Locomotive Co., Ltd. From August 2018 to May 2019, he served as deputy general manager of Guangzhou Locomotive Co., Ltd. Since May 2019, Mr. Li has been serving as deputy general manager and chief financial officer of CRRC ZELRI. Mr. Li has been the Chairman of the Supervisory Committee and a supervisor of the Company since June 2019.

# Directors, Supervisors and Senior Management



**Pang Yiming**, male, born in 1964 and aged 57, a Chinese citizen without permanent residency abroad. Mr. Pang graduated from Central South University in 2004. Mr. Pang joined CRRZ ZELRI in October 1982 and held the positions of assistant to the general manager of the manufacturing centre of CRRZ ZELRI and deputy general manager, the chief production officer and director of the production department of Times Electronics. Mr. Pang served as assistant director of the marketing management department of the marketing centre of the Company from January 2007 to January 2009, director of the marketing management department of the Company from January 2009 to December 2009, and director of the operation management department of the Company from January 2010 to December 2011. Mr. Pang was the general manager and the secretary to Party branch of the printed circuit business department of the Company from January 2012 to July 2016. He was the general manager of the electrical interconnection technology business unit of the Company from July 2016 to March 2018. Mr. Pang has been a chairman of expert committee of the industrial development committee (preparation) of the Company since March 2018. Mr. Pang has been an employee representative supervisor of the Company since September 2005.



**Zhou Guifa**, male, born in 1964 and aged 57, a Chinese citizen without permanent residency abroad. Mr. Zhou graduated from Dalian Railway Institute with a bachelor's degree in Engineering in 1985, obtained a master's degree in Engineering from Central South University in 1997 and a doctor's degree in Engineering from Tongji University in 2009. He joined CRRZ ZELRI in 1985 and has held various positions such as engineer, senior engineer and professorate engineer at the R&D centre of CRRZ ZELRI and the technology centre of the Company. Mr. Zhou served as the chief technology officer of Shanghai branch of the technology centre of the Company from September 2005 to December 2006, and has been the chief expert of the Company since January 2007. He was voted as the chief technical expert of CSR in 2011, as the Principal Design Expert of CRRZ in 2016 and as a scientist of CRRZ in 2018. Mr. Zhou has been an employee representative supervisor of the Company since January 2010.

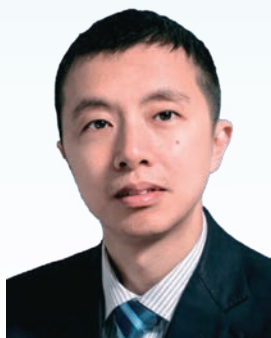


**Geng Jianxin**, male, born in 1954 and aged 67, a Chinese citizen without permanent residency abroad. In 1987, Mr. Geng graduated from Zhongnan University of Economics and Law majoring in accounting and obtained a master's degree in economics. In 1993, he graduated from Renmin University of China majoring in accounting and obtained a doctorate in management. He is entitled to the special government subsidy from the State Council. From 1993 to 2019, he served as associate professor, professor, doctoral supervisor, director of teaching and research section, executive deputy director, secretary of the Party Committee of the School of Business and chairman of the Academic Committee of the School of Business at Renmin University of China. In January 2021, he resigned as independent director of Jangho Group Company Limited and Shenzhen Tatfook Technology Co., Ltd. He is currently a consultant of the China Audit Society, deputy director of the Accounting Society of China, a distinguished professor of Hebei University of Economics and Business and a distinguished professor of North China University of Technology, and also serves as an independent director of Capitalonline Data Service Co., Ltd, New China Life Insurance Company Ltd. and Suzhou QingYue Optoelectronics Technology Co Ltd. Mr. Geng has been an independent supervisor of the Company since June 2011.



# Directors, Supervisors and Senior Management

## SENIOR MANAGEMENT



**Shang Jing**, an executive Director and the general manager. Biographical details of Mr. Shang are set out in the “Directors” section.



**Niu Jie**, male, born in 1968 and aged 53, a Chinese citizen without permanent residency abroad. Mr. Niu graduated from Central South University in June 2003 with an undergraduate certificate of graduation in machinery design, manufacturing and automation. He is an engineer. Mr. Niu was a technician and office director of the loading and unloading machinery plant of Lanzhou Railway Bureau from February 1988 to October 1994. He joined CRRC ZELRI in October 1994 and served as the director of the production department of the PCB plant, the sales director of the production and operation department and the vice general manager of the marketing centre of CRRC ZELRI. He was the deputy general manager of the marketing centre of the Company from September 2005 to December 2006 and the general manager of the locomotives business department of the marketing centre of the Company from January 2007 to December 2008. He was the general manager of the locomotives business department of the Company from January 2009 to May 2013 and was deputy chief economist of the Company from January 2010 to June 2012. Mr. Niu has been a vice general manager of the Company since June 2012 and the Party secretary of the Company since October 2018. He currently serves as the Party secretary and a vice general manager of the Company.



**Tan Yongneng**, male, born in 1970 and aged 51, a Chinese citizen without permanent residency abroad. Mr. Tan graduated from Xiangtan University majoring in Electrical Technology in 1995. He attended the on-the-job postgraduate programme in Psychology and Human Resources of Peking University in 2000, and obtained a certificate of graduation by completing the full postgraduate programme in July 2002. He attended the on-the-job MBA programme of Business School of Central South University in 2003 and obtained a certificate of graduation by completing the full postgraduate programme in July 2005. He joined CRRC ZELRI in July 1990, and has held various positions such as director of general manager’s office of Times Electronics, director of department of Party and mass affairs and director of Party office of CRRC ZELRI. He was director of department of Party and mass affairs and director of department of auditing of the Company from December 2004 to December 2005, director of department of Party and mass affairs and director of Party office of CRRC ZELRI from December 2005 to December 2007, and director of administration office and director of secretary office of decision-making committee of CRRC ZELRI from January 2008 to January 2010. Mr. Tan was the chief administration officer and the chairman of the labour union of the Company from January 2010 to January 2018, and has been the secretary of Party discipline inspection commission, the chief administration officer and the chairman of the labour union of the Company since January 2018.

# Directors, Supervisors and Senior Management



**Yan Wu**, an executive Director, a vice general manager, the secretary to the Board and General Legal Counsel. Biographical details of Mr. Yan are set out in the “Directors” section.



**Yan Changqi**, male, born in 1968 and aged 53, a Chinese citizen without permanent residency abroad. Mr. Yan graduated with a bachelor’s degree in Machinery Manufacturing Technology and Equipment (機械製造工藝與設備) from Xi’an Jiaotong University in 1991. He is a senior engineer. He joined CRRC ZELRI in August 1991 and has held various positions such as the director of the sales department of the marketing centre, the deputy director of Foreign Economic Cooperation Office (FECO), a vice general manager of the marketing centre of CRRC ZELRI, the chief marketing officer of Times Electronics and the chief marketing officer of the passenger car electric business department. Mr. Yan served as the general manager of the EMU business department of the Company from January 2007 to December 2009, a vice chief economist of the Company from January 2010 to January 2013, the assistant to general manager and the general manager of the EMU business department of the Company from February 2013 to May 2013, and the assistant to general manager and the general manager of the railway business department of the Company from May 2013 to January 2016. Mr. Yan has been a vice general manager of the Company since January 2016.



**Gong Tong**, male, born in 1974 and aged 47, a Chinese citizen without permanent residency abroad. Mr. Gong graduated from Southwest Jiaotong University with a bachelor’s degree in Electric Traction and Transmission Control in July 1996. He is a senior engineer. Mr. Gong joined CRRC ZELRI in August 1996 and has worked for the technical service department, after-sales service department and quality service department of the electrical equipment factory of CRRC ZELR, Zhuzhou Times Fittings Technical Service Co., Ltd. and the technical service department. He has taken various positions as a marketing center service director, director of the quality and safety department, general manager of after-sales service department and director of planning and development department of the Company from January 2005 to July 2011, a general manager of Guangzhou CRRC Times from July 2011 to April 2013, a deputy general manager of the business division for urban railway equipment of the Company from May 2013 to February 2016, a deputy chief economist, director of planning and development department, general manager of the business division for new industry of the Company from February 2016 to July 2017, and a deputy chief economist and general manager of the business division for urban railway equipment of the Company from July 2017 to March 2020. Mr. Gong has been a deputy general manager of the Company since March 2020.

# Directors, Supervisors and Senior Management



**Yu Kang**, male, born in 1978 and aged 43, a Chinese citizen without permanent residency abroad. Mr. Yu graduated from Nanchang Hangkong University with a bachelor's degree in Mechanical and Electrical Engineering in July 2000. He is a senior engineer. Mr. Yu joined CRRC ZELRI in August 2000 and has worked for the equipment department and engineering technology department of the manufacturing centre of CRRC ZELRI. He has taken various positions such as a director of the electronic equipment factory of the manufacturing centre and a director of the general management department of the Company from June 2005 to January 2011, a director of the general manager's office of the Company from January 2011 to February 2016, a director of the general manager's office and a general manager of the business division for automobile of the Company from February 2016 to March 2017, a general manager of the business division for automobile of the Company from March 2017 to February 2018, and a deputy chief economist and general manager of the business division for automobile of the Company from February 2018 to March 2020. Mr. Yu has been a director of Wuxi CRRC Hofer Powertrain CO., Ltd. since October 2018. Mr. Yu has been the general manager of Wuxi CRRC Hofer Powertrain CO., Ltd. since March 2020. Mr. Yu has been the chairman of Wuxi Times Intelligent Transportation Research Institute Co., Ltd. since January 2021. Mr. Yu has been a deputy general manager of the Company since March 2020.



**Liu Zehua**, male, born in 1968 and aged 53, a Chinese citizen without permanent residency abroad. Mr. Liu graduated from the Hunan Finance and Economics College in 1992. In 1999, he graduated from Sichuan University with a bachelor's degree in accounting. He is an accountant. He joined CRRC Zhuzhou from 1992 to 2004 where he served as an accountant and the head of cost team of the finance department. From 2004 to 2007, Mr. Liu served as the chief financial officer of Zhuzhou Jiufang Casting Co., Ltd. From 2007 to 2016, he served successively as an assistant to the head of the Company's financial assets department and head of the financial assets department of the Company. From April 2016 to March 2020, he served as deputy general manager of the wind power division and chief financial officer of CRRC ZELRI. Mr. Liu has been a deputy general manager and chief financial officer of the Company since March 2020.



**Xu Shaolong**, male, born in 1984 and aged 37, a Chinese citizen without permanent residency abroad. Mr. Xu graduated from Zhejiang University with a bachelor's degree in automation in 2006 and a master's degree in electrical engineering in 2016, respectively. Mr. Xu is a senior engineer. From August 2006 to April 2013, he served as an engineer at the technology center of the Company. From May 2013 to April 2014, he served as an engineer of CRRC ZELRI Research Institute. From April 2014 to June 2017, he served successively as system technology application engineer of the transmission control department, system technology group leader and director of the transmission control department of the Company's technology center. From June 2017 to February 2018, he served as deputy director of the Company's rail transit technology center. From February 2018 to October 2020, he served as the director of the Company's rail transit technology center. Since 2 November 2020, Mr. Xu has been the deputy general manager of the Company.

# Directors, Supervisors and Senior Management



**Mei Wenqing**, male, born in 1982 and aged 39, a Chinese citizen without permanent residency abroad. Mr. Mei graduated from Huazhong University of Science and Technology with a bachelor's degree in electrical engineering and automation in June 2004 and a master's degree in electric machines and electric apparatus in March 2007, respectively. He is a senior engineer. From April 2007 to October 2008, he served as the software designer of the transmission control department of the Company's technology center. From October 2008 to January 2012, he served as the software designer of the industrial transmission department of the Company's technology center. From January 2012 to January 2013, he served as the head of the control software group of the industrial transmission department of the basic and platform R&D center of CRRC ZELRI Research Institute. From January 2013 to March 2016, he served as the group leader of asynchronous motor control group and the head of the converter control platform department of the basic and platform R&D center of CRRC ZELRI Research Institute. From March 2016 to February 2018, he served as the deputy director of the basic and platform R&D center of CRRC ZELRI Research Institute, and served as the director of the center from March 2018 to October 2020. Since 2 November 2020, Mr. Mei has been the deputy general manager and the chief engineer of the Company.



**Yi Weihua**, male, born in 1982 and aged 39, a Chinese citizen without permanent residency abroad. Mr. Yi graduated from East China Jiaotong University with a bachelor's degree in electrical engineering and automation in July 2004 and graduated from Central South University with a master's degree in business administration in November 2017. He is a senior engineer. From August 2004 to March 2010, he served as a process engineer in the engineering technical department of the Company's manufacturing center. From March 2010 to July 2012, he served as the head of the engineering technical department of the Company's manufacturing center. He served as deputy director and director of the pilot plant of the Company's manufacturing centre from July 2012 to February 2016. From February 2016 to March 2017, he served as the deputy director of the rail transit technology centre and deputy director of the manufacturing centre of the Company. From March 2017 to April 2017, he served as the head of the operation management department of the Company. He served as the head of the operation management department and director of the Environmental Protection Office of the Company from April 2017 to February 2018. From February 2018 to March 2020, he served as the director of the Company's manufacturing center. From March 2020 to October 2020, he served as the Company's deputy chief economist and director of the manufacturing center. Mr. Yi has been the deputy general manager of the Company since 2 November 2020.

# Directors, Supervisors and Senior Management



**Cao Weichen**, male, born in 1983 and aged 38, a Chinese citizen without permanent residency abroad. Mr. Cao graduated from Hunan University of Technology with a bachelor's degree in English in June 2007 and graduated from Hunan University with a master's degree in software engineering in December 2017. He is an assistant translator. From August 2007 to June 2011, he served as the intellectual property specialist of the Technology Management Department of the Company. From June 2011 to November 2011, he served as the sales manager of the second sales department of the Company's EMU business department. From November 2011 to June 2013, he served as the sales manager of the first sales department of the Company's EMU business department. From June 2013 to January 2014, he served as the head of the second sales department of the Company's EMU business department. From January 2014 to April 2015, he served as the head of the EMU marketing department of the Company's railway business department. From April 2015 to January 2016, he served as the deputy general manager (intercity market) of the Company's railway business department. From January 2016 to January 2019, he served as deputy director of the General Manager's Office of CRRC ZELRI. From January 2019 to March 2020, he served as director of the General Manager's Office of CRRC ZELRI. From March 2020 to October 2020, he served as the general manager of the Company's urban rail business department. Mr. Cao has been the deputy general manager of the Company since 2 November 2020.



**Tang Tuong Hock, Gabriel**, male, born in 1953 and aged 67, a Malaysian citizen with permanent residency in Hong Kong. He is the company secretary. Mr. Tang has been a member of the Institute of Chartered Accountants in England and Wales since 1981 and is also a member of the Chartered Association of Certified Accountants in the United Kingdom. Mr. Tang has more than 20 years of experience in accounting and management in various industries. He was appointed as qualified accountant and joint company secretary of the Company from July 2006 to June 2011. Mr. Tang has served as the joint company secretary and the authorised representative of CRRC since December 2017. Mr. Tang has served as the company secretary and the authorized representative of the Company since July 2011.

# Directors, Supervisors and Senior Management

## (II) POSITIONS HELD BY DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

As of the date of this report, the positions held by directors, supervisors and senior management of the Company are as follows:

| Name                               | Position in the Company  | Position in the Company's holding subsidiary | Part-time entity   | Part-time position           | Relationship between the part-time entity and the Company                                     |
|------------------------------------|--|--|--|------------------------------|---|
| Li Donglin                         | Chairman of the Board and executive Director   | None   | CRRC ZELRI   | Chairman and Party secretary | The direct controlling shareholder of the Company   |
| Liu Ke'an                          | Vice Chairman of the Board and executive Director  | Chairman of Canada Dynex                     | CRRC ZELRI   | Director and general manager | The direct controlling shareholder of the Company   |
|                                    |  |  | Shiling  | Chairman                     | An investee company of the Company  |
|                                    |  |  | Wuxi CRRC Hofer Powertrain CO., Ltd.   | Chairman                     | An investee company of the Company  |
|                                    |  |  | Zhuzhou Guochuang Railway Technology Company Limited   | Vice chairman                | An investee company of CRRC ZELRI (the direct controlling shareholder of the Company)         |
| Shang Jing                         | Executive Director and general manager   |  | the Management Committee of the National Key Laboratories of New Power Semiconductor Devices | Deputy director              | None  |
|                                    |  |  | CRCC Zhuzhou Traction Electrical Equipment Test & Certification Co., Ltd.                    | Director                     | A majority-owned subsidiary of CRRC ZELRI (the direct controlling shareholder of the Company) |
| Yan Wu                             | Executive Director, vice general manager, the secretary to the Board and the General Legal Counsel | Executive director of HK Electric            | None   | None                         | None  |
| Zhang Xinning                      | Non-executive Director   | None   | CRRC   | Chief engineer               | The indirect controlling shareholder of the Company   |
| Chan Kam Wing, Independent Clement | Independent non-executive Director   | None   | BDO Limited  | Managing director            | None  |
|                                    |  |  | Hong Kong Securities and Futures Commission  | Non-executive director       | None  |
|                                    |  |  | Hong Kong Mortgage Corporation Limited   | Non-executive director       | None  |
|                                    |  |  | Hong Kong Financial Reporting Council  | Honorary advisor             | None  |

# Directors, Supervisors and Senior Management

| Name          | Position in the Company                              | Position in the Company's holding subsidiary | Part-time entity   | Part-time position                                 | Relationship between the part-time entity and the Company                                     |
|---------------|--|--|--|--|---|
| Pao Ping Wing | Independent non-executive Director                   | None   | Oriental Press Group Limited (listed on the Stock Exchange, stock code: 00018)         | Independent non-executive director                 | None  |
|               |  |  | Sing Lee Software (Group) Limited (listed on the Stock Exchange, stock code: 8076)     | Independent non-executive director                 | None  |
|               |  |  | Maoye International Holdings Limited (listed on the Stock Exchange, stock code: 848)   | Independent non-executive director                 | None  |
|               |  |  | Soundwill Holdings Limited (listed on the Stock Exchange, stock code: 878)             | Independent non-executive director                 | None  |
|               |  |  | Capital Environment Holdings Limited (listed on the Stock Exchange, stock code: 03989) | Independent non-executive director                 | None  |
| Liu Chunru    | Independent non-executive Director                   | None   | Beijing Zhuoxindahua Appraisal Co., Ltd  | Vice chairman                                      | None  |
|               |  |  | Beijing Boviss Technology Co.,Ltd.   | Director   | None  |
|               |  |  | Huibao Shuanghe (Beijing) Investment Management Co., Ltd.                              | Executive director                                 | None  |
| Chen Xiaoming | Independent non-executive Director                   | None   | Beijing Zhonglun (Shenzhen) Law Firm   | Consultant and lawyer                              | None  |
| Gao Feng      | Independent non-executive Director                   | None   | Energy Internet Research Institute of Tsinghua University                              | Vice president                                     | None  |
| Li Lüe        | Chairman of the Supervisory Committee and supervisor | None   | CRRC ZELRI   | Deputy general manager and chief financial officer | The direct controlling shareholder of the Company   |
|               |  |  | Times New Materials  | Director   | A majority-owned subsidiary of CRRC ZELRI (the direct controlling shareholder of the Company) |
|               |  |  | CRRC Times Electric Vehicle Co., Ltd.  | Chairman of the supervisory board                  | An investee company of CRRC ZELRI (the direct controlling shareholder of the Company)         |
|               |  |  | CRRC Beijing Heavy Industry and Mechanics Co., Ltd.                                    | Supervisor   | A majority-owned subsidiary of CRRC ZELRI (the direct controlling shareholder of the Company) |
|               |  |  | CRRC Zhuzhou Institute (Hong Kong) Co., Limited  | Director   | A majority-owned subsidiary of CRRC ZELRI (the direct controlling shareholder of the Company) |

# Directors, Supervisors and Senior Management

| Name         | Position in the Company  | Position in the Company's holding subsidiary   | Part-time entity   | Part-time position                                 | Relationship between the part-time entity and the Company |
|--------------|--|--|--|--|---|
| Geng Jianxin | Independent supervisor   | None   | China Audit Society  | Consultant   | None  |
|              |  |  | Accounting Society of China  | Deputy director                                    | None  |
|              |  |  | Hebei University of Economics and Business   | Distinguished professor                            | None  |
|              |  |  | North China University of Technology   | Distinguished professor                            | None  |
|              |  |  | Jangho Group Company Limited (listed on the Shanghai Stock Exchange, stock code: 601866)   | Independent director (resigned on 7 January 2021)  | None  |
|              |  |  | Capitalonline Data Service Co., Ltd (listed on the Shenzhen Stock Exchange, stock code: 300846)  | Independent director                               | None  |
|              |  |  | New China Life Insurance Company Ltd. (listed on the Shanghai Stock Exchange, stock code: 601336; listed on the Hong Kong Stock Exchange, stock code: 01336) | Independent director                               | None  |
|              |  |  | Shenzhen Tatfook Technology Co., Ltd (listed on the Shenzhen Stock Exchange, stock code: 300134)   | Independent director (resigned on 13 January 2021) | None  |
|              |  |  | Suzhou QingYue Optoelectronics Technology Co Ltd.  | Independent director                               | None  |
| Niu Jie      | Vice general manager   | Directors of USA CRRC Times Electric, Australia CRRC Times Electric and Brazil CRRC Times Electric | None   | None   | None  |
| Tan Yongneng | Secretary of Party discipline inspection commission, the chief administration officer and the chairman of the labour union | Director of Qingdao CRRC Electric  | None   | None   | None  |



# Directors, Supervisors and Senior Management



| Name        | Position in the Company | Position in the Company's holding subsidiary  | Part-time entity   | Part-time position           | Relationship between the part-time entity and the Company  |
|-------------|-------------------------|---|--|------------------------------|--|
| Yan Changqi | Vice general manager    | Chairman of Qingdao CRRC Electric, executive director of Ningbo CRRC Electric, director of Lanzhou CRRC Times and Shanghai CRRC Rail Transit                            | Wenzhou Electric   | Director                     | An investee company of the Company   |
|             |                         |   | Shiling  | Director                     | An investee company of the Company   |
|             |                         |   | Siemens Traction Equipment Ltd., Zhuzhou                           | Director                     | An investee company of the Company   |
| Gong Tong   | Vice general manager    | Chairman of Guangzhou CRRC Times and Chongqing CRRC Times Electric Technology Co., Ltd., executive director of Hunan CRRC Signal and director of Hangzhou CRRC Electric | Xicheng CRRC (Wuxi) Urban Transit Transport Engineering Co., Ltd.  | Director                     | An investee company of the Company   |
| Yu Kang     | Vice general manager    | Chairman of UK CRRC SMD and chairman of Shanghai CRRC SMD   | Wuxi CRRC Hofer Powertrain CO., Ltd.                               | Director and general manager | An investee company of the Company   |
|             |                         |   | Wuxi Times Intelligent Transportation Research Institute Co., Ltd. | Chairman                     | An investee company of the Company   |
| Cao Weichen | Vice general manager    | Director of Hangzhou CRRC Electric and director of Guangzhou CRRC Times   | Fuzhou Jintou Intelligent Rail Transportation Equipment Co., Ltd.  | Chairman                     | A majority-owned subsidiary of Zhuzhou CRRC Times High-tech Investment Co., Ltd, a joint venture of CRRC ZELRI (the direct controlling shareholder of the Company) |
|             |                         |   | Zhengzhou Times Transportation Electrical Equipment Co., Ltd.      | Chairman                     | An investee company of the Company   |

## External investments of Directors, supervisors, senior management and core technical personnel

As of the date of this report, the external investments of the Company's Directors, supervisors and senior management are as follows:

| Name       | Position in the Company            | Name of investee company   | Shareholding percentage |
|------------|------------------------------------|--|-------------------------|
| Liu Chunru | Independent non-executive Director | Huibao Shuanghe (Beijing) Investment Management Co., Ltd.                        | 90%                     |
|            |                                    | Shenzhen Shikong Interactive Equity Investment Partnership (Limited Partnership) | 50%                     |



# Corporate Governance Report

The Company has always been dedicated to improving the quality of its corporate governance, and maximizing long-term value to the Shareholders by increasing the Group's accountability and transparency through strict implementation of corporate governance practices.

## I. CORPORATE GOVERNANCE PRACTICES

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

During the year ended 31 December 2020, the Company has fully complied with all the code provisions of the CG Code set out in Appendix 14 to the SEHK 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 of the Company; 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 2019 Annual General Meeting in person, and Mr. Chan Kam Wing, Clement and Mr. Pao Ping Wing, independent non-executive Directors of the Company were unable to attend the 2020 Extraordinary General Meeting, the 2020 Domestic Shareholders' Class Meeting and 2020 H Shareholders' Class Meeting in person, but they fulfilled their duties and attended the meetings 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.

The Board and the management of the Company make every effort to comply with the CG Code in order to protect and enhance the interests of the Shareholders. As the Company continues to grow, the Company will monitor and revise its corporate governance policy on an ongoing basis in order to ensure the relevant policy will be in compliance with the requirements of the relevant laws and regulations and the general standards expected from the Shareholders.

In accordance with the relevant laws and regulations, the Company has set up a structure with general meetings, the Board, committees of the Board, the Supervisory Committee and the management to act as check and balance against one another. The division of responsibilities among the general meetings, the Board, committees of the Board, the Supervisory Committee and the management are distinct, and each of them is assigned with clearly defined responsibilities. The Board has delegated the execution and daily operations of the Group's business to the management. However, clear directions are given to the management as to the matters that must be approved by the Board before decisions are made on behalf of the Group. The Company will continue to improve its corporate governance mechanism, exercise discipline in the fulfilment of corporate duties, and enhance the disclosure of information.

## II. SECURITIES TRANSACTIONS BY DIRECTORS

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

Having made specific inquiries 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.

# Corporate Governance Report



## III. BOARD OF DIRECTORS

### 1. Composition of the Board

According to the Articles, the Board of Directors shall be comprised of ten Directors, with one Chairman, one Vice Chairman and eight other Directors, among which three or more shall be independent non-executive Directors.

As at the date of this report, the Board consists of ten Directors, among whom Mr. Li Donglin is the Chairman of the Board and an executive Director; Mr. Liu Ke'an is the Vice Chairman of the Board and an executive Director; Mr. Shang Jing and Mr. Yan Wu are the other two 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 five independent non-executive Directors.

On 27 August 2020, Mr. Liu Ke'an resigned as the general manager of the Company due to work re-arrangements but remained as the executive Director of the Company.

On 28 September 2020, (1) Mr. Yang Shouyi resigned as the Vice Chairman and executive Director of the Company, the chairman and member of risk control committee, and the member of strategy committee due to work re-arrangements; (2) Mr. Liu Ke'an was redesignated as the Vice Chairman of the Board of the Company and was appointed as the chairman and member of the risk control committee; (3) Mr. Shang Jing was appointed as the executive Director and general manager of the Company and the member of the strategy committee.

On 23 December 2020, Ms. Liu Chunru was redesignated as the chairman of the nomination committee. Mr. Li Donglin ceased to serve as the chairman of the nomination committee but remained as a member of the nomination committee.

Throughout the year ended 31 December 2020, the Board complied with the requirements of the SEHK Listing Rules relating to the appointment of at least three independent non-executive Directors, representing at least one-third of the Board, and with at least one of them possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company has entered into a service contract with each of the Directors which sets out, among other things, the term of office and remuneration. Each session of the Board has a term of three years. Directors elected as the members of any new session of the Board will have a term of office commencing from the date on which he/she is elected up to the date on which members of the next session of the Board are elected or for a shorter period as may be decided upon at the general meeting. Directors appointed to fill casual vacancy will have a term of office commencing from the date of his/her appointment up to the next general meeting or for a shorter period as may be decided upon at the general meeting. Notice shall be given by either party not less than three months prior to termination of the service contract.

The Directors of the Company have strictly complied with their undertakings, and have been honest, trust-worthy and diligent in the performance of their duties. The number of Board members and the composition of the Board have complied with the relevant laws and regulatory requirements. Other than working relationship, there is no other relationship among the members of the Board (especially the Chairman and the general manager), including any financial, business, family or other material or relevant relationship.

The Directors have distinguished themselves in their respective fields of expertise, and have demonstrated high standards of personal and professional ethics and integrity. All Directors have devoted sufficient time and attention to the Company's affairs. The Board believes that the ratio of executive Directors to non-executive Directors is reasonable and adequate to provide checks and balances that safeguard the interests of the Shareholders and the Company as a whole.

## III. BOARD OF DIRECTORS (continued)

### 1. Composition of the Board (continued)

The Company has received the annual confirmation letters of their independence from each of the independent non-executive Directors, namely, Mr. Chan Kam Wing, Clement, Mr. Pao Ping Wing, Ms. Liu Chunru, Mr. Chen Xiaoming and Mr. Gao Feng as required under Rule 3.13 of the SEHK Listing Rules and the Company considers that they remain independent in accordance with the guidelines set out in the SEHK Listing Rules.

### 2. Board and General Meetings and Directors' Attendances

During the reporting period, the Company held ten Board meetings and four general meetings. Details of the four general meetings are set as follows:

| Date            | Meeting                                   |
|-----------------|---|
| 23 June 2020    | 2019 Annual General Meeting               |
| 7 December 2020 | 2020 Extraordinary General Meeting        |
| 7 December 2020 | 2020 Domestic Shareholders' Class Meeting |
| 7 December 2020 | 2020 H Shareholders' Class Meeting        |

The following is the attendance record of the Directors at the Board meetings and the general meetings held during the reporting period.

| Name  | Title   | Attendances at the Board meetings | Attendances at the general meetings |
|---|---|-----------------------------------|-------------------------------------|
| Li Donglin  | Chairman of the Board and Executive Director      | 10/10                             | 4/4                                 |
| Liu Ke'an   | Vice Chairman of the Board and Executive Director | 10/10                             | 4/4                                 |
| Shang Jing <sup>(Note 1)</sup>                      | Executive Director                                | 4/4                               | 3/3                                 |
| Yan Wu  | Executive Director                                | 10/10                             | 4/4                                 |
| Zhang Xinning <sup>(Note 2)</sup>                   | Non-Executive Director                            | 10/10                             | 3/4                                 |
| Chan Kam Wing, Clement <sup>(Note 2) (Note 3)</sup> | Independent non-Executive Director                | 10/10                             | 0/4                                 |
| Pao Ping Wing <sup>(Note 2) (Note 3)</sup>          | Independent non-Executive Director                | 10/10                             | 0/4                                 |
| Liu Chunru <sup>(Note 2)</sup>                      | Independent non-Executive Director                | 10/10                             | 3/4                                 |
| Chen Xiaoming <sup>(Note 2)</sup>                   | Independent non-Executive Director                | 10/10                             | 3/4                                 |
| Gao Feng <sup>(Note 2)</sup>                        | Independent non-Executive Director                | 10/10                             | 3/4                                 |
| Yang Shouyi <sup>(Note 4)</sup>                     | Vice Chairman of the Board and Executive Director | 5/5                               | 1/1                                 |

Note 1: Mr. Shang Jing was appointed as the executive Director and general manager of the Company on 28 September 2020.

# Corporate Governance Report



## III. BOARD OF DIRECTORS (continued)

### 2. Board and General Meetings and Directors' Attendances (continued)

Note 2: Owing to the impact of travel restrictions and the mandatory quarantine measures amid the COVID-19 outbreak, Mr. Zhang Xinning, a non-executive Director of the Company; 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 2019 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.

Note 3: Owing to the impact of travel restrictions and the mandatory quarantine measures amid the COVID-19 outbreak, Mr. Chan Kam Wing, Clement and Mr. Pao Ping Wing, independent non-executive Directors of the Company were unable to attend the 2020 Extraordinary General Meeting, the 2020 Domestic Shareholders' Class Meeting and 2020 H Shareholders' Class Meeting held on 7 December 2020 in person, but they fulfilled their duties and attended the meetings 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.

Note 4: Mr. Yang Shouyi resigned as vice chairman of the Board and executive Director of the Company on 28 September 2020.

### 3. Directors' Continuous Training and Development Program

Pursuant to the CG Code, all Directors should participate in continuous professional development program to develop and refresh their knowledge and skills. This is to ensure that their contribution to the Board remains fully informed and relevant.

All Directors of the Company have received regular briefings and updates on the Group's business, operations, risk management and corporate governance matters, and have been provided with material information on new laws and ordinances or changes to important laws and ordinances applicable to the Group. All Directors are required to provide the Company with their respective training records pursuant to the CG Code.

During the reporting period, the Company has provided the Directors with appropriate and continuous training, and professional development courses, the Directors attended the relevant training, and some of the independent non-executive Directors attended relevant trainings arranged by other organizers. The Company has received from each of the Directors the confirmation on attending continuous professional trainings. The trainings received by each Director in 2020 are as follows:

#### Executive Directors

|   |            |
|---|------------|
| Li Donglin  | A, B, D, E |
| Liu Ke'an   | A, B, D, E |
| Shang Jing (Appointed as executive Director and general manager with effect from 28 September 2020) | B, D, E    |
| Yan Wu  | A, B, D, E |
| Yang Shouyi (Resigned as Vice Chairman and executive Director with effect from 28 September 2020)   | A, D       |

#### Non-Executive Directors

|               |         |
|---------------|---------|
| Zhang Xinning | A, B, D |
|---------------|---------|

#### Independent non-Executive Directors

|                        |               |
|------------------------|---------------|
| Chan Kam Wing, Clement | A, B, C, D, E |
| Pao Ping Wing          | A, B, C, D, E |
| Liu Chunru             | A, B, C, D, E |
| Chen Xiaoming          | A, B, C, D, E |
| Gao Feng               | A, B, D, E    |

## III. BOARD OF DIRECTORS (continued)

### 3. Directors' Continuous Training and Development Program (continued)

Note: A, B, C, D and E in the above table represent trainings of the following types respectively:

- A Attending lawyers' trainings in relation to the new Securities Law arranged by the Company
- B Studying trainings materials prepared by the sponsor institution of the Company for the proposed listing on the STAR Market, lawyers, accountants of the Company in relation to the laws and regulations of the STAR Market and corporate governance
- C Attending trainings in relation to connected transactions, directors' responsibilities, the CG Code and accounting standards etc. arranged by other organizers
- D Studying and reading briefings and analysis on the Group's business, operations, risk consciousness and corporate governance matters
- E Attending lawyers' trainings in relation to the compliance risks and responsibilities of listed companies arranged by the Company

### 4. Operation of the Board

The Board of Directors is responsible to the general meetings of Shareholders in relation to the leadership and supervision of the Company. The Board is responsible for formulating the Group's overall development strategies, reviewing and monitoring the Group's business performance, and preparing and reviewing its financial statements. The Board delegates the day-to-day management, administration and operation of the Group to the management. The delegated functions are reviewed by the Board periodically to ensure that they accommodate the needs of the Group. Please refer to the subsection headed "Corporate Governance Report – Chairman and General Manager" below for the specific powers exercised by the management.

The Board convenes regular and ad hoc meetings in accordance with legal procedures and complies strictly with relevant laws and regulations and the Articles in the exercise of its authorities with an emphasis on protecting the interests of the Company and the Shareholders as a whole.

All Directors are given no less than 14 days' notice of regular Board meetings and are generally given reasonable prior notice of Board meetings other than regular meetings.

The secretary to the Board records and prepares documents concerning matters that are discussed during the Board meetings. The minutes of every Board meeting are circulated to all Directors for their review. After the Board minutes have been finalized, the minutes will be signed by all Directors who have attended the meeting, the secretary to the Board and the person(s) recording at the meeting and will be permanently kept as an important record of the Company at the Company's registered office.

# Corporate Governance Report



## III. BOARD OF DIRECTORS (continued)

### 4. Operation of the Board (continued)

The Board of Directors is responsible to the general meetings of Shareholders and it principally exercises the following powers:

1. to convene general meetings of the Shareholders and to report its work at general meetings;
2. to implement the resolutions of general meetings;
3. to make decisions on business plans and investment plans of the Company;
4. to draw up annual financial budget and final budgetary reports;
5. to draw up profit distribution plans and plans for making up for losses;
6. to draw up plans for the material investments, material acquisitions or disposals, mergers, split or dissolution of the Company; and
7. to draw up proposals for any amendments to the Article.

All Directors have access to the advice and services of the company secretary. The Company provides all Directors with the necessary information and data to enable them to make scientific, timely and prudent decisions. Any Director can make requests to the general manager, or through the general manager, to request the Company's relevant department to provide him/her with any necessary information and explanation to enable him/her to make scientific, timely and prudent decisions. If any Director considers necessary, an independent institution can be engaged to provide independent opinions to assist his/her in decision-making. The Company is responsible for arranging the engagement of independent institution at the Company's costs.

When voting on any connected transaction of the Company, Director(s) with interest in such connected transaction shall abstain from voting. If a resolution cannot be passed due to the concerned Director(s) abstaining from voting, the resolution will be submitted directly to the Shareholders at a general meeting for consideration and approval.

The Company has arranged appropriate liability insurance policies for Directors, supervisors and senior management members, for the purpose of covering their liability arising out of the Group's corporate activities.

## III. BOARD OF DIRECTORS (continued)

### 5. Committees of the Board

The Company has established strategy, audit, risk control, remuneration and nomination committees under the Board. The function of each committee is to study specific issues in its area of expertise and to provide opinions and suggestions for consideration by the Board.

#### • *Strategy committee*

The Company's strategy committee was established in October 2005. Currently, the strategy committee consists of three executive Directors, one non-executive Director and one independent non-executive Director, namely Mr. Li Donglin, Mr. Liu Ke'an, Mr. Shang Jing, Mr. Zhang Xinning and Mr. Gao Feng, among whom Mr. Li Donglin is the chairman of the committee. On 28 September 2020, Mr. Yang Shouyi resigned as the member of the strategy committee, and Mr. Shang Jing was appointed as the member of the strategy committee.

The main responsibilities of the strategy committee are:

1. to provide study reports to the Board in respect of government policies and industry trends;
2. to conduct strategic research concerning the Group;
3. to review and assess material investments and financial plans; and
4. to review material capital expenditure projects.

During the reporting period, the strategy committee of the Company held one meeting which was attended by all committee members for the time being. Main issues discussed at the meeting were work report of the strategy committee and annual investment plan of the Company, etc.

#### • *Audit committee*

The Company's audit committee was established in October 2005. Currently, the audit committee consists of five independent non-executive Directors. The committee's members are Mr. Chan Kam Wing, Clement, Mr. Pao Ping Wing, Ms. Liu Chunru, Mr. Chen Xiaoming and Mr. Gao Feng, among whom Mr. Chan Kam Wing, Clement is the chairman of the audit committee. Mr. Chan Kam Wing, Clement has appropriate professional qualifications and related financial management expertise.

The main responsibilities of the audit committee are: to review and supervise the financial reporting processes, risk management and internal control procedures of the Company, to exercise its authority to guide and supervise internal audits, and to make recommendations on the appointment, reappointment or change of external auditor. The terms of reference of the audit committee are posted on the Company's website and the Hong Kong Stock Exchange's HKExnews website.

The audit committee of the Company held four meetings during the reporting period. The committee mainly reviewed and discussed issues concerning the Company's annual results, interim results, quarterly results, connected transactions, internal audit, internal monitoring, internal control and evaluation related issues, etc. at the meetings.



# Corporate Governance Report



## III. BOARD OF DIRECTORS (continued)

### 5. Committees of the Board (continued)

#### • **Audit committee** (continued)

The following table shows the record of attendance of the audit committee members:

|                        |     |
|------------------------|-----|
| Chan Kam Wing, Clement | 4/4 |
| Pao Ping Wing          | 4/4 |
| Liu Chunru             | 4/4 |
| Chen Xiaoming          | 4/4 |
| Gao Feng               | 4/4 |

In order to meet the responsibility in its review of the quarterly, half-yearly and annual results, apart from convening audit committee meetings to conduct a review on the results, the audit committee also had discussions with the auditors to ensure that the results give a true and fair view of the state of affairs of the Group.

The Company has established an audit and risk control department with internal audit function which generally carries out the analysis and independent appraisal of the adequacy and effectiveness of the risk management and internal control systems of the Group. The audit and risk control department is under the guidance and supervision of the audit committee, and reports its work to the audit committee. The audit committee has conducted one review of the effectiveness of the Group's internal audit function during the year and considered that the Group's internal audit function is effective and adequate in carrying out the above functions.

#### • **Risk control committee**

The Company's risk control committee was established in June 2006. It currently consists of three Directors, including two executive Directors and an independent non-executive Director. The members of the risk control committee are Mr. Liu Ke'an, Mr. Yan Wu and Mr. Chan Kam Wing, Clement, among whom Mr. Liu Ke'an is the chairman of the risk control committee. On 28 September 2020, Mr. Liu Ke'an was appointed as the chairman and member of the risk control committee, and Mr. Yang Shouyi resigned as the chairman and member of the risk control committee.

The main responsibility of the risk control committee is to formulate, assess and revise risk management strategies.

During the reporting period, the risk control committee of the Company held two meetings which were attended by all committee members for the time being. At the meetings, the committee mainly discussed issues concerning corporate governance report, risk management, internal monitoring, internal control and evaluation of the Company, etc.

#### • **Remuneration committee**

The Company's remuneration committee was established in October 2005. Its name was changed to nomination and remuneration committee on 27 June 2008. On 29 March 2012, it was approved by the Board to be separated into two committees and renamed as nomination committee and remuneration committee, respectively. Currently, the remuneration committee consists of three independent non-executive Directors. The committee members are Mr. Pao Ping Wing, Ms. Liu Chunru and Mr. Chen Xiaoming. Mr. Pao Ping Wing is the chairman of the remuneration committee.

The main responsibilities of the remuneration committee are to review and make recommendation of the terms of the remuneration packages of Directors and members of senior management and the procedure for developing remuneration policy to the Board. The terms of reference of the remuneration committee are posted on the Company's website and the Hong Kong Stock Exchange's HKExnews website.

## III. BOARD OF DIRECTORS (continued)

### 5. Committees of the Board (continued)

#### • **Remuneration committee** (continued)

The remuneration committee has adopted the manner set out under the code provision B.1.2(c)(ii) of the CG Code to make recommendations to the Board on the remuneration packages of individual executive Director and senior management.

For the year ended 31 December 2020, the remuneration of senior management fell within the following bands:

|                             |    |
|-----------------------------|----|
| HKD1,000,000 or below       | 11 |
| HKD1,000,001 – HKD2,000,000 | 4  |

Further details required to be disclosed in respect of the remuneration of Directors, supervisors, general manager and the five highest paid individuals under Appendix 16 to the SEHK Listing Rules are set out in Note IX. 5(8).

The remuneration committee of the Company held four meetings during the reporting period. Remuneration of the Directors and the senior management members and other matters were the main issues discussed at the meetings. The following table shows the record of attendance of the remuneration committee members:

|               |     |
|---------------|-----|
| Pao Ping Wing | 4/4 |
| Liu Chunru    | 4/4 |
| Chen Xiaoming | 4/4 |

During the year ended 31 December 2020, the work performed by the remuneration committee included determining the policy for the remuneration of Directors, assessing performance of executive Directors and approving the terms of executive Directors' service contracts.

#### • **Nomination committee**

The nomination and remuneration committee was separated to nomination committee and remuneration committee, respectively as approved by the Board on 29 March 2012. It currently consists of three Directors, including an executive Director and two independent non-executive Directors. The committee members are Mr. Li Donglin, Mr. Pao Ping Wing and Ms. Liu Chunru, among whom Ms. Liu Chunru was appointed as the chairman of the nomination committee. On 23 December 2020, Ms. Liu Chunru was redesignated as the chairman of the nomination committee and Mr. Li Donglin ceased to serve as the chairman of the nomination committee but remained as a member of the nomination committee.

The main responsibilities of the nomination committee are to be responsible for nomination and appraisal of Directors and senior management members and to make recommendations to the Board on any related adjustments. The amended terms of reference of the nomination committee (incorporating the nomination policy) were approved by the Board on 26 March 2019 to take effect on 1 January 2019 and are posted on the Company's website and the Hong Kong Stock Exchange's HKExnews website.

# Corporate Governance Report



## III. BOARD OF DIRECTORS (continued)

### 5. Committees of the Board (continued)

#### • **Nomination committee** (continued)

Pursuant to the nomination policy, the nomination committee is responsible for, among other things, identifying suitably qualified candidates to become Board members and senior management members, and selecting and nominating the relevant person for appointment as a Director (and senior management member) or make recommendations to the Board on such matter. When identifying suitable candidates, the nomination committee shall comply with the principle of meritocracy, consider the strengths of the relevant candidate, the contributions they can make to the Board and give due consideration to the benefits of membership diversity in terms of objective conditions. When making recommendations to the Board on the appointment of independent non-executive Directors, the nomination committee shall take into account the process used for identifying that person, the reasons for the person to be independent and to be able to devote sufficient time to perform the duties of a director, the perspectives, skills and experience that the person can bring to the Board, and how the person would contribute to the diversity of board members.

The procedures for Shareholders of the Company to nominate a candidate for election as a director are available on the Company's website. Please refer to the subsection headed "Board Diversity Policy" below for the requirements on the diversity of the board members.

During the reporting period, the nomination committee of the Company held six meetings. Re-appointment of Directors, and members of senior management, and implementation of the board diversity policy were the main issues discussed at such meetings. The following table shows the record of attendance of the nomination committee members:

|               |     |
|---------------|-----|
| Liu Chunru    | 6/6 |
| Li Donglin    | 6/6 |
| Pao Ping Wing | 6/6 |

#### • **Corporate governance functions**

The Board is responsible for the following corporate governance functions:

1. to formulate and review, and make recommendations to the Company's corporate governance policy and practices;
2. to review and monitor the trainings and continuing professional development of the Directors and senior management members;
3. to review and monitor the Company's policies and practices on compliance with laws and regulations;
4. to formulate, review and monitor any code of conduct and compliance manual, where available, applicable to Directors and employees; and
5. to review the Company's compliance with the CG Code and the disclosure in the corporate governance report as set out in the annual report of the Company.

## IV. CHAIRMAN AND GENERAL MANAGER

The offices of the Chairman and the general manager (equivalent to the role of a chief executive officer) of the Company are held by different persons. Currently, Mr. Li Donglin, being an executive Director, is the Chairman, and Mr. Shang Jing, being an executive Director, is the general manager. The division of responsibilities between the Chairman and the general manager of the Company has been clearly established and set out in the Articles. The Chairman is responsible for leadership of the Board and chairing Board meetings, while the general manager is responsible for the Company's day-to-day operations.

According to the Articles, the Chairman mainly exercises the following powers:

1. to preside at general meetings, and to convene and preside at Board meetings;
2. to examine the implementation of the Board's resolutions;
3. to sign the securities issued by the Company; and
4. other powers and duties granted by the Board.

The general manager is responsible to the Board of Directors. The general manager and the management team under his leadership mainly exercise the following powers as delegated by the Board:

1. to be in charge of the Company's production, operation and management and to organise the implementation of the Board's resolutions;
2. to organise the implementation of the Company's annual business plan and investment plan;
3. to formulate plans for the establishment of the Company's internal management structure;
4. to establish the Company's basic management system;
5. to formulate the basic rules and regulations of the Company;
6. to propose the appointment or removal of deputy general managers, chief officers and general manager assistants of the Company;
7. to appoint or remove management personnel other than those required to be appointed or removed by the Board; and
8. to formulate plans for the wages, benefits, incentives and penalties of employees, to determine the appointment and removal, promotion and demotion, salary increment and decrement, appointment, employment, termination of employment of employees.

## V. NON-EXECUTIVE DIRECTORS

According to the Articles, non-executive Directors of the Company are elected at general meetings for a term of three years. Upon expiry of terms of office, non-executive Directors are eligible for re-election.

# Corporate Governance Report



## VI. BOARD DIVERSITY POLICY

The Board has adopted a board diversity policy effective on 11 October 2013, which was subsequently amended by the Board on 26 March 2019 to take effect on 1 January 2019. When determining the composition of the Board, the Company seeks to achieve board diversity through the consideration of a number of aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service and any other factors that the Board may consider relevant and applicable from time to time. All appointments of the Board will be based on meritocracy, and candidates will be considered against objective criteria, having due regard to the benefits of diversity of the Board. Selection of candidates will be based on a range of diversity perspectives as mentioned above. The ultimate decision will be based on merits of the candidates and the contribution that they may bring to the Board, having due appropriate regard to the benefits of diversity to the Board and also the needs of the Board without focusing on a single diversity aspect.

The Board has set measurable objectives (including the aforesaid measurable objectives) to implement the policy and the nomination committee is responsible for reviewing such objectives from time to time to ensure their appropriateness and monitoring the progress made towards achieving those objectives, and reviewing the policy, as appropriate, to ensure its continued effectiveness from time to time.

During the year under review, the nomination committee has considered the board diversity policy and whether the Board has the appropriate balance of skills, experience and diversity of perspectives necessary to enhance the effectiveness of the Board and to maintain high standards of corporate governance. After due consideration, the nomination committee has concluded that the current composition of the Board is a balanced and diversified combination that suits the business development of the Company and satisfies the board diversity policy for the year under review.

## VII. NOMINATION OF DIRECTORS

In accordance with the Articles, Directors are elected at general meetings. Written notice of intention to nominate a candidate for appointment as director and the candidate's consent to be nominated must be given to the Company after the notice of the general meeting has been issued at least seven days prior to the holding of the general meeting. Nomination policy took effect on 1 January 2019 which was approved by the Board on 26 March 2019 are posted on the Company's website and the Hong Kong Stock Exchange's HKExnews website.

## VIII. DIVIDEND POLICY

The Board has adopted a dividend policy on 26 March 2019 to take effect on 1 January 2019, which aims to provide the Shareholders with stable dividends and sets out the principles and guidelines for declaring, paying and distributing the profits of the Company as dividends.

In deciding whether to propose a dividend and determining the amount of dividend, the Board takes into account (i) the Company's actual and expected financial performance, (ii) retained earnings and distributable reserves of the Company and each of the members of the Group, (iii) the debts to equity ratio, return on equity and relevant financial covenants of the Group, (iv) the Group's expected working capital requirements and future strategic plans, (v) the general economic conditions, the Group's financial conditions, business cycle of the Group's business and other internal or external factors that may have an impact on the business or financial performance and status of the Group, and (vi) other factors that the Board deems appropriate.



# Corporate Governance Report

## VIII. DIVIDEND POLICY (continued)

The Company does not have any pre-determined dividend distribution ratio. The declaration and payment of dividends is subject to the absolute discretion of the Board, and any restrictions under the Articles, the Company Law of the PRC, the Corporate Income Tax Law of the PRC and any other applicable laws and regulations. The Board will periodically review the dividend policy and reserves the right in its sole and absolute discretion to amend the policy at any time.

## IX. REMUNERATION OF THE AUDITOR

Deloitte Touche Tohmatsu Certified Public Accountants LLP (“Deloitte Touche Tohmatsu”) is the auditor of the Company. For the year ended 31 December 2020, the services provided by Deloitte Touche Tohmatsu and the remuneration are as follows:

|                           | For the year ended 31 December 2020<br>(RMB'000) |
|---------------------------|--|
| <b>Service provided:</b>  |  |
| Audit Service             | 4,170  |
| Non-audit Services (Note) | 145  |
| Total                     | <u>4,315</u>                                     |

Note: Non-audit services include tax service of related party transactions and contemporaneous documentation and tax advisory.

## X. DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL REPORTS

The Directors acknowledged their responsibilities for the preparation of financial statements, and to give a true and fair view of the Group's financial status and operating results for the financial year ended 31 December 2020. The statement by the external auditors of the Company regarding its reporting responsibilities on the consolidated financial statements of the Group is set out in the “Auditors’ Report” on pages 67 of this annual report.

The Directors also confirmed that there were no material uncertainties which may materially affect the ability of the Company to carry on as a going-concern.

# Corporate Governance Report



## XI. COMPANY SECRETARY

Mr. Tang Tuong Hock, Gabriel was appointed as the company secretary of the Company in July 2006. Biographical details of Mr. Tang are set out under the section headed “Directors, Supervisors and Senior Management”.

Mr. Tang took no less than 15 hours of relevant professional training during the financial year ended 31 December 2020 as required under Rule 3.29 of the SEHK Listing Rules.

## XII. CONSTITUTION

During the reporting period, the Company amended the Articles according to the Securities Law promulgated by the Standing Committee of the National People’s Congress of the PRC and the Reply of the State Council on the Adjustment of the Provisions Applicable to the Notice Period of the General Meeting and Other Matters Applicable to the Overseas Listed Companies (Guo Han [2019] No. 97) (《國務院關於調整適用在境外上市公司召開股東大會通知期限等事項規定的批覆》(國函[2019]97號)) promulgated by the State Council of the PRC and taking into consideration the practical situation of the Company. The amendments have been approved by way of a special resolution in the 2019 Annual General Meeting held on 23 June 2020. For details, please refer to the announcement dated 27 March 2020 and the circular of 2019 Annual General Meeting dated 27 April 2020 of the Company.

In addition, in order to meet the requirements of the Issue and Listing of A Shares and to further improve and standardize the Articles, during the reporting period the Company has proposed to make further amendments to the prevailing Articles. The proposed amendments to the Articles (Draft) were passed by way of a special resolution in the 2020 Extraordinary General Meeting held on 7 December 2020, and will take effect upon the fulfilment of certain other conditions, including the completion of the Issue and Listing of A Shares. Prior to that, the Articles currently in force will continue to be applicable. For details, please refer to the announcement dated 30 September 2020 and the circular of the 2020 Extraordinary General Meeting dated 20 November 2020.

## XIII. RISK MANAGEMENT AND INTERNAL CONTROL

The Board acknowledged that it is responsible for the establishment, improvement and effective implementation of risk management and internal control systems as well as carrying out supervision on the effectiveness of the risk management and internal control systems of the Company and its subsidiaries. However, such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Company has a sound organization system of internal control and has established the audit and risk control department in charge of internal audit. Guided by the Board, the audit committee and the risk control committee, the audit and risk control department carries out supervision and evaluation for internal controls of the Company and its branches and subsidiaries in respect of important control functions such as financial monitoring, operation monitoring, compliance monitoring, overseas business monitoring and risk prevention and management, supervises and timely rectifies internal control deficiencies and effectively controls operating risks.

## XIII. RISK MANAGEMENT AND INTERNAL CONTROL (continued)

The Company actively cultivates an internal control culture that is in line with its practical situation through a combination of interviews, trainings and system promotion, based on its core values and in adherence to the control objectives of “strengthening internal control, preventing risks and promoting compliance”, with a view to making the awareness of internal control deeply rooted in every employee. The Company has created an internal control environment for employees to carry out their work under specific objectives, code of conduct and management standards. The Company improved its internal control system pursuant to the Basic Guidelines of Internal Control, reconstructed the overall framework of internal control process, and focused on improving the standards for internal control of business plans, procurement business, sales business, production and management company and other key businesses, which ensured the effective implementation and stable operation of internal control system. During the reporting period, the Company placed great emphasis on various business lines, the implementation of corporate procedural system and the closed cycle of rectification of internal control defects with focus on supervision of major businesses. The Company controlled the risks within tolerable bounds through various controlling measures such as authorization approval, process governance, comprehensive budgeting, cost control, asset management, lean management, information security control. Through annual internal monitoring and evaluation, the Company ensured the reasonable design, effective operation and appropriate implementation of internal monitoring systems. During the reporting period, the Company had no material internal control defects and monitoring failure, and had effective procedures in relation to financial reporting and compliance with requirements of the SEHK Listing Rules.

The Board has conducted one review of the effectiveness of risk management and the internal control system of the Company and its subsidiaries during the year and considered that the risk management and internal control systems are effective and adequate to allow the continuing protection and improvement of the Company’s internal control activities and ensure the Company’s ability to meet the internal business requirements and external environment changes from financial, operational, compliance, overseas operation and risk control perspectives, so as to safeguard the Company’s asset and interests of Shareholders.

In addition, the Board has adopted the Information Disclosure Policy (the “Policy”) in September 2017, in line with the disclosure requirements (including the inside information disclosure) in accordance with the relevant laws and regulations, including the SFO and the SEHK Listing Rules. The Policy governs the principle, circumstances, content and management of inside information disclosure of the Company. According to the Policy, the Directors, supervisors, senior management officers and different departments each shall promptly identify, assess and disseminate inside information to the public in equal and timely manner, as well as take reasonable precautions in preserving the confidentiality of inside information before publication.

## XIV. SHAREHOLDERS’ RIGHTS

### (1) Convening extraordinary general meetings

In accordance with the Articles and the rules of procedures of general meetings, Shareholder(s) individually or in aggregate holding more than 10% of the Company’s shares carrying voting rights (“Requesting Shareholders”) may request the Board to convene an extraordinary general meeting in writing and state the subject of the meeting. The Board shall furnish a written reply on whether or not to convene the meeting within 10 days after receiving such request.

If the Board does not agree to convene a meeting or fails to furnish a written reply within 10 days after receiving such proposal, any Requesting Shareholder(s) is/are entitled to propose to the Supervisory Committee in written form for convening a meeting and state the subject of the meeting. The Supervisory Committee shall furnish a written reply on whether or not to convene the meeting within 5 days after receiving such request.



# Corporate Governance Report



## XIV. SHAREHOLDERS' RIGHTS (continued)

### (1) Convening extraordinary general meetings (continued)

If the Supervisory Committee fails to serve any notice of a meeting within the prescribed period after receiving such proposal, the shareholder(s) individually or in aggregate holding more than 10% of the Company's shares carrying the right to vote for more than 90 consecutive days may convene and preside over such a meeting on his or their own accordingly.

Please note that the entitlement of and the procedures for the Shareholders to convene extraordinary general meetings will be changed pursuant to the Articles (Draft) which will take effect upon completion of the Issue and Listing of A Shares. For details, please refer to the subsection headed "Corporate Governance Report – XII. Constitution".

### (2) Enquiries to the Board

To ensure effective communication between the Board and the Shareholders, the Company adopted a Shareholders' communication policy (the "Policy") on 29 March 2012. Under the Policy, the Company's information shall be communicated to the Shareholders mainly through general meetings (including annual general meetings), the Company's financial reports (interim reports and annual reports), and its corporate communications posted on the Company's website and the Hong Kong Stock Exchange's HKExnews website.

Shareholders may at any time make a request for the Company's information which is publicly available. For holders of H Shares, any relevant enquiries shall be first directed to the company secretary at the Company's principal place of business in Hong Kong at 1106, 11/F, Jubilee Centre, 18 Fenwick Street, Wanchai, Hong Kong, or the Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong or, for holders of the Domestic Shares, any relevant enquiries shall be directed to the registered office address of the Company at Times Road, Shifeng District, Zhuzhou, Hunan Province, 412001, the PRC.

### (3) Putting proposals to general meetings

Shareholder(s) individually or in aggregate holding more than 3% of the shares of the Company is (are) entitled to put forward their proposals to a general meeting. The content of the general meeting proposals shall fall within the scope of power of the general meeting. The subject issues for discussion and the specific matters to be resolved shall be clearly stated therein. The proposals shall comply with the relevant requirements of the laws, regulations and the Articles.

Please note that the entitlement of and the procedures for the Shareholders to put proposals to general meetings will be changed pursuant to the Articles (Draft) which will take effect upon completion of the Issue and Listing of A Shares. For details, please refer to the subsection headed "Corporate Governance Report – XII. Constitution".

## XV. INVESTOR RELATIONS

### Investor relations in 2020

The Company places great emphasis on communication with investors and employs a variety of ways to deepen investors' understanding about the Company. The Company has established a department and arranged full-time staff to handle affairs regarding investor relation. When investors come to visit the Company, reception and site visit will be arranged by designated staff. The Company actively participates in various meetings concerning investor relations. Due to the impact of the COVID-19 pandemic, video conference, telephone conference and other remote methods are more frequently used for communication with investors.

During the reporting period, the Company has disclosed all necessary information to the Shareholders in compliance with the SEHK Listing Rules and the Articles, and has reported to Shareholders and investors through various formal channels, which include (1) publishing quarterly reports, interim reports and annual reports; (2) holding annual general meetings and extraordinary general meetings to provide a platform for Shareholders to express their opinions and to communicate with the Board; (3) holding press conference and investors conferences from time to time; (4) organising the management to conduct overseas roadshows; (5) publishing corporate communications such as announcements and circulars on the Company's website and the Hong Kong Stock Exchange's HKExnews website; and (6) responding to the queries from Shareholders and investors in a timely manner.

Due to the impact of the COVID-19 pandemic, the Company successfully organized the release and publication of its 2019 annual results announcement, 2020 first quarter results announcement and 2020 interim results announcement in a pure online manner for the first time in 2020; attended the roadshows arranged by famous securities traders at home and abroad, for instance, Goldman Sachs, BofAML, UBS, HSBC, CICC, China Everbright Bank, Industrial Bank, etc.; conducted video and phone calls with substantial shareholders of the Company's outstanding shares and nearly 100 well-known global investment institutions; and made clear explanations and exchanges on issues that shareholders and investors are concerned about. In 2020, the Company attended nearly a hundred on site and remote investor meetings with hundreds of investors and analysts participating, which established a communication channel between the Company and the market and played an important role in truly reflecting the Company's value in the secondary market.

The Company will continue to improve its relationship with investors, establish platforms to facilitate effective communication with investors through diverse means, so as to further enhance the Company's transparency.

# Directors' Report



The Board is pleased to present the Directors' Report and the audited financial statements of the Group for the year ended 31 December 2020.

## THE COMPANY'S BUSINESS ACTIVITIES

The Group is mainly engaged in the research, development, design, manufacture and sale of railway transportation equipment products, as well as provision of relevant services. The Group has an industrial structure of "components + systems + complete machines". The products primarily include rail transit electrical equipment, rail engineering machinery and communication signal systems with a focus on traction converter systems of rail transit vehicles. Meanwhile, the Group also actively expands into industries other than rail transit and carries out business operations in the fields of power semiconductor device, industrial converter products, electric drive system of new energy vehicles, sensor device and marine equipment.

There was no material change in the nature of the Group's key business during the reporting period.

## BUSINESS REVIEW

For discussion and analysis of the Group's results, including a description of the principal risks and uncertainties facing the Group and an indication of the likely future development in the Group's business, please refer to the sections headed "Chairman's Report" and "Management Discussion and Analysis" and the subsections headed "Directors' Report – Post Balance Sheet Events", "Directors' Report – Environmental Policy and Performance", "Directors' Report – Compliance with Laws and Regulations" and "Directors' Report – Relationship with Employees, Customers and Suppliers" in this annual report for details.

## BUSINESS MODEL AND KEY STRATEGIES

In line with the strategy of "operating with high quality and high efficiency", the Company has made continuous efforts to develop railway transportation business, continued to facilitate the development of emerging equipment business, actively made breakthrough in overseas market, and put great efforts in expanding the maintenance service market. By adhering to the drive of "city management, smart empowerment", taking advantage of our edge in vertical integration of industry chain and interdisciplinary technology, and facilitating the collaboration and innovative integration of multiple systems, the Company improved its quality through refined management and steadily enhanced its efficiency and benefits to create sustainable value for the Shareholders and achieve stable development of the Company.

The revenue of the Company is generated mainly from selling products. The key strategies of the Company are:

### (1) Consolidating our industry position by developing our railway transportation business

The Company will make continuous efforts to develop its core business in railway, urban rail and railway engineering industries, ensure our technological advantages, consolidate the existing market landscape and capture the demand from new business market to consolidate our industry position. The Company will make innovation in core technologies, lead the smart development trend of the industry, build industry benchmarks around "smart urban rail" and "smart road bureaus", form an "open ecosystem" that drives the application of new technologies and new products, and promote industrial cluster development, comprehensively deepen the high-quality synergetic development of the whole machine and system, strengthen the development of signal system engineering and service ability, and speed up the pace to achieve a leap in the industry echelon in the area of urban railway and signal.

## BUSINESS MODEL AND KEY STRATEGIES (continued)

### (2) Facilitating breakthrough by putting efforts in emerging equipment business

For the emerging equipment business, the Company will rely on the advantages in terms of resources such as equipment technology, facilities, channels and brand of railway transportation, and speed up business breakthrough based on the principle of limited diversification. For the semiconductor business, the Company will consolidate its fundamentals, focus on railway transportation, high voltage transmission and distribution and new energy three major markets, accelerate key technology research and product iteration, and capture the opportunities in new energy market; The Company will make steady adjustment to the industrial converter business structure, develop the quality sectors in industrial converter business, cultivate differentiated competitive advantages, and form high-end benchmark product alternative solutions. For the business of drive for EVs, the Company will improve product sequence, enhance batch delivery capabilities, adopt innovative development ideas, accelerate the concentration of resources, actively capture cooperation opportunities, increase the market share. The Company will also expand the area of application of the sensor business, adhere to the strategy of "based on rail business and expand beyond rail business", refine and improve the quality by benchmarking. The Company will continue to consolidate the technological foundation and vigorously expand into emerging markets. The Company will focus on the marine economy, strengthen the resource collaboration between the PRC and the UK, promote the improvement of core product technology and the quality and efficiency of existing products, thereby achieving electric and smart upgrades.

### (3) Expanding two markets and capturing share

The Company will fully develop the overseas market and maintenance service market, accurately invest resources, and deeply cultivate key overseas regions, in a bid to facilitate the global market layout. By implementing the idea of "product + service", the Company will put great efforts in facilitating the expansion in maintenance service market and utilize its advantages in data and intelligent technology, and provide diversified solutions to capture share in maintenance service market.

## RESULTS AND DIVIDENDS

Results of the Group for the year ended 31 December 2020, prepared in accordance with the PRC Accounting Standards, are set out on page 72 to page 288 of this annual report.

The Company has profit attributable to Shareholders (before proposed final dividend) of RMB15,498.7 million as at 31 December 2020. In view of the Company's proposed Initial Public Issue of A Shares and Listing on the Science and Technology Innovation Board of the SSE, it has been considered and approved at the Board meeting, general meeting and class meeting of the Company, currently pending approval by the SSE. According to the requirements of Article 18 of the Administrative Measures for Securities Issuance and Underwriting promulgated by the CSRC: "where a listed company with a plan for issuance of securities has any plan for profit distribution or conversion of capital reserve into share capital which has not yet been submitted to its shareholders' general meeting for voting, or it has been approved by the shareholders' general meeting but has not been implemented yet, the issuance of securities shall be proceeded after such plan has been implemented. Prior to the implementation of the relevant plans, the lead underwriter shall not underwrite the securities issued by the listed company". In order to avoid time clash between the implementation of the Profit Distribution Plan for 2020 and the issuance of shares by the Company under the Issue as well as to facilities the smooth progress of the Issue, the Board, after careful discussion, decided not to make any profit distribution for 2020, nor will it convert any capital reserve into share capital or make any bonus issue. The outstanding balance of the undistributed profits shall be retained by the Company. To ensure a reasonable return on investment, the Company will consider the profit distribution at an appropriate time in light of the Issue and will seek separate approval by the Board meeting and the general meeting.

# Directors' Report



## RESULTS AND DIVIDENDS (continued)

The profit distribution plan has been considered and approved by the Board on 30 March 2021, and shall be submitted to the annual general meeting of the Company for consideration.

Upon determining the specific time of convening the annual general meeting, the Company will issue the annual general meeting circular and notice to announce the specific time and further information regarding the close of the register of members.

## FINANCIAL HIGHLIGHTS

### Fixed assets

Details of the changes in the fixed assets of the Group during the year are set out in Note V. 13 to the financial statements.

### Short-term borrowings

Details of the Group's short-term borrowings as at 31 December 2020 are set out in Note V. 22 to the financial statements.

### Long-term borrowings

Details of the Group's long-term borrowings as at 31 December 2020 are set out in Note V. 31 to the financial statements.

### Share capital

During the reporting period, the number of issued shares of the Company was 1,175,476,637 shares.

A summary of the published results, assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the audited consolidated financial statements as appropriate, is set out on page 2 of this annual report. This summary does not form part of the audited consolidated financial statements.

## SHARE APPRECIATION RIGHTS SCHEME

As announced by the Company in its announcement dated 28 March 2013 and the circular dated 23 April 2013 (the "Circular"), the H Share appreciation rights scheme of the Company (the "Scheme") was approved by the SASAC in February 2013. The Scheme was considered and approved by the Shareholders at the annual general meeting held on 10 June 2013 (the "2012 AGM"), which came into effect on 10 June 2013. The Scheme shall be automatically terminated after seven years from the date on which the Scheme was approved by the Shareholders in the 2012 AGM.

The purpose of the Scheme was to establish a long-term incentive mechanism that linked the remuneration of the Eligible Participants (as defined below) with the Company's business results in order to promote the Company's long-term development and to maximize the Shareholders' value. Pursuant to the Scheme, share appreciation rights ("SARs") will be granted to the Directors (excluding independent non-executive Directors and external Directors), senior management, core technical staff and key management staff (the "Eligible Participants") who contribute substantially to the realization of the Company's strategic missions.

## SHARE APPRECIATION RIGHTS SCHEME (continued)

The Eligible Participants who are granted with such incentive do not actually hold the shares, and do not have any rights as Shareholders such as voting rights or rights to dividends. Under the Scheme, each SAR is linked with one H share of the Company and the SAR is to be settled by way of cash. Therefore, this does not affect the total number of H Shares outstanding and will not have any dilution effect on the shares of the Company. The SARs granted pursuant to the Scheme is valid for seven years from the date of grant. Upon expiry of the valid term, all unexercised SARs shall automatically lapse. After two years from the date of grant, if the Company and each Eligible Participant fulfil the conditions as set out in the Scheme, the SARs shall become effective and exercisable in batches as described in the Scheme.

Under the Scheme, the exercise price of the SARs shall be determined by the Board which, in principle, shall be the highest of the following three prices:

1. the closing price of the H shares of the Company on the Stock Exchange on the date of grant;
2. the average closing price of the H shares of the Company on the Stock Exchange for five consecutive trading days prior to the date of grant; and
3. the nominal value of the H shares of the Company.

Pursuant to the terms of the Scheme, upon exercise of the SARs, the Company shall calculate the cash gains from the exercise of the SARs and pay to the Eligible Participants in the manner as set out in the Scheme.

The proposed grant of an aggregate of approximately 9,868,000 units of SARs to a total of not more than 262 Eligible Participants, subject to the satisfaction of the conditions of grant, has already been approved by the Shareholders of the Company at the 2012 AGM. For details of the Scheme, please refer to the Circular.

During the valid term, no SARs were granted by the Company to the Eligible Participants under the Scheme. As at the date 9 June 2020, no SARs granted under the Scheme have been exercised and the Scheme has been terminated.

Upon termination of the Scheme, the Company does not have any other established or implemented equity incentive plans.

## PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company Law or in the Articles which oblige the Company to offer new shares on a pro-rata basis to its existing Shareholders.

## 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.

## SHAREHOLDERS' EQUITY

Details of the changes in the Shareholders' equity of the Company and the Group during the year are set out in the statement of changes in equity and the consolidated statement of changes in equity respectively.

# Directors' Report



## PROFIT DISTRIBUTABLE TO THE SHAREHOLDERS

As at 31 December 2020, the Company's profit distributable to the Shareholders calculated in accordance with relevant regulations amounted to approximately RMB15,498.7 million. However, in view of the proposed Issue and Listing and the relevant regulatory requirements, the Board has decided that no dividend will be proposed or paid for 2020, and the outstanding balance of the undistributed profits shall be retained by the Company. For details, please refer to the subsection headed "Directors' Report – Results and Dividends".

## MAJOR CUSTOMERS AND SUPPLIERS

The percentage of revenue for sales of goods attributable to the Group's five largest customers during the year was approximately 35.91% of the Group's total revenue for the year.

CRRC Sifang is the largest customer of the Group. The percentage of the Group's revenue for sale to CRRC Sifang was approximately 14.85% of the Group's total revenue during the year. CRRC owned 97.81% interest in CRRC Sifang.

CRRC Zhuzhou is one of the Group's five largest customers. CRRC owned 100% interest in CRRC Zhuzhou.

Bombardier Sifang (Qingdao) Transportation Ltd. is one of the Group's five largest customers and is owned as to 50% by CRRC Sifang Co., Ltd. which is owned as to 100% by CRRC.

CRRC Qishuyan is one of the Group's five largest customers and is owned as to 100% by CRRC.

Saved as disclosed above, none of the Directors, their close associates or any Shareholders (so far as is known to the Directors having more than 5% interest in the share capital of the Company), had any interest in any of the Group's five largest customers during the year.

The percentage of purchases attributable to the Group's five largest suppliers was 14.13% of the Group's total purchases during the year.

CRRC Zhuzhou Electric Co., Ltd. is the largest supplier of the Group, and the percentage of the purchase attributable to purchase from CRRC Zhuzhou Electric Co., Ltd. was approximately 3.87% of the Group's total purchases during the year. CRRC owned 100% interest in CRRC Zhuzhou Electric Co., Ltd.

Zhuzhou CRRC Electromechanical Co., Ltd. is one of the five largest suppliers of the Group. Xiangyang CRRC Electric Machinery Co., Ltd. owned 100% interest in Zhuzhou CRRC Electromechanical Co., Ltd., and CRRC ZELRI owned 97.59% interest in Xiangyang CRRC Electric Machinery Co., Ltd.

CRRC Dalian Institute Co., Ltd. is one of the Group's five largest suppliers and is owned as to 100% by CRRC.

CRRC Zhuzhou is one of the Group's five largest suppliers and is owned as to 100% by CRRC.

Saved as disclosed above, none of the Directors, their close associates or those Shareholders (so far as is known to the Directors having more than 5% interest in the share capital of the Company), had any interest in any of the Group's five largest suppliers during the year.



# Directors' Report

## DIRECTORS AND SUPERVISORS

The Directors and the supervisors of the Company during the year and up to the date of this report were:

### Executive Directors

|             |   |   |
|-------------|---|---|
| Li Donglin  | – | Chairman of the Board   |
| Liu Ke'an   | – | appointed as the Vice Chairman of the Board on 28 September 2020                          |
| Shang Jing  | – | appointed as an executive director on 28 September 2020                                   |
| Yan Wu      |   |   |
| Yang Shouyi | – | resigned as the Vice Chairman of the Board and an executive director on 28 September 2020 |

### Non-executive Director

Zhang Xinning

### Independent Non-executive Directors

Chan Kam Wing, Clement

Pao Ping Wing

Liu Chunru

Chen Xiaoming

Gao Feng

### Supervisors

|              |   |                                       |
|--------------|---|---------------------------------------|
| Li Lüe       | – | Chairman of the Supervisory Committee |
| Pang Yiming  | – | employee representative supervisor    |
| Zhou Guifa   | – | employee representative supervisor    |
| Geng Jianxin | – | independent supervisor                |

### Composition of the Supervisory Committee

According to the Articles, the Supervisory Committee shall comprise five supervisors, of which three supervisors are representatives of the Shareholders and two supervisors are representatives of employees.

As at the date of this report, the Supervisory Committee comprises four supervisors. Mr. Li Lüe is the Chairman of the Supervisory Committee, Messrs. Pang Yiming and Zhou Guifa are the employee representative supervisors, and Mr. Geng Jianxin is an independent supervisor. The number of members of the Supervisory Committee is one less than the number required by the Articles for the time being. The Company hopes to search for a suitable person to fill the vacancy as soon as possible.

## BIOGRAPHIES OF DIRECTORS AND SUPERVISORS

Details of the biographies of the Directors and the supervisors of the Company are set out on page 11 to page 15 of this annual report.



# Directors' Report



## DISCLOSURE ON CHANGES IN THE INFORMATION OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVES IN ACCORDANCE WITH RULE 13.51B(1) OF THE SEHK LISTING RULES

The changes in the information of Directors, Supervisors and Chief Executives required to be disclosed pursuant to Rule 13.51B(1) of the SEHK Listing Rules are as follows:

1. Mr. Liu Ke'an has resigned as the general manager of the Company due to a shift in his work arrangements, with effect from 27 August 2020. He continued to serve as an executive Director of the Company and was redesignated as the vice chairman of the Board with effect from 28 September 2020;
2. Mr. Yang Shouyi resigned from the positions of the vice chairman of the Board and an executive Director of the Company with effect from 28 September 2020; and
3. Mr. Shang Jing was appointed as an executive Director and the general manager of the Company with effect from 28 September 2020.

## POSITIONS HELD BY DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Details of positions held by Directors, supervisors and senior management of the Company in entities of the substantial Shareholders and other entities are set out in page 11 to page 24 of this annual report.

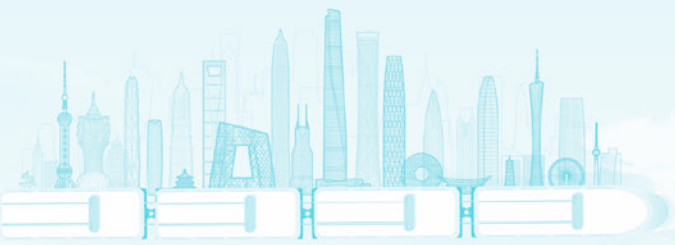
## SERVICE CONTRACTS WITH DIRECTORS AND SUPERVISORS

The Company has entered into service contracts with all Directors and supervisors which set out, among other things, their terms of office and remuneration. Each session of the Board has a term of three years. Directors elected as the members of any new session of the Board will have a term of office commencing from the date on which he/she is elected up to the date on which members of the next session of the Board are elected or for a shorter period as may be decided upon at the general meeting. Directors appointed to fill casual vacancy will have a term of office commencing from the date of his/her appointment up to the next general meeting or for a shorter period as may be decided upon at the general meeting. Similarly, each session of the Supervisory Committee of the Company has a term of three years and the term of office of the supervisors are determined similarly as the Directors except that references to general meeting should be replaced by the meeting of the representatives of the employees in respect of the employee representative supervisor. The period of notice of termination of the service contracts given by either party shall not be less than three months.

None of the Directors nor supervisors (including but not limited to those Directors proposed for re-election at the forthcoming general meeting of the Company and those supervisors proposed for re-election at the forthcoming general meeting or meeting of the representatives of the employees) has a service contract with the Company which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

## PERMITTED INDEMNITY

The Company has arranged appropriate liability insurance policies for Directors, supervisors and senior management members, for the purpose of covering their liability arising out of the Group's corporate activities.



# Directors' Report

## DIRECTORS' AND SUPERVISORS' INTERESTS IN CONTRACTS

During the year and as at 31 December 2020, none of the Directors or supervisors had a material interest, whether directly or indirectly, in any transaction, arrangement or contract of significance to the business of the Group to which the Company, its holding company or any of its subsidiaries was a party.

## DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year and as at 31 December 2020, none of the Directors, directly or indirectly, had an interest in any business which competes or may compete with the business of the Company and/or its subsidiaries.

## INTERESTS AND SHORT POSITIONS OF DIRECTORS, SUPERVISORS AND THE GENERAL MANAGER IN THE SHARES AND DEBENTURES

During the year and as at 31 December 2020, none of the Directors, supervisors and the general manager of the Company or their respective associates had any personal, family, corporate or other interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO, required to be notified to the Company and the Stock Exchange pursuant to Part XV of the SFO, or any interests or short positions in the shares required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or any personal, family, corporate or other interests or short positions required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

## DIRECTORS' AND SUPERVISORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the year were rights to acquire benefits by means of the acquisition of shares or debentures of the Company granted to any Directors, supervisors or their respective spouse or children under 18 years of age, or were any such rights exercised by them, or was the Company, its holding company or any of its subsidiaries a party to any arrangement to enable the Directors and supervisors to acquire such rights in any other body corporate.

## EMPLOYEES AND REMUNERATION POLICY

### Employee Breakdown

As at 31 December 2020, the Group had 8,204 full-time employees (including employees of overseas subsidiaries and employees under labor contract).

Among which, the distribution of 7,639 domestic employees under labor contract is as followed:

# Directors' Report

## EMPLOYEES AND REMUNERATION POLICY (continued)

### Distribution of job positions

| Job position | Professional manager | Professional management | Engineering technology - R&D | Engineering technology - process | Engineering technology - support | Marketing trade - procurement | Marketing trade - marketing | High caliber talents | Not on duty | Total |
|--------------|----------------------|-------------------------|------------------------------|----------------------------------|----------------------------------|-------------------------------|-----------------------------|----------------------|-------------|-------|
| Number       | 152                  | 923                     | 2311                         | 475                              | 1504                             | 300                           | 443                         | 1529                 | 2           | 7639  |
| Percentage   | 2.0%                 | 12.1%                   | 30.3%                        | 6.2%                             | 19.7%                            | 3.9%                          | 5.8%                        | 20.0%                | 0.0%        | -     |

### Distribution of education qualification

| Education qualification | Doctor postgraduate | Master postgraduate | University undergraduate | Junior college graduate | Technical secondary school and below | Total |
|-------------------------|---------------------|---------------------|--------------------------|-------------------------|--------------------------------------|-------|
| Number                  | 80                  | 1297                | 4664                     | 979                     | 619                                  | 7639  |
| Percentage              | 1.0%                | 17.0%               | 61.1%                    | 12.8%                   | 8.1%                                 | -     |

### Remuneration policy

The Group's remuneration policy for its employees takes into account the individuals' post value, work performance and competence. The Group rewards the employees having outstanding performance with salary increments and bonuses. The bonus plan is discretionary and is determined by the Directors with reference to the performance of the staff and the Group's operation results. The total amount of remuneration (consolidated statement unit, including overseas branches and subsidiaries, total staff salaries and allowances provision amount) for employees in 2020 was approximately RMB2,106.5 million (provision amount).

The remuneration of Directors and supervisors is proposed by the Board and subject to approval by Shareholders of the Company at the general meetings, taking into consideration their respective experience, level of responsibilities within the Group, performance of the Company as well as remuneration benchmark in the industry and the market situation. Details of the remunerations of Directors and supervisors are set out in Note IX. 5(8) to the financial statements.

The Company has passed the share appreciation rights scheme (the "Scheme") at the annual general meeting of 2012. The Scheme has automatically expired on 9 June 2020. Details of the Scheme are set out in the paragraph headed "Share appreciation rights scheme" above.

# Directors' Report

## EMPLOYEES AND REMUNERATION POLICY (continued)

### Training plan

The Group places great emphasis on the provision of on-the-job-training and development to its employees. Each staff member is required to participate in trainings organised by the Group and its department prior to the commencement of his or her employment. The Company formulates training plans according to its staff position and career development needs and releases its annual training plan at the beginning of year pursuant to which all departments need to organise staff training for new, existing and promoted employees. The management and other employees are required to undertake training for enhancing work ability as specified by the Group.

During the reporting period, based on the requirements of corporate development, business development and talent development, the Group planned and organized selection and trainings for core talents including back-up management talents, internationalization talents, marketing talents and fundamental backbone staff. Through establishing core talent profiles in different aspects, the Group set the standards and objectives for talent cultivation and linked the trainings with corporate strategies and actual business operation. Combined with the "721" training cultivation mode, it significantly improved the abilities of participants. During the year, the Group cultivated more than 1,000 core talents. Meanwhile, it carried out "Good Lecturer Competition (好講師大賽)", elite course development project and internal training brands such as Happy Learning Class (樂學講堂) and Expert Forum (專家講壇). The Group also promoted continuous innovation, planned internal training programs including professional skills training, quality management training and lean management training, explored and activated internal training resources, explored a team of high quality lecturer, launched a batch of elite courses, accumulated the wisdom of the organisation effectively, consolidated the basic management and strengthened the organisational capabilities internally, and opened up cooperation and expanded vision externally.

## STRUCTURE OF SHARE CAPITAL

The Company's share capital structure as at 31 December 2020 was as follows:

| Shareholder                                    | Type           | As at 31 December 2020 |                                       |
|--|----------------|------------------------|---------------------------------------|
|  |                | Number of shares       | Approximate % of issued share capital |
| CRRC ZELRI                                     | Domestic share | 589,585,699            | 50.16%                                |
| CRRC Investment & Leasing                      | Domestic share | 9,380,769              | 0.80%                                 |
| CRRC Zhuzhou                                   | Domestic share | 10,000,000             | 0.85%                                 |
| CRCCE  | Domestic share | 9,800,000              | 0.83%                                 |
| Beijing Maohuan                                | Domestic share | 9,380,769              | 0.80%                                 |
| Shares in public circulation <sup>(Note)</sup> | H Share        | 547,329,400            | 46.56%                                |
| Total  |                | <u>1,175,476,637</u>   | <u>100%</u>                           |

Note: 16,200,000 H shares of which is held by CRRC's wholly-owned subsidiary, CRRC Hong Kong Capital Management Co., Limited.

# Directors' Report



## PROPOSED ISSUE OF A SHARES AND LISTING ON THE SCIENCE AND TECHNOLOGY INNOVATION BOARD

Reference is made to the announcements of the Company dated 30 September 2020, 7 December 2020 and 30 December 2020, and the circular of the Company dated 20 November 2020 of the 2020 Extraordinary General Meeting, the 2020 Domestic Shareholders' Class Meeting and 2020 H Shareholders' Class Meeting, in relation to, among other things, all the matters relating to the Company proposing to apply for the Initial Public Issue and Listing of A Shares on the Science and Technology Innovation Board.

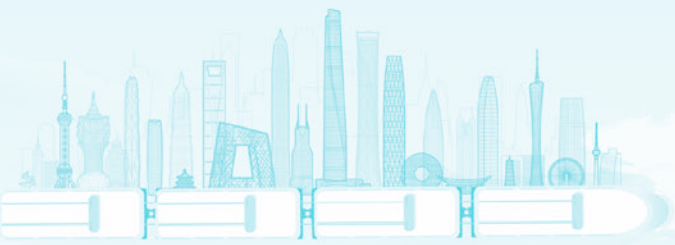
On 30 September 2020, the Board resolved to approve, among other things, the Proposed Issue of A Shares and listing on the Science and Technology Innovation Board and relevant resolutions. These resolutions have been approved by the shareholders with special resolutions or ordinary resolutions (as the case may be) in the 2020 Extraordinary General Meeting, the 2020 Domestic Shareholders' Class Meeting and 2020 H Shareholders' Class Meeting. These resolutions are all dependent on and subject to the market conditions and the necessary approval or decisions of the relevant regulatory authority.

## PROPOSED ISSUE OF A SHARES AND LISTING ON THE SCIENCE AND TECHNOLOGY INNOVATION BOARD (continued)

The Company has submitted application materials (including the A Share Prospectus) to the SSE regarding the proposed Issue and Listing of A Shares, and has received the Notice of Acceptance of Application for the Initial Public Issue of Shares and Listing on the Science and Technology Innovation Board of Zhuzhou CRRC Times Electric Co., Ltd. (Shang Zheng Ke Shen (Shou Li) ([2020] No. 322) (《關於受理株洲中車時代電氣股份有限公司首次公開發行股票並在科創板上市申請的通知》(上證科審(受理)[2020]322號)) issued by the SSE on 30 December 2020. The SSE checked the application report and related application documents submitted by the Company for the initial public issue of its shares and listing on the Science and Technology Innovation Board in accordance with relevant requirements, and considered that such application documents were complete and in compliance with the statutory form, and decided to accept and review the documents according to the law. The full text of the A Share Prospectus has been published on the website of the Review and Approval of the Issuance and Listing of Stock on the Science and Technology Innovation Board of the SSE (kcb.sse.com.cn) on 30 December 2020 for preliminary disclosure, and will be published on the website of the Hong Kong Stock Exchange (www.hkexnews.hk) and the website of the Company (www.tec.crrczic.cc) on the same date pursuant to Rule 13.10B of the SEHK Listing Rules.

Based on the requirements of the Issue and Listing of A Shares, according to the Company Law, the Securities Law and other relevant laws and regulations and regulatory documents as well as the actual condition of the Company, details of the proposed Issue and Listing of A Shares are set out below:

- (i) Place of listing: The Science and Technology Innovation Board of the SSE.
- (ii) Class of shares to be issued: Domestically-listed RMB ordinary shares (A Shares).
- (iii) Nominal value of shares: RMB1.00 each.



# Directors' Report

## PROPOSED ISSUE OF A SHARES AND LISTING ON THE SCIENCE AND TECHNOLOGY INNOVATION BOARD (continued)

- (iv) Target subscribers: Price inquiry participants who meet the relevant qualification requirements of the regulatory authorities such as the CSRC and natural persons, legal persons and other institutional investors who maintain A Shares securities account with the SSE (excluding those who have been prohibited by laws, regulations, rules and regulatory documents of the PRC). If any of the above target subscribers of the Issue and Listing of A Shares is a related party of the Company (including "related party(ies)" under the SSE Sci-Tech Listing Rules and/or "connected person(s)" under the SEHK Listing Rules), the Company will take all reasonable steps to ensure that the subscribers of the A Shares comply with the relevant requirements of the regulatory authorities such as the CSRC and those under the listing rules of the place(s) where the shares of the Company are listed.
- (v) Schedule of the issue and listing: The Company will proceed with the Issue at an appropriate time after the Issue is approved by the SSE and registered with the CSRC. The specific date for the Issue will be determined by the Board, if so authorised at a general meeting of the Company, upon approval by the SSE and registration with the CSRC.
- (vi) Method of issue: A combination of off-line placement and on-line subscription with funds, or other methods of issue approved by the CSRC and the SSE.
- (vii) Issue size: The number of shares to be issued under the Issue will not exceed 240,760,275 A Shares, being 17% of the total share capital of the Company upon completion of the Issue (before any exercise of the over-allotment option). If there is any ex-right event (such as bonus issue and conversion of capital reserve to share capital) prior to the Issue, the number of A Shares to be issued under the Issue will be adjusted accordingly. The Issue will only involve issue of new A Shares, and will not involve a public sale of A Shares by existing Shareholders. The Company and the lead underwriter(s) can discuss on whether to exercise the over-allotment option and if so exercised, the number of additional A Shares to be issued will not exceed 15% of the total number of A Shares to be issued under the Issue. The final issue size will be determined by the Board, if so authorised at a general meeting, after consultation with the lead underwriter(s) according to the actual situation and subject to the decision(s) of approval and/or registration consent of the regulatory authorities including the CSRC. Meanwhile, the issue size will be subject to the relevant requirements of the SEHK Listing Rules.
- (viii) Pricing methodology: The issue price of the A Shares will be determined through price inquiry with securities companies, fund management companies, trust companies, finance companies, insurance companies, qualified foreign investors, private equity fund managers and other professional institutional investors registered with the Securities Association of China. The Company and the lead underwriter(s) may determine the issue price through initial price inquiry or by other pricing methodology then recognised by the CSRC or the SSE. According to the relevant supervision and administration requirements on state-owned assets, the issue price of the Issue should not, in principle, be lower than the Company's latest net asset value per Share available when such issue price is determined. The Company should also comply with the relevant requirements under the SEHK Listing Rules in respect of the issue price of the Issue and Listing of A Shares.

# Directors' Report



## PROPOSED ISSUE OF A SHARES AND LISTING ON THE SCIENCE AND TECHNOLOGY INNOVATION BOARD (continued)

- (ix) Implementation of strategic placing upon issue: Strategic placing will be implemented upon the Issue and Listing of A Shares, and the total number of A Shares to be placed to strategic investors will not exceed 30% of the total number of A Shares to be issued under the Issue (excluding the A Shares to be issued upon the exercise of the over-allotment option). The target subscribers of the strategic placing include but are not limited to securities investment funds legally established and for specific investment purposes, related subsidiaries legally established by the sponsor(s) of the Company or other relevant subsidiaries legally established by the securities companies that actually control the sponsor(s), and specific asset management plan(s) established by the Company's senior management and core employees.
- (x) Use of proceeds: Based on the actual condition of the Company, the proceeds raised from the Issue (after deducting the issue related expenses) will be used for rail transit traction network technology and system R&D application project, smart rail transit bureau and smart urban rail key technology and system R&D application project, new industry advanced technology R&D application project, new-type rail engineering machinery R&D manufacturing platform construction project, innovative experimental platform construction project and replenishment of working capital (the "Projects to be Financed with Proceeds from the Issue"). The Company may adjust the Projects to be Financed with Proceeds from the Issue in accordance with the implementation of the plan of the Issue, market conditions, policy adjustments and opinions from regulatory authorities. Should the actual proceeds from the Issue be insufficient to cover the Projects to be Financed with Proceeds from the Issue, the Company will fill in such shortfalls with self-raised funds. Should the actual proceeds from the Issue exceed the aggregate capital requirements of the Projects to be Financed with Proceeds from the Issue, the Company will apply the surplus to the principal business of the Company after performing necessary procedures in accordance with relevant requirements. Before the proceeds from the Issue are in place, the Company may finance the above-mentioned projects with its own funds and/or bank borrowings based on the actual progress of the projects. After the proceeds are in place, the Company will replace the previously invested amount with such proceeds.
- (xi) Method of underwriting: Standby commitment.
- (xii) Validity period of resolutions in relation to the issue and listing: The resolutions in respect of the Issue and Listing of A Shares will be valid for a period of 12 months from the date of consideration and approval at a general meeting and class meeting(s) of the Company.

# Directors' Report

## SUBSTANTIAL SHAREHOLDERS

Interests or short positions in the shares and underlying shares of the Company pursuant to the disclosure requirements in Divisions 2 and 3 of Part XV of the SFO as at 31 December 2020 are as follows:

| Name of substantial shareholder  | Number of shares held |                                       | Capacity                      | Approximate % of share capital of Domestic Share | Approximate % of share capital of H Share | 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%                                 |
| Brown Brothers Harriman & Co.    | 38,044,392            | (Long position)                       | Agent                         | –  | 6.95%                                     | 3.24%                                 |
|                                  | 38,044,392            | (Lending pool shares – Long position) | Agent                         | –  | 6.95%                                     | 3.24%                                 |
| Impax Asset Management Group plc | 33,231,183            | (Long position)                       | Interest in controlled entity | –  | 6.07%                                     | 2.83%                                 |
| Citigroup Inc.                   | 1,531,950             | (Long position)                       | Interest in controlled entity | –  | 0.28%                                     | 0.13%                                 |
|                                  | 1,054,460             | (Short position)                      | Interest in controlled entity | –  | 0.19%                                     | 0.04%                                 |
|                                  | 30,926,917            | (Lending pool shares – Long position) | Approved lending agent        | –  | 5.65%                                     | 2.63%                                 |

Notes:

- 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 Hong Kong Capital Management Co., Limited, a wholly-owned subsidiary of CRRC.
- CRRC Group is directly and indirectly interested in 51.19% of the shares of CRRC. Accordingly, CRRC Group is deemed under the SFO to be interested in the shares held by CRRC.



# Directors' Report



## CONTINUING CONNECTED TRANSACTIONS

Transactions conducted between the Group and the following parties (among which, CRRC Group, CRRC and CRRC ZELRI are the controlling Shareholders of the Company, CRRC Finance is the subsidiary of CRRC) constitute continuing connected transactions of the Company under the SEHK Listing Rules. During the reporting period, details of the Group's continuing connected transactions were as follows:

### Non-exempt continuing connected transactions

The following transactions constitute non-exempt continuing connected transactions of the Group and thus are subject to reporting, announcement and independent Shareholders' approval requirements under the SEHK Listing Rules.

#### Mutual Supply Agreement with CRRC Group

On 26 March 2019, the Company and CRRC Group (together with its subsidiaries and their respective associates but excluding the Group, collectively, the "CRRC Group of Companies") entered into the 2020-22 CRRC Group Mutual Supply Agreement, pursuant to which the Company and CRRC Group agreed on mutual supply of certain products, parts and components, technical services, after-sales services, management services and other related services, and related facilities for research and development, production and testing purposes between the Group and the CRRC Group of Companies for a term of three years commencing on 1 January 2020 and ending on 31 December 2022. Please refer to the Company's announcement dated 26 March 2019 and circular dated 30 April 2019 for details, which included information on the connected relationship between the Company and the counterparty to the aforesaid agreement. The Company obtained the approval from relevant independent Shareholders at the annual general meeting held on 20 June 2019.

For the year ended 31 December 2020, the amount payable by the Group to the CRRC Group of Companies for the products and services supplied by the CRRC Group of Companies under the 2020-22 CRRC Group Mutual Supply Agreement was RMB2,973.1 million, and the amount payable by the CRRC Group of Companies to the Group for the products and services supplied by the Group under the 2020-22 CRRC Group Mutual Supply Agreement was RMB7,563.3 million, and both were within the aggregate annual caps of continuing connected transactions for the financial year ended 31 December 2020 approved by independent Shareholders at the annual general meeting held on 20 June 2019.

#### The Financial Services Framework Agreement with CRRC Finance

On 25 October 2019, the Company and CRRC Finance entered into the 2019-20 CRRC Financial Services Framework Agreement, pursuant to which, CRRC Finance agreed to provide the Group with deposits services, loan services and other financial services subject to the terms and conditions provided therein for a term commencing from 31 December 2019 to 30 December 2020. Please refer to the Company's announcement dated 25 October 2019 for details, which included information on the connected relationship between the Company and the counterparty to the aforesaid agreement.

For the period from 1 January 2020 to 30 December 2020, the maximum daily amount of the Group's deposits with CRRC Finance under the Financial Services Framework Agreements was RMB687 million, which was within the respective maximum daily caps of continuing connected transaction for the same period provided for by the Financial Services Framework Agreements. For the period from 1 January 2020 to 30 December 2020, the Group did not receive the loan services and other financial services which may be provided by CRRC Finance to the Group under the Financial Services Framework Agreements.

## CONTINUING CONNECTED TRANSACTIONS (continued)

### Mutual Supply Agreement with Qingdao CRRC Electric

On 24 April 2020, the Company entered into the 2020-22 Qingdao CRRC Electric Mutual Supply Agreement with Qingdao CRRC Electric (together with its subsidiaries and their respective associates, collectively, the "Qingdao Electric Group"), pursuant to which the Company and Qingdao CRRC Electric agreed to provide mutual supply of certain products, parts and components, technical services, after-sales services, management services and other related services, and related facilities for research and development, production and testing purposes between the Group (excluding the Qingdao Electric Group) and the Qingdao Electric Group, for a term of three years commencing on 1 January 2020 and ending on 31 December 2022. Please refer to the Company's announcements dated 24 April 2020 and 8 May 2020 for details, which included information on the connected relationship between the Company and the counterparty to the aforesaid agreement.

For the year ended 31 December 2020, the amount payable by the Group to the Qingdao Electric Group for the products and/or services supplied by the Qingdao Electric Group under the 2020-22 Qingdao CRRC Electric Mutual Supply Agreement was RMB34.1 million, and the amount payable by the Qingdao Electric Group to the Group for the products and/or services supplied by the Group under the 2020-22 Qingdao CRRC Electric Mutual Supply Agreement was RMB32.7 million, and both were within the relevant aggregate annual caps of continuing connected transactions for the financial year ended 31 December 2020 provided for in the 2020-22 Qingdao CRRC Electric Mutual Supply Agreement.

### Property Leasing Framework Agreement with CRRC

On 17 August 2018, the Company and CRRC (together with its subsidiaries (excluding the Group) and their respective associates, collectively, the "CRRC Corporation Group") entered into the Property Leasing Framework Agreement, pursuant to which, the Company and CRRC agreed to lease and procure their respective group members to lease to the other their lawfully owned properties and/or supporting equipment and facilities for a term of ten years commencing from 1 January 2018 and ending on 31 December 2027. Please refer to the announcement of the Company dated 17 August 2018 for details, which included information on the connected relationship between the Company and the counterparty to the aforesaid agreement.

For the year ended 31 December 2020, the rent and related fees paid by the CRRC Corporation Group to the Group under the Property Leasing Framework Agreement was RMB9.3 million and the rent and related fees paid by the Group to the CRRC Corporation Group under the Property Leasing Framework Agreement was RMB18.5 million (and the balance of the right-of-use asset recognised according to Accounting Standards for Business Enterprises No. 21 – Leases was RMB24.5 million), which did not exceed the relevant annual aggregate caps for the continuing connected transactions for the financial year ended 31 December 2020 as agreed in the Property Leasing Framework Agreement.

### Mutual Supply Agreement with Taiyuan CRRC Times

On 28 December 2018, the Company entered into the 2019-21 Taiyuan CRRC Times Mutual Supply Agreement with Taiyuan CRRC Times (together with its subsidiaries and their respective associates, collectively, the "Taiyuan Times Group"), pursuant to which, the Company and Taiyuan CRRC Times agreed to provide mutual supply of other certain products, parts and components, technical services, after-sales services, management services and other related services, and related facilities for research and development, production and testing purposes between the Group and the Taiyuan Times Group for a term of three years commencing from 1 January 2019 and ending on 31 December 2021. Please refer to the announcement of the Company dated 28 December 2018 for details, which included information on the connected relationship between the Company and the counterparty to the aforesaid agreement.

For the year ended 31 December 2020, the amount payable by the Group to Taiyuan Times Group for the products and/or services provided by Taiyuan Times Group under the 2019-21 Taiyuan CRRC Times Mutual Supply Agreement was RMB91.6 million, and the amount payable by Taiyuan Times Group to the Group for the products and/or services provided by the Group under the 2019-21 Taiyuan CRRC Times Mutual Supply Agreement was RMB103.5 million, which did not exceed the relevant annual aggregate caps for the continuing connected transactions for the financial year ended 31 December 2020 as agreed in the 2019-21 Taiyuan CRRC Times Mutual Supply Agreement.

# Directors' Report



## ANNUAL REVIEW OF CONTINUING CONNECTED TRANSACTIONS

The Board has engaged the auditor of the Company to perform certain procedures in respect of the continuing connected transactions of the Group. The auditor has issued its unqualified letter containing its findings and conclusions in respect of the continuing connected transactions to the Board in accordance with the Rule 14A.56 of the SEHK Listing Rules. The Company provided a copy of the said letter to the Hong Kong Stock Exchange. The Directors (including independent non-executive Directors) have reviewed and confirmed that the continuing connected transactions of the Group comply with the agreed procedures and principles and the Group's continuing connected transactions above:

- were entered into in the ordinary and usual course of business of the Group;
- were entered into on normal commercial terms or if there were not sufficient comparable transactions to judge whether they were on normal commercial terms, on terms no less favourable to the Group than those available to or from (as the case may be) independent third parties;
- were conducted in accordance with the agreements governing such transactions, and the terms are fair, reasonable and in the interests of the Company and the Shareholders as a whole; and
- did not exceed the caps of continuing connected transactions for the financial year ended 31 December 2020 provided for by the continuing connected transactions agreements above.

## RELATED-PARTY TRANSACTIONS

Details of the related-party transactions undertaken by the Group during the year are set out in Note IX to the financial statements. The Company has complied with the applicable requirements under the SEHK Listing Rules for those related party transactions which constituted non-exempt connected transactions/continuing connected transactions under the SEHK Listing Rules. Other related-party transactions either did not constitute connected transactions/continuing connected transactions or constituted connected transactions/continuing connected transactions but were exempted from all disclosure and independent Shareholders' approval requirements under the SEHK Listing Rules.

## CONNECTED TRANSACTIONS

### Supplemental JV Agreement

In September 2019, the Company entered into the JV Agreement with CRRC Nanjing Puzhen, CRRC Sifang Institute and CRRC Qishuyan Institute in relation to, among other things, the establishment of the JV Company in India. As at 2 March 2020, being the date of the announcement, the registered capital of the JV Company is INR50.0 million and the JV Company is held as to 15.0%, 70.0%, 10.0% and 5.0% by the Company, CRRC Nanjing Puzhen, CRRC Sifang Institute and CRRC Qishuyan Institute, respectively.

On 2 March 2020, the Company further entered into the Supplemental JV Agreement with CRRC Nanjing Puzhen, CRRC Sifang Institute and CRRC Qishuyan Institute, pursuant to which the parties agreed, among other things, to make additional capital contributions to the JV Company in proportion to their respective equity interests in the JV Company. For details, please refer to the announcement of the Company dated 2 March 2020.

## CONNECTED TRANSACTIONS (continued)

### Provision of Loan to Connected Subsidiary

Reference is made to the announcement of the Company dated 14 December 2018 in relation to the establishment of a joint venture company in Taiyuan City, Shanxi Province, the PRC. Taiyuan CRRC Times, being the said joint venture company, was established in the PRC in December 2018 and is a non wholly-owned subsidiary of the Company.

On 27 March 2020, the Company (as lender) entered into the Loan Agreement with Taiyuan CRRC Times (as borrower), pursuant to which the Company agreed to provide the Loan to Taiyuan CRRC Times in the principal amount of RMB100,000,000 for a term of one year commencing from the date of the Loan Agreement. For details, please refer to the announcement of the Company dated 27 March 2020.

### Capital Increase Agreement

On 29 November 2020, Baoji CRRC Times (a subsidiary of the Company), CRRC Taiyuan and Taiyuan CRRC Times entered into the Capital Increase Agreement, pursuant to which Baoji CRRC Times and CRRC Taiyuan shall increase the capital contribution in a total sum of RMB257.6204 million to Taiyuan CRRC Times in accordance with their respective shareholding ratio. Upon completion of the capital increase, the registered capital of Taiyuan CRRC Times shall increase from RMB50.00 million to RMB307.6204 million, and Taiyuan CRRC Times will remain to be owned as to 55% by Baoji CRRC Times and as to 45% by CRRC Taiyuan. For details, please refer to the announcement of the Company dated 30 November 2020.

## MECHANISM FOR PROTECTING NON-CONTROLLING INTERESTS

To protect non-controlling interests, the Company has established and implemented certain governance measures, which include:

- (1) In accordance with the Articles, directors who are interested in the transactions should disclose their respective interest, and shall not vote in respect of the transactions in which they are interested and shall not be counted towards the quorum of the meeting. Therefore, for the connected transactions between the Group and the CRRC Group of Companies, Mr. Li Donglin, Mr. Yang Shouyi (resigned as an executive director of the Company on 28 September 2020), Mr. Liu Ke'an (as the case may be) and Mr. Zhang Xinning did not vote in respect of the relevant Board resolutions and were not counted towards the quorum of the meetings approving the relevant resolutions due to conflict of interest.
- (2) An independent professional management team of the Group responsible for negotiating and reviewing the terms of transactions with the suppliers and customers (including the CRRC Group of Companies) has been established. The members of the management team include the staff of the Group with relevant techniques and sales expertise, and the terms of duties of the management team allow it to make independent business judgments. The management team reports to the Board, while the Board is accountable to the Shareholders of the Company as a whole.
- (3) The Company's auditor has provided quarterly reports to the independent non-executive Directors on all transactions conducted between the Group and the CRRC Group of Companies.
- (4) When making purchases, the Group has endeavoured to obtain tenders or quotations from a number of independent suppliers, and select successful bidders (where applicable) based on objective standards such as the price and quality of products, delivery schedule and services.

# Directors' Report



## MECHANISM FOR PROTECTING NON-CONTROLLING INTERESTS (continued)

- (5) Subject to (1) above, all independent non-executive Directors have attended the Board meetings for deciding whether the Group should conduct special transactions with the CRRC Group of Companies.
- (6) The terms for the supply and purchase arrangements entered into between the Group and the CRRC Group of Companies are subject to quarterly review by the independent non-executive Directors, and opinions regarding such transactions are disclosed by the Company to Shareholders by way of announcements. Independent non-executive Directors may request an independent party having at least 10 years' experience in the locomotive and rolling stock manufacturing industry to participate in assessing the terms of the sales and purchases agreements, and to provide their findings to the independent non-executive Directors.

## NON-COMPETITION AND INDEMNITY DEEDS

The Company entered into a non-competition and indemnity deed with the Parent Company and CRRC Group on 30 November 2006 (collectively the "Non-Competition and Indemnity Deed"), respectively, pursuant to which the Parent Group and the CRRC Group of Companies (excluding the Parent Group) respectively undertook not to carry on businesses that are in competition with the Company's businesses.

In 2015, CSR merged with CNR and formed CRRC; China Northern Locomotive & Rolling Stock Industry (Group) Corporation merged with CSR Group and formed CRRC Group. As certain businesses of the subsidiaries of CNR overlap with those of the Group, there are certain business overlaps between CRRC Group and the Group. Accordingly, CRRC issued an undertaking letter regarding the avoidance of competition with the Company (the "Undertaking Letter") to the Company on 5 August 2015, in which it provided non-competition undertakings as follows:

- CRRC will grant the Company a call option, pursuant to which, the Company will be entitled to elect, at its own discretion, when to request CRRC to sell the competing businesses of CRRC to Company;
- CRRC further granted the Company a pre-emptive right, pursuant to which, if CRRC proposes to sell the competing business to an independent third party, CRRC shall offer to the Company the competing business first on the same conditions, and the sale to the third party may only be effected after the Company declined to purchase the competing business;
- the decision of the Company to exercise the aforesaid option and the pre-emptive right to purchase shall be made by the independent non-executive Directors of the Company;
- the exercise of the aforesaid option and the pre-emptive right to purchase will be subject to the applicable regulatory and disclosure requirements and Shareholders' approval at the general meeting in the places of listing of CRRC and the Company respectively;
- the aforesaid non-competition undertaking will be effective from the date of issuance to the time when the Company is de-listed or CRRC ceases to be an indirect controlling Shareholder of the Company.



# Directors' Report

## NON-COMPETITION AND INDEMNITY DEEDS (continued)

The independent non-executive Directors have reviewed the compliance issue of the Non-Competition and Indemnity Deed with the Parent Group and the CRRC Group of Companies (excluding the Parent Group) for the year ended 31 December 2020, and reviewed relevant information provided by the Parent Group and the CRRC Group of Companies (excluding the Parent Group). The independent non-executive Directors were of the opinion that: (1) the Parent Group complied with the relevant terms of the Non-Competition and Indemnity Deed in 2020. The Parent Group carried on its businesses independent of the Group's businesses, having different technology applications and different customers, which would not be in competition with that of the Group; (2) in 2020, CRRC Group continued to procure CRRC to perform its undertakings to the Company and continued to promote the resolution of the business competition with the Group arising from the merger of CSR and CNR; and (3) the Board operated and managed the Company's businesses independently in the interests of the Company and the Shareholders as a whole.

On 20 December 2020, in order to meet the requirements of the Issue and Listing of A Shares, each of CRRC Group and the Parent Company has further issued to the Company, among others, an undertaking letter regarding the avoidance of competition with the Company (collectively, the "2020 Undertaking Letters"). The 2020 Undertaking Letters will take effect upon the completion of the Issue and Listing of A Shares. For details, please refer to the section headed "Management and Independence of the Company" in the A Share Prospectus, which was set out in the announcement dated 30 December 2020 of the Company.

## SUFFICIENCY OF PUBLIC FLOAT

According to publicly available information and as far as the Directors were aware, as at the date of this report, there was a sufficient public float of the Company's issued shares as required under the SEHK Listing Rules.

## TAXATION

Pursuant to the provisions of the Corporate Income Tax Law of the PRC and the Implementing Regulations of the Corporate Income Tax Law of the PRC implemented in 2008, effective from 1 January 2008, any PRC domestic enterprise shall withhold the corporate income tax upon the distribution of dividends payable to the Shareholders being non-resident enterprises (legal persons) for accounting periods starting from 1 January 2008, and the payer shall serve as the withholding agent. The Company will strictly abide by the law and identify all Shareholders who are subject to the withholding and payment of corporate income tax, whose names appear in the Company's register of members as holders of H shares on the record date and who are not individuals (including HKSCC Nominees Limited, other corporate nominees or trustees, and other entities or organisations which are all considered as non-resident enterprise Shareholders, but excluding any H shares of the Company registered in the name of HKSCC Nominees Limited which are held by China Securities Depository and Clearing Corporation Limited as nominee Shareholder on behalf of investors who invest in the H shares of the Company through Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect), the Company will distribute the relevant dividends after deducting corporate income tax of 10%.

Pursuant to the requirements of Notice of the Ministry of Finance and the State Administration of Taxation on Certain Policies Regarding Individual Income Tax (Cai Shui Zi [1994] 020) (《財政部、國家稅務總局關於個人所得稅若干政策問題的通知》(財稅字[1994]020號)), individual foreigners are exempt from individual income tax on dividend and bonus from foreign-invested enterprises in the PRC. As the Company is a foreign-invested joint stock limited company, the individual Shareholders who hold the H shares of the Company and appear in the H-share registrar are not required to pay the individual income tax of the PRC.

# Directors' Report



## TAXATION (continued)

Pursuant to the relevant requirements under the Notice on the Tax Policies Related to the Pilot Program of the Shanghai-Hong Kong Stock Connect (Cai Shui [2014] No. 81) (《關於滬港股票市場交易互聯互通機制試點有關稅收政策的通知》) (財稅[2014]81號), for dividends received by domestic investors from investing in H shares listed on the Hong Kong Stock Exchange through Shanghai-Hong Kong Stock Connect, the H shares companies shall withhold and pay individual income tax at the rate of 20% on behalf of the investors. For dividends received by domestic securities investment funds from investing in H shares listed on the Hong Kong Stock Exchange through Shanghai-Hong Kong Stock Connect, the tax payable shall be the same as that for individual investors. The H shares companies will not withhold and pay the income tax of dividends for domestic enterprise investors and those domestic enterprise investors shall report and pay the relevant tax themselves.

Pursuant to the Notice on Tax Policies for Shenzhen-Hong Kong Stock Connect Pilot Program (Cai Shui [2016] No.127) (《關於深港股票市場交易互聯互通機制試點有關稅收政策的通知》) (財稅[2016]127號), for dividends received by domestic investors from investing in H shares listed on the Hong Kong Stock Exchange through Shenzhen-Hong Kong Stock Connect, the H shares companies shall withhold and pay individual income tax at the rate of 20% on behalf of the investors. For dividends received by domestic securities investment funds from investing in H shares listed on the Hong Kong Stock Exchange through Shenzhen-Hong Kong Stock Connect, the tax payable shall be the same as that for individual investors. The H shares companies will not withhold and pay the income tax of dividends for domestic enterprise investors and those domestic enterprise investors shall report and pay the relevant tax themselves.

Save as disclosed above, for the year ended 31 December 2020, no foreign shareholder who is non-PRC resident is liable to individual or corporate income tax, capital gains tax, stamp duty or estate duty of the PRC in relation to their holding of H shares of the Company. Shareholders are urged to consult their tax advisers regarding the applicable PRC and Hong Kong tax laws and other tax consequences of the owning and disposing of the H shares of the Company.

## MANAGEMENT CONTRACTS

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

## ENVIRONMENTAL POLICY AND PERFORMANCE

The Company adheres to its safety and environmental protection principles of “People-oriented, Continuous Improvement, Environmental Friendly and Health and Safety”. In addition to strict compliance with the national laws and regulations in relation to environmental protection and principles and policies of energy saving and emission reduction, the Company continuously promotes the use of environmentally-friendly materials and application of environmental-friendly crafts. Through continuous implementation and optimization of environmental protection management, the Company ensures that its production and business activities always comply with the requirements of ISO14001 environmental management system. The Company is honored to be selected as the green factory demonstration company by the Ministry of Industry and Information Technology of China. Also, as a green factory and green enterprise and one of the Credit Enterprises of Environmental Protection in Hunan Province, the Company plays an active role in fulfilling its social responsibility and obligations and upholding a good social image. For further information about the Company's environmental performance during the year, please refer to the Social Responsibility Report to be published separately on or before 30 May 2021 by the Company, which will be available on the Company's website and the Hong Kong Stock Exchange's HKExnews website in due course.



# Directors' Report

## COMPLIANCE WITH LAWS AND REGULATIONS

The Group has formulated the compliance procedures to ensure compliance with the applicable laws, rules and regulations that have a significant impact on it. The securities and legal affairs department and other relevant departments of the Company are responsible for supervising the policies and practices for compliance with laws and supervision by reviewing the same regularly. The relevant employees and subsidiaries will be notified from time to time of any material change in the applicable laws, rules and regulations.

The Group has complied with relevant applicable laws, rules and regulations of the jurisdictions in which the Group operates in all material aspects and has obtained relevant qualifications required for the provision of products and/or services. During the year and as far as the Company is aware, there was no material breach of or non-compliance with the applicable laws and regulations by the Group that has a significant impact on its business and operations.

## RELATIONSHIP WITH EMPLOYEES

The Group provides a harmonious and professional working environment to employees and ensures that all of them are reasonably remunerated. The Company regularly optimises and updates its policies on remuneration and benefits, training as well as occupational health and safety in accordance with laws and policy requirements at all levels. Details of the employees of the Company are set out in the subsection headed "Directors' Report – Employees and remuneration policy" above.

During the reporting period, there were no material disputes between the Group and its employees.

## RELATIONSHIP WITH CUSTOMERS

The customers of the national railway business are mainly the automakers under the CRRC Group and the railway bureaus under State Railway Group. The target customers of said market is clear. The customers in urban railway market and industrial markets are relatively dispersed. The Group recognises the importance of maintaining good cooperative relationship with its customers to achieve co-win results. In the course of business operation, the Company pays close attention to the benefits of the customers and communicates with them smoothly through dedicated account managers, green service centers, customer satisfaction and compatibility survey, and business and technology exchange, with a view to fully understanding, collecting and analysing their concerns and making responses positively, so as to continuously improve its own operation ability and the ability to serve its customers.

During the reporting period, there were no material disputes between the Group and its customers.

## RELATIONSHIP WITH SUPPLIERS

The raw materials and parts of the Group are mainly obtained from external procurement, with some provided by internal production of the corporation. The Group implements strategic procurement and values the development of long-term relationship with its business partners. It has always strived to cooperate with its business partners to create and share value to achieve mutual development and co-win results. The Group established direct and stable supply channels with the suppliers. Through whole life cycle management and performance evaluation of the suppliers, the overall supply risk is reduced and the risk of excessive reliance on a single supplier is lower.

During the reporting period, there were no material disputes between the Group and its suppliers.



# Directors' Report



## SOCIAL RESPONSIBILITY REPORT

The social responsibility report containing information on the Company's performance of its responsibilities on the environment and the society in 2020 will be published and will also be posted on the website of the Company and the Hong Kong Stock Exchange's HKExnews website on or before 30 May 2021.

## AUDITOR

The financial statements for the year have been audited by Deloitte Touche Tohmatsu, which will be reappointed as the auditor of the Company by proposing a resolution at the forthcoming annual general meeting.

By order of the Board

**Li Donglin**

*Chairman of the Board*

Zhuzhou, Hunan, PRC

30 March 2021



# Supervisory Committee's Report

During the reporting period, pursuant to the Company Law, the Articles, the SEHK Listing Rules and the Rules of Meetings of the Supervisory Committee, members of the Supervisory Committee performed their duties prudently and effectively with respect to the supervision of the Company's operations and business activities in accordance with the applicable rules and regulations in order to safeguard Shareholders' and the Company's interests.

## I. MEETINGS OF THE SUPERVISORY COMMITTEE HELD DURING THE REPORTING PERIOD

- (1) During the year, the Company held seven Supervisory Committee meetings. The notices, convening, holding and passing of resolutions of the meetings were in compliance with the requirements of the relevant laws and regulations and the Articles. Contents of review mainly included the 2019 working report of the Supervisory Committee, the 2019 financial report, the 2019 annual report, the 2020 interim report and connected transactions etc.
- (2) During the year, members of the Supervisory Committee attended all the general meetings and the Board meetings of the Company in person or by way of telecommunication.

## II. INDEPENDENT OPINION OF THE SUPERVISORY COMMITTEE

### • The Company carried on its operations lawfully

In 2020, in accordance with the applicable laws and regulations, the Supervisory Committee reviewed the procedures adopted in the convening, passing of resolutions, decision-making procedures, results of voting of the Company's general meetings and the Board meetings, implementation of resolutions of general meetings by the Board, the performance of duties of senior management and the management system of the Company. The Supervisory Committee is of the opinion that the Directors and senior management of the Company had diligently performed their responsibilities and were in compliance with the applicable laws and regulations. During the reporting period, no breaches of laws or regulations which were materially prejudicial to the Company or the interests of Shareholders were found.

### • Financial reports give a true and accurate view

The Supervisory Committee seriously and thoroughly reviewed the Group's financial system and financial position. The Supervisory Committee considers that the Group's 2020 financial report is true and accurate and presents the financial position and operating results fairly, and Deloitte Touche Tohmatsu has issued a standard and unqualified audit opinion.

### • Connected transactions

The Supervisory Committee considers that the connected transactions between the Group and the CRRC Group of Companies during the year were entered into in the ordinary and usual course of our business. The terms of transactions were fair and reasonable which were in the interests of the Group and the Shareholders as a whole. After its review, the Supervisory Committee considers that the Group's transactions in 2020 were in compliance with the relevant laws and regulations of the PRC and is not aware of any impairment to the Company's and Shareholders' interest by means of connected transactions, and the total value of the continuing connected transactions was within the 2020 aggregate annual caps approved by the independent Shareholders at the annual general meeting held on 20 June 2019.

# Supervisory Committee's Report



## II. INDEPENDENT OPINION OF THE SUPERVISORY COMMITTEE (continued)

### • The implementation of non-competition and indemnity deeds

The Supervisory Committee is of the opinion that (1) the Parent Group complied with the relevant terms of the Non-Competition and Indemnity Deeds in 2020. The Parent Group carried on its businesses independent of the Group's businesses, having different technology applications and different customers, which would not be in competition with that of the Group; (2) in 2020, CRRC Group continued to procure CRRC to perform its undertakings to the Company and continued to promote the resolution of the business competition with the Group arising from the merger of CSR and CNR; and (3) the Board operated and managed the Company's businesses independently in the interests of the Company and the Shareholders as a whole.

### • The implementation of the resolutions of the general meeting

During the year, members of the Supervisory Committee attended ten Board meetings and four general meetings. There were no objections to various reports and resolutions submitted by the Board for consideration at the general meeting. The Board had seriously carried out the resolutions of the general meeting.

**Li Lüe**

*Chairman of the Supervisory Committee*

Zhuzhou, Hunan, PRC  
30 March 2021



# Auditors' Report

# Deloitte.

De Shi Bao (Shen) Zi (21) No. P01397

TO ALL SHAREHOLDERS OF ZHUZHOU CRRCTIMES ELECTRIC CO., LTD.:

## I. OPINION

We have audited the financial statements of Zhuzhou CRRCTimes Electric Co., Ltd. ("CRRCTimes Electric"), which comprise the consolidated and Company's balance sheets as at 31 December 2020, and the consolidated and Company's income statements, the consolidated and Company's statements of changes in shareholders' equity and the consolidated and Company's cash flow statements for the year then ended, and the notes to the financial statements.


In our opinion, the accompanying financial statements have been prepared and present fairly, in all material respects, the consolidated and Company's financial position of CRRCTimes Electric as at 31 December 2020 and the consolidated and Company's results of operations and cash flows for the year then ended in accordance with Accounting Standards for Business Enterprises.

## II. BASIS FOR OPINION

We conducted our audit in accordance with China Standard on Auditing. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of CRRCTimes Electric in accordance with the code of ethics for Chinese Certified Public Accountants, and we have fulfilled our other ethical responsibilities in accordance with the code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## III. KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for 2020. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We determine the followings are key audit matters in need of communication in our report.



# Auditors' Report



## III. KEY AUDIT MATTERS (continued)

### (I) Measurement of Expected Credit Losses of Trade Receivables and Contract Assets

As disclosed in Note (V) 4 and Note (V) 9 to the financial statements, as at 31 December 2020, the gross carrying amounts of trade receivables and contract assets of CRRC Times Electric were RMB8,280,072,469 and RMB492,110,171, respectively; the provisions for credit losses of trade receivable and contract assets were RMB343,177,260 and RMB9,451,601, respectively. As described in Note (III) 10.2 to the financial statements, CRRC Times Electric adopts the expected credit losses model to recognize provisions for expected credit losses, and measures the provisions for losses of all the trade receivable and contract assets at the lifetime expected credit losses. The measurement of expected credit losses involves significant judgements and assumptions by the management, including the estimation on expected credit risk and estimated lifetime expected credit losses rate on a basis of portfolios grouped as per credit risk characteristics. In the meantime, due to credit risk exposures of trade receivables and contract assets and significant amounts of provisions for the losses, we consider it as a key audit matter.

The audit procedures that we performed in response to above key audit matter mainly include:

- (1) Test and evaluate the effectiveness of operation of the internal control related to the provision for expected credit losses;
- (2) Understand and evaluate the reasonableness of the method used by the management of CRRC Times Electric to determine expected credit losses, and review the underlying data based on which expected credit losses are calculated, such as customer type grouping, historical credit losses, current litigation status, and aging and overdue status of trade receivables, etc.;
- (3) Review the reasonableness and consistency of the expected credit losses model and major parameters adopted by the management of CRRC Times Electric to determine the expected credit losses;
- (4) Select samples to review the future cash flows of trade receivables or contract assets estimated by the management of CRRC Times Electric based on the different credit risks and judge their reasonableness;
- (5) For trade receivables for which expected credit losses are individually assessed, obtain relevant supporting documents from the management of CRRC Times Electric, understand the special consideration of the management of CRRC Times Electric for the individual assessment of expected credit losses, and assess the reasonableness of the individual assessment of expected credit losses.

### (II) Impairment of Goodwill

As disclosed in Note (V) 18 to the financial statements, as at 31 December 2020, the net goodwill of CRRC Times Electric was RMB246,921,172. As described in Note III. 20 to the financial statements, CRRC Times Electric measures the goodwill acquired in the business combination according to the amount of the cost less the accumulated impairment provision after the initial recognition, and tests for impairment at least at the end of each year. Since the closing balance of the foresaid goodwill is significant at the end of year and the goodwill impairment test involves a large number of assumptions and judgments, including estimation of future cash flow generated from asset groups or asset group portfolios, and selection of discount rate which properly reflects the currency time value of present market and particular risk of assets, and therefore, we identified the impairment loss of goodwill as a key audit matter.



## III. KEY AUDIT MATTERS (continued)

### (II) Impairment of Goodwill (continued)

The audit procedures that we performed in response to above key audit matter mainly include:

- (1) Evaluate the reasonableness and consistency of the management's estimation method of recoverable amount based on the discount model of cash flow generated from asset groups containing goodwill by the management of CRRC Times Electric;
- (2) Evaluate the reasonableness of the key assumptions and judgments used by the management of CRRC Times Electric in estimating future cash flows;
- (3) Involve internal experts, and assess the reasonableness of the impairment test model and key parameters used by the management of CRRC Times Electric including the selection of applicable discount rate and other relevant assumptions;
- (4) Perform sensitivity test on possible changes related to key assumptions in the impairment test model;
- (5) Verify the computing accuracy of the impairment test model of goodwill.

## IV. OTHER INFORMATION

The management of CRRC Times Electric is responsible for other information. Other information includes information covered in 2020's Annual Report, but financial statements and our audit report.

Our audit opinion on the financial statements is not applicable to other information, and we neither express assurance conclusion whatsoever and howsoever on the other information.

In accordance with our audit on the financial statements, our responsibility is to read the other information and to consider whether it is significantly different from the financial statements or our knowledge in the audit process or whether a material misstatement appears to exist.

If we identify a material misstatement in other information based on our work, we should report the fact. In this regard, we have nothing to report.

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

The management of CRRC Times Electric is responsible for the preparation and fair presentation of the financial statements in accordance with Accounting Standards for Business Enterprises, and designing, implementing and maintaining internal control that is necessary to enable the financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the financial reporting process of CRRC Times Electric.

# Auditors' Report



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

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

As part of an audit in accordance with China Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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





# Auditors' Report

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

(continued)

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of 2020 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Deloitte Touche Tohmatsu Certified  
Public Accountants LLP

Chinese Certified Public Accountant: Peng Jinyong  
(Engagement partner)

Chinese Certified Public Accountant: Ye Xiangjia

Shanghai, China

30 March 2021

The auditors' report and the accompanying financial statements are English translations of the Chinese auditors' report and statutory financial statements prepared under accounting principles and practices generally accepted in the People's Republic of China. These financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles and practices generally accepted in other countries and jurisdictions. In case the English version does not conform to the Chinese version, the Chinese version prevails.



# Consolidated Statement of Financial Position

At 31 December 2020  
Renminbi Yuan

| Item                                | Note   | 31/12/2020            | 31/12/2019            |
|-------------------------------------|--------|-----------------------|-----------------------|
| <b>Current Assets</b>               |        |                       |                       |
| Cash and bank balances              | (V) 1  | 5,128,885,997         | 4,302,487,192         |
| Held-for-trading financial assets   | (V) 2  | 3,732,327,307         | 4,905,776,761         |
| Bills receivable                    | (V) 3  | 2,460,737,156         | 2,726,110,422         |
| Trade receivables                   | (V) 4  | 7,936,895,209         | 7,413,964,722         |
| Trade receivables financing         | (V) 5  | 1,443,941,055         | 2,554,953,370         |
| Prepayments                         | (V) 6  | 358,912,908           | 325,425,161           |
| Other receivables                   | (V) 7  | 162,774,728           | 106,498,054           |
| Inventories                         | (V) 8  | 4,258,490,200         | 3,768,038,771         |
| Contract assets                     | (V) 9  | 301,335,105           | 185,348,674           |
| Other current assets                | (V) 10 | 641,182,827           | 486,019,130           |
| <b>Total Current Assets</b>         |        | <b>26,425,482,492</b> | <b>26,774,622,257</b> |
| <b>Non-current Assets</b>           |        |                       |                       |
| Long-term equity investments        | (V) 11 | 550,805,565           | 527,041,129           |
| Other equity instrument investments | (V) 12 | 92,832,300            | 2,400,000             |
| Fixed assets                        | (V) 13 | 2,751,142,435         | 2,982,555,754         |
| Construction in progress            | (V) 14 | 1,644,012,744         | 92,209,800            |
| Right-of-use assets                 | (V) 15 | 80,331,083            | 106,551,628           |
| Intangible assets                   | (V) 16 | 803,773,005           | 746,172,701           |
| Development expenditure             | (V) 17 | 308,376,123           | 205,708,046           |
| Goodwill                            | (V) 18 | 246,921,172           | 417,097,375           |
| Long-term prepaid expenses          | (V) 19 | 46,038,198            | 34,744,515            |
| Deferred tax assets                 | (V) 20 | 484,378,231           | 431,128,139           |
| Other non-current assets            | (V) 21 | 431,627,910           | 665,384,012           |
| <b>Total Non-current Assets</b>     |        | <b>7,440,238,766</b>  | <b>6,210,993,099</b>  |
| <b>TOTAL ASSETS</b>                 |        | <b>33,865,721,258</b> | <b>32,985,615,356</b> |

# Consolidated Statement of Financial Position

At 31 December 2020  
Renminbi Yuan

| Item   | Note   | 31/12/2020            | 31/12/2019            |
|--|--------|-----------------------|-----------------------|
| <b>Current Liabilities</b>                                     |        |                       |                       |
| Short-term borrowings  | (V) 22 | 278,246,822           | 146,596,015           |
| Bills payable  | (V) 23 | 1,767,905,098         | 2,282,345,169         |
| Trade payables   | (V) 24 | 3,611,924,434         | 4,391,411,209         |
| Contract liabilities   | (V) 25 | 692,579,809           | 896,368,688           |
| Employee benefits payable                                      | (V) 26 | 117,663,008           | 150,388,408           |
| Taxes payable  | (V) 27 | 165,498,903           | 153,056,373           |
| Other payables   | (V) 28 | 643,771,172           | 857,451,744           |
| Non-current liabilities due within one year                    | (V) 29 | 516,727,113           | 391,687,113           |
| Other current liabilities                                      | (V) 30 | 83,024,481            | 112,563,399           |
| <b>Total Current Liabilities</b>                               |        | <b>7,877,340,840</b>  | <b>9,381,868,118</b>  |
| <b>Non-current Liabilities</b>                                 |        |                       |                       |
| Long-term borrowings   | (V) 31 | 82,688,000            | 230,535,828           |
| Lease liabilities  | (V) 32 | 56,662,111            | 71,511,895            |
| Long-term payables   | (V) 33 | 10,215,068            | 16,517,630            |
| Provisions   | (V) 34 | 548,592,302           | 450,100,880           |
| Deferred income  | (V) 35 | 963,716,803           | 565,440,683           |
| Deferred tax liabilities                                       | (V) 20 | 40,780,758            | 49,592,228            |
| Other non-current liabilities                                  |        | 26,134,972            | 23,768,937            |
| <b>Total Non-current Liabilities</b>                           |        | <b>1,728,790,014</b>  | <b>1,407,468,081</b>  |
| <b>TOTAL LIABILITIES</b>                                       |        | <b>9,606,130,854</b>  | <b>10,789,336,199</b> |
| <b>SHAREHOLDERS' EQUITY</b>                                    |        |                       |                       |
| Share capital  | (V) 36 | 1,175,476,637         | 1,175,476,637         |
| Capital reserve  | (V) 37 | 3,321,880,949         | 3,321,880,949         |
| Other comprehensive income                                     | (V) 38 | (152,338,731)         | (140,316,129)         |
| Special reserve  | (V) 39 | 25,247,257            | 17,509,972            |
| Surplus reserve  | (V) 40 | 2,325,644,999         | 2,072,158,058         |
| Retained earnings  | (V) 41 | 17,156,557,050        | 15,463,553,872        |
| <b>Total equity attributable to shareholders of the Parent</b> |        | <b>23,852,468,161</b> | <b>21,910,263,359</b> |
| <b>Non-controlling interests</b>                               |        | <b>407,122,243</b>    | <b>286,015,798</b>    |
| <b>Total shareholders' equity</b>                              |        | <b>24,259,590,404</b> | <b>22,196,279,157</b> |
| <b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>              |        | <b>33,865,721,258</b> | <b>32,985,615,356</b> |

The accompanying notes form part of the financial statements.

The financial statements on pages 72 to 86 were signed by the following:

Legal Representative  
**Li Donglin**

Chief Financial Officer  
**Liu Zehua**

Head of Accounting Department  
**Sun Shan**

# Company's Statement of Financial Position

At 31 December 2020  
Renminbi Yuan

| Item                                   | Note      | 31/12/2020            | 31/12/2019            |
|--|-----------|-----------------------|-----------------------|
| <b>Current Assets</b>                  |           |                       |                       |
| Cash and bank balances                 | (XIII) 1  | 3,285,589,102         | 2,465,395,739         |
| Held-for-trading financial assets      |           | 3,732,327,307         | 4,905,776,761         |
| Bills receivable                       | (XIII) 2  | 2,292,803,807         | 2,567,140,197         |
| Trade receivables                      | (XIII) 3  | 6,041,080,638         | 5,603,550,516         |
| Trade receivables financing            | (XIII) 4  | 1,161,363,269         | 2,076,951,571         |
| Prepayments                            | (XIII) 5  | 252,076,711           | 230,806,361           |
| Other receivables                      | (XIII) 6  | 504,335,796           | 633,649,288           |
| Inventories                            | (XIII) 7  | 2,819,283,803         | 2,494,280,044         |
| Contract assets                        | (XIII) 8  | 82,933,795            | 62,030,876            |
| Non-current assets due within one year |           | 565,596,704           | –                     |
| Other current assets                   | (XIII) 9  | 542,463,868           | 434,857,889           |
| <b>Total Current Assets</b>            |           | <b>21,279,854,800</b> | <b>21,474,439,242</b> |
| <b>Non-current Assets</b>              |           |                       |                       |
| Long-term receivables                  |           | –                     | 585,853,200           |
| Long-term equity investments           | (XIII) 10 | 5,573,966,557         | 5,216,549,510         |
| Other equity instrument investments    |           | 92,832,300            | 2,400,000             |
| Fixed assets                           | (XIII) 11 | 850,816,973           | 877,405,258           |
| Construction in progress               |           | 1,605,136,735         | 83,843,317            |
| Right-of-use assets                    |           | 27,088,691            | 31,335,518            |
| Intangible assets                      | (XIII) 12 | 343,594,952           | 365,097,018           |
| Development expenditure                |           | 165,588,354           | 94,296,144            |
| Long-term prepaid expenses             |           | 7,697,056             | –                     |
| Deferred tax assets                    | (XIII) 13 | 298,394,825           | 242,152,108           |
| Other non-current assets               |           | 334,786,636           | 638,983,709           |
| <b>Total Non-current Assets</b>        |           | <b>9,299,903,079</b>  | <b>8,137,915,782</b>  |
| <b>TOTAL ASSETS</b>                    |           | <b>30,579,757,879</b> | <b>29,612,355,024</b> |

# Company's Statement of Financial Position

At 31 December 2020  
Renminbi Yuan

| Item  | Note      | 31/12/2020            | 31/12/2019            |
|---|-----------|-----------------------|-----------------------|
| <b>Current Liabilities</b>                        |           |                       |                       |
| Bills payable                                     | (XIII) 14 | 1,058,293,574         | 1,229,996,571         |
| Trade payables                                    | (XIII) 15 | 4,348,635,303         | 5,206,700,509         |
| Contract liabilities                              | (XIII) 16 | 577,105,249           | 746,023,383           |
| Employee benefits payable                         |           | 63,313,611            | 104,121,169           |
| Taxes payable                                     | (XIII) 17 | 34,874,316            | 15,139,793            |
| Other payables                                    | (XIII) 18 | 554,109,964           | 687,538,734           |
| Non-current liabilities due within one year       |           | 343,034,221           | 285,796,402           |
| Other current liabilities                         |           | 74,228,162            | 100,414,635           |
| <b>Total Current Liabilities</b>                  |           | <b>7,053,594,400</b>  | <b>8,375,731,196</b>  |
| <b>Non-current Liabilities</b>                    |           |                       |                       |
| Long-term borrowings                              | (XIII) 19 | 82,688,000            | 87,688,000            |
| Lease liabilities                                 |           | 27,115,782            | 26,999,497            |
| Long-term payables                                |           | 10,215,068            | 16,517,630            |
| Provisions  | (XIII) 20 | 497,551,352           | 410,793,211           |
| Deferred income                                   | (XIII) 21 | 532,953,320           | 343,133,904           |
| Other non-current liabilities                     |           | 26,134,972            | 23,768,937            |
| <b>Total Non-current Liabilities</b>              |           | <b>1,176,658,494</b>  | <b>908,901,179</b>    |
| <b>TOTAL LIABILITIES</b>                          |           | <b>8,230,252,894</b>  | <b>9,284,632,375</b>  |
| <b>SHAREHOLDERS' EQUITY</b>                       |           |                       |                       |
| Share capital                                     | (V) 36    | 1,175,476,637         | 1,175,476,637         |
| Capital reserve                                   |           | 3,371,446,430         | 3,371,446,430         |
| Other comprehensive income                        |           | (26,098,194)          | (41,975,605)          |
| Special reserve                                   |           | 4,296,322             | 4,296,322             |
| Surplus reserve                                   | (V) 40    | 2,325,644,999         | 2,072,158,058         |
| Retained earnings                                 |           | 15,498,738,791        | 13,746,320,807        |
| <b>Total shareholders' equity</b>                 |           | <b>22,349,504,985</b> | <b>20,327,722,649</b> |
| <b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b> |           | <b>30,579,757,879</b> | <b>29,612,355,024</b> |

The accompanying notes form part of the financial statements.

Legal Representative  
**Li Donglin**

Chief Financial Officer  
**Liu Zehua**

Head of Accounting Department  
**Sun Shan**

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2020  
Renminbi Yuan

| Item   | Note   | 2020                  | 2019           |
|--|--------|-----------------------|----------------|
| I. Revenue   | (V) 42 | <b>16,033,898,624</b> | 16,304,206,791 |
| Less: Cost of sales  | (V) 42 | <b>10,066,659,450</b> | 9,965,727,450  |
| Tax and surcharges   | (V) 43 | <b>112,010,083</b>    | 150,692,177    |
| Selling expenses   | (V) 44 | <b>1,107,752,296</b>  | 1,121,102,310  |
| Administrative expenses  | (V) 45 | <b>760,727,754</b>    | 849,892,120    |
| Research and development expenses  | (V) 46 | <b>1,686,836,761</b>  | 1,606,529,489  |
| Finance costs  | (V) 47 | <b>2,993,873</b>      | 4,435,925      |
| Including: Interest expenses   | (V) 47 | <b>16,017,904</b>     | 25,539,769     |
| Interest income  | (V) 47 | <b>42,523,801</b>     | 28,727,953     |
| Add: Other income  | (V) 48 | <b>577,466,089</b>    | 450,494,528    |
| Investment income  | (V) 49 | <b>43,181,140</b>     | 94,980,320     |
| Including: share of gains (losses) of associates and joint ventures              |        | <b>(43,830,286)</b>   | (11,958,641)   |
| Gains (losses) from derecognition of financial assets measured at amortized cost |        | <b>(6,210,943)</b>    | —              |
| Gains from fair value changes  | (V) 50 | <b>2,327,307</b>      | 5,776,761      |
| Credit impairment gains (losses)   | (V) 51 | <b>85,645,821</b>     | (169,814,348)  |
| Asset impairment gains (losses)  | (V) 52 | <b>(234,409,991)</b>  | (85,706,513)   |
| Gains (losses) on disposal of assets   | (V) 53 | <b>6,440,830</b>      | (272,649)      |
| II. Operating profit   |        | <b>2,777,569,603</b>  | 2,901,285,419  |
| Add: Non-operating income  | (V) 54 | <b>65,923,604</b>     | 33,452,306     |
| Less: Non-operating expenses   | (V) 55 | <b>6,554,910</b>      | 2,124,938      |
| III. Total profit  |        | <b>2,836,938,297</b>  | 2,932,612,787  |
| Less: Income tax expense   | (V) 56 | <b>340,381,369</b>    | 275,053,426    |
| IV. Net profit   |        | <b>2,496,556,928</b>  | 2,657,559,361  |
| (I) Net profit classified by business continuity:                                |        |                       |                |
| 1. Net profit from continuing operations   |        | <b>2,496,556,928</b>  | 2,657,559,361  |
| 2. Net profit from discontinued operations                                       |        |                       | —              |
| (II) Net profit classified by ownership:   |        |                       |                |
| 1. Net profit attributable to shareholders of the Parent                         |        | <b>2,475,454,606</b>  | 2,659,163,867  |
| 2. Net profit attributable to non-controlling interests                          |        | <b>21,102,322</b>     | (1,604,506)    |

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2020  
Renminbi Yuan

| Item   | Note   | 2020                        | 2019                 |
|--|--------|-----------------------------|----------------------|
| V. Other comprehensive income, net of tax  |        | <b>(11,880,700)</b>         | (2,782,346)          |
| Other comprehensive income attributable to shareholders of the Parent, net of tax    |        | <b>(12,022,602)</b>         | (2,234,276)          |
| (I) Other comprehensive income that will not be reclassified to profit or loss       |        | —                           | —                    |
| (II) Other comprehensive income that may be reclassified to profit or loss           |        | <b>(12,022,602)</b>         | (2,234,276)          |
| 1. Changes in fair value of other debt investments                                   | (V) 38 | <b>24,780,341</b>           | (34,520,711)         |
| 2. Translation differences of financial statements denominated in foreign currencies | (V) 38 | <b>(36,802,943)</b>         | 32,286,435           |
| Other comprehensive income attributable to non-controlling interests, net of tax     |        | <b>141,902</b>              | (548,070)            |
| VI. Total comprehensive income   |        | <b><u>2,484,676,228</u></b> | <u>2,654,777,015</u> |
| Total comprehensive income attributable to shareholders of the Parent                |        | <b><u>2,463,432,004</u></b> | <u>2,656,929,591</u> |
| Total comprehensive income attributable to non-controlling interests                 |        | <b><u>21,244,224</u></b>    | <u>(2,152,576)</u>   |
| VII. Earnings per share  |        |                             |                      |
| Basic earnings per share   |        | <b><u>2.11</u></b>          | <u>2.26</u>          |

The accompanying notes form part of the financial statements.

Legal Representative  
**Li Donglin**

Chief Financial Officer  
**Liu Zehua**

Head of Accounting Department  
**Sun Shan**

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

For the year ended 31 December 2020  
Renminbi Yuan

| Item   | Note      | 2020                  | 2019           |
|--|-----------|-----------------------|----------------|
| I. Revenue   | (XIII) 22 | <b>12,194,955,265</b> | 12,325,318,697 |
| Less: Cost of sales  | (XIII) 22 | <b>8,950,200,842</b>  | 8,977,784,356  |
| Tax and surcharges   | (XIII) 23 | <b>51,129,127</b>     | 90,519,545     |
| Selling expenses   | (XIII) 24 | <b>782,440,913</b>    | 775,429,520    |
| Administrative expenses  | (XIII) 25 | <b>355,705,603</b>    | 420,145,091    |
| Research and development expenses  | (XIII) 26 | <b>843,321,916</b>    | 1,029,961,663  |
| Finance costs  | (XIII) 27 | <b>10,252,651</b>     | (43,422,951)   |
| Including: Interest expenses   |           | <b>4,937,040</b>      | 11,378,778     |
| Interest income  |           | <b>48,767,143</b>     | 51,130,046     |
| Add: Other income  | (XIII) 28 | <b>55,623,245</b>     | 152,012,816    |
| Investment income  | (XIII) 29 | <b>1,640,379,942</b>  | 1,658,423,573  |
| Including: share of gains (losses) of associates and joint ventures                  |           | <b>(28,407,709)</b>   | 1,896,265      |
| Gains (losses) from derecognition of financial assets measured at amortized cost     |           | <b>(6,113,684)</b>    | —              |
| Gains from fair value changes  |           | <b>2,327,307</b>      | 5,776,761      |
| Credit impairment gains (losses)   | (XIII) 30 | <b>(60,793,652)</b>   | (44,316,922)   |
| Asset impairment gains (losses)  | (XIII) 31 | <b>(215,083,324)</b>  | (74,585,395)   |
| Gains (losses) on disposal of assets   |           | <b>(63,174)</b>       | (18,140)       |
| II. Operating profit   |           | <b>2,624,294,557</b>  | 2,772,194,166  |
| Add: Non-operating income  | (XIII) 32 | <b>22,934,950</b>     | 9,106,373      |
| Less: Non-operating expenses   | (XIII) 33 | <b>336,896</b>        | 140,393        |
| III. Total profit  |           | <b>2,646,892,611</b>  | 2,781,160,146  |
| Less: Income tax expense   | (XIII) 34 | <b>112,023,199</b>    | 77,345,807     |
| IV. Net profit   |           | <b>2,534,869,412</b>  | 2,703,814,339  |
| 1. Net profit from continuing operations   |           | <b>2,534,869,412</b>  | 2,703,814,339  |
| 2. Net profit from discontinued operations   |           | <b>—</b>              | —              |
| V. Other comprehensive income, net of tax  |           | <b>15,877,411</b>     | (27,547,160)   |
| (I) Other comprehensive income that will not be reclassified to profit or loss       |           | <b>—</b>              | —              |
| (II) Other comprehensive income that may be reclassified to profit or loss           |           | <b>15,877,411</b>     | (27,547,160)   |
| 1. Changes in fair value of other debt investments                                   |           | <b>17,069,161</b>     | (27,747,491)   |
| 2. Translation differences of financial statements denominated in foreign currencies |           | <b>(1,191,750)</b>    | 200,331        |
| VI. Total comprehensive income   |           | <b>2,550,746,823</b>  | 2,676,267,179  |

The accompanying notes form part of the financial statements.

Legal Representative  
**Li Donglin**

Chief Financial Officer  
**Liu Zehua**

Head of Accounting Department  
**Sun Shan**

# Consolidated Statement of Cash Flows

For the year ended 31 December 2020  
Renminbi Yuan

| Item   | Note      | 2020                  | 2019                   |
|--|-----------|-----------------------|------------------------|
| <b>I. Cash Flows from Operating Activities:</b>  |           |                       |                        |
| Cash receipts from the sales of goods and rendering of services                                  |           | 18,573,079,049        | 16,411,318,711         |
| Receipts of tax refunds  |           | 175,893,721           | 229,380,404            |
| Other cash receipts relating to operating activities   | (V) 57(1) | 1,197,340,522         | 852,498,285            |
| <b>Sub-total of cash inflows from operating activities</b>                                       |           | <b>19,946,313,292</b> | <b>17,493,197,400</b>  |
| Cash payments for goods purchased and services received  |           | 13,021,468,010        | 9,447,377,873          |
| Cash payments to and on behalf of employees  |           | 2,147,770,241         | 2,185,584,157          |
| Payments of various types of taxes   |           | 1,159,623,895         | 1,514,223,627          |
| Other cash payments relating to operating activities   | (V) 57(2) | 1,870,102,689         | 2,330,764,012          |
| <b>Sub-total of cash outflows from operating activities</b>                                      |           | <b>18,198,964,835</b> | <b>15,477,949,669</b>  |
| <b>Net Cash Flow from Operating Activities</b>   | (V) 58(1) | <b>1,747,348,457</b>  | <b>2,015,247,731</b>   |
| <b>II. Cash Flows from Investing Activities:</b>   |           |                       |                        |
| Cash receipts from disposals and recovery of investments   |           | 21,090,000,000        | 12,730,900,000         |
| Cash receipts from investment income   |           | 108,064,577           | 115,629,577            |
| Net cash receipts from disposals of fixed assets, intangible assets and other long-term assets   |           | 13,488,698            | 2,914,691              |
| <b>Sub-total of cash inflows from investing activities</b>                                       |           | <b>21,211,553,275</b> | <b>12,849,444,268</b>  |
| Cash payments to acquire or construct fixed assets, intangible assets and other long-term assets |           | 1,855,160,516         | 750,506,102            |
| Cash payments to acquire investments   |           | 19,986,117,550        | 13,574,400,000         |
| <b>Sub-total of cash outflows from investing activities</b>                                      |           | <b>21,841,278,066</b> | <b>14,324,906,102</b>  |
| <b>Net Cash Flow from Investing Activities</b>   |           | <b>(629,724,791)</b>  | <b>(1,475,461,834)</b> |



# Consolidated Statement of Cash Flows

For the year ended 31 December 2020  
Renminbi Yuan

| Item  | Note      | 2020                 | 2019                 |
|---|-----------|----------------------|----------------------|
| <b>III. Cash Flows from Financing Activities:</b>   |           |                      |                      |
| Cash receipts from capital contributions  |           | –                    | 22,500,000           |
| Including: cash receipts from capital contributions from minority owners of subsidiaries  |           | –                    | 22,500,000           |
| Cash receipts from borrowings   |           | <u>277,125,244</u>   | <u>234,086,087</u>   |
| <b>Sub-total of cash inflows from financing activities</b>                                |           | <u>277,125,244</u>   | <u>256,586,087</u>   |
| Cash repayments of borrowings   |           | <u>210,808,167</u>   | 267,134,471          |
| Cash payments for distribution of dividends or profits or settlement of interest expenses |           | <u>552,348,653</u>   | 570,162,686          |
| Including: Dividends and profits paid to non-controlling shareholders of subsidiaries     |           | <u>17,679,410</u>    | 19,791,761           |
| Other cash payments relating to financing activities                                      | (V) 57(3) | <u>59,207,596</u>    | <u>103,914,362</u>   |
| <b>Sub-total of cash outflows from financing activities</b>                               |           | <u>822,364,416</u>   | <u>941,211,519</u>   |
| <b>Net Cash Flow from Financing Activities</b>  |           | <u>(545,239,172)</u> | <u>(684,625,432)</u> |
| <b>IV. Effect of Foreign Exchange Rate Changes on Cash and Cash Equivalents</b>           |           |                      |                      |
|   |           | <u>(32,575,614)</u>  | 7,907,395            |
| <b>V. Net Increase (Decrease) in Cash and Cash Equivalents</b>                            |           |                      |                      |
| Add: Opening Balance of Cash and Cash Equivalents   |           | <u>4,244,080,658</u> | <u>4,381,012,798</u> |
| <b>VI. Closing Balance of Cash and Cash Equivalents</b>                                   | (V) 58(2) | <u>4,783,889,538</u> | <u>4,244,080,658</u> |

The accompanying notes form part of the financial statements.

Legal Representative  
**Li Donglin**

Chief Financial Officer  
**Liu Zehua**

Head of Accounting Department  
**Sun Shan**

# Company's Statement of Cash Flows

FOR THE YEAR ENDED 31 DECEMBER 2020  
Renminbi Yuan

| Item   | Note      | 2020                  | 2019                  |
|--|-----------|-----------------------|-----------------------|
| <b>I. Cash Flows from Operating Activities:</b>  |           |                       |                       |
| Cash receipts from the sales of goods and rendering of services                                  |           | 13,534,247,957        | 12,137,808,331        |
| Receipts of tax refunds  |           | 15,098,623            | 25,259,647            |
| Other cash receipts relating to operating activities   |           | 497,396,990           | 835,774,574           |
| <b>Sub-total of cash inflows from operating activities</b>                                       |           | <b>14,046,743,570</b> | <b>12,998,842,552</b> |
| Cash payments for goods purchased and services received  |           | 10,987,306,562        | 8,911,568,172         |
| Cash payments to and on behalf of employees  |           | 1,006,995,684         | 1,116,491,827         |
| Payments of various types of taxes   |           | 429,386,627           | 837,483,004           |
| Other cash payments relating to operating activities   |           | 1,335,212,965         | 1,805,894,834         |
| <b>Sub-total of cash outflows from operating activities</b>                                      |           | <b>13,758,901,838</b> | <b>12,671,437,837</b> |
| <b>Net Cash Flow from Operating Activities</b>   | (XIII) 35 | <b>287,841,732</b>    | <b>327,404,715</b>    |
| <b>II. Cash Flows from Investing Activities:</b>   |           |                       |                       |
| Cash receipts from disposals and recovery of investments   |           | 21,090,000,000        | 12,730,900,000        |
| Cash receipts from investment income   |           | 1,656,889,411         | 1,583,271,087         |
| Net cash receipts from disposals of fixed assets, intangible assets and other long-term assets   |           | 12,012,970            | 1,903,551             |
| Other cash receipts relating to investing activities   |           | 217,293,401           | 220,933,575           |
| <b>Sub-total of cash inflows from investing activities</b>                                       |           | <b>22,976,195,782</b> | <b>14,537,008,213</b> |
| Cash payments to acquire or construct fixed assets, intangible assets and other long-term assets |           | 1,704,152,755         | 567,507,529           |
| Cash payments to acquire investments   |           | 20,450,981,056        | 14,093,338,492        |
| Other cash payments relating to investing activities   |           | —                     | 100,000,000           |
| <b>Sub-total of cash outflows from investing activities</b>                                      |           | <b>22,155,133,811</b> | <b>14,760,846,021</b> |
| <b>Net Cash Flow from Investing Activities</b>   |           | <b>821,061,971</b>    | <b>(223,837,808)</b>  |

# Company's Statement of Cash Flows

FOR THE YEAR ENDED 31 DECEMBER 2020  
Renminbi Yuan

| Item  | Note      | 2020                 | 2019                 |
|---|-----------|----------------------|----------------------|
| <b>III. Cash Flows from Financing Activities:</b>   |           |                      |                      |
| Cash repayments of borrowings   |           | 5,000,000            | 31,028,600           |
| Cash payments for distribution of dividends or profits or settlement of interest expenses |           | 532,526,099          | 539,183,180          |
| Other cash payments relating to financing activities                                      |           | 14,180,461           | 7,690,788            |
| <b>Sub-total of cash outflows from financing activities</b>                               |           | <b>551,706,560</b>   | <b>577,902,568</b>   |
| <b>Net Cash Flow from Financing Activities</b>  |           | <b>(551,706,560)</b> | <b>(577,902,568)</b> |
| <b>IV. Effect of Foreign Exchange Rate Changes on Cash and Cash Equivalents</b>           |           |                      |                      |
|   |           | (4,397,246)          | 2,961,053            |
| <b>V. Net Increase (Decrease) in Cash and Cash Equivalents</b>                            |           |                      |                      |
| Add: Opening Balance of Cash and Cash Equivalents   |           | 2,452,789,205        | 2,924,163,813        |
| <b>VI. Closing Balance of Cash and Cash Equivalents</b>                                   | (XIII) 35 | <b>3,005,589,102</b> | <b>2,452,789,205</b> |

The accompanying notes form part of the financial statements.

Legal Representative  
**Li Donglin**

Chief Financial Officer  
**Liu Zehua**

Head of Accounting Department  
**Sun Shan**

# Consolidated Statement of Changes in Equity

For the year ended 31 December 2020  
Renminbi Yuan

| Item   | Note   | 2020                                       |                 |                            |                 |                 |                   |                |                           |                            |
|--|--------|--|-----------------|----------------------------|-----------------|-----------------|-------------------|----------------|---------------------------|----------------------------|
|  |        | 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                                   |        | 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. At 1 January 2020                                    |        | 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             |
| III. Movements during the year                           |        | -  | -               | (12,022,602)               | 7,737,285       | 253,486,941     | 1,693,003,178     | 1,942,204,802  | 121,106,445               | 2,063,311,247              |
| (I) Total comprehensive income                           |        | -  | -               | (12,022,602)               | -               | -               | 2,475,454,606     | 2,463,432,004  | 21,244,224                | 2,484,676,228              |
| (II) Shareholders' contribution and reduction in capital |        | -  | -               | -                          | -               | -               | -                 | -              | 115,929,144               | 115,929,144                |
| 1. Shareholders' contribution in capital                 | (VI) 1 | -  | -               | -                          | -               | -               | -                 | -              | 115,929,144               | 115,929,144                |
| (III) Profit distribution                                |        | -  | -               | -                          | -               | 253,486,941     | (782,451,428)     | (528,964,487)  | (17,679,410)              | (546,643,897)              |
| 1. Transfer to surplus reserve                           |        | -  | -               | -                          | -               | 253,486,941     | (253,486,941)     | -              | -                         | -                          |
| 2. Distributions to shareholders                         |        | -  | -               | -                          | -               | -               | (528,964,487)     | (528,964,487)  | (17,679,410)              | (546,643,897)              |
| (IV) Special reserve                                     |        | -  | -               | -                          | 7,737,285       | -               | -                 | 7,737,285      | 1,612,487                 | 9,349,772                  |
| 1. Transfer to special reserve in the year               |        | -  | -               | -                          | 44,464,987      | -               | -                 | 44,464,987     | 3,047,961                 | 47,512,948                 |
| 2. Amount utilized in the year                           |        | -  | -               | -                          | (36,727,702)    | -               | -                 | (36,727,702)   | (1,435,474)               | (38,163,176)               |
| IV. At 31 December 2020                                  |        | 1,175,476,637                              | 3,321,880,949   | (152,338,731)              | 25,247,257      | 2,325,644,999   | 17,156,557,050    | 23,852,468,161 | 407,122,243               | 24,259,590,404             |

# Consolidated Statement of Changes in Equity

For the year ended 31 December 2020  
Renminbi Yuan

| Item   | Note   | 2019                                       |                      |                            |                   |                      |                       |                       |                           | Total shareholders' equity |
|--|--------|--|----------------------|----------------------------|-------------------|----------------------|-----------------------|-----------------------|---------------------------|----------------------------|
|  |        | Attributable to shareholders of the Parent |                      |                            |                   |                      |                       |                       | Non-controlling interests |                            |
|  |        | Share capital                              | Capital reserve      | Other comprehensive income | Special reserve   | Surplus reserve      | Retained earnings     | Sub-total             |                           |                            |
| I. At 31 December 2018                                   |        | <u>1,175,476,637</u>                       | <u>3,369,786,541</u> | <u>(138,081,853)</u>       | <u>12,070,105</u> | <u>1,801,776,624</u> | <u>13,603,735,926</u> | <u>19,824,763,980</u> | <u>298,750,184</u>        | <u>20,123,514,164</u>      |
| II. At 1 January 2019                                    |        | 1,175,476,637                              | 3,369,786,541        | (138,081,853)              | 12,070,105        | 1,801,776,624        | 13,603,735,926        | 19,824,763,980        | 298,750,184               | 20,123,514,164             |
| III. Movements during the year                           |        | -  | (47,905,592)         | (2,234,276)                | 5,439,867         | 270,381,434          | 1,859,817,946         | 2,085,499,379         | (12,734,386)              | 2,072,764,993              |
| (I) Total comprehensive income                           |        | -  | -                    | (2,234,276)                | -                 | -                    | 2,659,163,867         | 2,656,929,591         | (2,152,576)               | 2,654,777,015              |
| (II) Shareholders' contribution and reduction in capital | (VI) 2 | -  | (47,905,592)         | -                          | -                 | -                    | -                     | (47,905,592)          | 4,467,100                 | (43,438,492)               |
| 1. Shareholders' contribution in capital                 |        | -  | -                    | -                          | -                 | -                    | -                     | -                     | 22,500,000                | 22,500,000                 |
| 2. Others  |        | -  | (47,905,592)         | -                          | -                 | -                    | -                     | (47,905,592)          | (18,032,900)              | (65,938,492)               |
| (III) Profit distribution                                |        | -  | -                    | -                          | -                 | 270,381,434          | (799,345,921)         | (528,964,487)         | (16,931,761)              | (545,896,248)              |
| 1. Transfer to surplus reserve                           |        | -  | -                    | -                          | -                 | 270,381,434          | (270,381,434)         | -                     | -                         | -                          |
| 2. Distributions to shareholders                         |        | -  | -                    | -                          | -                 | -                    | (528,964,487)         | (528,964,487)         | (16,931,761)              | (545,896,248)              |
| (IV) Special reserve                                     |        | -  | -                    | -                          | 5,439,867         | -                    | -                     | 5,439,867             | 1,882,851                 | 7,322,718                  |
| 1. Transfer to special reserve in the year               |        | -  | -                    | -                          | 42,480,748        | -                    | -                     | 42,480,748            | 3,047,961                 | 45,528,709                 |
| 2. Amount utilized in the year                           |        | -  | -                    | -                          | (37,040,881)      | -                    | -                     | (37,040,881)          | (1,165,110)               | (38,205,991)               |
| IV. At 31 December 2019                                  |        | <u>1,175,476,637</u>                       | <u>3,321,880,949</u> | <u>(140,316,129)</u>       | <u>17,509,972</u> | <u>2,072,158,058</u> | <u>15,463,553,872</u> | <u>21,910,263,359</u> | <u>286,015,798</u>        | <u>22,196,279,157</u>      |

The accompanying notes form part of the financial statements.

Legal Representative  
**Li Donglin**

Chief Financial Officer  
**Liu Zehua**

Head of Accounting Department  
**Sun Shan**

# Company's Statement of Changes in Equity

For the year ended 31 December 2020  
Renminbi Yuan

| Item                                       | Note | 2020          |                 |                            |                 |                 |                   | Total shareholders' equity |
|--|------|---------------|-----------------|----------------------------|-----------------|-----------------|-------------------|----------------------------|
|  |      | Share capital | Capital reserve | Other comprehensive income | Special reserve | Surplus reserve | Retained earnings |                            |
| I. At 31 December 2019                     |      | 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. At 1 January 2020                      |      | 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             |
| III. Movements during the year             |      | -             | -               | 15,877,411                 | -               | 253,486,941     | 1,752,417,984     | 2,021,782,336              |
| (I) Total comprehensive income             |      | -             | -               | 15,877,411                 | -               | -               | 2,534,869,412     | 2,550,746,823              |
| (II) Profit distribution                   |      | -             | -               | -                          | -               | 253,486,941     | (782,451,428)     | (528,964,487)              |
| 1. Transfer to surplus reserve             |      | -             | -               | -                          | -               | 253,486,941     | (253,486,941)     | -                          |
| 2. Distributions to shareholders           |      | -             | -               | -                          | -               | -               | (528,964,487)     | (528,964,487)              |
| (III) Special reserve                      |      | -             | -               | -                          | -               | -               | -                 | -                          |
| 1. Transfer to special reserve in the year |      | -             | -               | -                          | 22,600,958      | -               | -                 | 22,600,958                 |
| 2. Amount utilized in the year             |      | -             | -               | -                          | (22,600,958)    | -               | -                 | (22,600,958)               |
| IV. At 31 December 2020                    |      | 1,175,476,637 | 3,371,446,430   | (26,098,194)               | 4,296,322       | 2,325,644,999   | 15,498,738,791    | 22,349,504,985             |

# Company's Statement of Changes in Equity

For the year ended 31 December 2020  
Renminbi Yuan

| Item                                       | Note | 2019                 |                      |                            |                  |                      |                       | Total shareholders' equity |
|--|------|----------------------|----------------------|----------------------------|------------------|----------------------|-----------------------|----------------------------|
|  |      | Share capital        | Capital reserve      | Other comprehensive income | Special reserve  | Surplus reserve      | Retained earnings     |                            |
| I. At 31 December 2018                     |      | <u>1,175,476,637</u> | <u>3,371,446,430</u> | <u>(14,428,445)</u>        | <u>3,893,678</u> | <u>1,801,776,624</u> | <u>11,841,852,389</u> | <u>18,180,017,313</u>      |
| II. At 1 January 2019                      |      | 1,175,476,637        | 3,371,446,430        | (14,428,445)               | 3,893,678        | 1,801,776,624        | 11,841,852,389        | 18,180,017,313             |
| III. Movements during the year             |      | -                    | -                    | (27,547,160)               | 402,644          | 270,381,434          | 1,904,468,418         | 2,147,705,336              |
| (I) Total comprehensive income             |      | -                    | -                    | (27,547,160)               | -                | -                    | 2,703,814,339         | 2,676,267,179              |
| (II) Profit distribution                   |      | -                    | -                    | -                          | -                | 270,381,434          | (799,345,921)         | (528,964,487)              |
| 1. Transfer to surplus reserve             |      | -                    | -                    | -                          | -                | 270,381,434          | (270,381,434)         | -                          |
| 2. Distributions to shareholders           |      | -                    | -                    | -                          | -                | -                    | (528,964,487)         | (528,964,487)              |
| (III) Special reserve                      |      | -                    | -                    | -                          | 402,644          | -                    | -                     | 402,644                    |
| 1. Transfer to special reserve in the year |      | -                    | -                    | -                          | 23,947,064       | -                    | -                     | 23,947,064                 |
| 2. Amount utilized in the year             |      | -                    | -                    | -                          | (23,544,420)     | -                    | -                     | (23,544,420)               |
| IV. At 31 December 2019                    |      | <u>1,175,476,637</u> | <u>3,371,446,430</u> | <u>(41,975,605)</u>        | <u>4,296,322</u> | <u>2,072,158,058</u> | <u>13,746,320,807</u> | <u>20,327,722,649</u>      |

The accompanying notes form part of the financial statements.

Legal Representative  
**Li Donglin**

Chief Financial Officer  
**Liu Zehua**

Head of Accounting Department  
**Sun Shan**



# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2020  
Renminbi Yuan

## (I) BASIC INFORMATION ABOUT THE COMPANY

### 1. General

Zhuzhou CRRC Times Electric Co., Ltd. (formerly named “Zhuzhou CSR Times Electric Co., Ltd.”) (the “Company”), 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. (formerly named “CSR Zhuzhou Electric Locomotive Research Institute Co., Ltd.”, hereinafter referred to as “CRRC ZELRI”), CRRC Changzhou Industrial Management Co., Ltd. (formerly named “CRRC Changzhou Qishuyan Locomotive & Rolling Stock Works”), CRRC Zhuzhou Locomotive Co., Ltd. (formerly named “CSR Zhuzhou Electric Locomotive Co., Ltd.”), CRRC Investment & Leasing Co., Ltd. (formerly named “CSR Investment & Leasing Co., Ltd.”) and CRRC High-Tech Equipment Co., Ltd. (formerly named “China Railway Large Maintenance Machinery Co., Ltd. Kunming”) at the date of 26 September 2005.

The Company is headquartered at Times Road, Shifeng District, Zhuzhou City, Hunan Province. The Company and its subsidiaries (together, the “Group”) are principally engaged in the sale and manufacture of railway transportation equipment.

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 share capital of the Company was increased to RMB1,175,476,637.

### 2. Scope of the consolidated financial statements

The consolidated and Company’s financial statements have been approved by the Company’s board of directors on 30 March 2021. In accordance with the Company’s articles of association, the financial statements will be submitted to the board of shareholders for review.

Details of the scope of the consolidated financial statements for current year are set out in Note (VI) “Interests in Other Entities”. In this year, there is no changes in the scope of the consolidated financial statements occurred.

## (II) BASIS OF PREPARATION OF FINANCIAL STATEMENTS

### Basis of preparation

The Group implements the Accounting Standards for Business Enterprises and related regulations promulgated by the Ministry of Finance of the People’s Republic of China (“MOF”). In addition, the Group also disclosed relevant financial information in accordance with <Reporting Rules for the Disclosure of Information of Companies Offering Public Securities No. 15 – General Requirements for Financial Reporting (2014 Amendment)>, <the Hong Kong Companies Ordinance> and <the Listing Rules for Securities of the Stock Exchange of Hong Kong Limited>.

### Going concern

The Group assessed its ability to continue as a going concern for the 12 months from 31 December 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.



# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2020  
Renminbi Yuan

## (II) BASIS OF PREPARATION OF FINANCIAL STATEMENTS (continued)

### 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 or 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 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:

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

## (III) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

### 1. Statement of compliance with the Accounting Standards for Business Enterprises (“ASBE”)

The financial statements of the Company have been prepared in accordance with ASBE, and present truly and completely, the consolidated and Company’s financial position as of 31 December 2020, and the consolidated and Company’s operating results, and cash flows for the year then ended.



# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2020  
Renminbi Yuan

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

### 2. Accounting period

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

### 3. Operating cycle

An operating cycle refers to the period since when an enterprise purchases assets for processing purpose till the realization of those assets in cash or cash equivalents. The Group's operating cycle is 12 months.

### 4. 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 foreign subsidiaries determine its functional currency on the basis of the primary economic environment in which they operate. The Group adopts RMB to prepare its financial statements.

### 5. The accounting treatment of business combinations involving enterprises under common control and business combinations not involving enterprises under common control

Business combinations are classified into business combinations involving enterprises under common control and business combinations not involving enterprises under common control.

#### 5.1 Business combinations involving enterprises under common control

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

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

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

#### 5.2 Business combinations not involving enterprises under common control and goodwill

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

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

The acquiree's identifiable assets, liabilities and contingent liabilities, acquired by the acquirer in a business combination, that meet the recognition criteria shall be measured at fair value at the acquisition date.

# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2020  
Renminbi Yuan



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

### 5. The accounting treatment of business combinations involving enterprises under common control and business combinations not involving enterprises under common control (continued)

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

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

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

### 6. Preparation of consolidated financial statements

The scope of consolidation in the consolidated financial statements is determined on the basis of control. Control is the power over the investee, exposures 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. If changes of related facts and situations lead to changes of related elements of control, the Group will conduct reassessment.

The combination of subsidiaries begins with the Group's control over the subsidiary, and ceases with the Group's losing control of the subsidiary.

For a subsidiary disposed by the Group, the operating results and cash flows before the date of disposal (the date when control is lost) are included in the consolidated income statement and consolidated cash flow statements, as appropriate.

For a subsidiary acquired through a business combination not involving enterprises under common control, the operating results and cash flows from the acquisition date (the date when control is obtained) are included in the consolidated income statement and consolidated cash flow statements, as appropriate.

No matter when the business combination occurs in the reporting period, subsidiaries acquired through a business combination involving enterprises under common control or the party being absorbed under merger by absorption are included in the Group's scope of consolidation as if they had been included in the scope of consolidation from the date when they first came under the common control of the ultimate controlling party. Their operating results and cash flows from the beginning of the earliest reporting period or from the date when they first came under the common control of the ultimate controlling party are included in the consolidated income statement and consolidated cash flow statements, as appropriate.

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

Influence over the consolidated financial statements arising from significant intra-group transactions are eliminated on consolidation.





# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2020  
Renminbi Yuan

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

### 6. Preparation of consolidated financial statements (continued)

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

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

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

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 recognized as investment income in the period in which control is lost and offset against goodwill. Other comprehensive income associated with investment in the former subsidiary is reclassified to investment income in the period in which control is lost.

### 7. Classification of joint arrangements

A joint arrangement is classified into joint operation and joint venture, depending on the rights and obligations of the parties to the arrangement, which is assessed by considering the structure and the legal form of the arrangement, the terms agreed by the parties in the contractual arrangement and, when relevant, other facts and circumstances. 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 joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement.

The Group accounts for investments in joint ventures using equity method. Refer to Note (III) 15.3.2 "Long-term equity investments accounted for using the equity method" for details.

### 8. Recognition criteria of cash and cash equivalents

Cash comprises cash on hand and deposits that can be readily withdrawn on demand. Cash equivalents are the Group's short-term (generally due within three months from the date of purchase), highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2020  
Renminbi Yuan



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

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

#### 9.1 Transactions denominated in foreign currencies

A foreign currency transaction is recorded, on initial recognition, by applying the spot exchange rate on the date of the transaction.

At the balance sheet date, foreign currency monetary items are translated into the functional currency using the spot exchange rates at the balance sheet date. Exchange differences arising from the differences between the spot exchange rates prevailing at the balance sheet date and those on initial recognition or at the previous balance sheet date are recognized in profit or loss for the period, except that (i) exchange differences related to a specific-purpose borrowing denominated in foreign currency that qualify for capitalization are capitalized as part of the cost of the qualifying asset during the capitalization period; (ii) exchange differences related to hedging instruments for the purpose of hedging against foreign currency risks are accounted for using hedge accounting; (iii) exchange differences arising from changes in the carrying amounts (other than the amortized cost) of available-for-sale monetary items are recognized as other comprehensive income.

When the consolidated financial statements include foreign operation(s), if there is foreign currency monetary item constituting a net investment in a foreign operation, exchange difference arising from changes in exchange rates are recognized as “exchange differences arising on translation of financial statements denominated in foreign currencies” in other comprehensive income, and in profit and loss for the period upon disposal of the foreign operation.

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

#### 9.2 Translation of financial statements denominated in foreign currencies

For the purpose of preparing the consolidated financial statements, financial statements of a foreign operation are translated from the foreign currency into RMB using the following method: assets and liabilities on the balance sheet are translated at the spot exchange rate prevailing at the balance sheet date; shareholders' equity items (excluding “retained earnings”) are translated at the spot exchange rates at the dates on which such items arose; income and expense items in the income statement are translated at average exchange rate for the period in which the transaction occurs; the difference between the translated assets and the aggregate of liabilities and shareholders' equity items is recognized as other comprehensive income and included in shareholders' equity.

Cash flows arising from a transaction in foreign currency and the cash flows of a foreign subsidiary are translated at the average exchange rate for the period of the cash flows. The effect of exchange rate changes on cash and cash equivalents is regarded as a reconciling item and presented separately in the cash flow statement as “effect of exchange rate changes on cash and cash equivalents”.





# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2020  
Renminbi Yuan

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

### 10. Financial instruments

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

For financial assets purchased or sold in a regular way, the Group recognizes assets acquired and liabilities assumed on a trade date basis, or derecognizes the assets sold on a trade date basis.

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 recognized in profit or loss. For other financial assets and financial liabilities, transaction costs are included in their initial recognized amounts. For trade receivables excluding significant financing components or regardless of financing components of contracts less than one year recognised based on Accounting Standards for Business Enterprises No. 14 –Revenue (the “Revenue Standards”), trade receivables initially recognised shall be 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).

#### 10.1 Classification, recognition 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, debt investments, and long-term receivables, etc.

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

# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2020  
Renminbi Yuan



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

### 10. Financial instruments (continued)

#### 10.1 Classification, recognition and measurement of financial assets (continued)

Upon initial recognition, the Group irrevocably designates non-held-for-trading equity instrument investments except contingent considerations recognized 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 investments.

A financial asset is classified as held for trading if one of the following conditions is satisfied:

- It has been acquired principally for the purpose of selling in the near term;
- 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;
- 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 include financial assets classified as at fair value through profit or loss and those designated as at fair value through profit or loss:

- Financial assets that are unqualified for the classification as at amortized cost and at FVTOCI are classified as at FVTPL.
- 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 excluding derivative financial assets 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.

#### 10.1.1 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 gross carrying amount of financial assets by effective rate except the following situations:

- 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.
- 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.





# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2020  
Renminbi Yuan

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

### 10. Financial instruments (continued)

#### 10.1 Classification, recognition and measurement of financial assets (continued)

##### 10.1.2 Financial assets 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.

For non-held-for-trading equity investment designated as financial assets at FVTOCI, fair value changes are 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.

##### 10.1.3 Financial assets classified as at FVTPL

Financial assets at 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.

#### 10.2 Impairment of financial instruments

The Group makes accounting treatment on impairment and recognizes loss allowance for financial assets measured at amortized cost, financial assets classified as at FVTOCI and contract assets based on expected credit losses ("ECL").

For bills receivable, trade receivables, and contract assets arising from transactions regulated by the Revenue Standards, operating lease receivables arising from transactions regulated by Accounting Standard for Business Enterprises No.21 – Lease, the Group measures loss allowance at the full lifetime ECL.

For other financial instruments, except for the purchased or originated credit-impaired financial assets, at each balance sheet date, 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 recognizes 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 recognizes credit loss allowance for financial assets at FVTOCI in other comprehensive income and recognizes loss/gain on impairment in profit or loss for the period, without reducing the carrying amount of the financial assets presented in the balance sheet.

The Group measured loss allowance at the full lifetime ECL of the financial instruments in the prior accounting period. However, as at the balance sheet date 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 balance sheet date 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 YEAR ENDED 31 DECEMBER 2020  
Renminbi Yuan



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

### 10. Financial instruments (continued)

#### 10.2 Impairment of financial instruments (continued)

##### 10.2.1 Significant increase in 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 balance sheet date with the risk of a default occurring on the financial instrument as at the date of initial recognition based on available reasonable and supportable forward-looking information.

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

- (1) Significant changes in internal price indicators as a result of a change in credit risk.
- (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.

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 days (inclusive) after the overdue payment of the financial instrument contract.

The Group may assume that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the balance sheet date. If the risk of default on financial instruments is low, the borrower is highly able to perform its contractual cash flow obligations in the short term, and even if the economic situation and operating environment are adversely changed over a long period of time but not necessarily reducing the borrower's performance of its contractual cash obligations, the financial instrument is considered as having a lower credit risk.





# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2020  
Renminbi Yuan

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

### 10. Financial instruments (continued)

#### 10.2 Impairment of financial instruments (continued)

##### 10.2.2 Credit-impaired financial assets

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

- (1) Significant financial difficulty of the issuer or debtor;
- (2) A breach of contract by the debtor, such as a default or delinquency in interest or principal payments;
- (3) The creditor of the debtor, for economic or contractual reasons relating to the debtor's financial difficulty, having granted to the debtor a concession that the creditor would not otherwise consider;
- (4) It is probable that the debtor will enter bankruptcy or other financial reorganizations;
- (5) The disappearance of an active market for that financial asset because of financial difficulties of the issuer or debtor.

Based on the Group's internal credit risk management, if internal suggestions or external information indicate that the debtors of the financial instruments cannot make the full repayments to creditors including the Group (considering no guarantee obtained by the Group), the Group then considers it as an event of default.

Regardless of the above assessment, the Group presumes that a financial instrument is in default if the contractual payment of the financial instrument has been overdue for more than 90 days (inclusive).

##### 10.2.3 Recognition of expected credit losses

Except that the Group recognises credit loss for trade receivables, contract assets, other receivables, bills receivable and operating lease receivables that are individually significant or credit-impaired on an individual asset basis, the Group recognizes credit loss for relevant financial instruments on a collectively basis using a provision matrix. 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 classifies its trade receivables and contract assets into different groups that includes central state-owned enterprises, local state-owned enterprises, China Railway and its subsidiaries, and other enterprises based on their credit risk characteristics. 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.

# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2020  
Renminbi Yuan



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

### 10. Financial instruments (continued)

#### 10.2 Impairment of financial instruments (continued)

##### 10.2.3 Recognition of expected credit losses (continued)

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

- For a financial asset, credit loss is the present value of difference between the contractual cash flow receivable and the expected cash flows to be received.
- For an operating lease receivable, credit loss is the present value of difference between the contractual cash flow receivable and the expected cash flows to be received.
- For a 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.
- For credit-impaired financial assets other than the purchased or originated 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.

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 sheet date.

##### 10.2.4 Reduction in financial assets

The Group directly reduce the gross carrying amount of a financial asset when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. Such reduction constitutes a derecognition of relevant financial assets.





# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2020  
Renminbi Yuan

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

### 10. Financial instruments (continued)

#### 10.3 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:

- 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.
- 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.

For a transfer of a financial asset in its entirety that satisfies the derecognition criteria, 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 instrument investments designated as at FVTOCI, cumulative gains or losses previously recognised in other comprehensive income are transferred and included in retained profits.

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 derecognized, based on the respective fair value of those parts at the date of transfer. The difference between (1) the carrying amount allocated to the part derecognized on the date of derecognition; and (2) the sum of the consideration received for the part derecognized and any cumulative gain or loss allocated to the part derecognized which has been previously recognised in other comprehensive income, is recognised in profit or loss or retained earnings. While regarding non-trading equity instrument investments designated as at FVTOCI, cumulative gains or losses previously recognised in other comprehensive income are transferred and included in retained profits.

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

# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2020  
Renminbi Yuan



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

### 10. Financial instruments (continued)

#### 10.4 Classification of financial liabilities and equity instruments

Financial instruments or their components are classified into financial liabilities or equity instruments on initial recognition according to not only the legal form but also the contractual arrangements and their economic substance of the financial instruments issued by the Group in consideration of the definitions of the financial liability and equity instrument.

##### 10.4.1 Classification, recognition 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. All of the Group's financial liabilities are other financial liabilities.

###### 10.4.1.1 Other financial liabilities

The Group shall classify all financial liabilities as subsequently measured at amortized cost, except for financial liabilities and financial guarantee contracts 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 recognised 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.

###### 10.4.1.2 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 Revenue Standards.

##### 10.4.2 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.





# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2020  
Renminbi Yuan

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

### 10. Financial instruments (continued)

#### 10.4 Classification of financial liabilities and equity instruments (continued)

##### 10.4.3 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.

##### 10.5 Derivative instruments

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 derivative financial assets, and those at a negative fair value are presented in derivative financial liabilities.

##### 10.6 Offsetting financial assets and financial liabilities

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

### 11. 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) 10.1, Note (III) 10.2 and Note (III) 10.3.

### 12. Inventories

#### 12.1 Categories of inventories

The Group's inventories mainly include raw materials, semi-finished products, work in progress, goods on hand, turnover materials, etc. Inventories are initially measured at cost. Cost of inventories comprises all costs of purchase, costs of conversion and other expenditures incurred in bringing the inventories to their present location and condition.

#### 12.2 Valuation method of inventories upon delivery

The actual cost of inventories upon delivery is calculated using the weighted average method.

# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2020  
Renminbi Yuan



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

### 12. Inventories (continued)

#### 12.3 Basis for determining net realizable value of inventories

At the balance sheet date, inventories are measured at the lower of cost and net realizable value. If the net realizable value is below the cost of inventories, a provision for decline in value of inventories is made.

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

The provision for decline in values of raw materials, semi-finished products, work in progress, finished goods, and turnover materials are made on an individual basis. For items of inventories relating to a product line that are 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 in that product line, provision for decline in value is determined on an aggregate basis.

After the provision for decline in value of inventories is made, if the circumstances that previously caused inventories to be written down below cost no longer exist so that the net realizable value of inventories is higher than their cost, the original provision for decline in value is reversed and the reversal is included in profit or loss for the period.

#### 12.4 Inventory count system

The perpetual inventory system is maintained for stock system.

#### 12.5 Amortization method for low cost and short-lived consumable items and packaging materials

Turnover materials include low value consumables and packing materials, which are amortized by using the immediate write-off method. A subsidiary account is set up to manage low value consumables and packaging materials in use.

### 13. Contract assets

#### 13.1 Recognition method and standards of contract assets

Contract assets refer 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. 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.

#### 13.2 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) "10.2 Impairment of financial instruments" for details.





# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2020  
Renminbi Yuan

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

### 14. Assets classified as held-for-sale

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 non-monetary 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.

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, the carrying amount should be reduced to the net amount of fair value less costs to sell, and such reduction is recognized 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 recognized after the classification of held-for-sale category, and the reverse amount is include in profit or loss for the period.

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 recognized.

All or part of equity investments in an associate or joint venture 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.

### 15. Long-term equity investments

#### 15.1 Determination criteria of joint control and significant influence

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



# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2020  
Renminbi Yuan



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

### 15. Long-term equity investments (continued)

#### 15.2 Determination of initial investment cost

For a long-term equity investment acquired through business combination involving enterprises under common control, shares of carrying amount of shareholders' equity of the acquiree in the consolidated financial statements of the ultimate controlling party is recognized 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 the aggregate of cash paid, non-cash assets transferred and book value of liabilities assumed, is adjusted to capital reserve. If the balance of capital reserve is not sufficient to absorb the difference, any excess is adjusted to retained profits. 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 determined in accordance with shares of carrying amount of shareholders' equity of the acquiree in the consolidated financial statements of the ultimate controlling party at the date of combination, with the aggregate face value of the shares issued accounted for as share capital, and the difference between the initial investment cost and the aggregate face value of the shares issued adjusted to capital reserve. If the balance of capital reserve is not sufficient to absorb the difference, any excess is adjusted to retained profits.

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 at the date of combination.

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

#### 15.3 Subsequent measurement and recognition of profit or loss

##### 15.3.1 Long-term equity investment accounted for using the cost method

The parent company's separate financial statements adopted cost method to account for the long-term equity investments of subsidiaries. A subsidiary is an investee that is controlled by the Group.

Under the cost method, a long-term equity investment is measured at initial investment cost. When additional investment is made or the investment is recouped, the cost of the long-term equity investment is adjusted accordingly. Investment income is recognized in the period in accordance with the attributable share of cash dividends or profit distributions declared by the investee.





# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2020  
Renminbi Yuan

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

### 15. Long-term equity investments (continued)


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

##### 15.3.2 Long-term equity investment accounted for using the equity method

The Group accounts for investment in associates and joint ventures using the equity method. An associate is an entity over which the Group has significant influence and a joint venture is an entity over which the Group exercises joint control along with other investors.

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

Under the equity method, the Group recognizes its share of the net profit or loss and other comprehensive income of the investee for the period as investment income and other comprehensive income for the period. Meanwhile, carrying amount of long-term equity investment is adjusted: the carrying amount of long-term equity investment is decreased in accordance with its share of the investee's declared profit or cash dividends; Other changes in owners' equity of the investee other than net profit or loss and other comprehensive income are correspondingly adjusted to the carrying amount of the long-term equity investment, and recognized in the capital reserve. The Group recognizes its share of the investee's net profit or loss based on the fair value of the investee's individual identifiable assets, etc. at the acquisition date after making appropriate adjustments. When the investors' accounting policies and accounting period are inconsistent with those of the Company, the Company recognizes investment income and other comprehensive income after making appropriate adjustments to conform to the Company's accounting policies and accounting period. However, unrealized gains or losses resulting from the Group's transactions with its associates and joint ventures, which do not constitute a business, are eliminated based on the proportion attributable to the Group and then investment gains or losses or is recognized. However, unrealized losses are not eliminated if they result from the Group's transactions with its associates and joint ventures which represent impairment losses on the transferred assets.



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

# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2020  
Renminbi Yuan



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

### 15. Long-term equity investments (continued)

#### 15.4 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 recognized in profit or loss for the period. For a long-term equity investment accounted for using the cost method, if remaining shares after disposal are still accounted for using the cost method, other comprehensive income recognized under equity method or according to recognition and measurement of financial instruments before the Group controls over the investee, is accounted for on the basis of directly disposed underlying assets and liabilities of the investee, and carried forward proportionately; while changes in owners' equity recognized in net assets of the investee under equity method except net profit or loss, other comprehensive income and profit distribution, are carried forward and recognized in profit or loss proportionately.

Where the Group loses control over an investee due to disposal of part of shares, during the process of preparing separate financial statements, remaining shares after disposal that can make joint control or significant influence on the investee, are accounted for under equity method, and adjusted as they are accounted for under equity method since the acquisition date. If remaining shares after disposal cannot make joint control or significant influence on the investee, they are accounted for according to recognition and measurement of financial instruments, and the difference between the fair value on the date of losing control and the carrying amount is recognized in profit or loss for the current period. Other comprehensive income recognized under equity method or according to recognition and measurement of financial instruments before the Group controls over the investee, is accounted for on the basis of directly disposed underlying assets and liabilities of the investee at the time of losing control over the investee; while changes in owners' equity recognized in net assets of the investee under equity method except net profit or loss, other comprehensive income and profit distribution before the Group controls over the investee, are carried forward and recognized in profit or loss at the time of losing control over the investee. For remaining shares after disposal that are accounted for under equity method, other comprehensive income and other owners' equity are carried forward proportionately; for remaining shares after disposal that are accounted for according to recognition and measurement of financial instruments, other comprehensive income and other owners' equity are carried forward in whole.

### 16. Fixed assets

#### 16.1 Recognition criteria

Fixed assets are tangible assets that are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes, and have useful lives of more than one accounting year. A fixed asset is recognized only when it is probable that economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably. Fixed assets are initially measured at cost.

Subsequent expenditures incurred for the fixed asset are included in the cost of the fixed asset and if it is probable that economic benefits associated with the asset will flow to the Group and the subsequent expenditures can be measured reliably. Meanwhile the carrying amount of the replaced part is derecognized. Other subsequent expenditures are recognized in profit or loss in the period in which they are incurred.



# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2020  
Renminbi Yuan

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

### 16. Fixed assets (continued)

#### 16.2 Depreciation method

A fixed asset is depreciated over its useful life using the straight-line method since the month subsequent to the one in which it is ready for intended use. The useful life, estimated net residual value rate and annual depreciation rate of each category of fixed assets are as follows:

| Category                     | Depreciation method  | Depreciation period (years) | Estimated net residual value rate (%) | Annual depreciation rate (%) |
|------------------------------|----------------------|-----------------------------|---------------------------------------|------------------------------|
| Buildings                    | Straight-line method | 20-45                       | 5                                     | 2.11-4.75                    |
| Machinery                    | Straight-line method | 6-10                        | 5                                     | 9.50-15.83                   |
| Vehicles                     | Straight-line method | 5                           | 5                                     | 19.00                        |
| Office facilities and others | Straight-line method | 5                           | 5                                     | 19.00                        |

Estimated net residual value of a fixed asset is the estimated amount that the Group would currently obtain from disposal of the asset, after deducting the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life.

#### 16.3 Other descriptions

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 derecognized. 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 recognized 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 account for any change as a change in an accounting estimate.

### 17. Construction in progress

Construction in progress is measured at its actual costs. The actual costs include various construction expenditures during the construction period, borrowing costs capitalized before it is ready for intended use and other relevant costs. Construction in progress is not depreciated. Construction in progress is transferred to a fixed asset when it is ready for intended use.

# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2020  
Renminbi Yuan

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

### 18. Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying asset are capitalized when expenditures for such asset and borrowing costs are incurred and 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. Capitalization of borrowing costs is suspended during periods in which the acquisition, construction or production of a qualifying asset is suspended abnormally and when the suspension is for a continuous period of more than 3 months. Capitalization is suspended until the acquisition, construction or production of the asset is resumed. Other borrowing costs are recognized as an expense in the period in which they are incurred.

Where funds are borrowed under a specific-purpose borrowing, 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. Where funds are borrowed under general-purpose borrowings, the Group determines the amount of interest to be capitalized on such borrowings by applying a capitalization rate to the weighted average of the excess of cumulative expenditures on the asset over the amounts of specific-purpose borrowings. The capitalization rate is the weighted average of the interest rates applicable to the general-purpose borrowings.

### 19. Intangible asset

#### 19.1 Valuation method, useful life and impairment testing of intangible assets

An intangible asset is measured initially at cost. When an intangible asset with a finite useful life is available for use, its original cost less net residual value and any accumulated impairment losses is amortized over its estimated useful life. An intangible asset with an indefinite useful life is not amortized. The amortization methods, useful lives, and estimated net residual value rates of each class of intangible assets are as follows:

| Category                                 | Amortization method  | Useful life (Years)                         | Residual value rate (%) |
|--|----------------------|---|-------------------------|
| Land use right                           | Straight-line method | 40-50                                       | —                       |
| Software licenses                        | Straight-line method | 3-10  | —                       |
| Patents, licenses and technical know-how | Straight-line method | 5-10  | —                       |
| Trademarks                               | Straight-line method | 20  | —                       |
| Backlog orders and service contracts     | Straight-line method | Period during which the service is rendered | —                       |

For an intangible asset with a finite useful life, the Group reviews the useful life and amortization method at the end of the period, and makes adjustments when necessary.

For the impairment testing of intangible assets, please refer to Note (III) "20. Impairment of long-term assets" for details.



# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2020  
Renminbi Yuan

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

### 19. Intangible asset (continued)

#### 19.2 Research and development expenditure

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 during the research phase is recognized as an expense in the period in which it is incurred.

Expenditure during the development phase that meets all of the following conditions at the same time is recognized as intangible asset. Expenditure during development phase that does not meet the following conditions is recognized in profit or loss for the period.

- (1) it is technically feasible to complete the intangible asset so that it will be available for use or sale;
- (2) the Group has the intention to complete the intangible asset and use or sell it;
- (3) the Group can demonstrate the ways in which the intangible asset will generate economic benefits, including the evidence of the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset;
- (4) the availability of adequate technical, financial and other resources to complete the development and the ability to use or sell the intangible asset; and
- (5) the expenditure attributable to the intangible asset during its development phase can be reliably measured.

If the expenditures cannot be distinguished between the research phase and development phase, the Group recognizes all of them in profit or loss for the period. The cost of intangible assets formed in internal development activities only includes the total amount of expenditures from the time point when the capitalization conditions are met to the time when the intangible assets reach the predetermined uses. For the same intangible asset, the expenditures that have been expensed into profit and loss before the capitalization conditions are met in the development process will not be adjusted.

# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2020  
Renminbi Yuan

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

### 20. Impairment of long-term assets

The Group reviews the long-term equity investments, fixed assets, construction in progress, intangible assets with a finite useful life and assets related to contract costs at each balance sheet date to determine whether there is any indication that they have suffered an impairment loss. If an impairment indication exists, the recoverable amount is estimated. Intangible assets with indefinite useful life and intangible assets not yet available for use are tested for impairment annually, irrespective of whether there is any indication that the assets may be impaired.

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

If such recoverable amount of an asset is less than its carrying amount, a provision for impairment losses in respect of the deficit is recognized in profit or loss for the period.

In determining impairment losses on assets related to contract costs, impairment losses are first determined for other assets recognized in accordance with other relevant ASBEs and related to the contract; then, for assets related to contract costs, the Group shall recognized an impairment loss to the extent that the carrying amount of an asset exceeds: (1) the remaining amount of consideration that the Group expects to receive in exchange for the goods or services to which the asset relates; less (2) the estimated costs that relate to providing those goods or services.

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

Except for impairment losses related to contract costs, once the impairment losses are recognized for above assets, they will not be reversed in any subsequent period. The Group shall, after the asset impairment related to contract costs has been provided, recognized in profit or loss a reversal of some or all of an impairment loss previously recognized 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 recognized previously.

### 21. Long-term prepaid expenses

Long-term prepaid expenses represent expenses incurred that should be borne and amortised over the current and subsequent periods (together of more than one year), including leasehold improvement. Long-term prepaid expenses are amortised using the straight-line method over the shorter of the expected useful life of the asset and the lease term.

### 22. Contract liabilities

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.



# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2020  
Renminbi Yuan

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

### 23. Employee benefits

Employee benefits are all forms of considerations given by the Group 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.

#### 23.1 Accounting treatment of short-term benefits

Actually occurred short-term employee benefits are recognized as liabilities, with a corresponding charge to the profit or loss for the period or in the costs of relevant assets in the accounting period in which employees provide services to the Group. Staff welfare expenses incurred by the Group are recognized in profit or loss for the period or the costs of relevant assets based on the actually occurred amounts when it actually occurred. Non-monetary staff welfare expenses are measured at fair value.

Payment made by the Group of social security contributions for employees such as premiums or contributions on medical insurance, work injury insurance and maternity insurance, etc. and payments of housing funds, as well as trade union fund and employee education fund provided in accordance with relevant requirements, are calculated according to prescribed bases and percentages in determining the amount of employee benefits and recognized as relevant liabilities, with a corresponding charge to the profit or loss for the period or the costs of relevant assets in the accounting period in which employees provide services.

#### 23.2 Accounting treatment of post-employment benefits

The Group's benefits after demission are all defined contribution plans, including pension insurance, work injury insurance and supplementary pensions paid by the Group for its employees.

During the accounting period of rendering service to employees of the Group, amount which should be paid according to defined contribution plans is recognized as liabilities, and recognized in profit or loss or related costs of assets.

#### 23.3 Accounting treatment of termination benefits

A liability for a termination benefit is recognized in profit or loss for the period at the earlier of when the Group cannot unilaterally withdraw from the termination plan or the redundancy offer and when the Group recognizes any related restructuring costs or expenses.

### 24. Provisions

The Group recognizes 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;
- (3) the amount of the obligation can be measured reliably.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account factors pertaining to a contingency such as the risks, uncertainties and time value of money. Where the effect of the time value of money is material, the amount of the provision is determined by discounting the related future cash outflows.



# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2020  
Renminbi Yuan



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

### 25. Revenue

#### 25.1 Accounting policy for revenue recognition and measurement

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

- (1) Revenue from sales of goods and materials;
- (2) Revenue from rendering of maintenance service;
- (3) Revenue from construction contracts.

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.

The Group adopts the input method to determine performance schedules, namely according to the Group’s input into the performance of contractual obligations. When the performance progress cannot be identified reasonably, and where the cost having occurred is expected to be compensated, the Group recognizes revenue in accordance with the cost having occurred until the performance progress can be identified reasonably.

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





# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2020  
Renminbi Yuan

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

### 25. Revenue (continued)

#### 25.1 Accounting policy for revenue recognition and measurement (continued)

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

When the Group collects amounts of sold goods or services in advance from the customer, the Group will firstly recognize the amounts as liabilities and then transfer to revenue until satisfying relevant performance obligations. When the receipts in advance is non-refundable and the customer may give up all or part of contract right, and the Group is expected to be entitled to obtain amounts associated with contract rights given up by the customer, the above amounts shall be proportionally recognized as revenue in accordance with the model of exercising contract rights by the customer; otherwise, the Group will transfer the relevant balance of the above liability to revenue only when the probability is extremely low for the customer to require the Group to satisfy remaining performance obligations.

#### 25.2 Specific revenue recognition criteria for the Group

##### (1) Revenue from sales of goods and materials

The Group mainly sells rail transit equipment products, and revenue is usually recognized when the products are received and accepted by customers.

##### (2) Revenue from rendering of maintenance service

The Group mainly provide maintenance service of rail transit equipment products, and revenue is recognized when the services are completed and accepted by customers.

##### (3) Revenue from construction contracts

The Group mainly produces offshore products such as deep-sea robots and recognizes revenue according to the progress of performance.

#### 25.3 Costs of obtaining the contract

If the incremental costs (costs that will not occur if no contract obtained) incurred for obtaining the contract are expected to be recovered, the Group recognises it as an asset. 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. If the amortization period of the asset does not exceed one year, it is recognised in profit or loss for the period in which it occurs. Other expenses incurred by the Group for obtaining the contract are recognised in profit or loss for the period in which it occurs.

# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2020  
Renminbi Yuan



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

### 25. Revenue (continued)

#### 25.4 Costs to fulfil a contract

If the costs incurred in fulfilling a contract are not within the scope of other standard other than standards on revenue, the Group shall recognised an asset from the costs incurred to fulfil 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.

### 26. Government grants

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

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

#### 26.1 Determination basis and accounting treatment of government grants related to assets

Government grants related to assets refer to those acquired by the Group for the purpose of purchasing or constructing or forming long-term assets by other means.

A government grant related to an asset is recognized as deferred income and included in profit or loss over the useful life of the related asset on an average distribution basis. 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.

#### 26.2 Determination basis and accounting treatment of government grants related to income

Government grants received by the Group other than those related to assets are recognized as government grants related to income. The Group classifies government grants whose nature is difficult to distinguish as government grants related to income.

For a government grant related to income, if the grant is a compensation for related expenses or losses to be incurred in subsequent periods, the grant is recognized as deferred income and recognized in profit or loss over the periods in which the related costs or losses are recognized; If the grant is a compensation for related expenses or losses already incurred, the grant is recognized immediately in profit or loss.

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

For the repayment of a government grant already recognized, if there is any related deferred income, the repayment is offset against the carrying amount of the deferred income, with any excess recognized in profit or loss for the period.





# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2020  
Renminbi Yuan

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

### 27. Deferred tax assets and deferred tax liabilities

Income tax expenses comprises current and deferred tax. Current and deferred tax expenses or income are recognized in profit or loss for the period, except when they arise from transactions or events that are directly recognized in other comprehensive income or in shareholders' equity, in which case they are recognized in other comprehensive income or in shareholders'/owners' equity; and when they arise from business combinations, in which case they adjust the carrying amount of goodwill.

#### 27.1 Current income tax

At the balance sheet date, current income tax liabilities (or assets) for the current and prior periods are measured at the amount expected to be paid (or recovered) according to the requirements of tax laws.

#### 27.2 Deferred tax assets and deferred tax liabilities

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

Deferred tax is generally recognized for all temporary differences. Deferred tax assets for deductible temporary differences are recognized to the extent that it is probable that taxable profits will be available against which the deductible temporary differences can be utilized. However, for temporary differences associated with the initial recognition of goodwill and the initial recognition of an asset or liability arising from a transaction (not a business combination) that affects neither the accounting profit nor taxable profits (or deductible losses) at the time of transaction, no deferred tax asset or liability is recognized.

For deductible losses and tax credits that can be carried forward, deferred tax assets are recognized to the extent that it is probable that future taxable profits will be available against which the deductible losses and tax credits can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

At the balance sheet date, deferred tax assets and liabilities are measured at the tax rates, according to tax laws, that are expected to apply in the period in which the asset is realized or the liability is settled.

At the balance sheet date, the carrying amount of deferred tax assets is reviewed and reduced if it is no longer probable that sufficient taxable profits will be available in the future to allow the benefit of deferred tax assets to be utilized. Such reduction in amount is reversed when it becomes probable that sufficient taxable profits will be available.

# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2020  
Renminbi Yuan



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

### 27. Deferred tax assets and deferred tax liabilities (continued)

#### 27.3 Income tax offsetting

When the Group has a legal right to settle on a net basis and intends either to settle on a net basis or to realize the assets and settle the liabilities simultaneously, current tax assets and current tax liabilities are offset and presented on a net basis.

When the Group has a legal right to settle current tax assets and liabilities on a net basis, and 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 assets and liabilities on a net basis or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be reversed, deferred tax assets and deferred tax liabilities are offset and presented on a net basis.

### 28. 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.

#### 28.1 The Group as a Lessee

##### 28.1.1 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.

##### 28.1.2 Right-of-use assets

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

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





# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2020  
Renminbi Yuan

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

### 28. Leases (continued)

#### 28.1 The Group as a Lessee (continued)

##### 28.1.2 Right-of-use assets (continued)

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 Accounting Standards for Business Enterprises No. 8 – Impairment of Assets, to determine whether the right-of-use assets is impaired and to account for any impairment loss identified.

##### 28.1.3 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, including:

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

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 for the period when they are incurred.

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 YEAR ENDED 31 DECEMBER 2020  
Renminbi Yuan



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

### 28. Leases (continued)

#### 28.1 The Group as a Lessee (continued)

##### 28.1.3 Lease liabilities (continued)

Subsequent to the commencement date of a lease, in case of any of the following circumstances, the Group remeasures lease liabilities and makes a corresponding adjustment to the related right-of-use assets. Where the lease liabilities need to be further reduced even the carrying amount of right-of-use assets has been reduced to zero, the Group recognizes the difference in profit or loss for the current period.

- (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. If the change of lease payment arises from the change of variable interest rate, the revised discount rate shall be used to calculate the present value.

##### 28.1.4 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, including leasing of buildings, machinery, 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 and has no options to purchase. 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.

##### 28.1.5 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;
- (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 YEAR ENDED 31 DECEMBER 2020  
Renminbi Yuan

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

### 28. Leases (continued)

#### 28.2 The Group as a Lessor

##### 28.2.1 Separating components of a lease

For a contract that contains lease and non-lease components, the Group shall allocate the consideration in the contract in accordance with the provisions for allocation of transaction price specified in Revenue Standards, on the basis of the relative stand-alone price of the lease components and the aggregate stand-alone price of the non-lease components.

##### 28.2.2 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.

###### 28.2.2.1 The Group as a lessor under operating leases

Receipts of lease under operating leases are recognized as rental income on a straight-line basis over the term of the relevant lease. Initial direct costs related to operating leases incurred by the Group are capitalized when incurred, and are recognized in profit or loss for the current period on the same basis as recognition of rental income over the lease term. The variable receipts of lease received by the Group that are related to operating leases and not included in receipts of lease are recognized in profit or loss for the period when they are incurred.

##### 28.2.3 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.

### 29. Production safety expenses

According to the "Administrative Measures for the Collection and Utilization of Enterprise Work Safety Funds" issued by the Ministry of Finance and the State Administration of Work Safety on 14 February 2012, the Group withdraws production safety expenses. The production safety expenses shall be recognized in profit or loss for the current period and in special reserve. When the production safety expenses are utilized as expenses, they should be directly used to offset against the special reserve. When the production safety expenses incurred relate to fixed assets, relevant expenditures shall be accrued in the item of "Construction in progress" and then recognized as fixed asset when the project is completed and ready for intended use; meanwhile, special reserve shall be offset at the amount of cost of the fixed assets and accumulated depreciation shall be recognised at the same amount. Such fixed asset is not subject to any further depreciation in subsequent periods.



# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2020  
Renminbi Yuan



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

### 30. 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 reporting 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 recognized in the current period. If the changes of accounting estimates affect both of the current period and the future period, the influence amount is recognized in the current period and the future period.

#### 30.1 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 recognized in the financial statements:

##### 30.1.1 Scope of consolidation – the Group holds 50% or less than 50% of the voting rights of the investee

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

#### 30.2 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:

##### 30.2.1 Provision for expected credit losses of trade receivables and contract assets

The Group recognizes 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 recognized shall be reversed. As at 31 December 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 loss rate.





# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2020  
Renminbi Yuan

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

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

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

##### 30.2.2 Provision for decline in value of inventories

According to the accounting policy for inventories, the Group adopts the lower of cost and net realizable value to measure inventories, and recognizes provision for decline in value of inventories on the condition that the cost of them is higher than the net realizable value or they are slow-moving or obsolete. At the end of each reporting period, the Group will review whether a single inventory is an obsolete and slow-moving item and whether the net realizable 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.

##### 30.2.3 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 an appropriate discount rate which reflects the time value of currency and particular risk of assets in the present market.

##### 30.2.4 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 and goodwill at each balance sheet date. Other non-current assets other than financial assets and goodwill 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. When calculating the present value of expected future cash flows, management shall estimate the expected future cash flows from the asset or asset group and choose an appropriate discount rate in order to calculate the present value of those cash flows.

##### 30.2.5 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.

##### 30.2.6 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 YEAR ENDED 31 DECEMBER 2020  
Renminbi Yuan



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

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

#### 31.1 Interpretation of Accounting Standards for Business Enterprise No.13

On December 10, 2019, the Ministry of Finance issued the Interpretation of Accounting Standards for Business Enterprises No. 13 (hereinafter referred to as "Interpretation No. 13") with the Finance and Accounting [2019] No. 21 document. Interpretation No.13 has made a further supplement to Accounting Standards for Business Enterprises No. 36 – Related Party Disclosure by clarifying that the following circumstances constitute related parties: (1) joint ventures or associates of an enterprise and other members of its enterprise group (including the parent company and subsidiaries); (2) Joint ventures of the enterprise and other joint ventures or joint ventures of the enterprise. Interpretation No.13 II Amendments were made to Accounting Standards for Business Enterprises No. 20 – Merger and Acquisitions by clarifying the definition of a business, adding guidance on whether a processing process is material and introducing an optional concentration test for the purpose of simplifying assessment. The foregoing provisions have no material impact on the Group's and the Company's financial statements for the year 2020.

#### 31.2 Provisions on accounting treatment of lease payment related to COVID-19

On June 19, 2020, the Ministry of Finance (MOF) issued the Provisions on Accounting Treatment of Lease Payment Related to COVID-19 (hereinafter referred to as "Document No. 10") in the form of Document No. 10 of Finance and Accounting [2020]. Document No. 10 provides that for lease payment, while meeting certain conditions, the enterprise can use Accounting Standards for Business Enterprises No. 21 – Lease for accounting treatment, or can choose to use the simplified method stipulated in document No. 10 for accounting treatment. The above provisions have no significant impact on the financial statements of the Group and the Company for 2020.

## (IV) TAXATION

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

| Category of tax                       | Basis of tax computation  | Tax rate          |
|---------------------------------------|---|-------------------|
| Value-added tax ("VAT")               | Sale of general goods, rendering of rental service of tangible movable properties, and sale of imported goods | 16%, 13% (Note 1) |
|                                       | Rendering of rental service of real properties  | 10%, 9% (Note 1)  |
|                                       | Rendering of general service  | 6%                |
| City maintenance and construction tax | VAT actually paid   | 7%, 5%, 1%        |
| Education surcharges                  | VAT actually paid   | 3%                |
| Local education surcharges            | VAT actually paid   | 2%                |
| Enterprise income tax                 | Taxable income  | 25% (Note 2)      |

Note 1: In accordance with the Announcement on Relevant Policies for Deepening the Value-added Tax Reform (Announcement Cai Shui [2019] No. 39) of the Ministry of Finance, the State Taxation Administration and the General Administration of Customs, the VAT tax rates of 16% and 10% applicable to the Group shall be adjusted to 13% and 9%, respectively, with effect from 1 April 2019.

Note 2: The enterprise income tax of the Company and the subsidiaries incorporated in the PRC is levied at 25% of taxable income. The subsidiaries incorporated out of the PRC shall pay the enterprise income tax in accordance with their local tax laws.





# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2020  
Renminbi Yuan

## (IV) TAXATION (continued)

### 2. Tax incentive

#### 2.1 Value-added tax (VAT)

In accordance with the Notice of the Ministry of Finance and the State Administration of Taxation on Value-added Tax Policies for Software Products (Cai Shui [2011] No. 100), for the sales of self-developed and produced software products by the Company and its subsidiaries, Zhuzhou Times Electronics Technology Co., Ltd. ("CRRC Times Electronics"), Ningbo CRRC Times Transducer Technology Co., Ltd. ("Ningbo CRRC Times"), Zhuzhou CRRC Times Software Technology Co., Ltd. ("CRRC Times Software"), Hunan CRRC Signal Co., Ltd. ("Hunan CRRC Signal"), Zhuzhou National Engineering Research Centre of Converters Co., Ltd. ("CRRC National Centre of Converters"), Ningbo CRRC Times Electric Equipment Co., Ltd. ("Ningbo CRRC Electric"), the refund-upon-collection policy shall be applied to the part of actual VAT burden in excess of 3%.

#### 2.2 Enterprise income tax

The main tax incentives for enterprise income tax of the Group are as follows:

In accordance with the provisions of Article 28 under the Enterprise Income Tax Law of the People's Republic of China, high-tech enterprises that require government support are subject to a reduced enterprise income tax rate of 15%. The Company and its subsidiaries CRRC Times Electronics, Baoji CRRC Times Engineering Machinery Co., Ltd. ("Baoji CRRC Times"), Ningbo CRRC Times and CRRC National Centre of Converters, obtained the high-tech enterprise certificates approved by the corresponding tax authorities in 2017 and 2020, respectively, and were subject to a reduced enterprise income tax rate of 15% in 2019 and 2020.

The Company's subsidiaries, Shenyang CRRC Times Transportation Technology Co., Ltd. ("Shenyang CRRC Times"), Qingdao CRRC Electric, and Specialist Machine Developments (Shanghai) Co., Ltd. ("Shanghai CRRC SMD"), obtained the high-tech enterprise certificates approved by the corresponding tax authorities in 2019, and were subject to a reduced enterprise income tax rate of 15% in 2019 and 2020.

In accordance with the Notice of the Ministry of Finance and the State Taxation Administration on Enterprise Income Tax Policies for Further Encouraging the Development of Software and Integrated Circuit Industries (Cai Shui [2012] No. 27), CRRC Times Software, a subsidiary of the Company, has been entitled to the policy of "two-year exemption and three-year half payment" for enterprise income tax since 2015 and subject to a reduced rate of 12.5% for enterprise income tax in 2019. It obtained the high-tech enterprise certificate approved by the corresponding tax authority in 2019 and subject to a reduced rate of 15% for enterprise income tax in 2020.

Hunan CRRC Signal, a subsidiary of the Company, obtained the high-tech enterprise certificate approved by the corresponding tax authority in 2017 and 2020 respectively, and is subject to a tax rate of 15% for enterprise income tax in 2019 and 2020.

Taiyuan CRRC Times, a subsidiary of the Company, obtained the high-tech enterprise certificate approved by the corresponding tax authority in 2020, and is subject to a tax rate of 15% for enterprise income tax in 2020.

In accordance with the Notice of the Ministry of Finance, the General Administration of Customs and the State Taxation Administration on Tax Policy Issues concerning Further Implementing the Western China Development Strategy (Cai Shui [2011] No. 58), and the 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 (Cai Shui [2020] No. 23), Baoji CRRC Times is in compliance with the relevant provisions of the preferential enterprise income tax policy for the Western China Development and subject to the rate of 15% for enterprise income tax in 2019 and 2020.

# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2020  
Renminbi Yuan

## (IV) TAXATION (continued)

### 2. Tax incentive (continued)

#### 2.2 Enterprise income tax (continued)

In accordance with the Notice of the Ministry of Finance and the State Taxation Administration on the Enterprise Income Tax Policies for Further Encouraging the Development of the Software Industry and the Integrated Circuit Industry (Cai Shui [2012] No. 27), the Notice of the Ministry of Finance, the State Taxation Administration, the National Development and Reform Commission and the Ministry of Industry and Information Technology on Issues concerning Preferential Enterprise Income Tax Policies for the Software and Integrated Circuit Industries (Cai Shui [2016] No. 49), the Notice of the Ministry of Finance, the State Administration of Taxation, the National Development and Reform Commission and the Ministry of Industry and Information Technology on Issues concerning Enterprise Income Tax Policies for Integrated Circuit Production Enterprises (Cai Shui [2018] No. 27), and the Reply of Hunan Provincial Development and Reform Commission on the Verification of Recordation Information of Income Tax Preferential Policies for Key Integrated Circuit Design and Key Software Enterprises, Zhuzhou CRRC Times Semiconductor Co., Ltd. ("CRRC Times Semiconductor"), a subsidiary of the Company, has been entitled to the policy of "five-year exemption and five-year half payment" for enterprise income tax since 2019, and therefore, it is exempted from enterprise income tax in 2019 and 2020.

In accordance with the Enterprise Income Tax Law of the People's Republic of China, the Notice of the Ministry of Finance, the State Taxation Administration and the Ministry of Science and Technology on Improving the Policies for the Weighted Pre-tax Deduction of Research and Development Expenses (Cai Shui [2015] No. 119), the Notice on Raising the Proportion of Weighted Pre-tax Deduction of the Research and Development Expenses of Small- and Medium-Sized Scientific and Technological Enterprises (Cai Shui [2017] No. 34), and the Notice by the Ministry of Finance, the State Taxation Administration and the Ministry of Science and Technology of Raising the Proportion of Weighted Pre-tax Deduction of Research and Development Expenses (Cai Shui [2018] No. 99), for the Company and its subsidiaries CRRC Times Electronics, Baoji CRRC Times, Ningbo CRRC Times, Ningbo CRRC Electric, Shenyang CRRC Times, Qingdao CRRC Electric, CRRC Times Software, Hunan CRRC Signal, CRRC National Centre of Converters, Shanghai CRRC SMD and CRRC Times Semiconductor, the R&D expenses actually incurred by the enterprise in the course of its R&D activities, an extra 75% of the amount of R&D expenses actually incurred is deductible before tax payment, in addition to the deduction of actual expenses as prescribed, in 2019 and 2020, provided that the said expenses are not recognized as intangible asset and included in the current profits and losses; if the said expenses have been recognized as intangible asset, such expenses may be amortized at the rate of 175% of the costs of the intangible assets before tax payment in 2019 and 2020.

In accordance with the Notice of the Ministry of Finance and the State Administration of Taxation on Implementing the Inclusive Tax Deduction and Exemption Policies for Micro and Small Enterprises (Cai Shui [2019] No. 13), Chengdu CRRC Times Electric Technology Co., Ltd. ("Chengdu CRRC Electric"), a subsidiary of the Company, is qualified to be recognized as a small low-profit enterprise in 2019 and 2020 and is subject to a tax rate of 20% for the enterprise income tax.

# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2020  
Renminbi Yuan

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

### 1. Cash and bank balances

| Item   | 31/12/2020    | 31/12/2019    |
|--|---------------|---------------|
| Cash on hand   | 52,256        | 37,683        |
| Bank deposits  | 5,113,837,282 | 4,289,042,975 |
| Other cash and bank balances                               | 14,996,459    | 13,406,534    |
| Total  | 5,128,885,997 | 4,302,487,192 |
| Including: Total cash and bank balances deposited overseas | 199,238,118   | 207,530,596   |

The Group's other cash and bank balances are as follows:

| Item              | 31/12/2020 | 31/12/2019 |
|-------------------|------------|------------|
| Security deposits | 14,996,459 | 13,406,534 |
| Total             | 14,996,459 | 13,406,534 |

The Group's time deposits at bank with more than three months that are not pledged are as follows:

| Item                                      | 31/12/2020  | 31/12/2019 |
|---|-------------|------------|
| Time deposits with more than three months | 330,000,000 | 45,000,000 |

Interest income earned on current deposits is calculated by using the current deposit interest rate. The deposit periods for short-term time deposits vary from 1 day to 3 months depending on the cash demand of the Group, with interest income earned at the respective interest rates of the banks' time deposits.

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

| Item  | 31/12/2020    | 31/12/2019    |
|---|---------------|---------------|
| Financial assets classified as at FVTPL       | —             | —             |
| Including: Financial products issued by banks | —             | 500,202,178   |
| Structural deposits                           | 3,732,327,307 | 4,405,574,583 |
| Total   | 3,732,327,307 | 4,905,776,761 |

As at 31 December 2020 and 31 December 2019, the bank financial products and structural deposits held by the Group, carried interest rates per annual ranging from 1.49% to 4.51% and 2.20% to 3.85%, respectively.

# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2020  
Renminbi Yuan



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

### 3. Bills receivable

#### (1) Category of bills receivable

| Item                            | 31/12/2020    | 31/12/2019    |
|---------------------------------|---------------|---------------|
| Bank acceptance bills           | 255,597,271   | 291,318,895   |
| Commercial acceptance bills     | 2,226,100,772 | 2,455,230,090 |
| Total                           | 2,481,698,043 | 2,746,548,985 |
| Less: Provision for credit loss | 20,960,887    | 20,438,563    |
| Carrying amount                 | 2,460,737,156 | 2,726,110,422 |

#### (2) Pledged bills receivable at the end of the year

As at 31 December 2020 and 31 December 2019, the Group had no bills receivable pledged.

#### (3) Bills receivable of the Group that transferred to trade receivables at the end of the year due to the default of the drawer

| Item                        | 31/12/2020 | 31/12/2019 |
|-----------------------------|------------|------------|
| Commercial acceptance bills | 700,000    | 800,000    |



# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2020  
Renminbi Yuan

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

### 3. Bills receivable (continued)

#### (4) Bills receivable for which provision for credit loss is assessed on a portfolio basis:

##### Bank acceptance bills

As at 31 December 2020 and 31 December 2019, the Group considered that the credit rating of the acceptance bank was relatively high and there was no significant credit risk. Therefore, no provision for losses was made.

##### Commercial acceptance bills

Provision for credit loss of commercial acceptance bills is assessed on a portfolio basis of four categories of customers, each of which involves a large number of customers with the same risk characteristics.

Analysis of bills receivable for which provision for credit loss is assessed on a portfolio basis of four categories of customers is as follows:

#### 31/12/2020

| Credit impairment has not occurred | Expected average loss rate | Gross carrying amount | Provision for credit loss | Carrying amount      |
|------------------------------------|----------------------------|-----------------------|---------------------------|----------------------|
| Category I                         | 1.85%                      | 918,185,365           | 16,960,469                | 901,224,896          |
| Category II                        | —                          | —                     | —                         | —                    |
| Category III                       | 0.10%                      | 1,197,495,464         | 1,179,847                 | 1,196,315,617        |
| Category IV                        | 2.55%                      | 110,419,943           | 2,820,571                 | 107,599,372          |
| Total                              |                            | <u>2,226,100,772</u>  | <u>20,960,887</u>         | <u>2,205,139,885</u> |

#### 31/12/2019

| Credit impairment has not occurred | Expected average loss rate | Gross carrying amount | Provision for credit loss | Carrying amount      |
|------------------------------------|----------------------------|-----------------------|---------------------------|----------------------|
| Category I                         | 1.00%                      | 883,248,019           | 8,841,524                 | 874,406,495          |
| Category II                        | —                          | —                     | —                         | —                    |
| Category III                       | 0.73%                      | 1,569,071,914         | 11,444,855                | 1,557,627,059        |
| Category IV                        | 5.23%                      | 2,910,157             | 152,184                   | 2,757,973            |
| Total                              |                            | <u>2,455,230,090</u>  | <u>20,438,563</u>         | <u>2,434,791,527</u> |



# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2020  
Renminbi Yuan



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

### 3. Bills receivable (continued)

#### (5) Provision for credit loss of bills receivable is as follows:

| Item                   | 2020        | 2019         |
|------------------------|-------------|--------------|
| Opening balance        | 20,438,563  | 61,669,115   |
| Provision for the year | 7,005,166   | 2,279,182    |
| Reversal for the year  | (6,482,842) | (43,509,734) |
| Closing balance        | 20,960,887  | 20,438,563   |

(6) As at 31 December 2020 and 31 December 2019, the Group had no bills receivable that are actually written-off.

(7) As at 31 December 2020 and 31 December 2019, balances of bills receivable for which are receivable from related parties of the Group are detailed in Note (IX) 6.

### 4. Trade receivables

#### (1) Disclosed by aging:

| Aging                           | 31/12/2020    | 31/12/2019    |
|---------------------------------|---------------|---------------|
| Within 6 months                 | 7,344,531,992 | 6,092,206,421 |
| 6 months to 1 year              | 567,878,887   | 781,919,918   |
| 1 to 2 years                    | 251,738,465   | 664,376,177   |
| 2 to 3 years                    | 39,427,904    | 91,700,692    |
| Over 3 years                    | 76,495,221    | 226,785,652   |
| Total                           | 8,280,072,469 | 7,856,988,860 |
| Less: Provision for credit loss | 343,177,260   | 443,024,138   |
| Carrying amount                 | 7,936,895,209 | 7,413,964,722 |

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



# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2020  
Renminbi Yuan

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

### 4. Trade receivables (continued)

#### (2) Disclosed by method of provision for credit loss:

| By category           | 31/12/2020            |                |                           |                             | Carrying amount      |
|-----------------------|-----------------------|----------------|---------------------------|-----------------------------|----------------------|
|                       | Gross carrying amount |                | Provision for credit loss |                             |                      |
|                       | Amount                | Proportion (%) | Amount                    | Proportion of provision (%) |                      |
| Individual assessment | 73,139,842            | 0.88           | 73,139,842                | 100.00                      | –                    |
| Collective assessment | 8,206,932,627         | 99.12          | 270,037,418               | 3.29                        | 7,936,895,209        |
| Including: Category I | 3,411,998,538         | 41.21          | 76,733,040                | 2.25                        | 3,335,265,498        |
| Category II           | 2,675,151,700         | 32.31          | 113,657,715               | 4.25                        | 2,561,493,985        |
| Category III          | 1,080,441,283         | 13.05          | 14,018,654                | 1.30                        | 1,066,422,629        |
| Category IV           | 1,039,341,106         | 12.55          | 65,628,009                | 6.31                        | 973,713,097          |
| Total                 | <u>8,280,072,469</u>  | 100.00         | <u>343,177,260</u>        |                             | <u>7,936,895,209</u> |

| By category           | 31/12/2019            |                |                           |                             | Carrying amount      |
|-----------------------|-----------------------|----------------|---------------------------|-----------------------------|----------------------|
|                       | Gross carrying amount |                | Provision for credit loss |                             |                      |
|                       | Amount                | Proportion (%) | Amount                    | Proportion of provision (%) |                      |
| Individual assessment | 196,595,934           | 2.50           | 196,595,934               | 100.00                      | –                    |
| Collective assessment | 7,660,392,926         | 97.50          | 246,428,204               | 3.22                        | 7,413,964,722        |
| Including: Category I | 2,275,164,184         | 28.96          | 52,402,414                | 2.30                        | 2,222,761,770        |
| Category II           | 3,040,447,819         | 38.70          | 64,393,395                | 2.12                        | 2,976,054,424        |
| Category III          | 1,037,861,700         | 13.21          | 3,882,136                 | 0.37                        | 1,033,979,564        |
| Category IV           | 1,306,919,223         | 16.63          | 125,750,259               | 9.62                        | 1,181,168,964        |
| Total                 | <u>7,856,988,860</u>  | 100.00         | <u>443,024,138</u>        |                             | <u>7,413,964,722</u> |

# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2020  
Renminbi Yuan



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

### 4. Trade receivables (continued)

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

Trade receivables for which provision for credit loss is assessed individually:

| Trade receivables (by company)                                       | 31/12/2020            |                           |                             |                             |
|--|-----------------------|---------------------------|-----------------------------|-----------------------------|
|  | Gross carrying amount | Provision for credit loss | Proportion of provision (%) | Reason for provision        |
| Qingdao New Energy Solutions Inc.                                    | 30,563,584            | 30,563,584                | 100.00                      | Low possibility of recovery |
| Changde Lantianwuling Energy Technology Co., Ltd.                    | 8,093,692             | 8,093,692                 | 100.00                      | Low possibility of recovery |
| Shenzhen Blue Wave New Energy Group Co., Ltd.                        | 3,649,874             | 3,649,874                 | 100.00                      | Low possibility of recovery |
| Baotou City Shansheng New Energy Co., Ltd.                           | 3,013,743             | 3,013,743                 | 100.00                      | Low possibility of recovery |
| China Railway Materials Shanghai Co., Ltd.                           | 2,970,000             | 2,970,000                 | 100.00                      | Low possibility of recovery |
| Other trade receivables for which provision is individually assessed | 24,848,949            | 24,848,949                | 100.00                      | Low possibility of recovery |
| <b>Total</b>   | <b>73,139,842</b>     | <b>73,139,842</b>         |                             |                             |

| Trade receivables (by company)                                       | 31/12/2019            |                           |                             |                             |
|--|-----------------------|---------------------------|-----------------------------|-----------------------------|
|  | Gross carrying amount | Provision for credit loss | Proportion of provision (%) | Reason for provision        |
| Spi Solar Power Engineering (Suzhou) Co., Ltd.                       | 64,605,000            | 64,605,000                | 100.00                      | Low possibility of recovery |
| Qingdao New Energy Solutions Inc.                                    | 30,563,584            | 30,563,584                | 100.00                      | Low possibility of recovery |
| Zhuzhou Lantianwuling Energy Technology Co., Ltd.                    | 37,998,450            | 37,998,450                | 100.00                      | Low possibility of recovery |
| Changde Lantianwuling Energy Technology Co., Ltd.                    | 8,093,692             | 8,093,692                 | 100.00                      | Low possibility of recovery |
| Hunan Industrial Equipment Installation Co., Ltd.                    | 5,529,135             | 5,529,135                 | 100.00                      | Low possibility of recovery |
| Other trade receivables for which provision is individually assessed | 49,806,073            | 49,806,073                | 100.00                      | Low possibility of recovery |
| <b>Total</b>   | <b>196,595,934</b>    | <b>196,595,934</b>        |                             |                             |



# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2020  
Renminbi Yuan

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

### 4. Trade receivables (continued)

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

Trade receivables for which provision for credit loss is assessed collectively:

As part of the Group's credit risk management, the Group uses the aging to assess the expected credit losses of trade receivables arising from the following four categories of customers. These four categories of customers involve a large number of customers, which share the same risk characteristics, and the aging information can reflect their solvency when the trade receivables expire.

Provision assessed collectively by category: Category I

| Item               | Expected average loss rate (%) | 31/12/2020            |                           |                      |
|--------------------|--------------------------------|-----------------------|---------------------------|----------------------|
|                    |                                | Gross carrying amount | Provision for credit loss | Carrying amount      |
| Within 6 months    | 1.96                           | 3,162,078,870         | 62,148,359                | 3,099,930,511        |
| 6 months to 1 year | 2.38                           | 146,064,911           | 3,471,304                 | 142,593,607          |
| 1 to 2 years       | 7.37                           | 90,580,724            | 6,676,218                 | 83,904,506           |
| 2 to 3 years       | 28.93                          | 7,885,304             | 2,281,294                 | 5,604,010            |
| Over 3 years       | 40.01                          | 5,388,729             | 2,155,865                 | 3,232,864            |
| Total              |                                | <u>3,411,998,538</u>  | <u>76,733,040</u>         | <u>3,335,265,498</u> |

| Item               | Expected average loss rate (%) | 31/12/2019            |                           |                      |
|--------------------|--------------------------------|-----------------------|---------------------------|----------------------|
|                    |                                | Gross carrying amount | Provision for credit loss | Carrying amount      |
| Within 6 months    | 0.78                           | 1,817,473,868         | 14,099,166                | 1,803,374,702        |
| 6 months to 1 year | 1.65                           | 142,358,624           | 2,344,570                 | 140,014,054          |
| 1 to 2 years       | 8.53                           | 243,670,910           | 20,795,235                | 222,875,675          |
| 2 to 3 years       | 7.62                           | 57,674,204            | 4,396,395                 | 53,277,809           |
| Over 3 years       | 76.98                          | 13,986,578            | 10,767,048                | 3,219,530            |
| Total              |                                | <u>2,275,164,184</u>  | <u>52,402,414</u>         | <u>2,222,761,770</u> |

# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2020  
Renminbi Yuan



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

### 4. Trade receivables (continued)

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

Trade receivables for which provision for credit loss is assessed collectively: (continued)

Provision assessed collectively by category: Category II

| Item               | Expected average loss rate (%) | 31/12/2020            |                           |                      |
|--------------------|--------------------------------|-----------------------|---------------------------|----------------------|
|                    |                                | Gross carrying amount | Provision for credit loss | Carrying amount      |
| Within 6 months    | 3.19                           | 2,359,749,483         | 75,290,649                | 2,284,458,834        |
| 6 months to 1 year | 6.66                           | 193,505,576           | 12,892,911                | 180,612,665          |
| 1 to 2 years       | 17.79                          | 108,901,681           | 19,377,274                | 89,524,407           |
| 2 to 3 years       | 46.90                          | 12,991,915            | 6,093,836                 | 6,898,079            |
| Over 3 years       | 100.00                         | 3,045                 | 3,045                     | —                    |
| Total              |                                | <u>2,675,151,700</u>  | <u>113,657,715</u>        | <u>2,561,493,985</u> |

| Item               | Expected average loss rate (%) | 31/12/2019            |                           |                      |
|--------------------|--------------------------------|-----------------------|---------------------------|----------------------|
|                    |                                | Gross carrying amount | Provision for credit loss | Carrying amount      |
| Within 6 months    | 1.22                           | 2,396,862,247         | 29,128,566                | 2,367,733,681        |
| 6 months to 1 year | 2.27                           | 350,668,580           | 7,972,687                 | 342,695,893          |
| 1 to 2 years       | 9.30                           | 291,549,044           | 27,113,390                | 264,435,654          |
| 2 to 3 years       | 12.25                          | 1,334,391             | 163,463                   | 1,170,928            |
| Over 3 years       | 45.56                          | 33,557                | 15,289                    | 18,268               |
| Total              |                                | <u>3,040,447,819</u>  | <u>64,393,395</u>         | <u>2,976,054,424</u> |



# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2020  
Renminbi Yuan

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

### 4. Trade receivables (continued)

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

Trade receivables for which provision for credit loss is assessed collectively: (continued)

Provision assessed collectively by category: Category III

| Item               | Expected average loss rate (%) | 31/12/2020            |                           | Carrying amount      |
|--------------------|--------------------------------|-----------------------|---------------------------|----------------------|
|                    |                                | Gross carrying amount | Provision for credit loss |                      |
| Within 6 months    | 0.80                           | 883,650,882           | 6,985,535                 | 876,665,347          |
| 6 months to 1 year | 3.36                           | 184,657,351           | 6,205,167                 | 178,452,184          |
| 1 to 2 years       | 6.41                           | 12,021,214            | 770,962                   | 11,250,252           |
| 2 to 3 years       | 50.96                          | 111,836               | 56,990                    | 54,846               |
| Total              |                                | <u>1,080,441,283</u>  | <u>14,018,654</u>         | <u>1,066,422,629</u> |

| Item               | Expected average loss rate (%) | 31/12/2019            |                           | Carrying amount      |
|--------------------|--------------------------------|-----------------------|---------------------------|----------------------|
|                    |                                | Gross carrying amount | Provision for credit loss |                      |
| Within 6 months    | 0.24                           | 997,248,167           | 2,358,505                 | 994,889,662          |
| 6 months to 1 year | 3.97                           | 26,785,506            | 1,064,114                 | 25,721,392           |
| 1 to 2 years       | 2.91                           | 13,732,107            | 399,567                   | 13,332,540           |
| 2 to 3 years       | 62.50                          | 95,920                | 59,950                    | 35,970               |
| Total              |                                | <u>1,037,861,700</u>  | <u>3,882,136</u>          | <u>1,033,979,564</u> |

# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2020  
Renminbi Yuan



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

### 4. Trade receivables (continued)

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

Trade receivables for which provision for credit loss is assessed collectively: (continued)

Provision assessed collectively by category: Category IV

| Item               | Expected average loss rate (%) | 31/12/2020            |                           | Carrying amount    |
|--------------------|--------------------------------|-----------------------|---------------------------|--------------------|
|                    |                                | Gross carrying amount | Provision for credit loss |                    |
| Within 6 months    | 3.91                           | 939,052,757           | 36,732,105                | 902,320,652        |
| 6 months to 1 year | 11.11                          | 43,651,051            | 4,847,971                 | 38,803,080         |
| 1 to 2 years       | 26.01                          | 37,642,331            | 9,792,481                 | 27,849,850         |
| 2 to 3 years       | 58.05                          | 4,335,009             | 2,516,417                 | 1,818,592          |
| Over 3 years       | 80.08                          | 14,659,958            | 11,739,035                | 2,920,923          |
| Total              |                                | <u>1,039,341,106</u>  | <u>65,628,009</u>         | <u>973,713,097</u> |

| Item               | Expected average loss rate (%) | 31/12/2019            |                           | Carrying amount      |
|--------------------|--------------------------------|-----------------------|---------------------------|----------------------|
|                    |                                | Gross carrying amount | Provision for credit loss |                      |
| Within 6 months    | 4.80                           | 880,622,139           | 42,262,538                | 838,359,601          |
| 6 months to 1 year | 6.05                           | 262,107,208           | 15,860,780                | 246,246,428          |
| 1 to 2 years       | 27.38                          | 114,614,885           | 31,377,229                | 83,237,656           |
| 2 to 3 years       | 72.11                          | 22,242,088            | 16,039,644                | 6,202,444            |
| Over 3 years       | 73.94                          | 27,332,903            | 20,210,068                | 7,122,835            |
| Total              |                                | <u>1,306,919,223</u>  | <u>125,750,259</u>        | <u>1,181,168,964</u> |



# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 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 is as follows:

| Item                                  | Lifetime expected credit losses (no credit-impaired) | Lifetime expected credit losses (credit-impaired) | 2020               |
|---------------------------------------|--|---|--------------------|
| 1 January 2020                        | 115,090,926  | 327,933,212                                       | 443,024,138        |
| Transferred to credit-impaired losses | (5,292,133)  | 5,292,133   | –                  |
| Provision (Reversal) for the year     | 98,780,790   | (183,777,159)                                     | (84,996,369)       |
| Write-off for the year                | –  | (14,811,342)                                      | (14,811,342)       |
| Foreign exchange translation          | (5,583)  | (33,584)  | (39,167)           |
| 31 December 2020                      | <u>208,574,000</u>                                   | <u>134,603,260</u>                                | <u>343,177,260</u> |

| Item                                  | Lifetime expected credit losses (no credit-impaired) | Lifetime expected credit losses (credit-impaired) | 2019               |
|---------------------------------------|--|---|--------------------|
| 1 January 2019                        | 75,391,076   | 192,446,964                                       | 267,838,040        |
| Transferred to credit-impaired losses | (14,298,293)   | 14,298,293  | –                  |
| Provision (Reversal) for the year     | 53,995,636   | 148,795,798                                       | 202,791,434        |
| Write-off for the year                | –  | (27,607,843)                                      | (27,607,843)       |
| Foreign exchange translation          | 2,507  | –   | 2,507              |
| 31 December 2019                      | <u>115,090,926</u>                                   | <u>327,933,212</u>                                | <u>443,024,138</u> |



# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2020  
Renminbi Yuan



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

### 4. Trade receivables (continued)

(4) Trade receivables that are actually written-off are as follows:

| Item                          | 2020              | 2019              |
|-------------------------------|-------------------|-------------------|
| Written-off trade receivables | <u>14,811,342</u> | <u>27,607,843</u> |

The written-off trade receivables are receivables resulting from sales of goods to unrelated entities. Due to these entities' operating difficulties, the amounts are uncollectible and receivables are written-off accordingly.

(5) Top five trade receivables at the end of the year categorized by arrears are as follows:  
31/12/2020

| Name of the entity                               | Gross carrying amount | Provision for credit loss | Proportion to the total trade receivables (%) |
|--|-----------------------|---------------------------|---|
| CRRC Qingdao Sifang Co., Ltd.                    | 1,571,155,822         | 23,699,957                | 18.97   |
| Chongqing Rail Transit (Group) Co., Ltd.         | 588,704,434           | 40,538,826                | 7.11  |
| Wuhan Metro Group Co., Ltd.                      | 299,417,348           | 14,908,574                | 3.62  |
| Beijing HUA-TIE Information Technology Co., Ltd. | 195,229,340           | 15,659                    | 2.36  |
| CRRC Zhuzhou Locomotive Co., Ltd.                | 170,645,903           | 2,488,221                 | 2.06  |
| Total  | <u>2,825,152,847</u>  | <u>81,651,237</u>         | <u>34.12</u>                                  |

31/12/2019

| Name of the entity                               | Gross carrying amount | Provision for credit loss | Proportion to the total trade receivables (%) |
|--|-----------------------|---------------------------|---|
| Chongqing Rail Transit (Group) Co., Ltd.         | 538,451,858           | 11,415,179                | 6.85  |
| CRRC Qingdao Sifang Co., Ltd.                    | 446,815,431           | 10,276,755                | 5.69  |
| China State Railway Group Co., Ltd.              | 418,665,125           | 1,549,061                 | 5.33  |
| Wuhan Metro Group Co., Ltd.                      | 245,027,417           | 5,194,581                 | 3.12  |
| Beijing HUA-TIE Information Technology Co., Ltd. | 196,351,084           | 18,888,974                | 2.50  |
| Total  | <u>1,845,310,915</u>  | <u>47,324,550</u>         | <u>23.49</u>                                  |



# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2020  
Renminbi Yuan

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

### 4. Trade receivables (continued)

#### (6) Trade receivables derecognized due to transfer of financial assets

In 2020 and 2019, the Group derecognised trade receivables of RMB736,950,800 and RMB292,000,000 respectively, due to trade receivables factoring.

### 5. Trade receivables financing

| Item                                     | 31/12/2020    | 31/12/2019    |
|--|---------------|---------------|
| Bills receivable measured at fair value  | 884,373,305   | 1,884,817,895 |
| Trade receivables measured at fair value | 559,567,750   | 670,135,475   |
| Total                                    | 1,443,941,055 | 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 bills receivable and trade receivables were classified by the Group as financial assets at fair value through other comprehensive income.

#### (1) Fair value measurement

| Item                              | 31/12/2020    | 31/12/2019    |
|-----------------------------------|---------------|---------------|
| Cost                              | 1,478,983,216 | 2,619,248,453 |
| Carrying amount                   | 1,443,941,055 | 2,554,953,370 |
| Accumulated changes in fair value | (35,042,161)  | (64,295,083)  |

#### (2) Bills receivable endorsed or discounted and not yet due at the balance sheet date at the end of the year:

| Item                        | 31/12/2020          |                         | 31/12/2019          |                         |
|-----------------------------|---------------------|-------------------------|---------------------|-------------------------|
|                             | Derecognized amount | Non-derecognized amount | Derecognized amount | Non-derecognized amount |
| Commercial acceptance bills | –                   | 36,203,116              | –                   | 11,526,536              |
| Bank acceptance bills       | 247,743,856         | 69,235,222              | 188,449,023         | 54,526,982              |
| Total                       | 247,743,856         | 105,438,338             | 188,449,023         | 66,053,518              |

# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2020  
Renminbi Yuan

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

### 6. Prepayments

(1) Aging analysis of prepayments is as follows:

| Aging         | 31/12/2020         |                | 31/12/2019         |                |
|---------------|--------------------|----------------|--------------------|----------------|
|               | Carrying amount    | Proportion (%) | Carrying amount    | Proportion (%) |
| Within 1 year | 334,607,492        | 93.23          | 272,875,127        | 83.85          |
| 1 to 2 years  | 9,210,423          | 2.57           | 39,417,798         | 12.11          |
| 2 to 3 years  | 6,254,367          | 1.74           | 4,480,479          | 1.38           |
| Over 3 years  | 8,840,626          | 2.46           | 8,651,757          | 2.66           |
| Total         | <u>358,912,908</u> | <u>100.00</u>  | <u>325,425,161</u> | <u>100.00</u>  |

At the balance sheet date, significant prepayments aged over one year are as follows:

#### 31/12/2020

| Name of the entity                                  | Gross carrying amount | Aging                      |
|---|-----------------------|----------------------------|
| State Grid Zhuzhou Power Supply Company             | 5,906,599             | 1 to 2 and<br>3 to 4 years |
| Qingdao Chengtie Woodwork Manufacturing Co., Ltd.   | 2,000,000             | 2 to 3 years               |
| Tianjin Aosheng Electrical Engineering Co., Ltd.    | 1,674,000             | 2 to 3 years               |
| Panasonic Manufacturing (Beijing) Co., Ltd.         | 1,527,925             | 2 to 3 years               |
| Hunan Nonferrous Construction Engineering Co., Ltd. | 548,122               | 2 to 3 years               |
| Total   | <u>11,656,646</u>     |                            |

#### 31/12/2019

| Name of the entity   | Gross carrying amount | Aging        |
|--|-----------------------|--------------|
| Globalwafers Co., Ltd.   | 18,789,494            | 1 to 2 years |
| Procam Logistics Pvt. Ltd.                                       | 3,536,497             | 1 to 2 years |
| Hebei Aouokai Electrical Equipment Installation Co., Ltd.        | 2,609,556             | Over 3 years |
| Institute of Microelectronics of the Chinese Academy of Sciences | 2,570,000             | 1 to 2 years |
| Qingdao Chengtie Woodwork Manufacturing Co., Ltd.                | 2,000,000             | 1 to 2 years |
| Total  | <u>29,505,547</u>     |              |

Significant prepayments aged over one year are not settled in a timely manner mainly because the relevant projects are not yet completed or materials or equipment are not yet received.

# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2020  
Renminbi Yuan

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

### 6. Prepayments (continued)

(2) Top five prepayments at the end of the year grouped by companies to which the prepayments are made are as follows:

31/12/2020

| Name of the entity       | Gross carrying amount | Proportion to the total closing balance of prepayments (%) |
|--------------------------|-----------------------|--|
| Infineon Technologies AG | 87,143,198            | 24.28  |
| Secheron SA              | 35,253,559            | 9.82   |
| HFZT (HK)CO.,LIMITED     | 19,746,685            | 5.50   |
| Palfinger EMEA GmbH      | 17,592,195            | 4.90   |
| TESMECS.p.A              | 12,363,761            | 3.44   |
| Total                    | 172,099,398           | 47.94  |

31/12/2019

| Name of the entity  | Gross carrying amount | Proportion to the total closing balance of prepayments (%) |
|---|-----------------------|--|
| Infineon Technologies AG                                    | 85,771,143            | 26.36  |
| Globalwafers Co., Ltd.                                      | 21,314,275            | 6.55   |
| Caterpillar S.a.r.l. Singapore Branch                       | 19,614,584            | 6.03   |
| HFZT (HK) Co., Ltd.   | 9,350,516             | 2.87   |
| Changsha Dongli Mechanical and Electrical Trading Co., Ltd. | 6,641,027             | 2.04   |
| Total   | 142,691,545           | 43.85  |

# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2020  
Renminbi Yuan



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

### 7. Other receivables

#### (1) Details of items

| Item              | 31/12/2020         | 31/12/2019         |
|-------------------|--------------------|--------------------|
| Other receivables | <u>162,774,728</u> | 106,498,054        |
| Total             | <u>162,774,728</u> | <u>106,498,054</u> |

#### (2) Other receivables disclosed by aging

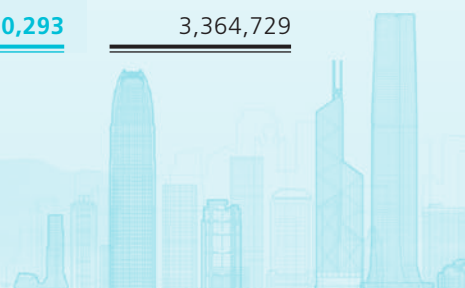
| Aging                           | 31/12/2020         | 31/12/2019         |
|---------------------------------|--------------------|--------------------|
| Within 1 year                   | 115,882,064        | 58,795,290         |
| 1 to 2 years                    | 9,105,815          | 12,130,406         |
| 2 to 3 years                    | 8,920,157          | 35,974,804         |
| Over 3 years                    | <u>30,536,985</u>  | 2,962,283          |
| Total                           | <u>164,445,021</u> | 109,862,783        |
| Less: Provision for credit loss | <u>1,670,293</u>   | 3,364,729          |
| Carrying amount                 | <u>162,774,728</u> | <u>106,498,054</u> |

#### (3) Other receivables categorized by nature

| Item                         | 31/12/2020         | 31/12/2019         |
|------------------------------|--------------------|--------------------|
| Deposit                      | 92,026,663         | 73,331,477         |
| Income tax refund receivable | 32,033,545         | 13,053,052         |
| Others                       | <u>40,384,813</u>  | 23,478,254         |
| Total                        | <u>164,445,021</u> | <u>109,862,783</u> |

#### (4) Provision for credit loss of other receivables is as follows:

| 12-month expected credit losses | 2020             | 2019             |
|---------------------------------|------------------|------------------|
| Opening balance                 | 3,364,729        | 2,636,753        |
| Provision for the year          | 908,744          | 2,041,225        |
| Reversal for the year           | (2,080,520)      | (248,248)        |
| Write-off for the year          | <u>(522,660)</u> | (1,065,001)      |
| Closing balance                 | <u>1,670,293</u> | <u>3,364,729</u> |



# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2020  
Renminbi Yuan

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

### 7. Other receivables (continued)

(5) Top five other receivables at the end of the year grouped by arrears are as follows:

31/12/2020

| Name of the entity                                | Nature                          | Closing balance    | Proportion to the total closing balance of other receivables (%) | Closing balance of provision for credit loss |
|---|---------------------------------|--------------------|--|--|
| Chongqing Rail Transit (Group) Co., Ltd.          | Deposit for bidding and deposit | 33,894,620         | 20.62  | 491,357                                      |
| HM Revenue and Customs                            | Tax refund receivable           | 32,033,545         | 19.48  | —  |
| Baoji Chencang District People's Government       | Deposit for bidding and deposit | 30,000,000         | 18.24  | —  |
| Xuzhou Weiyunxi Commercial and Trading Co., Ltd.  | Deposit for bidding and deposit | 3,761,763          | 2.29   | 38,351                                       |
| China Shenhua International Engineering Co., Ltd. | Deposit for bidding and deposit | 3,007,450          | 1.83   | 52,033                                       |
| Total   |                                 | <u>102,697,378</u> | <u>62.45</u>   | <u>581,741</u>                               |

31/12/2019

| Name of the entity                                | Nature                          | Closing balance   | Proportion to the total closing balance of other receivables (%) | Closing balance of provision for credit loss |
|---|---------------------------------|-------------------|--|--|
| Chongqing Rail Transit (Group) Co., Ltd.          | Deposit for bidding and deposit | 33,894,620        | 30.85  | 1,227,536                                    |
| HM Revenue and Customs                            | Tax refund receivable           | 13,053,052        | 11.88  | —  |
| Chongqing United Assets and Equity Exchange Group | Deposit for bidding and deposit | 4,600,000         | 4.19   | 166,595                                      |
| ShanDong ZhengXin Tendering Co., Ltd.             | Deposit for bidding and deposit | 3,600,000         | 3.28   | 130,379                                      |
| Changsha Puluoke Environment Equipment Co., Ltd.  | Others                          | 2,595,468         | 2.36   | 109,788                                      |
| Total   |                                 | <u>57,743,140</u> | <u>52.56</u>   | <u>1,634,298</u>                             |

# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2020  
Renminbi Yuan



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

### 7. Other receivables (continued)

#### (6) Trade receivables related to government grants

31/12/2020

| Name of the organization | Name of government grants project | Closing balance | Aging         | Expected time and amount of receipt and its basis   |
|--------------------------|-----------------------------------|-----------------|---------------|---|
| HM Revenue and Customs   | R&D expenditure credit            | 32,033,545      | Within 1 year | It is expected to receive a tax refund of RMB32,033,545 in 2021 based on the R&D expense credit policy. |

31/12/2019

| Name of the organization | Name of government subsidy project | Closing balance | Aging         | Time of receipt |
|--------------------------|------------------------------------|-----------------|---------------|-----------------|
| HM Revenue and Customs   | R&D expenditure credit             | 13,053,052      | Within 1 year | 2020            |



# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2020  
Renminbi Yuan

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

### 8. Inventories

#### (1) Category of inventories

| Item                                    | 31/12/2020            |                                |                      |
|---|-----------------------|--------------------------------|----------------------|
|   | Gross carrying amount | Provision for decline in value | Carrying amount      |
| Raw materials                           | 1,152,038,170         | 160,893,693                    | 991,144,477          |
| Semi-finished products/Work in progress | 1,423,700,306         | 36,643,368                     | 1,387,056,938        |
| Finished goods                          | 1,871,709,771         | 20,823,233                     | 1,850,886,538        |
| Turnover materials                      | 30,843,434            | 1,441,187                      | 29,402,247           |
| Total                                   | <u>4,478,291,681</u>  | <u>219,801,481</u>             | <u>4,258,490,200</u> |

| Item                                    | 31/12/2019            |                                |                      |
|---|-----------------------|--------------------------------|----------------------|
|   | Gross carrying amount | Provision for decline in value | Carrying amount      |
| Raw materials                           | 1,571,039,288         | 88,643,409                     | 1,482,395,879        |
| Semi-finished products/Work in progress | 1,103,065,933         | 24,003,711                     | 1,079,062,222        |
| Finished goods                          | 1,198,640,652         | 17,595,093                     | 1,181,045,559        |
| Turnover materials                      | 25,558,054            | 22,943                         | 25,535,111           |
| Total                                   | <u>3,898,303,927</u>  | <u>130,265,156</u>             | <u>3,768,038,771</u> |



# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2020  
Renminbi Yuan



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

### 8. Inventories (continued)

(2) Provision for decline in value of inventories is as follows:

| Item                                    | Balance at 1 January 2020 | Increase Provision | Decrease Reversal/ Write-off | Foreign exchange translation | Balance at 31 December 2020 |
|---|---------------------------|--------------------|------------------------------|------------------------------|-----------------------------|
| Raw materials                           | 88,643,409                | 84,185,463         | (11,203,704)                 | (731,475)                    | 160,893,693                 |
| Semi-finished products/Work in progress | 24,003,711                | 26,865,080         | (13,738,310)                 | (487,113)                    | 36,643,368                  |
| Finished goods                          | 17,595,093                | 16,980,383         | (13,601,843)                 | (150,400)                    | 20,823,233                  |
| Turnover materials                      | 22,943                    | 1,429,132          | (10,888)                     | –                            | 1,441,187                   |
| <b>Total</b>                            | <b>130,265,156</b>        | <b>129,460,058</b> | <b>(38,554,745)</b>          | <b>(1,368,988)</b>           | <b>219,801,481</b>          |

| Item                                    | Balance at 1 January 2019 | Increase Provision | Decrease Reversal/ Write-off | Foreign exchange translation | Balance at 31 December 2019 |
|---|---------------------------|--------------------|------------------------------|------------------------------|-----------------------------|
| Raw materials                           | 82,642,516                | 11,311,984         | (6,933,411)                  | 1,622,320                    | 88,643,409                  |
| Semi-finished products/Work in progress | 28,247,899                | 10,346,850         | (15,268,039)                 | 677,001                      | 24,003,711                  |
| Finished goods                          | 17,598,733                | 4,726,440          | (4,950,536)                  | 220,456                      | 17,595,093                  |
| Turnover materials                      | 736,367                   | 961,379            | (1,674,803)                  | –                            | 22,943                      |
| <b>Total</b>                            | <b>129,225,515</b>        | <b>27,346,653</b>  | <b>(28,826,789)</b>          | <b>2,519,777</b>             | <b>130,265,156</b>          |



# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2020  
Renminbi Yuan

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

### 9. Contract assets

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

| Item  | 31/12/2020            |                           |                 |
|---|-----------------------|---------------------------|-----------------|
|   | Gross carrying amount | Provision for credit loss | Carrying amount |
| Quality guarantee deposit   | 433,964,231           | 9,451,601                 | 424,512,630     |
| Construction service contract assets                                      | 58,145,940            | —                         | 58,145,940      |
| Total   | 492,110,171           | 9,451,601                 | 482,658,570     |
| Less: Contract assets included in other non-current assets (Note (V). 21) | 186,646,188           | 5,322,723                 | 181,323,465     |
| Net amount  | 305,463,983           | 4,128,878                 | 301,335,105     |

| Item  | 31/12/2019            |                           |                 |
|---|-----------------------|---------------------------|-----------------|
|   | Gross carrying amount | Provision for credit loss | Carrying amount |
| Quality guarantee deposit   | 540,675,831           | 11,683,162                | 528,992,669     |
| Construction service contract assets                                      | 5,469,259             | —                         | 5,469,259       |
| Total   | 546,145,090           | 11,683,162                | 534,461,928     |
| Less: Contract assets included in other non-current assets (Note (V). 21) | 356,396,035           | 7,282,781                 | 349,113,254     |
| Net amount  | 189,749,055           | 4,400,381                 | 185,348,674     |

The above quality guarantee deposit mainly include quality guarantee deposits related to sales contracts, construction contracts and maintenance service contracts. The Group's construction contracts related to the construction of some offshore products such as deep-sea robots are recognized as revenue according to the performance progress, and the portion of the consideration in excess of the settlement processed by the customer is recognized as contract assets, because it has not yet reached the condition to receive the contractual consideration as agreed in the contract. When the Group obtains this unconditional right to receive the consideration, the contract assets will be transferred to trade receivables.

# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 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 is as follows:

| Item                              | 2020        | 2019       |
|-----------------------------------|-------------|------------|
| Opening balance                   | 11,683,162  | 5,173,409  |
| Provision (Reversal) for the year | (2,177,546) | 6,460,489  |
| Foreign exchange translation      | (54,015)    | 49,264     |
| Closing balance                   | 9,451,601   | 11,683,162 |

At 31 December 2020 and 31 December 2019, the Group has no credit-impaired contract assets.

| Category              | 31/12/2020            |                           |                             | 31/12/2019            |                           |                             |                 |             |
|-----------------------|-----------------------|---------------------------|-----------------------------|-----------------------|---------------------------|-----------------------------|-----------------|-------------|
|                       | Gross carrying amount | Provision for credit loss |                             | Gross carrying amount | Provision for credit loss |                             | Carrying amount |             |
|                       |                       | Amount                    | Proportion of provision (%) |                       | Amount                    | Proportion of provision (%) |                 |             |
| Collective assessment |                       |                           |                             |                       |                           |                             |                 |             |
| Category I            | 63,518,926            | 1,170,260                 | 1.84                        | 62,348,666            | 79,118,925                | 821,708                     | 1.04            | 78,297,217  |
| Category II           | 139,529,650           | 2,822,438                 | 2.02                        | 136,707,212           | 323,762,956               | 5,467,630                   | 1.69            | 318,295,326 |
| Category III          | 108,846,000           | 628,179                   | 0.58                        | 108,217,821           | 59,113,907                | 387,170                     | 0.65            | 58,726,737  |
| Category IV           | 180,215,595           | 4,830,724                 | 2.68                        | 175,384,871           | 84,149,302                | 5,006,654                   | 5.95            | 79,142,648  |
| Total                 | 492,110,171           | 9,451,601                 |                             | 482,658,570           | 546,145,090               | 11,683,162                  |                 | 534,461,928 |

### 10. Other current assets

| Item                       | 31/12/2020  | 31/12/2019  |
|----------------------------|-------------|-------------|
| Structural deposits        | —           | 100,000,000 |
| Deductible value-added tax | 625,772,961 | 296,595,434 |
| Other taxes retained       | 15,409,866  | 89,423,696  |
| Total                      | 641,182,827 | 486,019,130 |

Note: As at 31 December 2019, the Company had structural deposits with expected yield rate per annum of 3.50%.



# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2020  
Renminbi Yuan

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

### 11. Long-term equity investments

| Name of investees   | Balance at 1 January 2020 | Investment for the year | Changes for the year                                     |                   |                              | Balance at 31 December 2020 | Impairment provision at 31 December 2020 |
|---|---------------------------|-------------------------|--|-------------------|------------------------------|-----------------------------|--|
|   |                           |                         | Investment profit or loss recognized under equity method | Profits announced | Foreign exchange translation |                             |  |
| <i>Non-listed investments</i>   |                           |                         |  |                   |                              |                             |  |
| <b>Joint ventures</b>   |                           |                         |  |                   |                              |                             |  |
| Zhuzhou Shiling Transportation Equipment Co., Ltd. ("Shiling")  | 208,663,918               | -                       | (22,500,000)   | -                 | -                            | 186,163,918                 | -  |
| LANP Electrical Co., Ltd. ("LANP Electrical")   | 16,020,801                | -                       | 600,000  | -                 | -                            | 16,620,801                  | -  |
| Shanghai Shentong CRRC Rail Transit Operation Safety Engineering Technology Research Co., Ltd. ("Shanghai Shentong CRRC") | 6,343,316                 | -                       | 162,700  | -                 | -                            | 6,506,016                   | -  |
| Zhengzhou Times Transportation Electrical Equipment Co., Ltd. ("Zhengzhou Times") (Note 1)                                | -                         | 13,500,000              | (5,353,409)  | -                 | -                            | 8,146,591                   | -  |
| Sub-total   | 231,028,035               | 13,500,000              | (27,090,709)   | -                 | -                            | 217,437,326                 | -  |
| <b>Associates</b>   |                           |                         |  |                   |                              |                             |  |
| Wuxi CRRC Hofer Powertrain Co., Ltd. ("CRRC Hofer")   | 141,847,140               | -                       | (15,804,225)   | -                 | (8,090,528)                  | 117,952,387                 | -  |
| Siemens Traction Equipment Ltd., Zhuzhou ("Zhuzhou Siemens")  | 45,962,196                | -                       | 48,000   | -                 | -                            | 46,010,196                  | -  |
| Hunan Guoxin Semiconductor Technology Co., Ltd. ("Guoxin Technology")   | 50,033,270                | -                       | 35,000   | -                 | -                            | 50,068,270                  | -  |
| Hunan Times Wabtec Transit Transport&equipment Co., Ltd. ("Times Wabtec")   | 11,072,000                | -                       | (1,400,000)  | -                 | -                            | 9,672,000                   | -  |
| Zhixin Semiconductor Co., Ltd. ("Zhixin Semiconductor") (Note 2)  | 47,098,488                | 47,000,000              | 381,648  | -                 | -                            | 94,480,136                  | -  |
| CRRC India Private Limited ("CRRC India") (Note 4)  | -                         | 15,185,250              | -  | -                 | -                            | 15,185,250                  | -  |
| Sub-total   | 296,013,094               | 62,185,250              | (16,739,577.)  | -                 | (8,090,528)                  | 333,368,239                 | -  |
| Total   | 527,041,129               | 75,685,250              | (43,830,286)   | -                 | (8,090,528)                  | 550,805,565                 | -  |

# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2020  
Renminbi Yuan

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

### 11. Long-term equity investments (continued)

| Name of investees             | Balance at 1 January 2019 | Investment for the year | Changes for the year                                     |                   |                              | Balance at 31 December 2019 | Impairment provision at 31 December 2019 |
|-------------------------------|---------------------------|-------------------------|--|-------------------|------------------------------|-----------------------------|--|
|                               |                           |                         | Investment profit or loss recognized under equity method | Profits announced | Foreign exchange translation |                             |  |
| <i>Non-listed investments</i> |                           |                         |  |                   |                              |                             |  |
| <b>Joint ventures</b>         |                           |                         |  |                   |                              |                             |  |
| Shiling                       | 208,360,915               | -                       | 303,003  | -                 | -                            | 208,663,918                 | -  |
| LANP Electrical               | 15,783,118                | -                       | 237,683  | -                 | -                            | 16,020,801                  | -  |
| Shanghai Shentong CRRC        | 6,257,031                 | -                       | 311,285  | (225,000)         | -                            | 6,343,316                   | -  |
| Sub-total                     | 230,401,064               | -                       | 851,971  | (225,000)         | -                            | 231,028,035                 | -  |
| <b>Associates</b>             |                           |                         |  |                   |                              |                             |  |
| CRRC Hofer                    | 152,593,243               | -                       | (13,953,394)   | -                 | 3,207,291                    | 141,847,140                 | -  |
| Zhuzhou Siemens               | 45,790,970                | -                       | 171,226  | -                 | -                            | 45,962,196                  | -  |
| Guoxin Technology (Note 3)    | 25,000,000                | 25,000,000              | 33,270   | -                 | -                            | 50,033,270                  | -  |
| Times Wabtec                  | 10,232,202                | -                       | 839,798  | -                 | -                            | 11,072,000                  | -  |
| Zhixin Semiconductor (Note 4) | -                         | 47,000,000              | 98,488   | -                 | -                            | 47,098,488                  | -  |
| Sub-total                     | 233,616,415               | 72,000,000              | (12,810,612)   | -                 | 3,207,291                    | 296,013,094                 | -  |
| Total                         | 464,017,479               | 72,000,000              | (11,958,641)   | (225,000)         | 3,207,291                    | 527,041,129                 | -  |

Note 1: In December 2020, the Group, Zhengzhou Metro Group Co., Ltd. and Xinyang Investment Development Co., Ltd. jointly established Zhengzhou Times, in which the Group contributed RMB13,500,000, holding 50% shares. Zhengzhou Times has 5 directors in total, two of which are appointed by the Group. According to the agreement of persons acting in concert signed between Zhengzhou Metro Group Co., Ltd. and Xinyang Investment Development Co., Ltd., the Group is unable to exercise control over Zhengzhou Times and this is accounted for as investment in a joint venture.

Note 2: The Group and other three companies including CRRC Nanjing Puzhen Co., Ltd. jointly established CRRC India in which the Group contributed INR 7.5 million and INR 150 million in January and April respectively. CRRC India has seven directors in total, one of which is appointed by the Group, which makes the Group have significant influence over CRRC India, so this is accounted for as investment in associates. The total capital of CRRC India is INR 2,000 million, of which the Group contributes INR 300 million, holding 15% shares.

Note 3: In October 2018, the Group and other seven companies including Chongqing Chang'an Automobile Co., Ltd. jointly established Guoxin Technology in which the Group contributed RMB25,000,000, holding 25% shares. Guoxin Technology has nine directors in total, one of which is appointed by the Group, which makes the Group have significant influence over Guoxin Technology, so this is accounted for as investment in associates. In November 2019, the Group and other seven companies including Chongqing Chang'an Automobile Co., Ltd. jointly increased their capital by agreement to Guoxin Technology, of which RMB25,000,000 was contributed by the Group.

Note 4: In May 2019, the Group and other two companies including Dongfeng Electric Vehicle Co., Ltd. jointly established Zhixin Semiconductor in which the Group contributed RMB47,000,000, holding 47% shares. Zhixin Semiconductor has five directors in total, one of which is appointed by the Group, which makes the Group have significant influence over Zhixin Semiconductor, so this is accounted for as investment in associates. In June and September 2020, the Group and other two companies including Dongfeng Electric Vehicle Co., Ltd. jointly increased their capital in the same proportion to Zhixin Semiconductor, of which RMB47,000,000 was contributed by the Group.

# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2020  
Renminbi Yuan

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

### 12. Other equity instrument investments

| Item   | 31/12/2020 | 31/12/2019 |
|--|------------|------------|
| Xicheng CRRC (Wuxi) Urban Transit Transport Engineering Co., Ltd.<br>("Xicheng CRRC") (Note 1)     | 60,432,300 | –          |
| CRRC Environmental & Technology Co., Ltd.<br>("CRRC Environmental") (Note 2)                       | 30,000,000 | –          |
| Guochuang Energy Internet Innovation Center (Guangdong) Co., Ltd.<br>("Guochuang Energy") (Note 3) | 2,400,000  | 2,400,000  |
| Total  | 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.

Note 3: The Group invested RMB2,400,000 to Guochuang Energy on 18 October 2019, holding 8.00% 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 but for a strategic purpose of holding them for a long term. Therefore, the Group designates them as financial assets at fair value through other comprehensive income.

# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2020  
Renminbi Yuan



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

### 13. Fixed assets

#### (1) Details of fixed assets

| Item   | Buildings     | Machinery     | Vehicles    | Office facilities and others | Total         |
|--|---------------|---------------|-------------|------------------------------|---------------|
| I. Cost  |               |               |             |                              |               |
| 1. Balance at 1 January 2020                               | 1,919,472,425 | 2,804,081,727 | 45,174,639  | 460,226,522                  | 5,228,955,313 |
| 2. Increase  |               |               |             |                              |               |
| (1) Purchase   | 219,288       | 107,822,705   | 761,848     | 38,666,458                   | 147,470,299   |
| (2) Transferred from construction in progress (Note (V)14) | 1,857,731     | 4,354,228     | -           | 9,822,040                    | 16,033,999    |
| (3) Capital increase by minority shareholders (Note (VI)1) | -             | 13,804,087    | -           | -                            | 13,804,087    |
| 3. Disposal or written-offs                                | (675,340)     | (33,831,786)  | (1,899,516) | (11,542,092)                 | (47,948,734)  |
| 4. Foreign exchange translation                            | (1,201,498)   | (8,701,592)   | (19,537)    | (584,712)                    | (10,507,339)  |
| 5. Balance at 31 December 2020                             | 1,919,672,606 | 2,887,529,369 | 44,017,434  | 496,588,216                  | 5,347,807,625 |
| II. Accumulated depreciation                               |               |               |             |                              |               |
| 1. Balance at 1 January 2020                               | 477,787,150   | 1,433,591,328 | 37,497,352  | 240,656,819                  | 2,189,532,649 |
| 2. Provision   | 63,268,036    | 274,868,643   | 2,616,556   | 58,045,441                   | 398,798,676   |
| 3. Disposal or written-offs                                | -             | (26,830,700)  | (1,721,892) | (10,470,894)                 | (39,023,486)  |
| 4. Foreign exchange translation                            | (319,338)     | (6,698,953)   | (84,742)    | (725,201)                    | (7,828,234)   |
| 5. Balance at 31 December 2020                             | 540,735,848   | 1,674,930,318 | 38,307,274  | 287,506,165                  | 2,541,479,605 |
| III. Impairment provision                                  |               |               |             |                              |               |
| 1. Balance at 1 January 2020                               | 10,513,264    | 46,347,067    | -           | 6,579                        | 56,866,910    |
| 2. Disposal or written-offs                                | -             | (1,681,325)   | -           | -                            | (1,681,325)   |
| 3. Balance at 31 December 2020                             | 10,513,264    | 44,665,742    | -           | 6,579                        | 55,185,585    |
| IV. Carrying amount  |               |               |             |                              |               |
| 1. Balance at 31 December 2020                             | 1,368,423,494 | 1,167,933,309 | 5,710,160   | 209,075,472                  | 2,751,142,435 |
| 2. Balance at 1 January 2020                               | 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 YEAR ENDED 31 DECEMBER 2020  
Renminbi Yuan

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

### 13. Fixed assets (continued)

#### (1) Details of fixed assets (continued)

| Item   | Buildings     | Machinery     | Vehicles    | Office facilities and others | Total         |
|--|---------------|---------------|-------------|------------------------------|---------------|
| I Cost   |               |               |             |                              |               |
| 1. Balance at 1 January 2019                               | 1,768,574,567 | 2,446,290,309 | 46,550,945  | 360,809,613                  | 4,622,225,434 |
| 2. Increase  |               |               |             |                              |               |
| (1) Purchase   | 449,203       | 72,679,920    | 2,532,441   | 77,598,429                   | 153,259,993   |
| (2) Transferred from construction in progress (Note (V)14) | 148,783,985   | 287,557,392   | –           | 28,143,647                   | 464,485,024   |
| 3. Disposal or written-offs                                | –             | (10,106,709)  | (3,923,805) | (7,761,531)                  | (21,792,045)  |
| 4. Foreign exchange translation                            | 1,664,670     | 7,660,815     | 15,058      | 1,436,364                    | 10,776,907    |
| 5. Balance at 31 December 2019                             | 1,919,472,425 | 2,804,081,727 | 45,174,639  | 460,226,522                  | 5,228,955,313 |
| II Accumulated depreciation                                |               |               |             |                              |               |
| 1. Balance at 1 January 2019                               | 414,025,001   | 1,182,837,375 | 36,377,178  | 189,432,703                  | 1,822,672,257 |
| 2. Provision   | 63,630,978    | 255,176,516   | 4,819,711   | 56,293,033                   | 379,920,238   |
| 3. Disposal or written-offs                                | –             | (9,002,461)   | (3,713,523) | (5,487,017)                  | (18,203,001)  |
| 4. Foreign exchange translation                            | 131,171       | 4,579,898     | 13,986      | 418,100                      | 5,143,155     |
| 5. Balance at 31 December 2019                             | 477,787,150   | 1,433,591,328 | 37,497,352  | 240,656,819                  | 2,189,532,649 |
| III Impairment provision                                   |               |               |             |                              |               |
| 1. Balance at 1 January 2019                               | 10,513,264    | 46,887,139    | –           | 607,170                      | 58,007,573    |
| 2. Disposal or written-offs                                | –             | (540,072)     | –           | (600,591)                    | (1,140,663)   |
| 3. Balance at 31 December 2019                             | 10,513,264    | 46,347,067    | –           | 6,579                        | 56,866,910    |
| IV Carrying amount   |               |               |             |                              |               |
| 1. Balance at 31 December 2019                             | 1,431,720,111 | 1,324,143,332 | 7,677,287   | 219,563,124                  | 2,982,555,754 |
| 2. Balance at 1 January 2019                               | 1,344,036,302 | 1,216,565,795 | 10,173,767  | 170,769,740                  | 2,741,545,604 |

(2) As at 31 December 2020 and 31 December 2019, the Group had no temporarily idle fixed assets.

#### (3) Fixed assets leased out through operating leases

| Item      | Carrying amount at 31 December 2020 | Carrying amount at 31 December 2019 |
|-----------|-------------------------------------|-------------------------------------|
| Buildings | 54,685,507                          | 35,415,817                          |

(4) As at 31 December 2020 and 31 December 2019, the Group had no buildings for which the certificate of ownership had not yet been obtained.



# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2020  
Renminbi Yuan



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

### 14. Construction in progress

#### (1) Details of construction in progress

| Item   | 31/12/2020           | 31/12/2019        |
|--|----------------------|-------------------|
| Automobile components supporting construction project                          | 1,294,885,697        | 1,370,521         |
| The revamping and expansion of high voltage IGBT chip module production line   | 256,858,382          | 28,000,306        |
| Innovation experiment platform construction project                            | 32,760,630           | 30,291,863        |
| High-power AC drive system   | 13,273,145           | –                 |
| Verification and screening platform for key materials of rail transit products | 12,507,308           | 3,232,180         |
| Semiconductor intelligent manufacturing project                                | 5,067,395            | 3,247,955         |
| PLM Phase II Project   | 3,905,661            | 867,925           |
| Laboratory of urban rail transit driverless signal system                      | 1,821,649            | 1,429,490         |
| IGBT park janitor reconstruction project                                       | 1,112,046            | 823,257           |
| Coating thickness tester/step profiler (TEG-GZ1916BHKS)                        | 1,185,923            | –                 |
| Data centre computer room  | –                    | 8,273,087         |
| Office renovation  | –                    | 7,697,056         |
| Others   | 20,634,908           | 6,976,160         |
| <b>Total</b>   | <b>1,644,012,744</b> | <b>92,209,800</b> |



# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2020  
Renminbi Yuan

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

### 14. Construction in progress (continued)

#### (2) Movements of significant construction in progress:

| Name of project  | Budget        | Balance at 1 January 2020 | Increase             | Transferred to fixed assets | Other transfer-out | Foreign exchange translation | Balance at 31 December 2020 | Proportion of budget invested | Capital resource                |
|--|---------------|---------------------------|----------------------|-----------------------------|--------------------|------------------------------|-----------------------------|-------------------------------|---------------------------------|
| Automobile components supporting construction project                          | 3,337,700,000 | 1,370,521                 | 1,293,515,176        | -                           | -                  | -                            | 1,294,885,697               | 39%                           | Self-raised                     |
| The revamping and expansion of high voltage IGBT chip module production line   | 505,000,000   | 28,000,306                | 228,858,076          | -                           | -                  | -                            | 256,858,382                 | 69%                           | Government grants & Self-raised |
| Innovation experiment platform construction project                            | 964,500,000   | 30,291,863                | 2,468,767            | -                           | -                  | -                            | 32,760,630                  | 3%                            | Self-raised                     |
| High-power AC drive system   | 14,998,654    | -                         | 13,273,145           | -                           | -                  | -                            | 13,273,145                  | 88%                           | Self-raised                     |
| Verification and screening platform for key materials of rail transit products | 21,571,000    | 3,232,180                 | 9,941,500            | (666,372)                   | -                  | -                            | 12,507,308                  | 62%                           | Self-raised                     |
| Semiconductor intelligent manufacturing project                                | 43,400,000    | 3,247,955                 | 1,819,440            | -                           | -                  | -                            | 5,067,395                   | 62%                           | Self-raised                     |
| PLM phase II project   | 5,000,000     | 867,925                   | 3,037,736            | -                           | -                  | -                            | 3,905,661                   | 78%                           | Self-raised                     |
| Laboratory of urban rail transit driverless signal system                      | 4,760,000     | 1,429,490                 | 392,159              | -                           | -                  | -                            | 1,821,649                   | 38%                           | Self-raised                     |
| IGBT park janitor reconstruction project                                       | 1,500,000     | 823,257                   | 288,789              | -                           | -                  | -                            | 1,112,046                   | 74%                           | Self-raised                     |
| Coating thickness tester/step profiler (TEG-GZ1916BHKS)                        | 1,184,420     | -                         | 1,185,923            | -                           | -                  | -                            | 1,185,923                   | 100%                          | Self-raised                     |
| Data centre computer room  | 16,500,000    | 8,273,087                 | 740,215              | (9,013,302)                 | -                  | -                            | -                           | 55%                           | Self-raised                     |
| Office renovation  | 8,000,000     | 7,697,056                 | -                    | -                           | (7,697,056)        | -                            | -                           | 96%                           | Self-raised                     |
| Others   |               | 6,976,160                 | 20,448,995           | (6,354,325)                 | (257,981)          | (177,941)                    | 20,634,908                  |                               |                                 |
| <b>Total</b>   |               | <b>92,209,800</b>         | <b>1,575,969,921</b> | <b>(16,033,999)</b>         | <b>(7,955,037)</b> | <b>(177,941)</b>             | <b>1,644,012,744</b>        |                               |                                 |

# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2020  
Renminbi Yuan

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

### 14. Construction in progress (continued)

#### (2) Movements of significant construction in progress: (continued)

| Name of project  | Budget        | Balance at 1 January 2019 | Increase           | Transferred to fixed assets | Other transfer-out | Foreign exchange translation | Balance at 31 December 2019 | Proportion of budget invested   |
|--|---------------|---------------------------|--------------------|-----------------------------|--------------------|------------------------------|-----------------------------|---------------------------------|
| Innovation experiment platform construction project  | 964,500,000   | 29,894,316                | 397,547            | -                           | -                  | 30,291,863                   | 3%                          | Self-raised                     |
| The revamping and expansion of high voltage IGBT chip module production line                       | 505,000,000   | 16,625,106                | 86,840,209         | (75,465,009)                | -                  | 28,000,306                   | 22%                         | Government grants & Self-raised |
| Data centre computer room  | 16,500,000    | 4,821,690                 | 3,451,397          | -                           | -                  | 8,273,087                    | 50%                         | Self-raised                     |
| Office renovation  | 8,000,000     | -                         | 7,697,056          | -                           | -                  | 7,697,056                    | 96%                         | Self-raised                     |
| Semiconductor intelligent manufacturing project  | 43,400,000    | 3,028,576                 | 22,170,122         | (21,950,743)                | -                  | 3,247,955                    | 58%                         | Self-raised                     |
| Verification and screening platform for key materials of rail transit products                     | 19,610,000    | -                         | 3,232,180          | -                           | -                  | 3,232,180                    | 16%                         | Self-raised                     |
| Laboratory of urban rail transit driverless signal system  | 4,760,000     | -                         | 1,429,490          | -                           | -                  | 1,429,490                    | 30%                         | Self-raised                     |
| Automobile components supporting construction project  | 3,337,700,000 | -                         | 1,370,521          | -                           | -                  | 1,370,521                    | 0.04%                       | Self-raised                     |
| PLM phase II project   | 5,000,000     | -                         | 867,925            | -                           | -                  | 867,925                      | 17%                         | Self-raised                     |
| Semiconductor key lab construction project   | 166,138,000   | 144,742,066               | 16,412,626         | (161,154,692)               | -                  | -                            | 97%                         | Government grants & Self-raised |
| HCMT test bench  | 12,612,667    | 11,427,371                | -                  | (11,495,985)                | 68,614             | -                            | 91%                         | Self-raised                     |
| Development of electrical drive system for passenger cars and tester of industrialized power drive | 10,170,000    | 10,062,925                | 72,768             | (10,135,693)                | -                  | -                            | 99%                         | Self-raised                     |
| Laboratory Relocation and Expansion Project  | 13,138,000    | 9,961,349                 | -                  | (9,961,349)                 | -                  | -                            | 76%                         | Self-raised                     |
| Changsha laboratory of CSL3 Signal system-engineering verification system                          | 7,500,000     | 7,070,696                 | 52,450             | (7,123,146)                 | -                  | -                            | 95%                         | Self-raised                     |
| Changsha laboratory of CSL4 Signal system-engineering verification system                          | 5,500,000     | 5,146,569                 | 526,783            | (5,673,352)                 | -                  | -                            | 103%                        | Self-raised                     |
| Germany laboratory of CSL3 Signal system-engineering verification system                           | 5,000,000     | 4,401,030                 | -                  | (4,401,030)                 | -                  | -                            | 88%                         | Self-raised                     |
| Others   |               | <u>27,899,987</u>         | <u>136,895,232</u> | <u>(157,124,025)</u>        | <u>128,223</u>     | <u>7,799,417</u>             |                             |                                 |
| Total  |               | <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 YEAR ENDED 31 DECEMBER 2020  
Renminbi Yuan

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

### 15. Right-of-use assets

| Item                           | Land use right (Note) | Buildings   | Machinery   | Vehicles   | Office facilities and others | Total       |
|--------------------------------|-----------------------|-------------|-------------|------------|------------------------------|-------------|
| I. Cost                        |                       |             |             |            |                              |             |
| 1. Balance at 1 January 2019   | –                     | 75,218,151  | –           | 2,252,749  | –                            | 77,470,900  |
| Newly added lease              | 14,881,413            | 36,295,956  | 8,148,271   | 5,932,500  | 1,542,830                    | 66,800,970  |
| 2. Balance at 31 December 2019 | 14,881,413            | 111,514,107 | 8,148,271   | 8,185,249  | 1,542,830                    | 144,271,870 |
| Newly added lease              | –                     | 26,291,418  | 5,992,014   | 3,741,228  | 217,825                      | 36,242,485  |
| Expired lease contracts        | –                     | (6,963,815) | (1,622,865) | (159,209)  | –                            | (8,745,889) |
| Foreign exchange translation   | (422,530)             | (2,425,959) | (343,899)   | (336,703)  | (42,372)                     | (3,571,463) |
| 3. Balance at 31 December 2020 | 14,458,883            | 128,415,751 | 12,173,521  | 11,430,565 | 1,718,283                    | 168,197,003 |
| II. Accumulated depreciation   |                       |             |             |            |                              |             |
| 1. Balance at 1 January 2019   | –                     | –           | –           | –          | –                            | –           |
| Provision for the year         | 1,417,278             | 30,671,394  | 2,808,728   | 2,226,695  | 596,147                      | 37,720,242  |
| 2. Balance at 31 December 2019 | 1,417,278             | 30,671,394  | 2,808,728   | 2,226,695  | 596,147                      | 37,720,242  |
| Provision for the year         | 1,375,449             | 52,702,035  | 2,085,975   | 3,265,594  | 731,683                      | 60,160,736  |
| Expired lease contracts        | –                     | (6,963,815) | (1,622,865) | (159,209)  | –                            | (8,745,889) |
| Foreign exchange translation   | (67,913)              | (1,005,165) | (85,209)    | (88,672)   | (22,210)                     | (1,269,169) |
| 3. Balance at 31 December 2020 | 2,724,814             | 75,404,449  | 3,186,629   | 5,244,408  | 1,305,620                    | 87,865,920  |
| III. Carrying amount           |                       |             |             |            |                              |             |
| Balance at 31 December 2020    | 11,734,069            | 53,011,302  | 8,986,892   | 6,186,157  | 412,663                      | 80,331,083  |
| Balance at 31 December 2019    | 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 Limited ("UK CRRC SMD"), a subsidiary of the Group, from unrelated parties in 2019. The lease period is from 10 June 2019 to 9 June 2029, and the total rent not discounted is approximately RMB20,374,258.

The Group leases a number of assets, including land use rights, buildings, machinery, vehicles, office facilities and others, with a lease term of 1-10 years.

In 2020 and 2019, the Group's simplified short-term lease expenses included in the current profit or loss were RMB5,568,468 and RMB6,431,275 respectively.

In 2020 and 2019, the Group's cash outflows incurred related to lease were RMB64,776,064 and RMB44,407,145, respectively.

# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2020  
Renminbi Yuan



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

### 16. Intangible assets

| Item  | Land use right | Software licenses | Patents, licenses and technical know-how | Trademarks  | Backlog orders and service contracts | Total         |
|---|----------------|-------------------|--|-------------|--------------------------------------|---------------|
| I. Cost   |                |                   |  |             |                                      |               |
| 1. Balance at 1 January 2020                                | 229,745,038    | 171,184,026       | 875,074,811                              | 127,703,038 | 54,370,215                           | 1,458,077,128 |
| 2. Increase   |                |                   |  |             |                                      |               |
| (1) Purchase  | -              | 13,661,153        | 1,081,088                                | -           | -                                    | 14,742,241    |
| (2) Transferred from construction in progress               | -              | 257,981           | -  | -           | -                                    | 257,981       |
| (3) Internal R&D  | -              | -                 | 64,150,349                               | -           | -                                    | 64,150,349    |
| (4) Capital increase by minority shareholders (Note (VI) 1) | -              | -                 | 100,304,000                              | -           | -                                    | 100,304,000   |
| 3. Decrease   | -              | (66,610)          | -  | -           | -                                    | (66,610)      |
| 4. Foreign exchange translation                             | (487,549)      | (904,076)         | (14,462,497)                             | (3,369,427) | (1,434,551)                          | (20,658,100)  |
| 5. Balance at 31 December 2020                              | 229,257,489    | 184,132,474       | 1,026,147,751                            | 124,333,611 | 52,935,664                           | 1,616,806,989 |
| II. Accumulated amortization                                |                |                   |  |             |                                      |               |
| 1. Balance at 1 January 2020                                | 46,355,236     | 120,775,518       | 308,733,702                              | 35,125,092  | 54,370,215                           | 565,359,763   |
| 2. Provision  | 4,355,820      | 15,515,556        | 82,856,329                               | 12,398,675  | -                                    | 115,126,380   |
| 3. Decrease   | -              | (66,610)          | -  | -           | -                                    | (66,610)      |
| 4. Foreign exchange translation                             | (318,717)      | (709,427)         | (10,240,232)                             | (1,227,286) | (1,434,551)                          | (13,930,213)  |
| 5. Balance at 31 December 2020                              | 50,392,339     | 135,515,037       | 381,349,799                              | 46,296,481  | 52,935,664                           | 666,489,320   |
| III. Impairment provision                                   |                |                   |  |             |                                      |               |
| 1. Balance at 1 January 2020 and 31 December 2020           | -              | 506,859           | 146,037,805                              | -           | -                                    | 146,544,664   |
| IV. Carrying amount   |                |                   |  |             |                                      |               |
| 1. Balance at 31 December 2020                              | 178,865,150    | 48,110,578        | 498,760,147                              | 78,037,130  | -                                    | 803,773,005   |
| 2. Balance at 1 January 2020                                | 183,389,802    | 49,901,649        | 420,303,304                              | 92,577,946  | -                                    | 746,172,701   |



# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2020  
Renminbi Yuan

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

### 16. Intangible assets (continued)

| Item  | Land use right | Software licenses | Patents, licenses and technical know-how | Trademarks  | Backlog orders and service contracts | Total         |
|---|----------------|-------------------|--|-------------|--------------------------------------|---------------|
| I. Cost   |                |                   |  |             |                                      |               |
| 1. Balance at 1 January 2019                      | 228,873,766    | 155,956,632       | 726,361,052                              | 121,466,800 | 52,924,818                           | 1,285,583,068 |
| 2. Increase                                       |                |                   |  |             |                                      |               |
| (1) Purchase                                      | 139,524        | 15,735,429        | 11,400                                   | -           | -                                    | 15,886,353    |
| (2) Internal R&D                                  | -              | -                 | 136,170,842                              | -           | -                                    | 136,170,842   |
| 3. Decrease                                       | -              | (1,394,548)       | -  | -           | -                                    | (1,394,548)   |
| 4. Foreign exchange translation                   | 731,748        | 886,513           | 12,531,517                               | 6,236,238   | 1,445,397                            | 21,831,413    |
| 5. Balance at 31 December 2019                    | 229,745,038    | 171,184,026       | 875,074,811                              | 127,703,038 | 54,370,215                           | 1,458,077,128 |
| II. Accumulated amortization                      |                |                   |  |             |                                      |               |
| 1. Balance at 1 January 2019                      | 41,967,296     | 105,576,232       | 240,186,128                              | 22,775,025  | 52,924,818                           | 463,429,499   |
| 2. Provision                                      | 4,387,940      | 15,248,591        | 64,625,109                               | 10,398,675  | -                                    | 94,660,315    |
| 3. Decrease                                       | -              | (655,589)         | -  | -           | -                                    | (655,589)     |
| 4. Foreign exchange translation                   | -              | 606,284           | 3,922,465                                | 1,951,392   | 1,445,397                            | 7,925,538     |
| 5. Balance at 31 December 2019                    | 46,355,236     | 120,775,518       | 308,733,702                              | 35,125,092  | 54,370,215                           | 565,359,763   |
| III. Impairment provision                         |                |                   |  |             |                                      |               |
| 1. Balance at 1 January 2019 and 31 December 2019 | -              | 506,859           | 146,037,805                              | -           | -                                    | 146,544,664   |
| IV. Carrying amount                               |                |                   |  |             |                                      |               |
| 1. Balance at 31 December 2019                    | 183,389,802    | 49,901,649        | 420,303,304                              | 92,577,946  | -                                    | 746,172,701   |
| 2. Balance at 1 January 2019                      | 186,906,470    | 49,873,541        | 340,137,119                              | 98,691,775  | -                                    | 675,608,905   |

As at 31 December 2020 and 31 December 2019, the Group has no land use rights pledged for secured bank borrowings. The land use rights used by the Group are related to the land located in Mainland China and are held under a term of 40-50 years.

Proportion of the Group's intangible assets formed through internal research and development to the cost of intangible assets are 22.28% and 20.31% as at 31 December 2020 and 31 December 2019 respectively.

# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2020  
Renminbi Yuan



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

### 17. Development expenditure

| Item                    | Balance at 1 January 2020 | Internal R&D expenses | Decrease                        |                               | Balance at 31 December 2020 |
|-------------------------|---------------------------|-----------------------|---------------------------------|-------------------------------|-----------------------------|
|                         |                           |                       | Recognized as intangible assets | Transferred to profit or loss |                             |
| Research expenses       | –                         | 1,686,836,761         | –                               | 1,686,836,761                 | –                           |
| Development expenditure | 205,708,046               | 166,818,426           | 64,150,349                      | –                             | 308,376,123                 |
| <b>Total</b>            | <b>205,708,046</b>        | <b>1,853,655,187</b>  | <b>64,150,349</b>               | <b>1,686,836,761</b>          | <b>308,376,123</b>          |

| Item                    | Balance at 1 January 2019 | Internal R&D expenses | Decrease                        |                               | Balance at 31 December 2019 |
|-------------------------|---------------------------|-----------------------|---------------------------------|-------------------------------|-----------------------------|
|                         |                           |                       | Recognized as intangible assets | Transferred to profit or loss |                             |
| Research expenses       | –                         | 1,606,529,489         | –                               | 1,606,529,489                 | –                           |
| Development expenditure | 188,436,535               | 153,442,353           | 136,170,842                     | –                             | 205,708,046                 |
| <b>Total</b>            | <b>188,436,535</b>        | <b>1,759,971,842</b>  | <b>136,170,842</b>              | <b>1,606,529,489</b>          | <b>205,708,046</b>          |



# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2020  
Renminbi Yuan

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

### 18. Goodwill

| Item                           | Dynex Power Inc. ("Canada Dynex") | Ningbo CRRCTimes | CRRCTimes Electronics | UK CRRCTimes SMD | Total        |
|--------------------------------|-----------------------------------|------------------|-----------------------|------------------|--------------|
| I. Carrying amount:            |                                   |                  |                       |                  |              |
| 1. Balance at 1 January 2019   | 46,517,958                        | 437,432          | 13,333,101            | 593,291,637      | 653,580,128  |
| Foreign exchange translation   | —                                 | —                | —                     | 13,257,990       | 13,257,990   |
| 2. Balance at 31 December 2019 | 46,517,958                        | 437,432          | 13,333,101            | 606,549,627      | 666,838,118  |
| Foreign exchange translation   | —                                 | —                | —                     | (36,686,306)     | (36,686,306) |
| 3. Balance at 31 December 2020 | 46,517,958                        | 437,432          | 13,333,101            | 569,863,321      | 630,151,812  |
| II. Impairment provision       |                                   |                  |                       |                  |              |
| 1. Balance at 1 January 2019   | 46,517,958                        | —                | —                     | 131,532,117      | 178,050,075  |
| Provision for the year         | —                                 | —                | —                     | 68,000,000       | 68,000,000   |
| Foreign exchange translation   | —                                 | —                | —                     | 3,690,668        | 3,690,668    |
| 2. Balance at 31 December 2019 | 46,517,958                        | —                | —                     | 203,222,785      | 249,740,743  |
| Provision for the year         | —                                 | —                | —                     | 154,724,000      | 154,724,000  |
| Foreign exchange translation   | —                                 | —                | —                     | (21,234,103)     | (21,234,103) |
| 3. Balance at 31 December 2020 | 46,517,958                        | —                | —                     | 336,712,682      | 383,230,640  |
| III. Net carrying amount       |                                   |                  |                       |                  |              |
| Balance at 31 December 2020    | —                                 | 437,432          | 13,333,101            | 233,150,639      | 246,921,172  |
| Balance at 31 December 2019    | —                                 | 437,432          | 13,333,101            | 403,326,842      | 417,097,375  |



# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2020  
Renminbi Yuan

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

### 18. Goodwill (continued)

The Group performs impairment tests on goodwill arising from the acquisitions of Ningbo CRRC Times, CRRC Times Electronics and UK CRRC SMD. The recoverable amount of the goodwill is determined based on present value of the expected future cash flows of each subsidiary. The management prepares the cash flow prediction for the next five years (the "budget period") based on the latest financial budgets, and deduces the cash flow of the subsequent years. The discount rate used to calculate the recoverable amount are as follows:

| Item                   | 31/12/2020 | 31/12/2019 |
|------------------------|------------|------------|
| Ningbo CRRC Times      | 12.00      | 12.00      |
| CRRC Times Electronics | 12.00      | 12.00      |
| UK CRRC SMD            | 13.50      | 13.50      |

At the end of each reporting period, the Group assessed the recoverable amount of the asset group of goodwill arising from the acquisition of UK CRRC SMD and performed impairment tests. In 2020 and 2019, the Group recognized impairment of goodwill of RMB154,724,000 and RMB68,000,000, respectively. The world economic downturn arising from the impact of COVID-19, which affects the overall development of UK CRRC SMD's future business. This is the major fact that caused the impairment loss of the asset groups. There are no other assets within this asset group that require impairment provision. A key assumption in predicting future cash flows is the revenue growth rate for the budget period, and the expected revenue growth rates at the end of each year are as follows:

| Item                         | 31/12/2020 | 31/12/2019 |
|------------------------------|------------|------------|
| Expected revenue growth rate | 2%         | 2%         |

Other key assumptions used in predicting future cash flows include a stable gross margin of budget. The gross margin of budget is determined based on UK CRRC SMD's past performance.

### 19. Long-term prepaid expenses

| Item                  | 01/01/2020 | Increase for the year (Note) | Amortized for the year | 31/12/2020 |
|-----------------------|------------|------------------------------|------------------------|------------|
| Leasehold improvement | 34,744,515 | 24,214,305                   | 12,920,622             | 46,038,198 |

| Item                  | 01/01/2019 | Increase for the year | Amortized for the year | 31/12/2019 |
|-----------------------|------------|-----------------------|------------------------|------------|
| Leasehold improvement | 31,924,398 | 7,711,930             | 4,891,813              | 34,744,515 |

Note: Transfer from construction in progress of RMB7,697,056 was included in the increase in leasehold improvement in 2020.

# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2020  
Renminbi Yuan

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

### 20. Deferred tax assets/liabilities

#### (1) Deferred tax assets before offsetting

| Item   | 31/12/2020                       |                     | 31/12/2019                       |                     |
|--|----------------------------------|---------------------|----------------------------------|---------------------|
|  | Deductible temporary differences | Deferred tax assets | Deductible temporary differences | Deferred tax assets |
| Provision for product quality warranties   | 950,454,435                      | 142,171,572         | 803,484,009                      | 121,745,502         |
| Provision for credit loss  | 365,501,152                      | 54,081,894          | 477,477,927                      | 71,307,081          |
| Provision for impairment of assets   | 252,566,307                      | 33,569,498          | 155,584,970                      | 24,309,329          |
| Government grants  | 951,888,602                      | 87,958,406          | 523,853,408                      | 56,791,459          |
| Unrealized profits from internal transactions  | 575,446,953                      | 86,317,043          | 556,790,152                      | 83,518,523          |
| Depreciation of fixed assets between tax laws and accounting                               | 61,750,769                       | 9,891,455           | 53,226,116                       | 8,690,061           |
| Deductible losses  | 313,348,817                      | 49,493,347          | 173,332,726                      | 32,403,104          |
| Accrued expenses   | 66,312,458                       | 9,972,481           | 73,589,313                       | 11,038,711          |
| Unpaid employee benefits accrued   | 20,045,000                       | 3,006,750           | 67,531,936                       | 10,129,790          |
| Changes in fair value of financial assets at fair value through other comprehensive income | 35,042,161                       | 5,209,751           | 64,101,910                       | 9,540,430           |
| Others   | 13,368,538                       | 2,706,034           | 11,027,661                       | 1,654,149           |
| Total  | <u>3,605,725,192</u>             | <u>484,378,231</u>  | <u>2,960,000,128</u>             | <u>431,128,139</u>  |

#### (2) Deferred tax liabilities before offsetting

| Item   | 31/12/2020                    |                          | 31/12/2019                    |                          |
|--|-------------------------------|--------------------------|-------------------------------|--------------------------|
|  | Taxable temporary differences | Deferred tax liabilities | Taxable temporary differences | Deferred tax liabilities |
| Asset valuation appreciation                             | 186,627,727                   | 35,459,268               | 230,670,260                   | 43,827,349               |
| Book-tax difference regarding the period of depreciation | 20,076,385                    | 5,321,490                | 21,754,260                    | 5,764,879                |
| Total  | <u>206,704,112</u>            | <u>40,780,758</u>        | <u>252,424,520</u>            | <u>49,592,228</u>        |

# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2020  
Renminbi Yuan



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

### 20. Deferred tax assets/liabilities (continued)

#### (3) Deferred tax assets and deferred tax liabilities disclosed at net amount after offsetting

| Item                     | 31/12/2020   |  | 31/12/2019   |  |
|--------------------------|--|--|--|--|
|                          | Offset amount of deferred tax assets and liabilities | Deferred tax assets/liabilities after offsetting | Offset amount of deferred tax assets and liabilities | Deferred tax assets/liabilities after offsetting |
| Deferred tax assets      | -  | 484,378,231                                      | -  | 431,128,139                                      |
| Deferred tax liabilities | -  | 40,780,758                                       | -  | 49,592,228                                       |

#### (4) Details of unrecognized deferred tax assets

| Item                             | 31/12/2020  | 31/12/2019  |
|----------------------------------|-------------|-------------|
| Deductible loss                  | 221,847,312 | 180,063,740 |
| Deductible temporary differences | 134,982,291 | 113,699,594 |
| Total                            | 356,829,603 | 293,763,334 |

#### (5) Deductible losses of unrecognized deferred tax assets will expire in the following years:

| Item                  | 31/12/2020  | 31/12/2019  |
|-----------------------|-------------|-------------|
| 2020                  | -           | 431,317     |
| 2021                  | 12,017,907  | 12,116,962  |
| 2022                  | 11,913,401  | 11,913,401  |
| 2029                  | 8,750,182   | 8,750,182   |
| 2030                  | 50,261,658  | -           |
| Non-fixed term (Note) | 138,904,164 | 146,851,878 |
| Total                 | 221,847,312 | 180,063,740 |

Note: There is no fixed term for carry-over of deductible losses generated by Canda Dynex, a subsidiary of the Group, as well as UK CRRC SMD, a subsidiary of CRRC Times Electric (Hong Kong) Co., Ltd. (hereinafter referred to as "HK CRRC Times Electric") which is a subsidiary of the Group.



# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2020  
Renminbi Yuan

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

### 21. Other non-current assets

| Item  | 31/12/2020  | 31/12/2019  |
|---|-------------|-------------|
| Prepayments for acquisition of land use rights      | 42,831,600  | 42,831,600  |
| Prepayments for purchase of machinery and equipment | 207,472,845 | 273,439,158 |
| Contract assets                                     | 181,323,465 | 349,113,254 |
| Total   | 431,627,910 | 665,384,012 |

### 22. Short-term borrowings

| Item         | 31/12/2020  | 31/12/2019  |
|--------------|-------------|-------------|
| Credit loans | 278,246,822 | 146,596,015 |
| Total        | 278,246,822 | 146,596,015 |

### 23. Bills payable

| Item                        | 31/12/2020    | 31/12/2019    |
|-----------------------------|---------------|---------------|
| Commercial acceptance bills | 73,025,426    | 329,539,815   |
| Bank acceptance bills       | 1,694,879,672 | 1,952,805,354 |
| Total                       | 1,767,905,098 | 2,282,345,169 |

# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2020  
Renminbi Yuan



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

### 24. Trade payables

(1) Trade payables are set out as follows:

| Item            | 31/12/2020           | 31/12/2019           |
|-----------------|----------------------|----------------------|
| Related parties | 368,591,069          | 936,070,042          |
| Third parties   | 3,243,333,365        | 3,455,341,167        |
| Total           | <u>3,611,924,434</u> | <u>4,391,411,209</u> |

Trade payables bear no interest and are usually repayable within 3 months.

(2) Disclosed by aging

| Aging  | 31/12/2020           | 31/12/2019           |
|--|----------------------|----------------------|
| Within 3 months  | 3,093,019,736        | 3,660,957,358        |
| 3 months to 1 year                                     | 173,642,131          | 307,196,251          |
| 1 to 2 years   | 135,315,626          | 201,659,803          |
| 2 to 3 years   | 51,052,964           | 126,575,374          |
| Over 3 years   | 158,893,977          | 111,540,053          |
| Total  | 3,611,924,434        | 4,407,928,839        |
| Less: reclassified to long-term payables ((Note V) 33) | —                    | 16,517,630           |
| Net value  | <u>3,611,924,434</u> | <u>4,391,411,209</u> |



# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2020  
Renminbi Yuan

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

### 24. Trade payables (continued)

#### (3) Significant trade payables with the aging over 1 year:

31 December 2020

| Name of the entity                                       | Closing balance | Reasons for not repaid or carried forward      |
|--|-----------------|--|
| Mitsubishi Corporation Machinery INC.                    | 104,502,072     | Outstanding payments for purchase of materials |
| Siemens International Trading Ltd.                       | 27,890,454      | Outstanding payments for purchase of materials |
| Siemens International Trading (Shanghai) Co., Ltd.       | 12,966,260      | Outstanding payments for purchase of materials |
| Beijing Jiada Signal Technology Co.,Ltd.                 | 11,102,903      | Outstanding payments for purchase of materials |
| Nantong Astom Electric Appliance Manufacturing Co., Ltd. | 10,791,840      | Outstanding payments for purchase of materials |
| Total  | 167,253,529     |  |

31 December 2019

| Name of the entity   | Closing balance | Reasons for not repaid or carried forward      |
|--|-----------------|--|
| Mitsubishi Corporation Machinery INC.  | 86,291,677      | Outstanding payments for purchase of materials |
| Qingdao Hongda Schnell Science & Technology Co.,Ltd.   | 29,862,289      | Outstanding payments for purchase of materials |
| Siemens International Trading Ltd.   | 27,369,085      | Outstanding payments for purchase of materials |
| Siemens International (Shanghai) Trading Ltd.  | 17,692,313      | Outstanding payments for purchase of materials |
| China Academy Of Railway Sciences Corporation Limited<br>Signal & Communication Research Institute | 16,834,664      | Outstanding payments for purchase of materials |
| Total  | 178,050,028     |  |

# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2020  
Renminbi Yuan



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

### 25. Contract liabilities

#### (1) Details of contract liabilities

| Item                      | 31/12/2020         | 31/12/2019         |
|---------------------------|--------------------|--------------------|
| Related to sales contract | <u>692,579,809</u> | <u>896,368,688</u> |

For part of the Group's sales contracts, the time point at which goods are transferred and accepted is later than the time point at which customers make payments, which results in contractual liabilities related to the sales contracts. Related revenue will be recognized upon the completion of the transfer of the Group's relevant goods/performance obligations.

#### (2) Significant changes in balance of contract liabilities

|   | 2020               | 2019               |
|---|--------------------|--------------------|
| Opening balance   | 896,368,688        | 649,337,643        |
| Contract liabilities included in the opening balance that are recognized as revenue             |                    |                    |
| 1) Related to prepayments in respect of sales contract  | (805,839,723)      | (475,884,398)      |
| Increase for the receipt of cash (excluding amount that are recognized as revenue for the year) |                    |                    |
| 1) Related to prepayments in respect of sales contract  | <u>602,050,844</u> | <u>722,915,443</u> |
| Closing balance   | <u>692,579,809</u> | <u>896,368,688</u> |



# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2020  
Renminbi Yuan

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

### 26. Employee benefits payable

#### (1) Details of employee benefits payable

| Item  | 01/01/2020  | Increase      | Decrease      | Foreign exchange translation | 31/12/2020  |
|---|-------------|---------------|---------------|------------------------------|-------------|
| I. Short-term benefits                                      | 143,742,758 | 1,928,779,610 | 1,960,767,367 | (210,937)                    | 111,544,064 |
| II. Post-employment benefits<br>(defined contribution plan) | 6,645,650   | 177,751,397   | 177,687,356   | (590,747)                    | 6,118,944   |
| Total   | 150,388,408 | 2,106,531,007 | 2,138,454,723 | (801,684)                    | 117,663,008 |

| Item  | 01/01/2019  | Increase      | Decrease      | Foreign exchange translation | 31/12/2019  |
|---|-------------|---------------|---------------|------------------------------|-------------|
| I. Short-term benefits                                      | 129,791,009 | 1,941,356,971 | 1,927,668,161 | 262,939                      | 143,742,758 |
| II. Post-employment benefits<br>(defined contribution plan) | 6,049,954   | 258,273,109   | 257,915,996   | 238,583                      | 6,645,650   |
| Total   | 135,840,963 | 2,199,630,080 | 2,185,584,157 | 501,522                      | 150,388,408 |



# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2020  
Renminbi Yuan

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

### 26. Employee benefits payable (continued)

#### (2) Details of short-term benefits

| Item   | 01/01/2020         | Increase             | Decrease             | Foreign exchange translation | 31/12/2020         |
|--|--------------------|----------------------|----------------------|------------------------------|--------------------|
| I. Salaries, bonuses, allowances and subsidies | 70,948,275         | 1,520,359,164        | 1,569,255,127        | (210,937)                    | 21,841,375         |
| II. Staff welfare                              | 95,430             | 71,091,300           | 71,186,730           | -                            | -                  |
| III. Social Insurance                          | 992,458            | 113,984,493          | 113,869,642          | -                            | 1,107,309          |
| Including: Basic medical insurance             | 449,492            | 63,575,188           | 63,403,198           | -                            | 621,482            |
| Supplementary medical insurance                | 10,724             | 42,148,229           | 42,158,953           | -                            | -                  |
| Work injury insurance                          | 481,153            | 7,926,278            | 7,945,605            | -                            | 461,826            |
| Maternity insurance                            | 51,089             | 334,798              | 361,886              | -                            | 24,001             |
| IV. Housing fund                               | 507,087            | 112,145,847          | 112,373,644          | -                            | 279,290            |
| V. Union fund and employee education fund      | 70,238,324         | 55,357,671           | 37,655,343           | -                            | 87,940,652         |
| VI. Others                                     | 961,184            | 55,841,135           | 56,426,881           | -                            | 375,438            |
| <b>Total</b>                                   | <b>143,742,758</b> | <b>1,928,779,610</b> | <b>1,960,767,367</b> | <b>(210,937)</b>             | <b>111,544,064</b> |

| Item   | 01/01/2019         | Increase             | Decrease             | Foreign exchange translation | 31/12/2019         |
|--|--------------------|----------------------|----------------------|------------------------------|--------------------|
| I. Salaries, bonuses, allowances and subsidies | 70,430,343         | 1,513,849,391        | 1,513,594,398        | 262,939                      | 70,948,275         |
| II. Staff welfare                              | 297,981            | 71,109,838           | 71,312,389           | -                            | 95,430             |
| III. 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             |
| IV. Housing fund                               | 159,560            | 107,298,129          | 106,950,602          | -                            | 507,087            |
| V. Union fund and employee education fund      | 57,041,073         | 66,674,498           | 53,477,247           | -                            | 70,238,324         |
| VI. Others                                     | 1,045,621          | 57,908,045           | 57,992,482           | -                            | 961,184            |
| <b>Total</b>                                   | <b>129,791,009</b> | <b>1,941,356,971</b> | <b>1,927,668,161</b> | <b>262,939</b>               | <b>143,742,758</b> |

# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2020  
Renminbi Yuan

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

### 26. Employee benefits payable (continued)

#### (3) Defined contribution plan

| Item                       | 01/01/2020       | Increase           | Decrease           | Foreign exchange translation | 31/12/2020       |
|----------------------------|------------------|--------------------|--------------------|------------------------------|------------------|
| I. Basic pension insurance | 6,549,523        | 126,442,129        | 126,381,601        | (590,747)                    | 6,019,304        |
| II. Unemployment insurance | 86,073           | 4,044,961          | 4,031,394          | –                            | 99,640           |
| III. Annuity               | 10,054           | 47,264,307         | 47,274,361         | –                            | –                |
| Total                      | <u>6,645,650</u> | <u>177,751,397</u> | <u>177,687,356</u> | <u>(590,747)</u>             | <u>6,118,944</u> |

| Item                       | 01/01/2019       | Increase           | Decrease           | Foreign exchange translation | 31/12/2019       |
|----------------------------|------------------|--------------------|--------------------|------------------------------|------------------|
| I. Basic pension insurance | 5,931,051        | 204,575,931        | 204,196,042        | 238,583                      | 6,549,523        |
| II. Unemployment insurance | 47,518           | 6,114,670          | 6,076,115          | –                            | 86,073           |
| III. Annuity               | 71,385           | 47,582,508         | 47,643,839         | –                            | 10,054           |
| Total                      | <u>6,049,954</u> | <u>258,273,109</u> | <u>257,915,996</u> | <u>238,583</u>               | <u>6,645,650</u> |

### 27. Taxes payable

| Item   | 31/12/2020         | 31/12/2019         |
|--|--------------------|--------------------|
| Enterprise income tax  | 66,066,440         | 42,149,269         |
| VAT  | 59,814,897         | 65,331,545         |
| City maintenance and construction tax and education surcharges | 6,994,995          | 8,821,572          |
| Individual income tax  | 28,308,321         | 27,067,189         |
| Others   | <u>4,314,250</u>   | <u>9,686,798</u>   |
| Total  | <u>165,498,903</u> | <u>153,056,373</u> |

# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2020  
Renminbi Yuan



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

### 28. Other payables

The analysis of other payables by nature is as follows:

| Item              | 31/12/2020  | 31/12/2019  |
|-------------------|-------------|-------------|
| Dividends payable | 7,425,000   | –           |
| Other payables    | 636,346,172 | 857,451,744 |
| Total             | 643,771,172 | 857,451,744 |

#### (1) Other payables

Details of other payables by nature

| Item                           | 31/12/2020  | 31/12/2019  |
|--------------------------------|-------------|-------------|
| Amounts due to related parties | 290,066,482 | 280,017,743 |
| Deposits and pledges           | 242,919,677 | 359,879,287 |
| Recovery of factoring          | 56,900,381  | 193,871,569 |
| Withholding social insurance   | 22,631,334  | 19,267,328  |
| Others                         | 23,828,298  | 4,415,817   |
| Total                          | 636,346,172 | 857,451,744 |



# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2020  
Renminbi Yuan

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

### 28. Other payables (continued)

#### (1) Other payables (continued)

Significant other payables with the aging over 1 year

#### 31 December 2020

| Name of the entity                      | Closing balance    | Reasons for not repaid or carried forward |
|---|--------------------|---|
| CRRZ ZELRI                              | 273,475,100        | Payments are not due                      |
| Micro-Power Scientific (H.K.) CO., Ltd. | 7,634,208          | Payments are not due                      |
| Shanghai Nokida Technology Co., Ltd.    | 7,775,084          | Payments are not due                      |
| Beijing Sanmo Technology Co., Ltd.      | 5,700,000          | Payments are not due                      |
| CREA Collaudi Elettronici Automatiz     | 6,714,485          | Payments are not due                      |
| Total                                   | <u>301,298,877</u> |   |

#### 31 December 2019

| Name of the entity                                      | Closing balance    | Reasons for not repaid or carried forward |
|---|--------------------|---|
| CRRZ ZELRI  | 220,681,393        | Payments are not due                      |
| PICC Property and Casualty Company Limited Hunan Branch | 7,323,932          | Write-off after the recognition           |
| Beijing Sanmo Technology Co., Ltd.                      | 5,700,000          | Payments are not due                      |
| Zhejiang Chuangjia Mechanical & Electrical Co., Ltd.    | 3,476,951          | Payments are not due                      |
| King Virtue Electron Co., Ltd.                          | 2,721,367          | Payments are not due                      |
| Total   | <u>239,903,643</u> |   |

# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2020  
Renminbi Yuan



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

### 29. Non-current liabilities due within one year

| Item  | 31/12/2020  | 31/12/2019  |
|---|-------------|-------------|
| Lease liabilities due within one year (Note V. 32)    | 29,225,642  | 33,272,918  |
| Provisions due within one year (Note V. 34)           | 406,953,839 | 353,383,129 |
| Long-term borrowings due within one year (Note V. 31) | 80,547,632  | 5,031,066   |
| Total   | 516,727,113 | 391,687,113 |

### 30. Other current liabilities

| Item  | 31/12/2020 | 31/12/2019  |
|---|------------|-------------|
| VAT for sales of goods collected in advance | 83,024,481 | 112,563,399 |

### 31. Long-term borrowings

| Item  | 31/12/2020  | 31/12/2019  |
|---|-------------|-------------|
| Credit loans  | 163,235,632 | 235,566,894 |
| Less: Long-term borrowings due within one year (Note V. 29) | 80,547,632  | 5,031,066   |
| Net amount  | 82,688,000  | 230,535,828 |

#### (1) Interest rate of the above borrowings are as follows:

| Item                             | 2020        | 2019        |
|----------------------------------|-------------|-------------|
| Variable interest rate per annum | 0.44%-2.32% | 1.82%-2.41% |
| Fixed interest rate per annum    | 1.08%       | 1.08%-4.92% |



# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2020  
Renminbi Yuan

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

### 31. Long-term borrowings (continued)

#### (2) Maturity analysis:

| Item                    | 31/12/2020  | 31/12/2019  |
|-------------------------|-------------|-------------|
| Due within 1 year       | 80,547,632  | 5,031,066   |
| Due within 1 to 2 years | 5,000,000   | 147,847,828 |
| Due within 2 to 5 years | 15,000,000  | 15,000,000  |
| Due more than 5 years   | 62,688,000  | 67,688,000  |
| Total                   | 163,235,632 | 235,566,894 |

### 32. Lease liabilities

| Item   | 31/12/2020 | 31/12/2019  |
|--|------------|-------------|
| Long-term lease liabilities  | 85,887,753 | 104,784,813 |
| Less: Lease liabilities classified as non-current liabilities due within one year (Note V. 29) | 29,225,642 | 33,272,918  |
| Net amount   | 56,662,111 | 71,511,895  |

#### Maturity analysis:

| Item                                  | 31/12/2020   | 31/12/2019   |
|---------------------------------------|--------------|--------------|
| Due within 1 to 2 years               | 24,647,233   | 29,609,560   |
| Due within 2 to 5 years               | 29,216,342   | 48,090,632   |
| Due more than 5 years                 | 15,127,200   | 19,191,641   |
| Total                                 | 68,990,775   | 96,891,833   |
| Less: Unrecognized financing expenses | (12,328,664) | (25,379,938) |
| Net amount                            | 56,662,111   | 71,511,895   |

### 33. Long-term payables

#### (1) The analysis of long-term payables by nature

| Item               | 31/12/2020 | 31/12/2019 |
|--------------------|------------|------------|
| Quality warranties | 10,215,068 | 16,517,630 |

# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2020  
Renminbi Yuan



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

### 34. Provisions

| Item  | 01/01/2020         | Increase           | Decrease           | Foreign exchange translation | 31/12/2020         |
|---|--------------------|--------------------|--------------------|------------------------------|--------------------|
| Provision for product quality warranties          | 803,484,009        | 639,774,495        | 492,795,918        | (8,151)                      | 950,454,435        |
| Provision for repair of equipment under custody   |                    | 5,091,706          | -                  | -                            | 5,091,706          |
| Total   | <u>803,484,009</u> | <u>644,866,201</u> | <u>492,795,918</u> | <u>(8,151)</u>               | <u>955,546,141</u> |
| Less: Provisions due within one year (Note V. 29) | <u>353,383,129</u> |                    |                    |                              | <u>406,953,839</u> |
| Net amount  | <u>450,100,880</u> |                    |                    |                              | <u>548,592,302</u> |

| Item  | 01/01/2019         | Increase           | Decrease           | Foreign exchange translation | 31/12/2019         |
|---|--------------------|--------------------|--------------------|------------------------------|--------------------|
| 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 (Note V. 29) | <u>297,750,776</u> |                    |                    |                              | <u>353,383,129</u> |
| Net amount  | <u>373,890,995</u> |                    |                    |                              | <u>450,100,880</u> |

### 35. Deferred income

| Item                                | 31/12/2020         | 31/12/2019         |
|-------------------------------------|--------------------|--------------------|
| Government grants related to assets | <u>240,321,291</u> | 263,893,303        |
| Government grants related to income | <u>723,395,512</u> | <u>301,547,380</u> |
| Total                               | <u>963,716,803</u> | <u>565,440,683</u> |



# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2020  
Renminbi Yuan

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

### 35. Deferred income (continued)

Items related to government grants:

| Item   | 01/01/2020         | Increase           | Recognized as other income | Other changes      | 31/12/2020         | Related to asset/<br>income |
|--|--------------------|--------------------|----------------------------|--------------------|--------------------|-----------------------------|
| Automobile component project   | 150,000,000        | 425,000,000        | (240,270,409)              | -                  | 334,729,591        | Income                      |
| Fiscal allotment for IGBT Phase II Information industry technological upgrading (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                       |
| Research on key technologies of high speed maglev transportation   | 55,790,000         | -                  | (13,920,000)               | -                  | 41,870,000         | Income                      |
| 8-inch IGBT intelligent manufacturing and digital factory construction item  | 42,000,000         | -                  | (4,083,333)                | -                  | 37,916,667         | Asset                       |
| Industrial foundation fortification project-production of IGBT module for alternative fuel automobiles   | 23,340,000         | -                  | -                          | -                  | 23,340,000         | Asset                       |
| Maotangao public rental housing construction project   | 18,158,800         | -                  | (454,917)                  | -                  | 17,703,883         | Asset                       |
| SIC single crystal material R & D and industrialization project  | 23,947,258         | -                  | (9,962,804)                | -                  | 13,984,454         | Asset                       |
| SIC base industrial construction project fund  | 13,640,016         | -                  | (2,990,803)                | -                  | 10,649,213         | Asset                       |
| Research and development of power transmission and control system  | 11,113,500         | 1,171,500          | -                          | -                  | 12,285,000         | Income                      |
| Refund of land subsidy   | 8,173,024          | -                  | (206,912)                  | -                  | 7,966,112          | Asset                       |
| High-speed railway system security technology  | 2,640,000          | 6,717,300          | (1,900,000)                | -                  | 7,457,300          | Income                      |
| Hunan governmental earmark on the development of the second batch of mobile internet industry in 2016  | 5,000,000          | -                  | -                          | -                  | 5,000,000          | Asset                       |
| Virtual co-phase flexible power supply technology  | 4,890,000          | -                  | -                          | -                  | 4,890,000          | Income                      |
| Semiconductor three-line construction infrastructure subsidies   | 4,000,000          | -                  | (400,000)                  | -                  | 3,600,000          | Asset                       |
| Construction of intelligent manufacturing works for core components of rolling stock (Manufacturing center)  | 4,097,222          | -                  | (833,333)                  | -                  | 3,263,889          | Asset                       |
| Industrial support fund  | 3,294,480          | -                  | (78,440)                   | -                  | 3,216,040          | Asset                       |
| 8 MW golden sun demonstration project  | 10,891,667         | -                  | (10,891,667)               | -                  | -                  | Asset                       |
| Integrated manufacturing technology R&D and industrialization of SIC based power electronic devices  | 3,100              | -                  | -                          | -                  | 3,100              | Income                      |
| EMU AC Drive & network control system and on-board control unit project  | 791,667            | -                  | (791,667)                  | -                  | -                  | Asset                       |
| 1MW Photovoltaic building demonstration project  | 791,667            | -                  | (791,667)                  | -                  | -                  | Asset                       |
| Others   | 82,878,282         | 297,799,922        | (36,836,650)               | (8,000,000)        | 335,841,554        | Asset/Income                |
| <b>Total</b>   | <b>565,440,683</b> | <b>730,688,722</b> | <b>(324,412,602)</b>       | <b>(8,000,000)</b> | <b>963,716,803</b> |                             |



# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2020  
Renminbi Yuan



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

### 35. Deferred income (continued)

Items related to government grants: (continued)

| Item   | 01/01/2019         | Increase           | Recognized as other income | 31/12/2019         | Related to asset/income |
|--|--------------------|--------------------|----------------------------|--------------------|-------------------------|
| Automobile component project   | -                  | 150,000,000        | -                          | 150,000,000        | Income                  |
| Fiscal allotment for IGBT Phase II Information industry technological upgrading (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                   |
| Research on key technologies of high speed maglev transportation   | 39,670,000         | 16,120,000         | -                          | 55,790,000         | Income                  |
| 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                   |
| Maotangao public rental housing construction project   | 18,613,718         | -                  | (454,918)                  | 18,158,800         | Asset                   |
| SIC single crystal material R & D and industrialization project  | 7,932,505          | 28,000,000         | (11,985,247)               | 23,947,258         | Asset                   |
| 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                  |
| Refund of land subsidy   | 8,379,936          | -                  | (206,912)                  | 8,173,024          | Asset                   |
| High-speed railway system security technology  | 1,300,000          | 1,340,000          | -                          | 2,640,000          | Income                  |
| Hunan governmental earmark on the development of the second batch of mobile internet industry in 2016  | 5,000,000          | -                  | -                          | 5,000,000          | Asset                   |
| Virtual co-phase flexible power supply technology  | 1,740,000          | 3,150,000          | -                          | 4,890,000          | Income                  |
| Semiconductor three-line construction infrastructure subsidies   | 4,400,000          | -                  | (400,000)                  | 4,000,000          | Asset                   |
| Construction of intelligent manufacturing works for core components of rolling stock (Manufacturing center)  | 5,000,000          | -                  | (902,778)                  | 4,097,222          | Asset                   |
| Industrial support fund  | 3,372,920          | -                  | (78,440)                   | 3,294,480          | Asset                   |
| 8 MW golden sun demonstration project  | 21,783,334         | -                  | (10,891,667)               | 10,891,667         | Asset                   |
| Integrated manufacturing technology R&D and industrialization of SIC based power electronic devices  | 77,456,200         | -                  | (77,453,100)               | 3,100              | Income                  |
| EMU AC Drive & network control system and on-board control unit project  | 2,691,667          | -                  | (1,900,000)                | 791,667            | Asset                   |
| 1MW Photovoltaic building demonstration project  | 2,691,667          | -                  | (1,900,000)                | 791,667            | Asset                   |
| Research and development of domestic high-voltage and high-power IGBT modules for power systems (Project 02)   | 4,007,300          | -                  | (4,007,300)                | -                  | Income                  |
| Others   | 64,516,646         | 88,999,407         | (70,637,771)               | 82,878,282         | Asset/Income            |
| <b>Total</b>   | <b>461,200,893</b> | <b>288,417,907</b> | <b>(184,178,117)</b>       | <b>565,440,683</b> |                         |



# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2020  
Renminbi Yuan

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

### 36. Share capital

| Item                                    | 31/12/2020    | 31/12/2019    |
|---|---------------|---------------|
| Unrestricted shares:                    | –             | –             |
| Shares held by state-owned legal person | 628,147,237   | 628,147,237   |
| H Share listed abroad                   | 547,329,400   | 547,329,400   |
| Total                                   | 1,175,476,637 | 1,175,476,637 |

### 37. Capital reserve

| Item                  | 01/01/2020    | Increase | Decrease | 31/12/2020    |
|-----------------------|---------------|----------|----------|---------------|
| Share capital premium | 3,321,880,949 | –        | –        | 3,321,880,949 |

| Item                  | 01/01/2019    | Increase | Decrease<br>(Note (VI) 2) | 31/12/2019    |
|-----------------------|---------------|----------|---------------------------|---------------|
| Share capital premium | 3,369,786,541 | –        | 47,905,592                | 3,321,880,949 |

# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2020  
Renminbi Yuan

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

### 38. Other comprehensive income

| Item   | 01/01/2020           | Amount incurred for current year before tax | Amount incurred for the year   |                           |  |  | 31/12/2020           |
|--|----------------------|---|--|---------------------------|--|--|----------------------|
|  |                      |   | 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 tax | Attributable to non-controlling shareholders after tax |                      |
| <i>Other comprehensive income that will be reclassified to profit or loss:</i> |                      |   |  |                           |  |  |                      |
| Changes in fair value of other debt investments                                | (54,461,850)         | (35,042,161)                                | (64,295,083)   | 4,330,679                 | 24,780,341   | 141,902  | (29,681,509)         |
| Foreign exchange translation   | (85,854,279)         | (36,802,943)                                | -  | -                         | (36,802,943)   | -  | (122,657,222)        |
| Total other comprehensive income   | <u>(140,316,129)</u> | <u>(71,845,104)</u>                         | <u>(64,295,083)</u>  | <u>4,330,679</u>          | <u>(12,022,602)</u>  | <u>141,902</u>   | <u>(152,338,731)</u> |

| Item   | 01/01/2019           | Amount incurred for current year before tax | Amount incurred for the year   |                           |  |  | 31/12/2019           |
|--|----------------------|---|--|---------------------------|--|--|----------------------|
|  |                      |   | 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 tax | Attributable to non-controlling shareholders after tax |                      |
| <i>Other comprehensive income that will be reclassified to profit or loss:</i> |                      |   |  |                           |  |  |                      |
| Changes in fair value of other debt investments                                | (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)         |
| Total other comprehensive income   | <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 YEAR ENDED 31 DECEMBER 2020  
Renminbi Yuan

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

### 39. Special reserve

| Item                  | 01/01/2020        | Increase          | Decrease          | 31/12/2020        |
|-----------------------|-------------------|-------------------|-------------------|-------------------|
| Safety production fee | <u>17,509,972</u> | <u>44,464,987</u> | <u>36,727,702</u> | <u>25,247,257</u> |

| Item                  | 01/01/2019        | Increase          | Decrease          | 31/12/2019        |
|-----------------------|-------------------|-------------------|-------------------|-------------------|
| Safety production fee | <u>12,070,105</u> | <u>42,480,748</u> | <u>37,040,881</u> | <u>17,509,972</u> |

### 40. Surplus reserve

| Item                      | 01/01/2020           | Increase (Note)    | Decrease | 31/12/2020           |
|---------------------------|----------------------|--------------------|----------|----------------------|
| Statutory surplus reserve | <u>2,072,158,058</u> | <u>253,486,941</u> | <u>–</u> | <u>2,325,644,999</u> |

| Item                      | 01/01/2019           | Increase (Note)    | Decrease | 31/12/2019           |
|---------------------------|----------------------|--------------------|----------|----------------------|
| Statutory surplus reserve | <u>1,801,776,624</u> | <u>270,381,434</u> | <u>–</u> | <u>2,072,158,058</u> |

Note: According to the Company Law and the Company's articles of association, the Company is required to transfer 10% of its net profit to the statutory surplus reserve. After statutory surplus reserve is accrued, discretionary surplus reserve can be accrued accordingly, which can be used to make up for the annual losses of previous years or increase equity upon approval.

### 41. Retained earnings

| Item   | 2020                  | 2019                  |
|--|-----------------------|-----------------------|
| Retained earnings at the beginning of the year                     | 15,463,553,872        | 13,603,735,926        |
| Add: Net profit attributable to shareholders of the parent company | 2,475,454,606         | 2,659,163,867         |
| Less: Appropriation to statutory surplus reserve (Note V.40)       | 253,486,941           | 270,381,434           |
| Common stock dividends payable                                     | <u>528,964,487</u>    | <u>528,964,487</u>    |
| Retained earnings at the end of the year                           | <u>17,156,557,050</u> | <u>15,463,553,872</u> |

#### (1) Cash dividends approved at the annual general meeting of shareholders for the year

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) for 2019 was paid on each of the 1,175,476,637 shares in issue, amounting to a total cash dividend of RMB528,964,487.

# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2020  
Renminbi Yuan



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

### 41. Retained earnings (continued)

#### (2) Profit distribution determined after balance sheet date

According to the resolution of the board of directors, the Company will not distribute cash dividends or stock dividends in 2020.

### 42. Revenue and cost of sales

#### (1) Details of revenue and cost of sales:

| Item                           | 2020                  |                       | 2019                  |                      |
|--------------------------------|-----------------------|-----------------------|-----------------------|----------------------|
|                                | Revenue               | Cost of sales         | Revenue               | Cost of sales        |
| Principal operating activities | 15,791,633,733        | 9,882,775,167         | 16,199,727,068        | 9,884,232,716        |
| Other operating activities     | 242,264,891           | 183,884,283           | 104,479,723           | 81,494,734           |
| Total                          | <u>16,033,898,624</u> | <u>10,066,659,450</u> | <u>16,304,206,791</u> | <u>9,965,727,450</u> |

#### (2) Presentation of revenue and cost of sales by business type is as follows:

| Item                            | 2020                  |                       | 2019                  |                      |
|---------------------------------|-----------------------|-----------------------|-----------------------|----------------------|
|                                 | Revenue               | Cost of sales         | Revenue               | Cost of sales        |
| Rail Transit equipment business | 13,890,431,884        | 8,402,666,456         | 14,434,334,306        | 8,552,182,626        |
| Emerging equipment business     | 1,901,201,849         | 1,480,108,711         | 1,765,392,762         | 1,332,050,090        |
| Others                          | 242,264,891           | 183,884,283           | 104,479,723           | 81,494,734           |
| Total                           | <u>16,033,898,624</u> | <u>10,066,659,450</u> | <u>16,304,206,791</u> | <u>9,965,727,450</u> |

#### (3) Revenue from contracts

| Categories of contracts      | 2020                  | 2019                  |
|------------------------------|-----------------------|-----------------------|
| By geographic areas of sales |                       |                       |
| Mainland China               | 15,233,746,212        | 15,464,313,779        |
| Other countries and regions  | 800,152,412           | 839,893,012           |
| Total                        | <u>16,033,898,624</u> | <u>16,304,206,791</u> |



# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2020  
Renminbi Yuan

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

### 42. Revenue and cost of sales (continued)

#### (4) Description of performance obligations

##### *Sales of goods and materials*

The Group mainly sells rail transit equipment and components, which are mainly delivered using land transportation. The Company recognizes revenue upon receipts and acceptance of the goods by the customer.

Advances from customer before delivery of electric rail transit and components are recognized as contract liabilities in the consolidated financial statements. There is no significant financing component and right of return during the course of sales of rail transit equipment and components.

##### *Revenue from maintenance service*

The Group mainly repairs and maintains rail transit equipment and components. According to the service contract, the maintenance service is subject to customer's acceptance upon delivery, and the Company is entitled to collect the payment upon acceptance by the customer. As the customer can't simultaneously receive and consume the economic benefits provided by the Company's performance as the Company performs; and can't control the service during the Company's performance either; and during the contract period, the Company can't collect the payment in respect of the part of obligations completed up to date, therefore, the maintenance service represent the performance obligation performed at a point in time, and the Company recognizes revenue from maintenance service upon acceptance by customer.

##### *Revenue from construction contracts*

The Group's revenue from construction contract mainly arises from production of marine engineering products such as deep-sea robot. The Group mainly adopts marine transportation. As the products of the Group have irreplaceable uses, and the Group has the right to ask for payment for the cumulative part that has been completed so far during the entire contract period, the Group recognizes revenue from construction contracts according to the progress of performance as a performance obligation to be performed in a certain period of time. The Group uses the input method to determine the progress of performance

The sales course of marine engineering products has no significant financing component and right of return.

### 43. Tax and surcharges

| Item                                  | 2020        | 2019        |
|---------------------------------------|-------------|-------------|
| City maintenance and construction tax | 42,033,917  | 62,220,993  |
| Education surcharges                  | 30,413,569  | 45,915,128  |
| Others                                | 39,562,597  | 42,556,056  |
| Total                                 | 112,010,083 | 150,692,177 |

# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2020  
Renminbi Yuan



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

### 44. Selling expenses

| Item                                     | 2020                 | 2019                 |
|--|----------------------|----------------------|
| Provision for product quality warranties | 639,774,495          | 709,866,153          |
| Employee benefits                        | 211,793,570          | 211,099,740          |
| Transportation and handling charges      | 30,874,139           | 28,711,567           |
| Office and travel expenses               | 69,019,277           | 84,813,904           |
| Business entertainment expenses          | 29,208,470           | 33,813,512           |
| Advertising and publicity cost           | 9,001,909            | 8,790,492            |
| Bidding and tendering fee                | 15,608,937           | 9,970,903            |
| Others                                   | 102,471,499          | 34,036,039           |
| Total                                    | <u>1,107,752,296</u> | <u>1,121,102,310</u> |

### 45. Administrative expenses

| Item  | 2020               | 2019               |
|---|--------------------|--------------------|
| Employee benefits   | 371,242,220        | 404,988,134        |
| Depreciation and amortisation charges                         | 106,186,551        | 107,359,703        |
| Facility maintenance cost                                     | 61,642,909         | 59,952,202         |
| Property management fee                                       | 24,546,352         | 17,554,076         |
| Utilities expenses  | 14,940,191         | 19,920,968         |
| Office and travel expenses and conference fee                 | 41,955,825         | 56,957,870         |
| Service fees for intermediaries and professional institutions | 18,144,143         | 27,791,121         |
| Insurance expenses  | 49,794,087         | 60,701,269         |
| Rental expense  | 12,076,632         | 16,730,132         |
| Business entertainment expenses                               | 7,706,891          | 6,563,211          |
| Others  | 52,491,953         | 71,373,434         |
| Total   | <u>760,727,754</u> | <u>849,892,120</u> |

Note: The administrative expense in 2020 includes the auditor's fee of RMB4,170,000 (2019: RMB3,980,000).



# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2020  
Renminbi Yuan

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

### 46. R&D expenses

| Item                                  | 2020                 | 2019                 |
|---------------------------------------|----------------------|----------------------|
| Employee benefits                     | 686,769,931          | 603,457,018          |
| Technical service fee                 | 279,351,497          | 370,209,485          |
| Cost of materials consumed            | 296,340,090          | 288,268,715          |
| Depreciation and amortisation charges | 170,009,233          | 126,075,699          |
| Office and travel expenses            | 59,637,400           | 77,271,443           |
| Experiment and inspection cost        | 35,784,330           | 32,773,215           |
| Others                                | 158,944,280          | 108,473,914          |
| Total                                 | <u>1,686,836,761</u> | <u>1,606,529,489</u> |

### 47. Finance costs

| Item                                   | 2020             | 2019             |
|--|------------------|------------------|
| Interest expenses of borrowings        | 12,163,219       | 20,732,136       |
| Interest expenses of lease liabilities | 4,068,051        | 5,154,482        |
| Less: Capitalised interest expenses    | 213,366          | 346,849          |
| Interest income                        | (42,523,801)     | (28,727,953)     |
| Net exchange losses                    | 18,346,950       | 7,220,835        |
| Financial institution charges          | 12,335,412       | 8,257,532        |
| Others                                 | (1,182,592)      | (7,854,258)      |
| Total                                  | <u>2,993,873</u> | <u>4,435,925</u> |

### 48. Other income

| Item                    | 2020               | 2019               |
|-------------------------|--------------------|--------------------|
| Refunds of VAT          | 175,893,721        | 204,120,757        |
| Technology project fund | 297,928,025        | 134,167,181        |
| Government rewards      | 103,644,343        | 112,206,590        |
| Total                   | <u>577,466,089</u> | <u>450,494,528</u> |



# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2020  
Renminbi Yuan



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

### 49. Investment income

| Item   | 2020              | 2019              |
|--|-------------------|-------------------|
| Gains (Losses) from long-term equity investments under the equity method | (43,830,286)      | (11,958,641)      |
| Gains (Losses) on disposals of held-for-trading financial assets         | 114,579,327       | 106,938,961       |
| Gains (Losses) on disposals of derivative financial instruments          | (6,080,568)       | –                 |
| Gains (Losses) on debt restructuring (Note)                              | (15,276,390)      | –                 |
| Gains (Losses) on de-recognition of financial assets at amortized cost   | (6,210,943)       | –                 |
| Total  | <u>43,181,140</u> | <u>94,980,320</u> |

Note: As the creditor of the debt restructuring, CRRC National Centre of Converters used cash lower than the book value of the accounts receivable to recover the accounts receivable of RMB37,998,450, resulting in the loss of the debt restructuring of RMB15,276,390.

### 50. Gains from fair value changes

| Item                              | 2020             | 2019             |
|-----------------------------------|------------------|------------------|
| Held-for-trading financial assets | <u>2,327,307</u> | <u>5,776,761</u> |
| Total                             | <u>2,327,307</u> | <u>5,776,761</u> |

### 51. Credit impairment gains (losses)

| Item  | 2020              | 2019                 |
|---|-------------------|----------------------|
| Credit impairment gains (losses) of bills receivable                            | (522,324)         | 41,230,552           |
| Credit impairment gains (losses) of trade receivables                           | 84,996,369        | (202,791,434)        |
| Credit impairment gains (losses) of other receivables                           | 1,171,776         | (1,792,977)          |
| Credit impairment gains (losses) of contract assets                             | –                 | (27,361)             |
| Credit impairment gains (losses) of contract assets in other non-current assets | –                 | (6,433,128)          |
| Total   | <u>85,645,821</u> | <u>(169,814,348)</u> |



# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2020  
Renminbi Yuan

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

### 52. Assets impairment gains (losses)

| Item   | 2020          | 2019         |
|--|---------------|--------------|
| Impairment gains (losses) of inventories                                 | (81,863,537)  | (17,706,513) |
| Impairment gains (losses) of goodwill                                    | (154,724,000) | (68,000,000) |
| Impairment gains (losses) of contract assets                             | (718,135)     | –            |
| Impairment gains (losses) of contract assets in other non-current assets | 2,895,681     | –            |
| Total  | (234,409,991) | (85,706,513) |

### 53. Gains (losses) on disposal of assets

| Item                                       | 2020      | 2019      |
|--|-----------|-----------|
| Gains (losses) on disposal of fixed assets | 6,440,830 | (272,649) |

### 54. Non-operating income

| Item   | 2020       |   | 2019       |   |
|--|------------|---|------------|---|
|  | Amount     | Amount included in non-recurring profit or loss | Amount     | Amount included in non-recurring profit or loss |
| Unsettled payment                              | 14,258,668 | 14,258,668                                      | 3,473      | 3,473   |
| Insurance claims income                        | 36,809,294 | 36,809,294                                      | 24,738,189 | 24,738,189                                      |
| Penalty income and default compensation income | 9,588,444  | 9,588,444                                       | 2,399,720  | 2,399,720                                       |
| Others   | 5,267,198  | 5,267,198                                       | 6,310,924  | 6,310,924                                       |
| Total  | 65,923,604 | 65,923,604                                      | 33,452,306 | 33,452,306                                      |

# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2020  
Renminbi Yuan



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

### 55. Non-operating expenses

| Item                                 | 2020             |   | 2019             |   |
|--------------------------------------|------------------|---|------------------|---|
|                                      | Amount           | Amount included in non-recurring profit or loss | Amount           | Amount included in non-recurring profit or loss |
| Losses on penalties and compensation | 1,707,879        | 1,707,879                                       | 167,698          | 167,698   |
| Losses on retirement of assets       | 196,055          | 196,055   | —                | —   |
| Others                               | 4,650,976        | 4,650,976                                       | 1,957,240        | 1,957,240                                       |
| Total                                | <u>6,554,910</u> | <u>6,554,910</u>                                | <u>2,124,938</u> | <u>2,124,938</u>                                |



# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2020  
Renminbi Yuan

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

### 56. Income tax expense

| Item                          | 2020         | 2019         |
|-------------------------------|--------------|--------------|
| Current income tax expense    |              |              |
| – Mainland China              | 400,810,279  | 305,739,660  |
| – Other countries and regions | 6,239,969    | 2,968,302    |
| Sub-total                     | 407,050,248  | 308,707,962  |
| Deferred tax expense          | (66,668,879) | (33,654,536) |
| Total                         | 340,381,369  | 275,053,426  |

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

| Item  | 2020          | 2019          |
|---|---------------|---------------|
| Total profit  | 2,836,938,297 | 2,932,612,787 |
| Income tax expense at statutory tax rate of 25% (Note)  | 709,234,574   | 733,153,197   |
| Effect of different income tax rates for overseas entities  | 20,394,482    | 15,490,802    |
| Effect of preferential tax rate applicable to the Company and its certain subsidiaries                            | (301,278,927) | (353,633,725) |
| Effect of profits and losses attributable to associates and joint ventures  | 6,868,853     | 2,017,870     |
| Effect of tax-free income   | (385,684)     | (1,446,372)   |
| Effect of additional deduction for R&D expenses   | (130,923,232) | (149,696,254) |
| Effect of expenses that are not deductible for tax purposes   | 31,012,445    | 19,323,168    |
| Effect of deductible temporary differences and deductible losses not recognised                                   | 10,738,625    | 33,125,333    |
| Effect of utilization of deductible temporary differences and deductible losses not recognised in the prior years | (501,112)     | (11,365,356)  |
| Differences of annual filing  | (5,290,009)   | (10,273,103)  |
| Others  | 511,354       | (1,642,134)   |
| Income tax expenses   | 340,381,369   | 275,053,426   |

Note: Income tax expenses of the Group include income tax of the Group's subsidiaries in PRC calculated based on the taxable income at the applicable tax and income tax of the Group's subsidiaries not located in PRC calculated based on the taxable income at the applicable tax rate under the local tax laws and regulations.

# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2020  
Renminbi Yuan



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

### 57. Items in the statement of cash flows

#### (1) Cash received relating to other operating activities

| Item                         | 2020                 | 2019               |
|------------------------------|----------------------|--------------------|
| Government grants            | 807,848,488          | 350,613,561        |
| Interest income              | 42,523,801           | 28,727,953         |
| Income from insurance claims | 36,809,294           | 24,738,189         |
| Current amounts received     | 250,482,779          | 379,169,765        |
| Others                       | 59,676,160           | 69,248,817         |
| Total                        | <u>1,197,340,522</u> | <u>852,498,285</u> |

#### (2) Cash paid relating to other operating activities

| Item  | 2020                 | 2019                 |
|---|----------------------|----------------------|
| Payments for selling expenses, administrative expenses and R&D expenses | 1,024,076,892        | 1,765,596,972        |
| Bank charges  | 12,335,412           | 8,257,532            |
| Payments for current amounts  | 528,138,580          | 355,798,943          |
| Increase in restricted cash and bank balances                           | 286,589,925          | 45,040,182           |
| Others  | 18,961,880           | 156,070,383          |
| Total   | <u>1,870,102,689</u> | <u>2,330,764,012</u> |

#### (3) Cash paid relating to other financing activities

| Item  | 2020              | 2019               |
|---|-------------------|--------------------|
| Expenses of lease liabilities                         | 59,207,596        | 37,975,870         |
| Expenses of acquisitions of non-controlling interests | —                 | 65,938,492         |
| Total   | <u>59,207,596</u> | <u>103,914,362</u> |



# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2020  
Renminbi Yuan

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

### 58. Supplementary information to the statement of cash flows

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

| Item  | 2020                 | 2019                 |
|---|----------------------|----------------------|
| Reconciliation of net profit to cash flows from operating activities: |                      |                      |
| Net profit  | 2,496,556,928        | 2,657,559,361        |
| Add: Asset impairment losses  | 234,409,991          | 85,706,513           |
| Credit impairment losses (gains)                                      | (85,645,821)         | 169,814,348          |
| Depreciation of fixed assets  | 398,798,676          | 379,920,238          |
| Amortization of intangible assets                                     | 115,126,380          | 94,660,315           |
| Depreciation of right-of-use assets                                   | 60,160,736           | 37,720,242           |
| Increase in special reserves  | 7,737,285            | 7,322,718            |
| Amortization of long-term prepaid expenses                            | 12,920,622           | 4,891,813            |
| (Gains) losses on disposal of fixed assets                            | (6,440,830)          | 272,649              |
| Finance costs   | 13,963,392           | 25,539,769           |
| Investment losses (gains)   | (43,181,140)         | (94,980,320)         |
| Losses (gains) on fair value changes                                  | (2,327,307)          | (5,776,761)          |
| Decrease (increase) in deferred tax assets                            | (57,580,771)         | (28,771,631)         |
| Increase (decrease) in deferred tax liabilities                       | (9,088,108)          | (4,882,905)          |
| Decrease (increase) in inventories                                    | (556,908,310)        | (674,250,510)        |
| Decrease (increase) in operating receivables                          | 966,085,658          | (2,004,475,736)      |
| Increase (decrease) in operating payables                             | (1,797,238,924)      | 1,364,977,628        |
| Net cash flows from operating activities                              | <u>1,747,348,457</u> | <u>2,015,247,731</u> |

#### (2) Net movement in cash and cash equivalents:

| Item   | 2020                 | 2019                 |
|--|----------------------|----------------------|
| Closing balance of cash                              | 4,783,889,538        | 4,244,080,658        |
| Less: Opening balance of cash                        | <u>4,244,080,658</u> | <u>4,381,012,798</u> |
| Net increase (decrease) in cash and cash equivalents | <u>539,808,880</u>   | <u>(136,932,140)</u> |

# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2020  
Renminbi Yuan



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

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

#### (3) Cash and cash equivalents

| Item   | 31/12/2020           | 31/12/2019           |
|--|----------------------|----------------------|
| Cash on hand                                 | 52,256               | 37,683               |
| Bank deposits on demand                      | <u>4,783,837,282</u> | <u>4,244,042,975</u> |
| Closing balance of cash and cash equivalents | <u>4,783,889,538</u> | <u>4,244,080,658</u> |

### 59. Assets with restrictions on ownership or use right

| Item  | 31/12/2020         | 31/12/2019        |
|---|--------------------|-------------------|
| Pledged cash and bank balances  | 14,996,459         | 13,406,534        |
| Notes receivable endorsed or discounted but not yet due at the balance sheet date | <u>105,438,338</u> | <u>66,053,518</u> |
| Total   | <u>120,434,797</u> | <u>79,460,052</u> |



# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2020  
Renminbi Yuan

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

### 60. Foreign currency monetary items

| Item                   | Foreign currency<br>balance at<br>31/12/2020 | Exchange rate | Equivalent<br>to RMB at<br>31/12/2020 |
|------------------------|--|---------------|---------------------------------------|
| Cash and bank balances |  |               | 197,012,582                           |
| Including: USD         | 7,616,176                                    | 6.52          | 49,694,786                            |
| EUR                    | 3,709,040                                    | 8.03          | 29,765,042                            |
| JPY                    | 154,874,686                                  | 0.06          | 9,793,656                             |
| HKD                    | 2,197,836                                    | 0.84          | 1,849,787                             |
| GBP                    | 11,245,804                                   | 8.89          | 99,978,570                            |
| Others                 |  |               | 5,930,741                             |
| Trade receivables      |  |               | 38,612,942                            |
| Including: USD         | 2,178,224                                    | 6.52          | 14,212,695                            |
| EUR                    | 1,063  | 8.03          | 8,534                                 |
| Others                 |  |               | 24,391,713                            |
| Trade payables         |  |               | 176,010,863                           |
| Including: USD         | 1,301,445                                    | 6.52          | 8,491,797                             |
| EUR                    | 5,416,600                                    | 8.03          | 43,468,212                            |
| JPY                    | 1,662,973,056                                | 0.06          | 105,159,764                           |
| GBP                    | 293,128                                      | 8.89          | 2,605,993                             |
| Others                 |  |               | 16,285,097                            |
| Other payables         |  |               | 25,473,763                            |
| Including: USD         | 589,581                                      | 6.52          | 3,846,959                             |
| EUR                    | 2,588,257                                    | 8.03          | 20,770,765                            |
| GBP                    | 63,147                                       | 8.89          | 561,393                               |
| Others                 |  |               | 294,646                               |



# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2020  
Renminbi Yuan



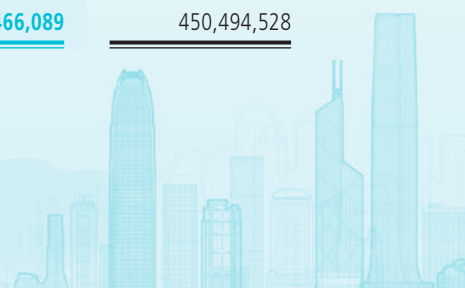
## (V) NOTES TO KEY ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 60. Foreign currency monetary items (continued)

| Item                   | Foreign currency<br>balance at<br>31/12/2019 | Exchange rate | Equivalent to RMB<br>at 31/12/2019 |
|------------------------|--|---------------|------------------------------------|
| Cash and bank balances |  |               | 237,051,166                        |
| Including: USD         | 8,464,669                                    | 6.98          | 59,051,225                         |
| EUR                    | 8,826,709                                    | 7.82          | 68,985,143                         |
| JPY                    | 16,922,888                                   | 0.06          | 1,084,520                          |
| HKD                    | 8,427,608                                    | 0.90          | 7,549,451                          |
| GBP                    | 10,738,953                                   | 9.15          | 98,262,498                         |
| Others                 |  |               | 2,118,329                          |
| Trade receivables      |  |               | 14,892,304                         |
| Including: USD         | 2,134,730                                    | 6.98          | 14,892,304                         |
| Other receivables      |  |               | 29,151                             |
| Including: GBP         | 3,186  | 9.15          | 29,151                             |
| Trade payables         |  |               | 169,548,316                        |
| Including: USD         | 1,077,698                                    | 6.98          | 7,518,234                          |
| EUR                    | 6,997,836                                    | 7.82          | 54,691,590                         |
| JPY                    | 1,582,438,286                                | 0.06          | 101,412,140                        |
| GBP                    | 122,920                                      | 9.15          | 1,124,728                          |
| Others                 |  |               | 4,801,624                          |
| Other payables         |  |               | 42,744,479                         |
| Including: USD         | 1,833,453                                    | 6.98          | 12,790,535                         |
| EUR                    | 2,615,869                                    | 7.82          | 20,444,326                         |
| JPY                    | 7,335,032                                    | 0.06          | 470,073                            |
| GBP                    | 790,787                                      | 9.15          | 7,235,777                          |
| Others                 |  |               | 1,803,768                          |

### 61. Government grants

| Item  | Related to asset/income | Presenting item | 2020               | 2019               |
|---|-------------------------|-----------------|--------------------|--------------------|
| Refunds of VAT  | Related to income       | Other income    | 175,893,721        | 204,120,757        |
| Government rewards  | Related to income       | Other income    | 77,159,766         | 62,195,654         |
| Technology project fund   | Related to asset/income | Deferred income | 730,688,722        | 288,417,907        |
| Total   |                         |                 | <u>983,742,209</u> | <u>554,734,318</u> |
| Including: Government grants<br>recognized in profit<br>or loss for the<br>current period |                         |                 | <u>577,466,089</u> | <u>450,494,528</u> |



# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2020  
Renminbi Yuan

## (VI) INTERESTS IN OTHER ENTITIES

### 1. Interests in subsidiaries

#### (1) Composition of the Group

| Names of the subsidiary  | Place of registration/<br>Principal place of business | Registered capital | Nature of business | Proportion of shareholding |          | Acquisition method |
|--|---|--------------------|--------------------|----------------------------|----------|--------------------|
|  |   |                    |                    | Direct                     | Indirect |                    |
| Ningbo CRRC Times  | Ningbo, Zhejiang <sup>#1</sup>                        | RMB148,826,200     | Manufacturing      | 100%                       | –        | Incorporation      |
| CRRC Times Electronics   | Zhuzhou, Hunan <sup>#2</sup>                          | RMB80,000,000      | Manufacturing      | 100%                       | –        | Incorporation      |
| Shenyang CRRC Times  | Shenyang, Liaoning <sup>#2</sup>                      | RMB56,000,000      | Manufacturing      | 100%                       | –        | Incorporation      |
| CRRC Times Semiconductor (Note 1)  | Zhuzhou, Hunan <sup>#2</sup>                          | RMB2,700,000,000   | Manufacturing      | 100%                       | –        | Incorporation      |
| Baoji CRRC Times   | Baoji, Shaanxi <sup>#3</sup>                          | RMB406,136,600     | Manufacturing      | 90.15%                     | –        | Incorporation      |
| Taiyuan CRRC Times (Note 2)  | Taiyuan, Shanxi <sup>#4</sup>                         | RMB307,620,400     | Manufacturing      | –                          | 55%      | Incorporation      |
| Kunming CRRC Times Electric Equipment Co., Ltd. ("Kunming CRRC Electric")      | Kunming, Yunnan <sup>#2</sup>                         | RMB55,000,000      | Manufacturing      | 100%                       | –        | Incorporation      |
| Hangzhou CRRC Times Electric Equipment Co., Ltd. ("Hangzhou CRRC Electric")    | Hangzhou, Zhejiang <sup>#5</sup>                      | RMB75,000,000      | Manufacturing      | 60%                        | –        | Incorporation      |
| Guangzhou CRRC Times Electric Technology Co., Ltd. ("Guangzhou CRRC Electric") | Guangzhou, Guangdong <sup>#6</sup>                    | RMB30,000,000      | Manufacturing      | 60%                        | –        | Incorporation      |
| HK CRRC Times Electric   | Hong Kong   | HKD856,952,000     | Investment holding | 100%                       | –        | Incorporation      |
| Ningbo CRRC Electric   | Ningbo, Zhejiang <sup>#7</sup>                        | RMB110,000,000     | Manufacturing      | 100%                       | –        | Incorporation      |
| Chengdu CRRC Electric  | Chengdu, Sichuan <sup>#6</sup>                        | RMB30,000,000      | Manufacturing      | 100%                       | –        | Incorporation      |
| Qingdao CRRC Electric (Note 3)   | Qingdao, Shandong <sup>#4</sup>                       | RMB100,000,000     | Manufacturing      | 45%                        | –        | Incorporation      |
| Shanghai CRRC Rail Transit Technology Co., Ltd. ("Shanghai CRRC Rail Transit") | Shanghai <sup>#6</sup>                                | RMB50,000,000      | Manufacturing      | 51%                        | –        | Incorporation      |
| CRRC Times Software  | Zhuzhou, Hunan <sup>#8</sup>                          | RMB100,000,000     | Software service   | 100%                       | –        | Incorporation      |
| Hunan CRRC Signal  | Changsha, Hunan <sup>#2</sup>                         | RMB229,000,000     | Manufacturing      | 100%                       | –        | Incorporation      |
| Lanzhou CRRC Times Rail Transit Technology Co., Ltd. ("Lanzhou Times")         | Lanzhou, Gansu <sup>#5</sup>                          | RMB50,000,000      | Manufacturing      | 51%                        | –        | Incorporation      |

# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2020  
Renminbi Yuan

## (VI) INTERESTS IN OTHER ENTITIES (continued)

### 1. Interests in subsidiaries (continued)

#### (1) Composition of the Group (continued)

| Names of the subsidiary  | Place of registration/<br>Principal place of business | Registered capital | Nature of business | Proportion of shareholding |          | Acquisition method  |
|--|---|--------------------|--------------------|----------------------------|----------|---|
|  |   |                    |                    | Direct                     | Indirect |   |
| Shanghai CRRC SMD (Note 4)   | Shanghai <sup>#3</sup>                                | RMB70,000,000      | Manufacturing      | 100%                       | –        | Incorporation   |
| CRRC Times Electric Australia Pty. Ltd.<br>("Australia CRRC Times Electric") | Australia   | AUD 290,000        | Trading            | 100%                       | –        | Incorporation   |
| CRRC Times Electric USA, LLC<br>("USA CRRC Times Electric")                  | USA   | USD430,000         | Trading            | 100%                       | –        | Incorporation   |
| CRRC Times Electric Brasil Ltda.<br>("Brasil CRRC Times Electric")           | Brazil  | BRL 1,320,000      | Trading            | 99%                        | 1%       | Incorporation   |
| Canada Dynex   | Canada  | CAD 37,096,192     | Investment holding | 100%                       | –        | By business combination not involving entities under common control |
| Dynex Semiconductor Limited  | United Kingdom  | GBP15,000,000      | Manufacturing      | –                          | 100%     |   |
| UK CRRC SMD  | United Kingdom  | GBP44,049,014      | Investment holding | –                          | 100%     |   |
| Soil Machine Dynamics Limited  | United Kingdom  | GBP938,950         | Manufacturing      | –                          | 100%     |   |
| UK CRRC SMD Offshore Support Limited   | United Kingdom  | GBP2               | Trading            | –                          | 100%     |   |
| Soil Machine Dynamics USA LLC  | USA   | USD0               | Trading            | –                          | 100%     |   |
| UK CRRC SMD Robotics Limited   | United Kingdom  | GBP1               | Trading            | –                          | 100%     |   |
| Soil Machine Dynamics Singapore Pte. Ltd.                                    | Singapore   | SGD 1              | Manufacturing      | –                          | 100%     |   |
| UK CRRC SMD do Brasil Ltd.   | Brazil  | BRL 100            | Trading            | –                          | 100%     |   |
| CRRC National Centre of Converters   | Zhuzhou,<br>Hunan <sup>#2</sup>                       | RMB273,000,000     | Manufacturing      | 100%                       | –        | By business combination involving entities under common control     |
| Shanghai Yongdian ("Shanghai Yongdian Electronic Technology Co. Ltd.")       | Shanghai <sup>#9</sup>                                | RMB60,000,000      | Manufacturing      | 100%                       | –        |   |

Note 1: CRRC Times Semiconductor has completed the business registration of change in April 2020, and the registered capital has been changed from RMB300,000,000 to RMB2,700,000,000. The Group has completed the capital contribution.

Note 2: In November 2020, Baoji CRRC Times, a subsidiary of the Group, and CRRC Taiyuan Co., Ltd have increased capital contributions to Taiyuan CRRC Times, a subsidiary of Baoji CRRC Times, by the same proportion. Baoji CRRC Times increased capital contribution of RMB141,691,256 by cash, and CRRC Taiyuan Co., Ltd increased capital contribution of RMB115,929,144 by net assets (including fixed assets of RMB13,804,087 and intangible assets of RMB100,304,000). After the capital increase, Baoji CRRC Times still holds 55% equity of Taiyuan CRRC Times

Note 3: The management of the Group considers that the Group still has control over Qingdao CRRC Electric even if it only holds less than 50% of the voting rights of Qingdao CRRC Electric.

Note 4: Shanghai CRRC SMD has completed the business registration of change in December 2020, and the registered capital has been changed from RMB30,000,000 to RMB70,000,000. The Group has completed the capital contribution.

# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2020  
Renminbi Yuan

## (VI) INTERESTS IN OTHER ENTITIES (continued)

### 1. Interests in subsidiaries (continued)

#### (1) Composition of the Group (continued)

- #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 Limited liability company (foreign investment enterprise wholly-owned by the legal person)

#### (2) Significant non-wholly owned subsidiaries

##### Baoji CRRC Times

| Item | Proportion in non-controlling interests | Profit (Loss) attributable to non-controlling shareholders | Dividends paid to non-controlling shareholders | Closing balance of non-controlling interests |
|------|---|--|--|--|
| 2020 | <u>9.85%</u>                            | <u>2,764,201</u>   | <u>2,241,410</u>                               | <u>85,434,086</u>                            |
| 2019 | <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 YEAR ENDED 31 DECEMBER 2020  
Renminbi Yuan



## (VI) INTERESTS IN OTHER ENTITIES (continued)

### 1. Interests in subsidiaries (continued)

#### (3) Key financial information of significant non-wholly owned subsidiaries

##### Baoji CRRC Times (Consolidated)

| Item  | 31/12/2020    | 31/12/2019    |
|---|---------------|---------------|
| Current assets  | 2,473,688,047 | 2,580,449,571 |
| Non-current assets  | 375,471,912   | 259,048,105   |
| Total assets  | 2,849,159,959 | 2,839,497,676 |
| Current liabilities   | 1,849,406,690 | 1,961,780,520 |
| Non-current liabilities   | 5,140,393     | 12,859,925    |
| Total liabilities   | 1,854,547,083 | 1,974,640,445 |
| Total shareholders' equity                                      | 994,612,876   | 864,857,231   |
| Total equity attributable to shareholders of the Parent Company | 874,321,990   | 861,077,607   |
| Non-controlling interests                                       | 120,290,886   | 3,779,624     |

| Item   | 2020          | 2019          |
|--|---------------|---------------|
| Revenue  | 2,109,441,279 | 2,065,987,290 |
| Net profit (loss)  | 28,306,778    | (14,059,632)  |
| Including: Net profit attributable to shareholders of the Parent                             | 28,062,956    | 5,421,015     |
| Net profit attributable to non-controlling interests   | 243,822       | (19,480,647)  |
| Total comprehensive income   | 28,053,310    | (13,455,550)  |
| Including: Other comprehensive income attributable to shareholders of the Parent, net of tax | 27,813,655    | 5,171,716     |
| Other comprehensive income attributable to non-controlling interests, net of tax             | 239,655       | (18,627,266)  |
| Net cash flows from operating activities   | (237,509,147) | (19,667,953)  |



# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2020  
Renminbi Yuan

## (VI) INTERESTS IN OTHER ENTITIES (continued)

### 2. Transactions in which the share of owners' equity in a subsidiary is changed but the subsidiary is still under control

#### (1) Description of changes in share of owners' equity in subsidiaries

2019

The Group unilaterally increased its capital investment of RMB300,000,000 in Baoji CRRC Times in December 2019. Upon the capital increase, the Group's proportion of owners' equity in Baoji CRRC Times increased from 85.80% to 90.15%. Relevant industrial and commercial modification registration was completed at 30 December 2019. RMB5,143,124, consideration paid for the capital increase in excess of the share of net assets of Baoji CRRC Times based on the proportion of owners' equity was offset against the capital reserve.

In March 2019, the Group acquired all 25% of the circulating non-controlling interests of the Canada Dynex (a subsidiary). The relevant equity transfer procedures were completed on 15 March 2019 (Canadian time), and the Canada Dynex delisted on the Toronto Stock Exchange at the end of trading on 19 March 2019 (Canadian time). After the transaction, the Canada Dynex became a wholly-owned subsidiary of the Company. RMB42,762,468, consideration paid for acquisition of non-controlling interests in Canada Dynex in excess of the share of net assets of Canada Dynex based on the proportion of owners' equity was offset against the capital reserve.

#### (2) Effect of transaction on non-controlling interests and owners' equity attributable to the Company

| Item   | Canada Dynex             | Baoji CRRC Times        |
|--|--------------------------|-------------------------|
| Cost of acquisition  | 65,938,492               | 300,000,000             |
| – Cash   | <u>65,938,492</u>        | <u>300,000,000</u>      |
| Less: Share of net assets of subsidiary based on the proportion of owners' equity acquired | <u>23,176,024</u>        | <u>294,856,876</u>      |
| Difference   | <u><u>42,762,468</u></u> | <u><u>5,143,124</u></u> |
| Including: Decrease in capital reserve   | <u><u>42,762,468</u></u> | <u><u>5,143,124</u></u> |

# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2020  
Renminbi Yuan

## (VI) INTERESTS IN OTHER ENTITIES (continued)

### 3. Interests in joint ventures and associates

#### (1) Joint ventures and associates

| Name of associate/joint venture | Principal place of business/Place of registration | Nature of business                 | Proportion of shareholding |          | Accounting method |
|---------------------------------|---|------------------------------------|----------------------------|----------|-------------------|
|                                 |   |                                    | Direct                     | Indirect |                   |
| <b>Joint ventures</b>           |   |                                    |                            |          |                   |
| Shiling                         | Zhuzhou, Hunan                                    | Manufacturing                      | 50%                        | –        | Equity method     |
| LANP Electrical                 | Wenzhou, Zhejiang                                 | Manufacturing                      | 50%                        | –        | Equity method     |
| Shanghai Shentong CRR           | Shanghai  | R&D and Technical Service Industry | 50%                        | –        | Equity method     |
| Zhengzhou Times                 | Zhengzhou, Henan                                  | Manufacturing                      | 50%                        | –        | Equity method     |
| <b>Associates</b>               |   |                                    |                            |          |                   |
| CRR Hofer                       | Wuxi, Jiangsu                                     | Manufacturing                      | –                          | 49%      | Equity method     |
| Zhuzhou Siemens                 | Zhuzhou, Hunan                                    | Manufacturing                      | 30%                        | –        | Equity method     |
| Guoxin Technology               | Zhuzhou, Hunan                                    | Manufacturing                      | 25%                        | –        | Equity method     |
| Times Wabtec                    | Changsha, Hunan                                   | Manufacturing                      | 50%                        | –        | Equity method     |
| Zhixin Semiconductor            | Wuhan, Hubei                                      | Manufacturing                      | 47%                        | –        | Equity method     |
| CRR India                       | India   | Manufacturing                      | 15%                        | –        | Equity method     |

# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2020  
Renminbi Yuan

## (VI) INTERESTS IN OTHER ENTITIES (continued)

### 3. Interests in joint ventures and associates (continued)

#### (2) Main financial information of significant joint ventures

##### Shiling

| Item                                      | 31/12/2020   | 31/12/2019  |
|---|--------------|-------------|
| Current assets                            | 363,408,059  | 456,692,710 |
| Including: cash and cash equivalents      | 286,249,514  | 315,171,467 |
| Non-current assets                        | 41,084,265   | 50,357,527  |
| Total assets                              | 404,492,324  | 507,050,237 |
| Current liabilities                       | 32,164,488   | 84,113,527  |
| Total liabilities                         | 32,164,488   | 84,113,527  |
| Net assets                                | 372,327,836  | 422,936,710 |
| Net assets portion based on shareholding  | 186,163,918  | 208,663,918 |
| Adjustments                               |              |             |
| – Unrealised profit of downstream trading | –            | –           |
| Carrying amount of investment             | 186,163,918  | 208,663,918 |
| Revenue                                   | 404,578,639  | 332,529,558 |
| Income tax expense                        | –            | –           |
| Net profit (loss)                         | (45,000,000) | 606,006     |
| Total comprehensive income                | (45,000,000) | 606,006     |
| Dividends received from joint ventures    | –            | –           |



# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2020  
Renminbi Yuan

## (VI) INTERESTS IN OTHER ENTITIES (continued)

### 3. Interests in joint ventures and associates (continued)

#### (3) Financial information of joint ventures and associates that are individually insignificant to the Group:

| Item                                | 2020                | 2019               |
|-------------------------------------|---------------------|--------------------|
| Joint ventures:                     |                     |                    |
| Total carrying amount of investment | 31,273,408          | 22,364,117         |
| Total amounts based on shareholding |                     |                    |
| Net profit (loss)                   | (4,590,709)         | 548,968            |
| Total comprehensive income          | <u>(4,590,709)</u>  | <u>548,968</u>     |
| Associates:                         |                     |                    |
| Total carrying amount of investment | 333,368,239         | 296,013,094        |
| Total amounts based on shareholding |                     |                    |
| Net profit (loss)                   | (16,739,577)        | (12,810,612)       |
| Total comprehensive income          | <u>(24,830,105)</u> | <u>(9,603,321)</u> |

# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2020  
Renminbi Yuan

## (VII) RISK RELATED TO FINANCIAL INSTRUMENTS

### 1. Classification of financial instruments

The Group's principal financial instruments comprise cash and bank balances, held-for-trading financial assets, bills receivable, trade receivables, trade receivable financing, other equity instrument investments, other receivables, bills payable, trade payables, other payables, borrowings, long-term payables and lease liabilities, etc. At the end of the reporting period, details of these financial instruments held by the Group are disclosed in Note (V). The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure the risks are monitored at a certain level.

| Item  | 31/12/2020           | 31/12/2019    |
|---|----------------------|---------------|
| <b>Financial assets</b>   |                      |               |
| <i>At FVTPL</i>   |                      |               |
| Held-for-trading financial assets   | <b>3,732,327,307</b> | 4,905,776,761 |
| <i>At FVTOCI</i>  |                      |               |
| Receivables financing   | <b>1,443,941,055</b> | 2,554,953,370 |
| Other equity instrument investments                                       | <b>92,832,300</b>    | 2,400,000     |
| <i>At amortised cost</i>  |                      |               |
| Cash and bank balances  | <b>5,128,885,997</b> | 4,302,487,192 |
| Bills receivable  | <b>2,460,737,156</b> | 2,726,110,422 |
| Trade receivables   | <b>7,936,895,209</b> | 7,413,964,722 |
| Other receivables   | <b>162,774,728</b>   | 106,498,054   |
| Other current assets  | –                    | 100,000,000   |
| <b>Financial liabilities</b>  |                      |               |
| <i>At amortised cost</i>  |                      |               |
| Short-term borrowings   | <b>278,246,822</b>   | 146,596,015   |
| Bills payable   | <b>1,767,905,098</b> | 2,282,345,169 |
| trade payables  | <b>3,611,924,434</b> | 4,391,411,209 |
| Other payables  | <b>643,771,172</b>   | 857,451,744   |
| Long-term borrowings (including long-term borrowings due within one year) | <b>163,235,632</b>   | 235,566,894   |
| Lease liabilities (including lease liabilities due within one year)       | <b>85,887,753</b>    | 104,784,813   |
| Long-term payables  | <b>10,215,068</b>    | 16,517,630    |

# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2020  
Renminbi Yuan

## (VII) RISK RELATED TO FINANCIAL INSTRUMENTS (continued)

### 2. Financial instruments and their risks

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.

#### (1) Credit risk

The Group trades only with recognized 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 credit risk on cash and bank balances is limited because they are deposited with banks with high credit ratings.

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 recognized and creditworthy third parties, there is no requirement for collateral. The Group has a specific credit concentration risk. As at 31 December 2020 and 31 December 2019, the Group had certain concentrations of credit risk as 18.98% and 5.69% of the Group's trade receivables were due from the Group's largest customer, and 24.11% and 12.99% of the Group's trade receivables were due from the five largest customers.

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 to assessing expected credit risk and the direct write down policy are listed in Note (III) 10.2.

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 trade 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.

The Group reviews the recoverable amount of the financial assets at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the management of the Group considers that the Group's credit risk is significantly reduced.

# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2020  
Renminbi Yuan

## (VII) RISK RELATED TO FINANCIAL INSTRUMENTS (continued)

### 2. Financial instruments and their risks (continued)

#### (2) Liquidity risk

The Group monitors its risk of shortage of funds using a Continuous 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.

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 31 December 2020

| Item  | Within 1 year | 1-2 years  | Over 2 years | Total         | Carrying amount |
|---|---------------|------------|--------------|---------------|-----------------|
| Short-term borrowings   | 278,403,513   | -          | -            | 278,403,513   | 278,246,822     |
| Bills payable   | 1,767,905,098 | -          | -            | 1,767,905,098 | 1,767,905,098   |
| trade payables  | 3,611,924,434 | -          | -            | 3,611,924,434 | 3,611,924,434   |
| Other payables  | 643,771,172   | -          | -            | 643,771,172   | 643,771,172     |
| Long-term borrowings (including long-term borrowings due within one year) | 81,803,536    | 5,453,600  | 79,758,878   | 167,016,014   | 163,235,632     |
| Lease liabilities (including lease liabilities due within one year)       | 35,303,374    | 24,478,884 | 44,343,542   | 104,125,800   | 85,887,753      |
| Long-term payables  | -             | 10,215,068 | -            | 10,215,068    | 10,215,068      |
| Total   | 6,419,111,127 | 40,147,552 | 124,102,420  | 6,583,361,099 | 6,561,185,979   |

# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2020  
Renminbi Yuan

## (VII) RISK RELATED TO FINANCIAL INSTRUMENTS (continued)

### 2. Financial instruments and their risks (continued)

#### (2) Liquidity risk (continued)

As at 31 December 2019

| Item  | 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) | 8,975,404            | 147,394,505        | 91,928,455         | 248,298,364          | 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           |
| Total   | <u>7,726,994,803</u> | <u>189,923,438</u> | <u>146,671,074</u> | <u>8,063,589,315</u> | <u>8,034,673,474</u> |

#### (3) Market risk

##### Foreign currency risk

Several of the Group's subsidiaries have purchases and sales denominated in JPY, USD, GBP, EUR and HKD, while the Group's other principal activities are denominated and settled in RMB. Currency risk arising from the assets and liabilities denominated in foreign currencies may have impact on the Group's performance. As at the end of the reporting period, the balance of the Group's assets and liabilities are as follows:

#### As at 31 December 2020

| Item  | Total assets       | Total liabilities  |
|-------|--------------------|--------------------|
| JPY   | 9,793,656          | 105,159,764        |
| USD   | 63,907,481         | 12,338,756         |
| GBP   | 99,978,570         | 3,167,386          |
| EUR   | 29,773,576         | 64,238,977         |
| HKD   | 1,849,787          | –                  |
| Total | <u>205,303,070</u> | <u>184,904,883</u> |

As at 31 December 2019

| Item | Total assets | Total liabilities |
|------|--------------|-------------------|
| JPY  | 1,084,520    | 101,882,213       |
| USD  | 73,943,529   | 20,308,769        |
| GBP  | 98,291,649   | 8,360,505         |
| EUR  | 68,985,143   | 75,135,916        |
| HKD  | 7,549,451    | –                 |

# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2020  
Renminbi Yuan

## (VII) RISK RELATED TO FINANCIAL INSTRUMENTS (continued)

### 2. Financial instruments and their risks (continued)

#### (3) Market risk (continued)

##### Foreign currency risk (continued)

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 and HKD, with all other variables held constant, of the Group's total profit and shareholder's equity before tax.

As at 31 December 2020

| Item                           | Base point Increase/ (decrease) in exchange rate | Effect on profit Increase/ (decrease) in profit |
|--------------------------------|--|---|
| JPY                            |  |   |
| If RMB strengthens against JPY | +10%   | 3,543,126                                       |
| If RMB weakens against JPY     | -10%   | (3,543,126)                                     |
| USD                            |  |   |
| If RMB strengthens against USD | +10%   | (4,347,132)                                     |
| If RMB weakens against USD     | -10%   | 4,347,132                                       |
| GBP                            |  |   |
| If RMB strengthens against GBP | +10%   | (8,225,892)                                     |
| If RMB weakens against GBP     | -10%   | 8,225,892                                       |
| EUR                            |  |   |
| If RMB strengthens against EUR | +10%   | 2,949,637                                       |
| If RMB weakens against EUR     | -10%   | (2,949,637)                                     |
| HKD                            |  |   |
| If RMB strengthens against HKD | +10%   | (153,861)                                       |
| If RMB weakens against HKD     | -10%   | 153,861   |

# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2020  
Renminbi Yuan

## (VII) RISK RELATED TO FINANCIAL INSTRUMENTS (continued)

### 2. Financial instruments and their risks (continued)

#### (3) Market risk (continued)

Foreign currency risk (continued)

As at 31 December 2019

| Item                           | Base point<br>Increase/<br>(decrease) in<br>exchange rate | Effect on profit<br>Increase/<br>(decrease)<br>in profit |
|--------------------------------|---|--|
| 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%  | (4,558,955)  |
| If RMB weakens against USD     | -10%  | 4,558,955  |
| GBP                            |   |  |
| If RMB strengthens against GBP | +10%  | (7,644,148)  |
| If RMB weakens against GBP     | -10%  | 7,644,148  |
| EUR                            |   |  |
| If RMB strengthens against EUR | +10%  | 522,816  |
| If RMB weakens against EUR     | -10%  | (522,816)  |
| HKD                            |   |  |
| If RMB strengthens against HKD | +10%  | (641,703)  |
| If RMB weakens against HKD     | -10%  | 641,703  |

#### 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 for the years ended 31 December 2020 and 2019.

# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2020  
Renminbi Yuan

## (VII) RISK RELATED TO FINANCIAL INSTRUMENTS (continued)

### 2. Financial instruments and their risks (continued)

#### (3) Market risk (continued)

##### Capital management (continued)

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 all borrowings, bills payable, trade payables, employee benefits payable, other taxes payable excluding enterprise 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:

| Item   | 31/12/2020            | 31/12/2019            |
|--|-----------------------|-----------------------|
| Short-term borrowings  | 278,246,822           | 146,596,015           |
| Bills payable  | 1,767,905,098         | 2,282,345,169         |
| Trade payables   | 3,611,924,434         | 4,391,411,209         |
| Employee benefits payable                                    | 117,663,008           | 150,388,408           |
| Taxes payable (excluding enterprise income tax payable)      | 99,432,463            | 110,907,104           |
| Other payables   | 643,771,172           | 857,451,744           |
| Long-term borrowings (including amounts due within one year) | 163,235,632           | 235,566,894           |
| Lease liabilities (including amounts due within one year)    | 85,887,753            | 104,784,813           |
| Long-term payables   | 10,215,068            | 16,517,630            |
| Less: Cash and cash equivalents                              | <u>4,783,889,538</u>  | <u>4,244,080,658</u>  |
| Net debt   | 1,994,391,912         | 4,051,888,328         |
| Equity attributable to the shareholders of the Parent        | <u>23,852,468,161</u> | <u>21,910,263,359</u> |
| Capital and net debt   | <u>25,846,860,073</u> | <u>25,962,151,687</u> |
| Gearing ratio  | <u>7.72%</u>          | <u>15.61%</u>         |



# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2020  
Renminbi Yuan

## (VII) RISK RELATED TO FINANCIAL INSTRUMENTS (continued)

### 3. Transfer of financial assets

The bank acceptance bills or commercial acceptance bills that the Group has endorsed to suppliers for the settlement of trade payables are as follows:

| Item   | 31/12/2020  | 31/12/2019  |
|--|-------------|-------------|
| Transferred financial assets that are not derecognised in their entirety                         | 105,438,338 | 66,053,518  |
| Transferred financial assets that are derecognised in their entirety with continuing involvement | 247,743,856 | 188,449,023 |
| Total  | 353,182,194 | 254,502,541 |

For the bank acceptance bills or commercial acceptance bills that have been transferred but not derecognized in their entirety, 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 recognize the full carrying amounts of the settled trade payables.

The bank acceptance bills or commercial acceptance bills having been derecognized that meet certain criteria have maturities ranging from three to twelve months and have transferred substantially all of the substantial risks and rewards, therefore, the specific bank acceptance bills were derecognized.

The Group derecognized the following trade receivables due to trade receivables factoring:

| Item                        | 2020        | 2019        |
|-----------------------------|-------------|-------------|
| Trade receivables factoring | 736,950,800 | 292,000,000 |

The Group considers that substantially all the risks and rewards of ownership of these trade receivables have been transferred to the other party and therefore derecognizes these trade receivables.

# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2020  
Renminbi Yuan

## (VIII) FAIR VALUE

### 1. Closing fair value of assets and liabilities measured at fair value

As at 31 December 2020

| Item                                      | Closing fair value |                      |                   | Total                |
|---|--------------------|----------------------|-------------------|----------------------|
|   | Level 1            | Level 2              | Level 3           |                      |
| I. Continuous fair value measurement      |                    |                      |                   |                      |
| (I) Financial assets at FVTPL             |                    |                      |                   |                      |
| 1. Held-for-trading financial assets      | –                  | 3,732,327,307        | –                 | 3,732,327,307        |
| (II) Receivables financing                | –                  | 1,443,941,055        | –                 | 1,443,941,055        |
| (III) Other equity instrument investments | –                  | –                    | 92,832,300        | 92,832,300           |
|   | <u>–</u>           | <u>5,176,268,362</u> | <u>92,832,300</u> | <u>5,269,100,662</u> |

As at 31 December 2019

| Item                                      | Closing fair value |                      |                  | Total                |
|---|--------------------|----------------------|------------------|----------------------|
|   | Level 1            | Level 2              | Level 3          |                      |
| I. Continuous fair value measurement      |                    |                      |                  |                      |
| (I) Financial assets at FVTPL             |                    |                      |                  |                      |
| 1. Held-for-trading financial assets      | –                  | 4,905,776,761        | –                | 4,905,776,761        |
| (II) Receivables financing                | –                  | 2,554,953,370        | –                | 2,554,953,370        |
| (III) Other equity instrument investments | –                  | –                    | 2,400,000        | 2,400,000            |
|   | <u>–</u>           | <u>7,460,730,131</u> | <u>2,400,000</u> | <u>7,463,130,131</u> |

# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2020  
Renminbi Yuan

## (VIII) FAIR VALUE (continued)

### 2. Valuation techniques and qualitative and quantitative information of key parameters adopted for continuous level 2 fair value measurement items

Fair value measurement of held-for-trading financial assets and receivables financing is determined based on the method of discounted cash flow analysis. The future cash flows are estimated based on the projected returns to reflect the counterparty's credit risk at discount rate.

### 3. Valuation techniques and qualitative and quantitative information of key parameters adopted for continuous level 3 fair value measurement items

Fair value measurement of other equity instrument investments is determined based on the method of discounted cash flow analysis, with unobservable input as weighted average cost of capital and long-term income growth rate.

4. There are no transfers between Level 1, Level 2 and Level 3 for the fair value measurements of the Group's financial assets in the reporting periods.

### 5. Fair values of financial assets and financial liabilities that are not measured at fair value

The Group's financial assets and financial liabilities at amortized cost are detailed in Note (VII) 1. The fair values of long-term borrowings and long-term payables are determined using the method of discounted cash flow analysis, with market yields on other financial instruments with similar contractual terms, credit risk and remaining maturity as the discount rate. As at 31 December 2020 and 31 December 2019, the carrying amounts of financial assets and financial liabilities at amortized cost in the financial statements approximate their fair values.

## (IX) RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

### 1. Particulars of the intermediate controlling shareholder of the Company

| Name of the intermediate controlling shareholder | Place of Registration | Nature of business   | Registered capital | Proportion of shareholding | Proportion of votes |
|--|-----------------------|--|--------------------|----------------------------|---------------------|
| CRRC ZELRI                                       | Zhuzhou, Hunan        | R&D, manufacturing and sales of rail transportation products and equipment | RMB8,446,840,000   | 50.16%                     | 50.16%              |

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

The controlling party of the Company's intermediate controlling shareholder 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. Particulars of subsidiaries of the Company

For details of the subsidiaries of the Company, please refer to Note (VI)1.

### 3. Particulars of joint ventures and associates of the Company

For details of the joint ventures and associates of the Company, please refer to Note (VI)3.

# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2020  
Renminbi Yuan

## (IX) RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (continued)

### 4. Particulars of other related parties

#### (1) Corporation controlled by the CRRZ ZELRI

| Names of other related parties  | Relationship between other related party and the Company |
|---|--|
| CRRZ Beijing Heavy Industry and Mechanics Co., Ltd.                       | Corporation controlled by the CRRZ ZELRI                 |
| Xiangyang CRRZ Electric Machinery Co., Ltd.                               | Corporation controlled by the CRRZ ZELRI                 |
| Zhuzhou Times New Material Technology Co., Ltd.                           | Corporation controlled by the CRRZ ZELRI                 |
| Zhuzhou Times RUIWEI Anti-vibration Equipment Limited                     | Corporation controlled by the CRRZ ZELRI                 |
| Xiangyang China Railway Hongji Engineering Co., Ltd.                      | Corporation controlled by the CRRZ ZELRI                 |
| Zhuzhou Times Rubber and Plastics Components Development Co., Ltd.        | Corporation controlled by the CRRZ ZELRI                 |
| Zhuzhou CRRZ Electromechanical Technology Co., Ltd.                       | Corporation controlled by the CRRZ ZELRI                 |
| CRRZ-AVC Thermal Technologies (Zhuzhou) Co., Ltd.                         | Corporation controlled by the CRRZ ZELRI                 |
| Shanghai CRRZ Hange Shipping and Marine Engineering Co., Ltd.             | Corporation controlled by the CRRZ ZELRI                 |
| Zhuzhou Times Fiber Pioneer Material Technology Co., Ltd.                 | Corporation controlled by the CRRZ ZELRI                 |
| Hunan CRRZ Special Electric Equipment Co., Ltd.                           | Corporation controlled by the CRRZ ZELRI                 |
| Hunan CRRZ Zhixing Technology Co., Ltd.                                   | Corporation controlled by the CRRZ ZELRI                 |
| Qingdao CRRZ Huaxuan Water Co., Ltd.                                      | Corporation controlled by the CRRZ ZELRI                 |
| CRRZ Zhuzhou Traction Electrical Equipment Test & Certification Co., Ltd. | Corporation controlled by the CRRZ ZELRI                 |
| Zhuzhou CRRZ Times Publishing Co., Ltd.                                   | Corporation controlled by the CRRZ ZELRI                 |
| Boge Rubber & Plastics (Zhuzhou) Co., Ltd.                                | Corporation controlled by the CRRZ ZELRI                 |
| Wuxi CRRZ Times Intelligent Equipment Co., Ltd.                           | Corporation controlled by the CRRZ ZELRI                 |

# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2020  
Renminbi Yuan



## (IX) RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (continued)

### 4. Particulars of other related parties (continued)

#### (2) Corporation controlled by the ultimate holding party other than the CRRC ZELRI Group

| Names of other related parties                                 | Relationship between other related party and the Company                             |
|--|--|
| CRRC Luoyang Co., Ltd.   | Corporation controlled by the ultimate holding party other than the CRRC ZELRI Group |
| CRRC Qishuyan Co., Ltd.  | Corporation controlled by the ultimate holding party other than the CRRC ZELRI Group |
| CRRC Changchun Railway Vehicles Co., Ltd.                      | Corporation controlled by the ultimate holding party other than the CRRC ZELRI Group |
| CRRC Logistics Co., Ltd.                                       | Corporation controlled by the ultimate holding party other than the CRRC ZELRI Group |
| CRRC Tianjin JL Equipment Co., Ltd.                            | Corporation controlled by the ultimate holding party other than the CRRC ZELRI Group |
| Shijiazhuang King Transportation Equipment Co., Ltd.           | Corporation controlled by the ultimate holding party other than the CRRC ZELRI Group |
| Beijing CRRC CED Railway Electric Tech. Co., Ltd.              | Corporation controlled by the ultimate holding party other than the CRRC ZELRI Group |
| CRRC Taiyuan Co., Ltd.   | Corporation controlled by the ultimate holding party other than the CRRC ZELRI Group |
| Qingdao Sri Technology Co., Ltd.                               | Corporation controlled by the ultimate holding party other than the CRRC ZELRI Group |
| CRRC Qingdao Sifang Rolling Stock Research Institute Co., Ltd. | Corporation controlled by the ultimate holding party other than the CRRC ZELRI Group |
| CRRC Sifang Co., Ltd.  | Corporation controlled by the ultimate holding party other than the CRRC ZELRI Group |
| Changzhou Ruitai Engineering Machinery Co., Ltd.               | Corporation controlled by the ultimate holding party other than the CRRC ZELRI Group |
| CRRC Changzhou Tech-mark Industrial Co., Ltd.                  | Corporation controlled by the ultimate holding party other than the CRRC ZELRI Group |
| CRRC Zhuzhou Locomotive Co., Ltd.                              | Corporation controlled by the ultimate holding party other than the CRRC ZELRI Group |
| Meishan CRRC Brake Technology Co., Ltd.                        | Corporation controlled by the ultimate holding party other than the CRRC ZELRI Group |
| CRRC Dalian Institute Co., Ltd.                                | Corporation controlled by the ultimate holding party other than the CRRC ZELRI Group |
| CRRC Qiqihar Co., Ltd.   | Corporation controlled by the ultimate holding party other than the CRRC ZELRI Group |
| CRRC Shandong Co., Ltd.  | Corporation controlled by the ultimate holding party other than the CRRC ZELRI Group |
| CRRC Hangzhou Co., Ltd.  | Corporation controlled by the ultimate holding party other than the CRRC ZELRI Group |
| CRRC Qishuyan Institute Co., Ltd.                              | Corporation controlled by the ultimate holding party other than the CRRC ZELRI Group |
| Hunan CRRC Environmental Engineering Co. Ltd.                  | Corporation controlled by the ultimate holding party other than the CRRC ZELRI Group |



# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2020  
Renminbi Yuan

## (IX) RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (continued)

### 4. Particulars of other related parties (continued)

#### (2) Corporation controlled by the ultimate holding party other than the CRRC ZELRI Group (continued)

| Names of other related parties  | Relationship between other related party and the Company                             |
|---|--|
| Zhuzhou CRRC Special Equipment Technology Co., Ltd.                                   | Corporation controlled by the ultimate holding party other than the CRRC ZELRI Group |
| Qingdao KAMAX Buffer Equipment Co., Ltd.  | Corporation controlled by the ultimate holding party other than the CRRC ZELRI Group |
| CRRC Commercial Factoring Co., Ltd.   | Corporation controlled by the ultimate holding party other than the CRRC ZELRI Group |
| Ningbo Jiangbei Gofront Herong Electric Co., Ltd.                                     | Corporation controlled by the ultimate holding party other than the CRRC ZELRI Group |
| CRRC Zhuzhou Vehicle Co., Ltd.  | Corporation controlled by the ultimate holding party other than the CRRC ZELRI Group |
| CRRC Zhuzhou Electric Co., Ltd.   | Corporation controlled by the ultimate holding party other than the CRRC ZELRI Group |
| Xi'an CRRC Yongdian Electric Co., Ltd.  | Corporation controlled by the ultimate holding party other than the CRRC ZELRI Group |
| CRRC Times Electric Vehicle Co., Ltd.   | Corporation controlled by the ultimate holding party other than the CRRC ZELRI Group |
| Ziyang CRRC Electrical Technology Co., Ltd.   | Corporation controlled by the ultimate holding party other than the CRRC ZELRI Group |
| Kunming CRRC Urban Rail Transit Equipment Co., Ltd.                                   | Corporation controlled by the ultimate holding party other than the CRRC ZELRI Group |
| CRRC Yangtze Tongling Co., Ltd.   | Corporation controlled by the ultimate holding party other than the CRRC ZELRI Group |
| CRRC Dalian Electric Traction Research and Development Center Co., Ltd.               | Corporation controlled by the ultimate holding party other than the CRRC ZELRI Group |
| CRRC Erqi Co., Ltd.   | Corporation controlled by the ultimate holding party other than the CRRC ZELRI Group |
| China Railway Inspection Certification (Qingdao) Vehicle Inspection Station Co., Ltd. | Corporation controlled by the ultimate holding party other than the CRRC ZELRI Group |
| CRRC Datong Co., Ltd.   | Corporation controlled by the ultimate holding party other than the CRRC ZELRI Group |
| Taiyuan CRRC Rail Transit Equipment Co., Ltd.   | Corporation controlled by the ultimate holding party other than the CRRC ZELRI Group |
| CRRC Dalian Co., Ltd.   | Corporation controlled by the ultimate holding party other than the CRRC ZELRI Group |
| Century Huayang Environmental Engineering Co. Ltd.                                    | Corporation controlled by the ultimate holding party other than the CRRC ZELRI Group |
| CRRC Environmental & Technology Co., Ltd.   | Corporation controlled by the ultimate holding party other than the CRRC ZELRI Group |
| Shandong CRRC Huateng Environmental Protection Technology Co., Ltd.                   | Corporation controlled by the ultimate holding party other than the CRRC ZELRI Group |

# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2020  
Renminbi Yuan



## (IX) RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (continued)

### 4. Particulars of other related parties (continued)

#### (2) Corporation controlled by the ultimate holding party other than the CRRC ZELRI Group (continued)

| Names of other related parties                                  | Relationship between other related party and the Company                             |
|---|--|
| Nanjing CRRC Logistics Service Co., Ltd.                        | Corporation controlled by the ultimate holding party other than the CRRC ZELRI Group |
| CRRC Wuhan Railway Equipment Co., Ltd.                          | Corporation controlled by the ultimate holding party other than the CRRC ZELRI Group |
| Australia CRRC Changke Rail Transit Equipment Co., Ltd.         | Corporation controlled by the ultimate holding party other than the CRRC ZELRI Group |
| CRRC Lanzhou Co., Ltd.  | Corporation controlled by the ultimate holding party other than the CRRC ZELRI Group |
| Ziyang CRRC Electric Locomotive Co., Ltd.                       | Corporation controlled by the ultimate holding party other than the CRRC ZELRI Group |
| CRRC Tangshan Co., Ltd.   | Corporation controlled by the ultimate holding party other than the CRRC ZELRI Group |
| CRRC Yongji Electric Co., Ltd.                                  | Corporation controlled by the ultimate holding party other than the CRRC ZELRI Group |
| Cangzhou CRRC ZELC Railway Equipment & Service Co., Ltd.        | Corporation controlled by the ultimate holding party other than the CRRC ZELRI Group |
| Foshan CRRC Sifang Railway Vehicles Co., Ltd.                   | Corporation controlled by the ultimate holding party other than the CRRC ZELRI Group |
| Guangzhou CRRC Junfa Electrical Co., Ltd.                       | Corporation controlled by the ultimate holding party other than the CRRC ZELRI Group |
| CRRC Hangzhou Co., Ltd.   | Corporation controlled by the ultimate holding party other than the CRRC ZELRI Group |
| Meishan CRRC Fastener Science & Technology Co., Ltd.            | Corporation controlled by the ultimate holding party other than the CRRC ZELRI Group |
| Nanjing CRRC Puzhen Rapid Transit Vehicles Co., Ltd.            | Corporation controlled by the ultimate holding party other than the CRRC ZELRI Group |
| Nanjing CRRC Puzhen Industrial Logistics Co., Ltd.              | Corporation controlled by the ultimate holding party other than the CRRC ZELRI Group |
| Nanjing CRRC Puzhen Haitai Brake Equipment Co., Ltd.            | Corporation controlled by the ultimate holding party other than the CRRC ZELRI Group |
| Bombardier Sifang (Qingdao) Transportation Co., Ltd.            | Corporation controlled by the ultimate holding party other than the CRRC ZELRI Group |
| Qingdao CRRC Sifang Rail Transit Equipment Technology Co., Ltd. | Corporation controlled by the ultimate holding party other than the CRRC ZELRI Group |
| Quanzhou CRRC Tangshan Railway Vehicle Co., Ltd.                | Corporation controlled by the ultimate holding party other than the CRRC ZELRI Group |
| Shijiazhuang CRRC Railway Vehicles Equipment Co., Ltd.          | Corporation controlled by the ultimate holding party other than the CRRC ZELRI Group |
| Suzhou CRRC Rolling Stock Co., Ltd.                             | Corporation controlled by the ultimate holding party other than the CRRC ZELRI Group |



# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2020  
Renminbi Yuan

## (IX) RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (continued)

### 4. Particulars of other related parties (continued)

#### (2) Corporation controlled by the ultimate holding party other than the CRRC ZELRI Group (continued)

| Names of other related parties                    | Relationship between other related party and the Company                             |
|---|--|
| Wuhan CRRC Sifang Maintenance Center Ltd.         | Corporation controlled by the ultimate holding party other than the CRRC ZELRI Group |
| Wuhan CRRC Changke Railway Vehicles Co., Ltd.     | Corporation controlled by the ultimate holding party other than the CRRC ZELRI Group |
| CRRC Xi'an Yongdianjietong Electric Co., Ltd.     | Corporation controlled by the ultimate holding party other than the CRRC ZELRI Group |
| Changchun CRRC Railway Vehicles Co., Ltd.         | Corporation controlled by the ultimate holding party other than the CRRC ZELRI Group |
| Zhengzhou CRRC Sifang Rail Vehicle Co., Ltd.      | Corporation controlled by the ultimate holding party other than the CRRC ZELRI Group |
| CRRC Chengdu Co., Ltd.                            | Corporation controlled by the ultimate holding party other than the CRRC ZELRI Group |
| CRRC Industry Research Institute Co., Ltd.        | Corporation controlled by the ultimate holding party other than the CRRC ZELRI Group |
| CRRC Guangdong Co., Ltd.                          | Corporation controlled by the ultimate holding party other than the CRRC ZELRI Group |
| CRRC Nanjing Puzhen Co., Ltd.                     | Corporation controlled by the ultimate holding party other than the CRRC ZELRI Group |
| CRRC Qingdao Sifang Co., Ltd.                     | Corporation controlled by the ultimate holding party other than the CRRC ZELRI Group |
| CRRC Shenyang Co., Ltd.                           | Corporation controlled by the ultimate holding party other than the CRRC ZELRI Group |
| CRRC Xi'an Co., Ltd.                              | Corporation controlled by the ultimate holding party other than the CRRC ZELRI Group |
| Chongqing CRRC Construction Engrg Co., Ltd.       | Corporation controlled by the ultimate holding party other than the CRRC ZELRI Group |
| Chongqing CRRC Changke Railway Vehicles Co., Ltd. | Corporation controlled by the ultimate holding party other than the CRRC ZELRI Group |
| Zhuzhou CRRC Logistics Co., Ltd.                  | Corporation controlled by the ultimate holding party other than the CRRC ZELRI Group |
| CRRC ZELC Verkehrstechnik GmbH                    | Corporation controlled by the ultimate holding party other than the CRRC ZELRI Group |
| CRRC Brasil Equipamentos ferroviários Ltda        | Corporation controlled by the ultimate holding party other than the CRRC ZELRI Group |
| ShangHai CRRC Ro-Intelligent System.Co.,Ltd       | Corporation controlled by the ultimate holding party other than the CRRC ZELRI Group |
| CRRC Harbin Rolling Stock Co., Ltd.               | Corporation controlled by the ultimate holding party other than the CRRC ZELRI Group |
| Tianjin CRRC Sifang Co., Ltd.                     | Corporation controlled by the ultimate holding party other than the CRRC ZELRI Group |



# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2020  
Renminbi Yuan



## (IX) RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (continued)

### 4. Particulars of other related parties (continued)

#### (2) Corporation controlled by the ultimate holding party other than the CRRC ZELRI Group (continued)

| Names of other related parties                                     | Relationship between other related party and the Company                             |
|--|--|
| CRRC Sifang Railway Vehicles (Chengdu) Co., Ltd.                   | Corporation controlled by the ultimate holding party other than the CRRC ZELRI Group |
| CRRC Massachusetts Co., Ltd.                                       | Corporation controlled by the ultimate holding party other than the CRRC ZELRI Group |
| Chengdu CRRC Electric Co., Ltd.                                    | Corporation controlled by the ultimate holding party other than the CRRC ZELRI Group |
| Chongqing CRRC Sifang Rolling Stock Institute Technology Co., Ltd. | Corporation controlled by the ultimate holding party other than the CRRC ZELRI Group |
| Yongji CRRC Motor & Electric Appliance Repair CO., Ltd.            | Corporation controlled by the ultimate holding party other than the CRRC ZELRI Group |
| Shanghai Alstom Transport Co., Ltd.                                | Corporation controlled by the ultimate holding party other than the CRRC ZELRI Group |
| Changde CRRC New Energy Vehicle Co., Ltd.                          | Corporation controlled by the ultimate holding party other than the CRRC ZELRI Group |
| Zhejiang CRRC Electric Vehicles Co., Ltd.                          | Corporation controlled by the ultimate holding party other than the CRRC ZELRI Group |
| CRRC Information Technology Co., Ltd.                              | Corporation controlled by the ultimate holding party other than the CRRC ZELRI Group |
| CRRC Guiyang Vehicle Co., Ltd.                                     | Corporation controlled by the ultimate holding party other than the CRRC ZELRI Group |
| Ningbo CRRC Rail Transit Equipment Co., Ltd.                       | Corporation controlled by the ultimate holding party other than the CRRC ZELRI Group |
| Hefei CRRC Rolling Stock Co., Ltd.                                 | Corporation controlled by the ultimate holding party other than the CRRC ZELRI Group |
| CRRC Yangtze Co., Ltd.   | Corporation controlled by the ultimate holding party other than the CRRC ZELRI Group |
| CRRC Finance Co., Ltd.   | Corporation controlled by the ultimate holding party other than the CRRC ZELRI Group |
| CRRC Qingdao Sifang Vehicle logistics Co., Ltd.                    | Corporation controlled by the ultimate holding party other than the CRRC ZELRI Group |
| Zhuzhou CRRC Tianli Forging Co., Ltd.                              | Corporation controlled by the ultimate holding party other than the CRRC ZELRI Group |
| Dalian CRRC Ruitong Technology Development Co., Ltd.               | Corporation controlled by the ultimate holding party other than the CRRC ZELRI Group |
| Zhuzhou Jiufang Equipment Co., Ltd.                                | Corporation controlled by the ultimate holding party other than the CRRC ZELRI Group |
| CRRC (Hong Kong) Co. Ltd.  | Corporation controlled by the ultimate holding party other than the CRRC ZELRI Group |
| Changzhou CRRC General Electric Diesel Engine Co. Ltd              | Corporation controlled by the ultimate holding party other than the CRRC ZELRI Group |



# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2020  
Renminbi Yuan

## (IX) RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (continued)

### 4. Particulars of other related parties (continued)

#### (3) A joint venture of CRRZ ZELRI

| Name of other related party                       | Relationship between other related party and the Company |
|---|--|
| Zhuzhou CRRZ Times High-tech Investment Co., Ltd. | (1) A joint venture of CRRZ ZELRI                        |

#### (4) Associates of CRRZ ZELRI

| Names of other related parties                   | Relationship between other related party and the Company |
|--|--|
| Hunan Motor Vehicle Testing Technology Co., Ltd. | An associate of CRRZ ZELRI                               |
| Zhuzhou Times Electric Insulation Co., Ltd.      | An associate of CRRZ ZELRI                               |

#### (5) Associates of the ultimate holding group other than the Zhuzhou CRRZ Group

| Names of other related parties                                 | Relationship between other related party and the Company                   |
|--|--|
| Guangzhou Locomotive Co., Ltd.                                 | An associate of the ultimate holding group other than the CRRZ ZELRI Group |
| Beijing Er'qi Changtie Transportation Co., Ltd.                | An associate of the ultimate holding group other than the CRRZ ZELRI Group |
| Tianjin Electric Locomotive Co., Ltd.                          | An associate of the ultimate holding group other than the CRRZ ZELRI Group |
| Zhuzhou Jiufang Casting Co., Ltd.                              | An associate of the ultimate holding group other than the CRRZ ZELRI Group |
| Beijing North Gofront Science Business Co., Ltd.               | An associate of the ultimate holding group other than the CRRZ ZELRI Group |
| Shentong CSR (Shanghai) Railway Vehicles Maintenance Co., Ltd. | An associate of the ultimate holding group other than the CRRZ ZELRI Group |

# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2020  
Renminbi Yuan



## (IX) RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (continued)

### 4. Particulars of other related parties (continued)

#### (6) Joint ventures of the ultimate holding group other than the CRRC ZELRI Group

| Names of other related parties                                 | Relationship between other related party and the Company                      |
|--|---|
| Shentong CNR (Shanghai) Railway Vehicles Maintenance Co., Ltd. | A joint venture of the ultimate holding group other than the CRRC ZELRI Group |
| Shenyang Westinghouse Brake Technology Co., Ltd.               | A joint venture of the ultimate holding group other than the CRRC ZELRI Group |
| Changzhou Ruiyang Transmission Technology Co., Ltd.            | A joint venture of the ultimate holding group other than the CRRC ZELRI Group |
| Shenzhen CRRC Railway Vehicles Co., Ltd.                       | A joint venture of the ultimate holding group other than the CRRC ZELRI Group |
| Changchun Bombardier Railway Vehicles Company Ltd.             | A joint venture of the ultimate holding group other than the CRRC ZELRI Group |
| Qingdao Faiveley Sri Rail Brake Co., Ltd.                      | A joint venture of the ultimate holding group other than the CRRC ZELRI Group |
| Baweitong Technology Co., Ltd.                                 | A joint venture of the ultimate holding group other than the CRRC ZELRI Group |

#### (7) Investors which have significant influence over Baoji CRRC Times

| Name of other related party   | Relationship between other related party and the Company          |
|---|---|
| China Railway Baoji Machinery Co., Ltd.<br>(Hereinafter referred to as "China Railway Baogong") | An investor which has significant influence over Baoji CRRC Times |



# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2020  
Renminbi Yuan

## (IX) RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (continued)

### 5. Major transactions between the Group and its related parties

#### (1) Purchases of goods and receipts of services from related parties

| Name of the entity   | 2020          | 2019          |
|--|---------------|---------------|
| Corporation controlled by the ultimate holding party other than the CRRC ZELRI Group | 2,073,648,616 | 1,539,450,293 |
| Corporation controlled by the CRRC ZELRI   | 755,965,973   | 637,570,312   |
| A joint venture of the ultimate holding group other than the CRRC ZELRI Group        | 191,299,249   | –             |
| Joint ventures of the Company  | 171,829,428   | 490,624,289   |
| CRRC ZELRI   | 143,490,738   | 269,039,284   |
| Joint ventures of the ultimate holding group other than the CRRC ZELRI Group         | 24,299,333    | 6,751,014     |
| Associates of the Company  | 30,477,425    | 14,023,153    |
| Associates of the CRRC ZELRI   | 259,245       | –             |
| Investors which have significant influence over Baoji CRRC Times                     | 14,679,319    | 9,582,199     |
| Total  | 3,405,949,326 | 2,967,040,544 |

#### (2) Sales of goods and rendering of services to related parties

| Name of the entity   | 2020          | 2019          |
|--|---------------|---------------|
| Corporation controlled by the ultimate holding party other than the CRRC ZELRI Group | 7,302,277,629 | 7,549,988,401 |
| CRRC ZELRI   | 202,864,310   | 145,002,269   |
| Joint ventures of the Company  | 168,526,525   | 300,685,849   |
| A joint venture of the ultimate holding group other than the CRRC ZELRI Group        | 146,855,250   | 82,165,474    |
| Joint ventures of the ultimate holding group other than the CRRC ZELRI Group         | 143,480,462   | –             |
| Corporation controlled by the CRRC ZELRI   | 55,360,654    | 185,472,284   |
| Associates of the Company  | 7,015,229     | 2,601,921     |
| The controlling shareholder of the parent  | 2,735,849     | –             |
| Joint ventures of CRRC ZELRI   | 8,110         | –             |
| Investors which have significant influence over Baoji CRRC Times                     | 12,165,143    | 11,609,854    |
| Total  | 8,041,289,161 | 8,277,526,052 |

# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2020  
Renminbi Yuan



## (IX) RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (continued)

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

#### (3) Purchases of energy from related parties

| Name of the entity   | 2020      | 2019      |
|--|-----------|-----------|
| Corporation controlled by the ultimate holding party other than the CRRZ ZELRI Group | 1,305,295 | 661,750   |
| Investors which have significant influence over Baoji CRRZ Times                     | 764,513   | 589,657   |
| Total  | 2,069,808 | 1,251,407 |

#### (4) Sales of energy to related parties

| Name of the entity  | 2020      | 2019      |
|---|-----------|-----------|
| Corporations controlled by the ultimate holding party other than the CRRZ ZELRI Group | 13,227    | –         |
| Corporation controlled by the CRRZ ZELRI  | 3,476,744 | 3,080,258 |
| CRRZ ZELRI  | 520,287   | 618,179   |
| Associates of the Company   | 341,460   | 8,146     |
| Associates of the CRRZ ZELRI  | 255,003   | –         |
| Total   | 4,606,721 | 3,706,583 |



# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2020  
Renminbi Yuan

## (IX) RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (continued)

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

#### (5) Related party leases

As a lessor

| Name of the entity   | 2020              | 2019             |
|--|-------------------|------------------|
| Corporation controlled by the CRRC ZELRI   | 5,125,278         | 4,998,734        |
| CRRC ZELRI   | 3,201,490         | 3,136,073        |
| Corporation controlled by the ultimate holding party other than the CRRC ZELRI Group | 1,011,427         | 1,144,112        |
| Associates of the Company  | 852,190           | 417,878          |
| Joint ventures of the ultimate holding group other than the CRRC ZELRI Group         | —                 | 8,807            |
| Total  | <u>10,190,385</u> | <u>9,705,604</u> |

As a lessee

| Name of the entity   | 2020              | 2019             |
|--|-------------------|------------------|
| Corporation controlled by the ultimate holding party other than the CRRC ZELRI Group | 14,951,497        | —                |
| CRRC ZELRI   | 2,575,936         | 610,827          |
| Corporation controlled by the CRRC ZELRI   | 991,937           | 1,362,596        |
| Investors which have significant influence over Baoji CRRC Times                     | 3,137,536         | 2,942,135        |
| Total  | <u>21,656,906</u> | <u>4,915,558</u> |

| Name of the entity   | 2020   |   | 2019   |   |
|--|--|---|--|---|
|  | Right-of-use assets recognized in the period | Interest expenses associated with lease liabilities | Right-of-use assets recognized in the period | Interest expenses associated with lease liabilities |
| Corporation controlled by the ultimate holding party other than the CRRC ZELRI Group | —  | 860,465   | 8,670,923                                    | 876,917   |
| CRRC ZELRI   | —  | 43,931  | 2,429,267                                    | 100,287   |
| Total  | <u>—</u>                                     | <u>904,396</u>                                      | <u>11,100,190</u>                            | <u>977,204</u>                                      |

# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2020  
Renminbi Yuan

## (IX) RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (continued)

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

#### (6) Borrowings from related parties

| Name of the entity                        | Amount             | Start date | Expiry date | Annual interest rate |
|---|--------------------|------------|-------------|----------------------|
| The controlling shareholder of the parent | 50,000,000         | 29/09/2015 | 28/09/2030  | 1.08%                |
|   | 34,188,000         | 29/09/2015 | 28/09/2030  | 1.08%                |
|   | <u>16,000,000</u>  | 29/09/2015 | 28/09/2030  | 1.08%                |
| Total                                     | <u>100,188,000</u> |            |             |                      |

#### (7) Social security contributions and housing funds through related parties

| Name of the entity   | 2020               | 2019               |
|--|--------------------|--------------------|
| CRRZ ZELRI   | 419,930,098        | 443,847,400        |
| Corporation controlled by the ultimate holding party other than the CRRZ ZELRI Group | <u>4,388,135</u>   | <u>4,783,238</u>   |
| Total  | <u>424,318,233</u> | <u>448,630,638</u> |

#### (8) Remuneration of key management

| Name of the entity             | 2020              | 2019              |
|--------------------------------|-------------------|-------------------|
| Remuneration of key management | <u>16,950,293</u> | <u>14,641,318</u> |

1) Remuneration of directors, supervisors and chief executive for the current year is disclosed as follows

| Name of the entity                        | 2020             | 2019             |
|---|------------------|------------------|
| Fees                                      | 1,052,821        | 1,058,383        |
| Other emoluments:                         |                  |                  |
| Salaries, allowances and benefits in kind | 2,080,861        | 1,803,607        |
| Performance related bonuses               | 2,627,330        | 1,372,533        |
| Pension scheme contributions              | <u>242,651</u>   | <u>288,809</u>   |
| Subtotal                                  | <u>4,950,842</u> | <u>3,464,949</u> |
| Total                                     | <u>6,003,663</u> | <u>4,523,332</u> |

# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2020  
Renminbi Yuan

## (IX) RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (continued)

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

#### (8) Remuneration of key management (continued)

1) Remuneration of directors, supervisors and chief executive for the current year is disclosed as follows (continued)

Details of remuneration of directors, supervisors and chief executives in 2020 are listed as below:

|  | Fees      | Salaries, allowances and benefits in kind | Performance related bonuses | Pension scheme contributions | Total     |
|--|-----------|---|-----------------------------|------------------------------|-----------|
| <b>Executive Directors</b>                 |           |   |                             |                              |           |
| Li Donglin                                 | -         | -   | -                           | -                            | -         |
| Yang Shouyi (Note 1)                       | -         | -   | -                           | -                            | -         |
| Shang Jing (Note 2)                        | -         | 468,874                                   | 466,875                     | 55,411                       | 991,160   |
| Liu Ke'an                                  | -         | 346,093                                   | 605,597                     | 50,558                       | 1,002,248 |
| Yan Wu                                     | -         | 447,206                                   | 590,934                     | 62,524                       | 1,100,664 |
| Subtotal                                   | -         | 1,262,173                                 | 1,663,406                   | 168,493                      | 3,094,072 |
| <b>Independent Non-Executive Directors</b> |           |   |                             |                              |           |
| Chen Jinrong                               | 270,329   | -   | -                           | -                            | 270,329   |
| Pu Bingrong                                | 270,329   | -   | -                           | -                            | 270,329   |
| Liu Chunru                                 | 119,043   | -   | -                           | -                            | 119,043   |
| Chen Xiaoming                              | 119,043   | -   | -                           | -                            | 119,043   |
| Gao Feng                                   | 119,043   | -   | -                           | -                            | 119,043   |
| Subtotal                                   | 897,787   | -   | -                           | -                            | 897,787   |
| <b>Supervisors</b>                         |           |   |                             |                              |           |
| Li Lue                                     | -         | -   | -                           | -                            | -         |
| Pang Yiming                                | -         | 328,738                                   | 256,696                     | 48,983                       | 634,417   |
| Zhou Guifa                                 | 35,991    | 489,950                                   | 707,228                     | 25,175                       | 1,258,344 |
| Geng Jianxin                               | 119,043   | -   | -                           | -                            | 119,043   |
| Subtotal                                   | 155,034   | 818,688                                   | 963,924                     | 74,158                       | 2,011,804 |
| Total                                      | 1,052,821 | 2,080,861                                 | 2,627,330                   | 242,651                      | 6,003,663 |



# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2020  
Renminbi Yuan

## (IX) RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (continued)

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

#### (8) Remuneration of key management (continued)

1) Remuneration of directors, supervisors and chief executive for the prior year is disclosed as follows

Details of remuneration of directors, supervisors and chief executives in 2019 are listed as below:

|  | Fees      | Salaries,<br>allowances and<br>benefits in kind | Performance<br>related bonuses | Pension scheme<br>contributions | Total     |
|--|-----------|---|--------------------------------|---------------------------------|-----------|
| <b>Executive Directors</b>                 |           |   |                                |                                 |           |
| Li Donglin                                 | -         | -   | -                              | -                               | -         |
| Yang Shouyi (Note1)                        | -         | -   | -                              | -                               | -         |
| Liu Ke'an                                  | -         | 523,736   | 272,914                        | 84,596                          | 881,246   |
| Yan Wu                                     | -         | 448,568   | 419,154                        | 70,752                          | 938,474   |
| Subtotal                                   | -         | 972,304   | 692,068                        | 155,348                         | 1,819,720 |
| <b>Independent Non-Executive Directors</b> |           |   |                                |                                 |           |
| Chen Jinrong                               | 273,417   | -   | -                              | -                               | 273,417   |
| Pu Bingrong                                | 273,417   | -   | -                              | -                               | 273,417   |
| Liu Chunru                                 | 119,043   | -   | -                              | -                               | 119,043   |
| Chen Xiaoming                              | 119,043   | -   | -                              | -                               | 119,043   |
| Gao Feng                                   | 119,043   | -   | -                              | -                               | 119,043   |
| Subtotal                                   | 903,963   | -   | -                              | -                               | 903,963   |
| <b>Supervisors</b>                         |           |   |                                |                                 |           |
| Li Lüe                                     | -         | -   | -                              | -                               | -         |
| Pang Yiming                                | -         | 345,363   | 330,705                        | 56,488                          | 732,556   |
| Zhou Guifa                                 | 35,377    | 485,940   | 349,760                        | 76,973                          | 948,050   |
| Geng Jianxin                               | 119,043   | -   | -                              | -                               | 119,043   |
| Subtotal                                   | 154,420   | 831,303   | 680,465                        | 133,461                         | 1,799,649 |
| Total                                      | 1,058,383 | 1,803,607                                       | 1,372,533                      | 288,809                         | 4,523,332 |

Note 1 On September 28th, 2020, Mr. Yang resigned as the executive director for the Company. The compensation disclosure period was from January-September 2020.

Note 2: On September 28th, 2020, Mr. Shang, the former deputy general manager and chief engineer, was appointed as the executive director of the company. The compensation disclosure period was from January-December 2020.

# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2020  
Renminbi Yuan

## (IX) RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (continued)

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

#### (8) Remuneration of key management (continued)

2) Top five highest paid individuals of the Group are listed as follows:

|   | 2020     | 2019     |
|---|----------|----------|
| Directors, supervisors and chief executive officers | 2        | –        |
| Non-directors and non-supervisors employee          | 4        | 5        |
| Total   | <u>6</u> | <u>5</u> |

The remuneration paid to the above non-director, non-supervisor and non-chief executive highest paid employees is as follows:

|   | 2020             | 2019             |
|---|------------------|------------------|
| Salaries, allowances and benefits in kind | 1,338,330        | 2,779,851        |
| Performance related bonuses               | 2,031,609        | 2,299,687        |
| Pension scheme contributions              | 199,147          | 358,356          |
|   | <u>3,569,086</u> | <u>5,437,894</u> |

# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2020  
Renminbi Yuan

## (IX) RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (continued)

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

#### (8) Remuneration of key management (continued)

The number of the non-director, non-supervisor and non-chief executive highest paid employees whose remuneration fell within the following bands is as follows:

|                           | 2020 | 2019 |
|---------------------------|------|------|
| HKD1,000,001 to 2,000,000 | 3    | 5    |

In 2020, Li Donglin, Yang Shouyi, Liu Ke'an, Shang Jing, Yan Wu, Zhang Xinning, Li Lue and Pang Yiming waived after-tax allowance amounting to RMB104,000, RMB78,000, RMB78,000, RMB65,000, RMB65,000, RMB78,000, RMB52,000 and RMB26,000 respectively. Besides, there were no director, supervisor, chief executive or any of the non-director, non-supervisor, non-chief executive highest paid individual who waived or agreed to waive any emoluments. In 2019 and 2020, no emoluments were paid by the Group to any director, supervisor, chief executive and any non-director and non-supervisor highest paid individual as an inducement to join or upon joining the Group, or as compensation for loss of office.

#### (9) Interest income form cash and bank balances

| Name of the entity   | 2020             | 2019             |
|--|------------------|------------------|
| Corporation controlled by the ultimate holding party other than the CRRC ZELRI Group | <u>5,951,880</u> | <u>6,370,423</u> |

#### (10) Interest expenses on borrowings

| Name of the entity                                  | 2020           | 2019           |
|---|----------------|----------------|
| The controlling shareholder of the CRRC ZELRI Group | <u>988,614</u> | <u>724,997</u> |

# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2020  
Renminbi Yuan

## (IX) RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (continued)

### 6. Amounts due from and due to related parties

| Name of the entity   | 31/12/2020 | 31/12/2019  |
|--|------------|-------------|
| Cash and bank balances:<br>Corporation controlled by the ultimate holding party other than<br>the CRRC ZELRI Group | —          | 686,991,594 |

| Name of the entity  | 31/12/2020    | 31/12/2019    |
|---|---------------|---------------|
| <b>Trade receivables (including long-term receivables):</b>                             |               |               |
| Corporation controlled by the ultimate holding party other than<br>the CRRC ZELRI Group | 2,684,770,939 | 1,384,660,632 |
| Joint ventures of the ultimate holding group other than<br>the CRRC ZELRI Group         | 51,944,977    | 4,994,973     |
| Corporation controlled by the CRRC ZELRI  | 35,762,020    | 27,524,678    |
| A joint venture of the ultimate holding group other than<br>the CRRC ZELRI Group        | 31,643,860    | 24,572,272    |
| CRRC ZELRI  | 19,254,228    | 97,914,314    |
| Joint ventures of the Company   | 1,390,821     | 137,589,236   |
| Associates of the Company   | 266,480       | 12,202,609    |
| Investors which have significant influence over Baoji CRRC Times                        | 6,546,633     | 8,332,047     |
| Total   | 2,831,579,958 | 1,697,790,761 |

| Name of the entity  | 31/12/2020  | 31/12/2019  |
|---|-------------|-------------|
| <b>Bills receivable:</b>  |             |             |
| Corporation controlled by the ultimate holding party other than<br>the CRRC ZELRI Group | 853,757,849 | 856,777,935 |
| A joint venture of the ultimate holding group other than<br>the CRRC ZELRI Group        | 49,900,000  | 15,000,000  |
| Corporation controlled by the CRRC ZELRI  | —           | 195,129     |
| Total   | 903,657,849 | 871,973,064 |

# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2020  
Renminbi Yuan



## (IX) RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (continued)

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

| Name of the entity   | 31/12/2020        | 31/12/2019       |
|--|-------------------|------------------|
| <b>Prepayments:</b>  |                   |                  |
| Associates of the Company  | 9,954,549         | –                |
| Corporation controlled by the ultimate holding party other than the CRRZ ZELRI Group | 4,880,217         | 3,333,210        |
| Corporation controlled by the CRRZ ZELRI   | 288,711           | 1,674            |
| Joint ventures of the Company  | 16,074            | –                |
| CRRZ ZELRI   | –                 | 108,220          |
| Total  | <u>15,139,551</u> | <u>3,443,104</u> |

| Name of the entity   | 31/12/2020        | 31/12/2019        |
|--|-------------------|-------------------|
| <b>Contract assets:</b>  |                   |                   |
| Corporation controlled by the ultimate holding party other than the CRRZ ZELRI Group | 14,244,488        | 38,881,058        |
| Corporation controlled by the CRRZ ZELRI   | 1,190,200         | –                 |
| A joint venture of the ultimate holding group other than the CRRZ ZELRI Group        | 15,524            | 31,900            |
| Joint ventures of the ultimate holding group other than the CRRZ ZELRI Group         | –                 | 34,253            |
| Total  | <u>15,450,212</u> | <u>38,947,211</u> |

| Name of the entity   | 31/12/2020         | 31/12/2019         |
|--|--------------------|--------------------|
| <b>Trade receivables financing:</b>  |                    |                    |
| Corporation controlled by the ultimate holding party other than the CRRZ ZELRI Group | 506,867,610        | 481,336,159        |
| A joint venture of the ultimate holding group other than the CRRZ ZELRI Group        | 29,570,000         | –                  |
| CRRZ ZELRI   | 21,800,939         | 90,508,901         |
| Corporation controlled by the CRRZ ZELRI   | 10,963,128         | 676,816            |
| Associates of the Company  | 1,100,327          | –                  |
| Joint ventures of the ultimate holding group other than the CRRZ ZELRI Group         | –                  | 2,848,316          |
| Total  | <u>570,302,004</u> | <u>575,370,192</u> |



# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2020  
Renminbi Yuan

## (IX) RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (continued)

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

| Name of the entity   | 31/12/2020       | 31/12/2019       |
|--|------------------|------------------|
| <b>Other receivables:</b>  |                  |                  |
| CRRC ZELRI   | 1,601,513        | 2,230,700        |
| Associates of the Company  | 732,000          | 204,478          |
| Corporation controlled by the ultimate holding party other than the CRRC ZELRI Group | 692,000          | 604,000          |
| Corporation controlled by the CRRC ZELRI   | —                | 1,702,573        |
| Total  | <u>3,025,513</u> | <u>4,741,751</u> |

| Name of the entity   | 31/12/2020        | 31/12/2019        |
|--|-------------------|-------------------|
| <b>Other non-current assets:</b>   |                   |                   |
| Corporation controlled by the ultimate holding party other than the CRRC ZELRI Group | 60,642,838        | 29,359,799        |
| CRRC ZELRI   | 9,596,212         | —                 |
| Corporation controlled by the CRRC ZELRI   | 143,085           | —                 |
| A joint venture of the ultimate holding group other than the CRRC ZELRI Group        | 142,554           | —                 |
| Joint ventures of the ultimate holding group other than the CRRC ZELRI Group         | 3,511             | —                 |
| Total  | <u>70,528,200</u> | <u>29,359,799</u> |

| Name of the entity   | 31/12/2020         | 31/12/2019         |
|--|--------------------|--------------------|
| <b>Bills payable:</b>  |                    |                    |
| Corporation controlled by the ultimate holding party other than the CRRC ZELRI Group | 99,427,934         | 328,354,523        |
| Corporation controlled by the CRRC ZELRI   | 42,159,667         | 94,685,803         |
| Joint ventures of the ultimate holding group other than the CRRC ZELRI Group         | 14,070,000         | 11,020,000         |
| Associates of the Company  | 1,639,992          | —                  |
| Joint ventures of the Company  | —                  | 20,000,000         |
| Total  | <u>157,297,593</u> | <u>454,060,326</u> |

# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2020  
Renminbi Yuan



## (IX) RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (continued)

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

| Name of the entity   | 31/12/2020         | 31/12/2019         |
|--|--------------------|--------------------|
| <b>Trade payables:</b>   |                    |                    |
| Corporation controlled by the ultimate holding party other than the CRRZ ZELRI Group | 285,102,288        | 523,334,624        |
| Corporation controlled by the CRRZ ZELRI   | 57,321,493         | 156,004,885        |
| Joint ventures of the Company  | 16,317,045         | 241,722,886        |
| Associates of the CRRZ ZELRI   | 4,700,357          | –                  |
| Joint ventures of the ultimate holding group other than the CRRZ ZELRI Group         | 2,925,566          | 7,562,318          |
| A joint venture of the ultimate holding group other than the CRRZ ZELRI Group        | 1,026,964          | –                  |
| CRRZ ZELRI   | 209,101            | 2,598,562          |
| Associates of the Company  | 72,000             | 103,687            |
| Investors which have significant influence over Baoji CRRZ Times                     | 916,255            | 4,743,080          |
| Total  | <u>368,591,069</u> | <u>936,070,042</u> |

| Name of the entity   | 31/12/2020        | 31/12/2019         |
|--|-------------------|--------------------|
| <b>Contract liabilities:</b>   |                   |                    |
| Corporation controlled by the ultimate holding party other than the CRRZ ZELRI Group | 32,217,133        | 251,463,725        |
| Corporation controlled by the CRRZ ZELRI   | 2,718,263         | 10,000             |
| A joint venture of the ultimate holding group other than the CRRZ ZELRI Group        | 420,000           | –                  |
| CRRZ ZELRI   | 368,000           | –                  |
| Total  | <u>35,723,396</u> | <u>251,473,725</u> |

| Name of the entity   | 31/12/2020         | 31/12/2019         |
|--|--------------------|--------------------|
| <b>Other payables:</b>   |                    |                    |
| CRRZ ZELRI   | 273,477,114        | 273,547,515        |
| Corporation controlled by the ultimate holding party other than the CRRZ ZELRI Group | 11,567,195         | 5,033,239          |
| the ultimate holding party   | 2,700,000          | –                  |
| Corporation controlled by the CRRZ ZELRI   | 2,047,373          | 1,436,989          |
| Associates of the CRRZ ZELRI   | 274,800            | –                  |
| Total  | <u>290,066,482</u> | <u>280,017,743</u> |



# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2020  
Renminbi Yuan

## (IX) RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (continued)

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

| Name of the entity  | 31/12/2020       | 31/12/2019        |
|---|------------------|-------------------|
| <b>Non-current liabilities due within 1 year:</b>   |                  |                   |
| Shareholders of the CRRC ZELRI Corporation controlled by the ultimate holding party other than the CRRC ZELRI Group | 5,029,416        | 5,031,066         |
| CRRC ZELRI  | 4,955,718        | 5,890,330         |
|   | —                | 1,242,812         |
| Total   | <u>9,985,134</u> | <u>12,164,208</u> |

| Name of the entity             | 31/12/2020        | 31/12/2019        |
|--------------------------------|-------------------|-------------------|
| <b>Long-term borrowings:</b>   |                   |                   |
| Shareholders of the CRRC ZELRI | <u>82,688,000</u> | <u>87,688,000</u> |

|   | 31/12/2020       | 31/12/2019 |
|---|------------------|------------|
| <b>Dividends payable</b>  |                  |            |
| Corporations controlled by the ultimate holding party other than the CRRC ZELRI Group | <u>7,425,000</u> | —          |

| Name of the entity   | 31/12/2020        | 31/12/2019        |
|--|-------------------|-------------------|
| <b>Lease liabilities:</b>  |                   |                   |
| Corporation controlled by the ultimate holding party other than the CRRC ZELRI Group | <u>10,504,142</u> | <u>15,598,918</u> |



# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2020  
Renminbi Yuan

## (IX) RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (continued)

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

In 2020, goods and service provided amounting to RMB7,572,695,047 (2019: RMB7,975,614,591) and purchases of goods and service amounting to RMB2,972,963,380 (2019: RMB2,474,074,237) in related parties between the Group and the CRRC ZELRI Group, the ultimate holding party group other than the CRRC ZELRI Group, joint ventures of the ultimate holding party group other than the CRRC ZELRI Group and associates with above 30% share held by the ultimate holding party group other than the CRRC 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 but excluding the Group) on 26 March 2019.

In 2020, the related party transactions about providing and purchasing goods and services of RMB32,679,333 (2019: RMB9,256,329) and RMB34,138,368 (2019: RMB9,256,329) respectively between the Group (excluding Qingdao CRRC Electric) and Qingdao CRRC Electric also constituted connected transactions or continuing connected transactions under the provisions of Chapter 14A of the Hong Kong Listing Rules. Relevant agreements are framework agreements about mutual supply of products and corresponding services, which were signed on 24 April 2020 by the Company and Qingdao CRRC Electric (along with its subsidiaries).

Transactions between the Group (other than Taiyuan CRRC Times) and Taiyuan CRRC 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 CRRC Times (along with its subsidiaries) on 28 December 2018. In 2020, the Group (other than Taiyuan CRRC Times) obtained income from provision of goods and services to Taiyuan CRRC Times amounting to RMB103,538,015 (2019: RMB813,109) and paid for purchases of goods and services from Taiyuan CRRC Times amounting to RMB91,659,699 (2019: RMB33,153,208).

China Railway Baogong Machinery Co., Ltd. (the "CRBM", a wholly-owned shareholding company of China Railway Group Limited (the "CREC")). As at 30 December 2019, the change in ownership of equity was completed by Baoji CRRC Times, which resulted in the proportion of the CRBM was lower than 10%. Therefore the CRBM Times was no longer a connected person of the Group since 31 December 2019. Meanwhile, the connected person of the CRBM (include CREC) was no longer a connected person of the Company due to the shareholder role of CRBM to Baoji CRRC Times. In 2019 (except on 31 December 2019), the transactions about providing and purchasing goods and services of RMB103,815,893 and RMB8,272,059 respectively between the Group and CREC (along with its subsidiaries) also constituted connected transactions or continuing connected transactions under the provisions of Chapter 14A of the Hong Kong Listing Rules. Relevant agreements are framework agreements about mutual supply of products and corresponding services, which were signed on 12 January 2017 by the Company and CREC (along with its subsidiaries).

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



# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2020  
Renminbi Yuan

## (X) COMMITMENTS AND CONTINGENCIES

### 1. Significant Commitments

| Items   | 31/12/2020           | 31/12/2019         |
|---|----------------------|--------------------|
| Contracted but not recognised in the financial statements |                      |                    |
| – Capital commitments                                     | 940,453,225          | 426,073,824        |
| – Investments in associates/joint ventures                | 78,500,000           | –                  |
| – Investments in subsidiaries                             | 50,000,000           | 50,000,000         |
| Total   | <u>1,068,953,225</u> | <u>476,073,824</u> |

### 2. Contingencies

The Group had no significant contingencies which should be disclosed.

## (XI) POST BALANCE SHEET EVENTS

The Group had no significant post balance sheet events which should be disclosed.

# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2020  
Renminbi Yuan

## (XII) OTHER SIGNIFICANT EVENTS

### 1. Segment reporting

#### Operating segments

According to the Group's internal organizational structure, management requirements and internal reporting system, 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

##### Geographical information

Revenue from external customers categorised by source of income and non-current assets categorised by location of assets:

##### Revenue from external customers

| Countries or regions        | 2020           | 2019           |
|-----------------------------|----------------|----------------|
| Mainland China              | 15,233,746,212 | 15,464,313,779 |
| Other countries and regions | 800,152,412    | 839,893,012    |
| Total                       | 16,033,898,624 | 16,304,206,791 |

##### Total non-current assets

| Countries or regions        | 31/12/2020    | 31/12/2019    |
|-----------------------------|---------------|---------------|
| Mainland China              | 6,058,346,394 | 4,699,251,850 |
| Other countries and regions | 804,681,841   | 1,078,213,110 |
| Total                       | 6,863,028,235 | 5,777,464,960 |

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

##### Information of major customers

The Group's revenue from its major customer, CRRC Group (including subordinates and subsidiaries of CRRC Group, hereinafter referred to as "CRRC Group"), which accounted for a significant proportion of the Group's total revenue, is set out as follows:

| Customer   | 2020          |                                 | 2019          |                                 |
|------------|---------------|---------------------------------|---------------|---------------------------------|
|            | Amount        | Proportion to total revenue (%) | Amount        | Proportion to total revenue (%) |
| CRRC Group | 7,563,238,441 | 47.17                           | 7,348,819,047 | 45.07                           |

# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2020  
Renminbi Yuan

## (XII) OTHER SIGNIFICANT EVENTS (continued)

### 2. Operating Lease

#### As a lessor

|                           | 2020              | 2019              |
|---------------------------|-------------------|-------------------|
| Within 1 year (inclusive) | 14,742,343        | 5,001,070         |
| 1 to 2 years (inclusive)  | 5,233,200         | 4,513,800         |
| 2 to 3 years (inclusive)  | 3,494,000         | 4,513,800         |
| 3 to 4 years (inclusive)  | —                 | 3,516,800         |
| Total                     | <u>23,469,543</u> | <u>17,545,470</u> |

### 3. Other financial information

#### (1) Net current assets and total assets less current liabilities

| Item                                  | 2020                  |                       | 2019                  |                       |
|---------------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|
|                                       | The Group             | The Company           | The Group             | The Company           |
| Net current assets                    | 18,548,141,652        | 14,226,260,400        | 17,392,754,139        | 13,098,708,046        |
| Total assets less current liabilities | <u>25,988,380,418</u> | <u>23,526,163,479</u> | <u>23,603,747,238</u> | <u>21,236,623,828</u> |

#### (2) Contributions paid to pension plans

| Item                                | 2020               | 2019               |
|-------------------------------------|--------------------|--------------------|
| Contributions paid to pension plans | <u>187,966,072</u> | <u>211,177,557</u> |

As at 31 December 2020 and 2019, the Group were not forced to waive any contribution to reduce the contributions planned to pension in future years.

# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2020  
Renminbi Yuan



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

### 1. Cash and bank balances

| Item                                       | 31/12/2020           | 31/12/2019           |
|--|----------------------|----------------------|
| Bank deposits                              | 3,285,589,102        | 2,452,789,205        |
| Others cash and bank balances              | —                    | 12,606,534           |
| Total                                      | <u>3,285,589,102</u> | <u>2,465,395,739</u> |
| Including: Total amount deposited overseas | <u>44,963,299</u>    | <u>35,753,848</u>    |

Others cash and bank balances of the Company:

| Item                | 31/12/2020 | 31/12/2019 |
|---------------------|------------|------------|
| Letter of guarantee | —          | 12,606,534 |

The Company's time deposits at bank with more than three months that are not pledged are as follows:

| Item                                      | 31/12/2020         | 31/12/2019 |
|---|--------------------|------------|
| Time deposits with more than three months | <u>280,000,000</u> | —          |

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 Company and earn interest at the respective deposit rates.

### 2. Bills receivable

#### (1) Categories of bills receivable

| Item                            | 31/12/2020           | 31/12/2019           |
|---------------------------------|----------------------|----------------------|
| Bank acceptance bills           | 133,443,906          | 153,975,570          |
| Commercial acceptance bills     | <u>2,180,452,620</u> | <u>2,432,147,055</u> |
| Total                           | <u>2,313,896,526</u> | <u>2,586,122,625</u> |
| Less: Provision for credit loss | <u>21,092,719</u>    | <u>18,982,428</u>    |
| Carrying amount                 | <u>2,292,803,807</u> | <u>2,567,140,197</u> |

(2) As at 31 December 2020 and 31 December 2019, no pledged bills receivable were included in the balances of bills receivable.

(3) As at 31 December 2020 and 31 December 2019, no bills that were transferred to trade receivables due to the default of the drawer in the balances of bills receivable.



# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2020  
Renminbi Yuan

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

### 2. Bills receivable (continued)

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

#### Bank acceptance bills

As at 31 December 2020 and 31 December 2019, the Company believes that the credit ratings of the accepting banks of bank acceptance bills held by the Company are high with no significant credit risk, and therefore, no provision for credit losses has been made.

#### Commercial acceptance bills

Analysis of bills receivable for which provision for credit loss is assessed on a portfolio basis by four categories:

### 31 December 2020

| Credit losses has not occurred | Expected average loss rate | Gross carrying amount | Credit impairment provision | Carrying amount      |
|--------------------------------|----------------------------|-----------------------|-----------------------------|----------------------|
| Category I                     | 1.93%                      | 898,100,086           | 17,357,756                  | 880,742,330          |
| Category II                    | —                          | —                     | —                           | —                    |
| Category III                   | 0.10%                      | 1,179,846,691         | 1,179,846                   | 1,178,666,845        |
| Category IV                    | 2.49%                      | 102,505,843           | 2,555,117                   | 99,950,726           |
| Total                          |                            | <u>2,180,452,620</u>  | <u>21,092,719</u>           | <u>2,159,359,901</u> |

### 31 December 2019

| Credit losses has not occurred | Expected average loss rate | Gross carrying amount | Credit impairment provision | Carrying amount      |
|--------------------------------|----------------------------|-----------------------|-----------------------------|----------------------|
| Category I                     | 1.13%                      | 870,367,483           | 9,875,425                   | 860,492,058          |
| Category II                    | —                          | —                     | —                           | —                    |
| Category III                   | 0.58%                      | 1,561,071,915         | 9,068,087                   | 1,552,003,828        |
| Category IV                    | 5.50%                      | 707,657               | 38,916                      | 668,741              |
| Total                          |                            | <u>2,432,147,055</u>  | <u>18,982,428</u>           | <u>2,413,164,627</u> |

# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2020  
Renminbi Yuan



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

### 2. Bills receivable (continued)

#### (5) Provision for credit loss of bills receivable:

| Item            | 2020        | 2019         |
|-----------------|-------------|--------------|
| Opening balance | 18,982,428  | 61,387,616   |
| Provision       | 7,381,909   | 1,032,794    |
| Reversal        | (5,271,618) | (43,437,982) |
| Closing balance | 21,092,719  | 18,982,428   |

(6) As at 31 December 2020 and 31 December 2019, no bills receivable were actually written off in 2019 and 2020.

(7) As at 31 December 2020 and 31 December 2019, for bills due from related parties of the Company in the balances of bills receivable, see Note (XIII) 36.

### 3. Trade receivables

#### (1) Disclosed by aging

|   | 31/12/2020    | 31/12/2019    |
|---|---------------|---------------|
| Within 6 months                                     | 5,599,283,808 | 4,326,345,123 |
| 6 months to 1 year                                  | 309,144,269   | 694,483,049   |
| 1 to 2 years  | 300,363,528   | 590,394,408   |
| 2 to 3 years  | 29,875,438    | 129,083,151   |
| Over 3 years  | 20,095,506    | 21,614,771    |
| Total   | 6,258,762,549 | 5,761,920,502 |
| Less: Provision of credit loss of trade receivables | 217,681,911   | 158,369,986   |
| Carrying amount                                     | 6,041,080,638 | 5,603,550,516 |

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



# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2020  
Renminbi Yuan

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

### 3. Trade receivables (continued)

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

| Category   | Gross carrying amount |                | 31/12/2020<br>Provision for credit loss |                             | Carrying amount      |
|--|-----------------------|----------------|---|-----------------------------|----------------------|
|  | Amount                | Proportion (%) | Amount                                  | Proportion of provision (%) |                      |
|  |                       |                |   |                             |                      |
| Trade receivables for which provision for credit loss is collectively assessed on a portfolio basis: |                       |                |   |                             |                      |
| Category I   | 3,634,558,768         | 58.07          | 68,885,445                              | 1.90                        | 3,565,673,323        |
| Category II  | 2,307,392,782         | 36.87          | 108,735,870                             | 4.71                        | 2,198,656,912        |
| Category III   | 136,495,988           | 2.18           | 3,868,730                               | 2.83                        | 132,627,258          |
| Category IV  | 180,315,011           | 2.88           | 36,191,866                              | 20.07                       | 144,123,145          |
| <b>Total</b>   | <b>6,258,762,549</b>  | <b>100.00</b>  | <b>217,681,911</b>                      |                             | <b>6,041,080,638</b> |

| Category   | Gross carrying amount |                | 31/12/2019<br>Provision for credit loss |                             | Carrying amount      |
|--|-----------------------|----------------|---|-----------------------------|----------------------|
|  | Amount                | Proportion (%) | Amount                                  | Proportion of provision (%) |                      |
|  |                       |                |   |                             |                      |
| Trade receivables for which provision for credit loss is collectively assessed on a portfolio basis: |                       |                |   |                             |                      |
| Category I   | 3,063,644,898         | 53.17          | 41,973,003                              | 1.37                        | 3,021,671,895        |
| Category II  | 2,420,025,972         | 42.00          | 58,270,363                              | 2.41                        | 2,361,755,609        |
| Category III   | 88,778,682            | 1.54           | 2,307,880                               | 2.60                        | 86,470,802           |
| Category IV  | 189,470,950           | 3.29           | 55,818,740                              | 29.46                       | 133,652,210          |
| <b>Total</b>   | <b>5,761,920,502</b>  | <b>100.00</b>  | <b>158,369,986</b>                      |                             | <b>5,603,550,516</b> |



# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2020  
Renminbi Yuan



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

### 3. Trade receivables (continued)

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

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

Item: Category I

| Item               | 31/12/2020                     |                       |                           |                      |
|--------------------|--------------------------------|-----------------------|---------------------------|----------------------|
|                    | Expected average loss rate (%) | Gross carrying amount | Provision for credit loss | Carrying amount      |
| Within 6 months    | 1.73                           | 3,288,362,636         | 56,957,709                | 3,231,404,927        |
| 6 months to 1 year | 1.91                           | 134,332,122           | 2,563,912                 | 131,768,210          |
| 1 to 2 years       | 3.02                           | 190,655,522           | 5,750,042                 | 184,905,480          |
| 2 to 3 years       | 14.85                          | 14,689,945            | 2,182,096                 | 12,507,849           |
| Over 3 years       | 21.96                          | 6,518,543             | 1,431,686                 | 5,086,857            |
| Total              |                                | <u>3,634,558,768</u>  | <u>68,885,445</u>         | <u>3,565,673,323</u> |

| Item               | 31/12/2019                     |                       |                           |                      |
|--------------------|--------------------------------|-----------------------|---------------------------|----------------------|
|                    | Expected average loss rate (%) | Gross carrying amount | Provision for credit loss | Carrying amount      |
| Within 6 months    | 0.49                           | 2,190,225,999         | 10,791,119                | 2,179,434,880        |
| 6 months to 1 year | 0.40                           | 473,032,712           | 1,910,495                 | 471,122,217          |
| 1 to 2 years       | 5.63                           | 275,426,232           | 15,516,349                | 259,909,883          |
| 2 to 3 years       | 2.78                           | 114,325,829           | 3,179,414                 | 111,146,415          |
| Over 3 years       | 99.45                          | 10,634,126            | 10,575,626                | 58,500               |
| Total              |                                | <u>3,063,644,898</u>  | <u>41,973,003</u>         | <u>3,021,671,895</u> |



# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2020  
Renminbi Yuan

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

### 3. Trade receivables (continued)

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

Trade receivables for which provision for credit loss is assessed on a portfolio basis (continued)

Item: Category II

| Item               | 31/12/2020                     |                       |                           |                      |
|--------------------|--------------------------------|-----------------------|---------------------------|----------------------|
|                    | Expected average loss rate (%) | Gross carrying amount | Provision for credit loss | Carrying amount      |
| Within 6 months    | 3.43                           | 2,046,545,570         | 70,100,341                | 1,976,445,229        |
| 6 months to 1 year | 8.93                           | 151,203,939           | 13,499,420                | 137,704,519          |
| 1 to 2 years       | 19.63                          | 97,285,237            | 19,096,551                | 78,188,686           |
| 2 to 3 years       | 48.86                          | 12,354,991            | 6,036,513                 | 6,318,478            |
| Over 3 years       | 100.00                         | 3,045                 | 3,045                     | —                    |
| Total              |                                | <u>2,307,392,782</u>  | <u>108,735,870</u>        | <u>2,198,656,912</u> |

| Item               | 31/12/2019                     |                       |                           |                      |
|--------------------|--------------------------------|-----------------------|---------------------------|----------------------|
|                    | Expected average loss rate (%) | Gross carrying amount | Provision for credit loss | Carrying amount      |
| Within 6 months    | 1.28                           | 1,943,725,464         | 24,794,936                | 1,918,930,528        |
| 6 months to 1 year | 3.40                           | 186,297,291           | 6,328,974                 | 179,968,317          |
| 1 to 2 years       | 9.34                           | 288,635,269           | 26,967,701                | 261,667,568          |
| 2 to 3 years       | 12.25                          | 1,334,391             | 163,463                   | 1,170,928            |
| Over 3 years       | 45.56                          | 33,557                | 15,289                    | 18,268               |
| Total              |                                | <u>2,420,025,972</u>  | <u>58,270,363</u>         | <u>2,361,755,609</u> |

# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2020  
Renminbi Yuan



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

### 3. Trade receivables (continued)

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

Trade receivables for which provision for credit loss is assessed on a portfolio basis (continued)

Item: Category III

| Item               | Expected average loss rate (%) | 31/12/2020            |                           |                    |
|--------------------|--------------------------------|-----------------------|---------------------------|--------------------|
|                    |                                | Gross carrying amount | Provision for credit loss | Carrying amount    |
| Within 6 months    | 1.79                           | 112,878,703           | 2,019,110                 | 110,859,593        |
| 6 months to 1 year | 7.20                           | 22,424,936            | 1,615,157                 | 20,809,779         |
| 1 to 2 years       | 16.43                          | 1,080,513             | 177,473                   | 903,040            |
| 2 to 3 years       | 50.96                          | 111,836               | 56,990                    | 54,846             |
| Total              |                                | <u>136,495,988</u>    | <u>3,868,730</u>          | <u>132,627,258</u> |

| Item               | Expected average loss rate (%) | 31/12/2019            |                           |                   |
|--------------------|--------------------------------|-----------------------|---------------------------|-------------------|
|                    |                                | Gross carrying amount | Provision for credit loss | Carrying amount   |
| Within 6 months    | 1.55                           | 71,119,753            | 1,101,478                 | 70,018,275        |
| 6 months to 1 year | 5.52                           | 15,680,421            | 865,380                   | 14,815,041        |
| 1 to 2 years       | 14.93                          | 1,882,588             | 281,072                   | 1,601,516         |
| 2 to 3 years       | 62.50                          | 95,920                | 59,950                    | 35,970            |
| Total              |                                | <u>88,778,682</u>     | <u>2,307,880</u>          | <u>86,470,802</u> |



# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2020  
Renminbi Yuan

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

### 3. Trade receivables (continued)

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

Trade receivables for which provision for credit loss is assessed on a portfolio basis (continued)

Item: Category IV

| Item               | 31/12/2020                     |                       |                           |                    |
|--------------------|--------------------------------|-----------------------|---------------------------|--------------------|
|                    | Expected average loss rate (%) | Gross carrying amount | Provision for credit loss | Carrying amount    |
| Within 6 months    | 12.27                          | 151,496,899           | 18,591,345                | 132,905,554        |
| 6 months to 1 year | 31.92                          | 1,183,273             | 377,696                   | 805,577            |
| 1 to 2 years       | 42.65                          | 11,342,256            | 4,837,286                 | 6,504,970          |
| 2 to 3 years       | 62.06                          | 2,718,665             | 1,687,146                 | 1,031,519          |
| Over 3 years       | 78.82                          | 13,573,918            | 10,698,393                | 2,875,525          |
| Total              |                                | <u>180,315,011</u>    | <u>36,191,866</u>         | <u>144,123,145</u> |

| Item               | 31/12/2019                     |                       |                           |                    |
|--------------------|--------------------------------|-----------------------|---------------------------|--------------------|
|                    | Expected average loss rate (%) | Gross carrying amount | Provision for credit loss | Carrying amount    |
| Within 6 months    | 12.18                          | 121,273,907           | 14,774,539                | 106,499,368        |
| 6 months to 1 year | 24.54                          | 19,472,625            | 4,778,744                 | 14,693,881         |
| 1 to 2 years       | 53.67                          | 24,450,319            | 13,123,372                | 11,326,947         |
| 2 to 3 years       | 91.51                          | 13,327,011            | 12,194,997                | 1,132,014          |
| Over 3 years       | 100.00                         | 10,947,088            | 10,947,088                | —                  |
| Total              |                                | <u>189,470,950</u>    | <u>55,818,740</u>         | <u>133,652,210</u> |

# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2020  
Renminbi Yuan



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

### 3. Trade receivables (continued)

#### (3) Provision for credit loss of trade receivables

| Item                                     | Lifetime expected credit losses (not credit-impaired) | Lifetime expected credit losses (credit-impaired) | 2020               |
|--|---|---|--------------------|
| 1 January 2020                           | 65,345,665  | 93,024,321  | 158,369,986        |
| Transferred to credit-impaired losses    | (5,248,526)   | 5,248,526   | –                  |
| Provision (reversal) in the current year | 105,627,550   | (46,315,625)                                      | 59,311,925         |
| 31 December 2020                         | <u>165,724,689</u>                                    | <u>51,957,222</u>                                 | <u>217,681,911</u> |

| Item                                     | Lifetime expected credit losses (not credit-impaired) | Lifetime expected credit losses (credit-impaired) | 2019               |
|--|---|---|--------------------|
| 1 January 2019                           | 38,892,022  | 42,296,149  | 81,188,171         |
| Transferred to credit-impaired losses    | (8,931,275)   | 8,931,275   | –                  |
| Provision (reversal) in the current year | 36,343,308  | 41,796,897  | 78,140,205         |
| Transfer-out in the current year (Note)  | (958,390)   | –   | (958,390)          |
| 31 December 2019                         | <u>65,345,665</u>                                     | <u>93,024,321</u>                                 | <u>158,369,986</u> |

Note: In 2019, the Company increased the capital of CRRC Times Semiconductor by assets, and therefore, trade receivables and the provision for credit loss of trade receivables for the capital increase were transferred out.



# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2020  
Renminbi Yuan

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

### 3. Trade receivables (continued)

#### (4) Top five trade receivables at the end of the year

31 December 2020

| Name                                    | Gross carrying amount | Provision for credit loss | Proportion to total trade receivables (%) |
|---|-----------------------|---------------------------|---|
| CRRC Qingdao Sifang Co., Ltd.           | 1,549,316,440         | 23,262,718                | 24.75                                     |
| Chongqing Rail Transit (Group) Co.,Ltd. | 588,704,434           | 40,538,826                | 9.41                                      |
| Wuhan Metro Group Co., Ltd.             | 299,325,106           | 14,906,390                | 4.78                                      |
| Hunan CRRC Signal                       | 287,209,680           | –                         | 4.59                                      |
| CRRC National Centre of Converters      | 167,633,253           | –                         | 2.68                                      |
| Total                                   | <u>2,892,188,913</u>  | <u>78,707,934</u>         | <u>46.21</u>                              |

31 December 2019

| Name                                    | Gross carrying amount | Provision for credit loss | Proportion to total trade receivables (%) |
|---|-----------------------|---------------------------|---|
| Chongqing Rail Transit (Group) Co.,Ltd. | 538,451,858           | 11,415,179                | 9.35                                      |
| CRRC National Centre of Converters      | 444,543,190           | –                         | 7.72                                      |
| CRRC Qingdao Sifang Co., Ltd.           | 421,284,279           | 5,771,741                 | 7.31                                      |
| Hunan CRRC Signal                       | 324,058,891           | –                         | 5.62                                      |
| Wuhan Metro Group Co., Ltd.             | 245,027,417           | 5,194,581                 | 4.25                                      |
| Total                                   | <u>1,973,365,635</u>  | <u>22,381,501</u>         | <u>34.25</u>                              |

# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2020  
Renminbi Yuan

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

### 3. Trade receivables (continued)

#### (5) Trade receivables derecognised due to the transfer of financial assets

In 2020 and 2019, the Company derecognized trade receivables of RMB403,100,000 and RMB292,000,000, respectively, due to factoring of trade receivables.

### 4. Trade receivables financing

| Item                                     | 31/12/2020    | 31/12/2019    |
|--|---------------|---------------|
| Bills receivable measured at fair value  | 650,669,402   | 1,486,211,441 |
| Trade receivables measured at fair value | 510,693,867   | 590,740,130   |
| Total                                    | 1,161,363,269 | 2,076,951,571 |

#### (1) Fair value measurement

| Item                              | 31/12/2020    | 31/12/2019    |
|-----------------------------------|---------------|---------------|
| Cost                              | 1,190,833,685 | 2,126,503,353 |
| Carrying amount                   | 1,161,363,269 | 2,076,951,571 |
| Accumulated changes in fair value | (29,470,416)  | (49,551,782)  |

#### (2) Bills receivable endorsed or discounted and not yet due at the balance sheet date:

| Item                        | 31/12/2020          |                         | 31/12/2019          |                         |
|-----------------------------|---------------------|-------------------------|---------------------|-------------------------|
|                             | Derecognized amount | Non-derecognized amount | Derecognized amount | Non-derecognized amount |
| Commercial acceptance bills | –                   | 7,500,000               | –                   | 5,200,000               |
| Bank acceptance bills       | 234,031,253         | 38,573,782              | 38,227,761          | 11,033,638              |
| Total                       | 234,031,253         | 46,073,782              | 38,227,761          | 16,233,638              |

# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2020  
Renminbi Yuan

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

### 5. Prepayments

#### (1) Aging analysis of prepayments

| Aging         | 31/12/2020         |                | 31/12/2019         |                |
|---------------|--------------------|----------------|--------------------|----------------|
|               | Carrying amount    | Proportion (%) | Carrying amount    | Proportion (%) |
| Within 1 year | 243,512,136        | 96.60          | 186,265,964        | 80.70          |
| 1 to 2 years  | 4,357,736          | 1.73           | 37,851,816         | 16.40          |
| 2 to 3 years  | 3,064,399          | 1.22           | 2,415,335          | 1.05           |
| Over 3 years  | 1,142,440          | 0.45           | 4,273,246          | 1.85           |
| Total         | <u>252,076,711</u> | <u>100.00</u>  | <u>230,806,361</u> | <u>100.00</u>  |

#### (2) Top five prepayments at the end of the year

##### 31 December 2020

| Name                     | Gross carrying amount | Proportion to total prepayments (%) |
|--------------------------|-----------------------|-------------------------------------|
| Infineon Technologies AG | 87,143,198            | 34.57                               |
| Secheron SA              | 35,253,559            | 13.99                               |
| Palfinger EMEA GmbH      | 17,592,195            | 6.98                                |
| TESMECS.p.A              | 12,363,761            | 4.90                                |
| GlobalWafersCo.,Ltd      | 12,188,567            | 4.84                                |
| Total                    | <u>164,541,280</u>    | <u>65.28</u>                        |

##### 31 December 2019

| Name  | Gross carrying amount | Proportion to total prepayments (%) |
|---|-----------------------|-------------------------------------|
| Infineon Technologies AG                        | 85,771,143            | 37.16                               |
| Global wafers Co.,Ltd.                          | 21,314,275            | 9.23                                |
| Caterpillar S.a.r.l. Singapore Branch           | 19,614,584            | 8.50                                |
| Odu (Shanghai) International Trade Co., Ltd.    | 6,503,654             | 2.82                                |
| Guangzhou Baiyun Electrical Equipment Co., Ltd. | 5,499,147             | 2.38                                |
| Total   | <u>138,702,803</u>    | <u>60.09</u>                        |



# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2020  
Renminbi Yuan



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

### 6. Other receivables

#### (1) Summary of other receivables

| Item                 | 31/12/2020  | 31/12/2019  |
|----------------------|-------------|-------------|
| Dividends receivable | 220,381,838 | 202,706,837 |
| Other receivables    | 283,953,958 | 430,942,451 |
| Total                | 504,335,796 | 633,649,288 |

#### (2) Dividends receivable

| Item             | 31/12/2020  | 31/12/2019  |
|------------------|-------------|-------------|
| Baoji Times      | 153,906,838 | 153,906,837 |
| Ningbo Times     | 60,400,000  | 48,800,000  |
| Qingdao Electric | 6,075,000   | —           |
| Total            | 220,381,838 | 202,706,837 |

#### (3) Other receivables Disclosed by aging

| Aging  | 31/12/2020  | 31/12/2019  |
|--|-------------|-------------|
| Within 1 year  | 134,128,017 | 279,728,924 |
| 1 to 2 years   | 79,274,178  | 114,347,447 |
| 2 to 3 years   | 41,566,565  | 37,640,024  |
| Over 3 years   | 30,283,365  | 1,661,647   |
| Total  | 285,252,125 | 433,378,042 |
| Less: Provision for credit loss of other receivables | 1,298,167   | 2,435,591   |
| Carrying amount                                      | 283,953,958 | 430,942,451 |



# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2020  
Renminbi Yuan

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

### 6. Other receivables (continued)

#### (4) Classification of other receivables by nature

| Item                          | 31/12/2020  | 31/12/2019  |
|-------------------------------|-------------|-------------|
| Amounts due from subsidiaries | 182,613,360 | 399,906,761 |
| Deposit for bidding           | 46,795,026  | 26,777,282  |
| Subscribed capital receivable | 50,000,000  | —           |
| Others                        | 5,843,739   | 6,693,999   |
| Total                         | 285,252,125 | 433,378,042 |

#### (5) Provision for credit loss of other receivables

| 12-month expected credit losses         | 2020        | 2019        |
|---|-------------|-------------|
| Opening balance                         | 2,435,591   | 1,901,950   |
| Provision in the current year           | 675,623     | 1,669,771   |
| Reversal in the current year            | (1,304,187) | (24,771)    |
| Write-off in the current year           | (508,860)   | (1,000,000) |
| Transfer-out in the current year (Note) | —           | (111,359)   |
| Closing balance                         | 1,298,167   | 2,435,591   |

Note: In 2019, the Company increased the capital of CRRC Times Semiconductor by assets, and therefore, other receivables and the provision for credit loss of other receivables for the capital increase were transferred out.

# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2020  
Renminbi Yuan



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

### 7. Inventories

#### (1) Categories of inventories

| Item                                    | 31/12/2020            |                                |                      |
|---|-----------------------|--------------------------------|----------------------|
|   | Gross carrying amount | Provision for decline in value | Carrying amount      |
| Raw materials                           | 1,150,384,062         | 106,055,196                    | 1,044,328,866        |
| Semi-finished products/Work in progress | 216,738,833           | 4,543,732                      | 212,195,101          |
| Finished goods                          | 1,574,518,523         | 12,158,408                     | 1,562,360,115        |
| Turnover materials                      | 467,256               | 67,535                         | 399,721              |
| Total                                   | <u>2,942,108,674</u>  | <u>122,824,871</u>             | <u>2,819,283,803</u> |

| Item                                    | 31/12/2019            |                                |                      |
|---|-----------------------|--------------------------------|----------------------|
|   | Gross carrying amount | Provision for decline in value | Carrying amount      |
| Raw materials                           | 1,039,870,538         | 49,221,644                     | 990,648,894          |
| Semi-finished products/Work in progress | 160,122,655           | 4,714,361                      | 155,408,294          |
| Finished goods                          | 1,349,715,144         | 3,746,334                      | 1,345,968,810        |
| Turnover materials                      | 2,276,989             | 22,943                         | 2,254,046            |
| Total                                   | <u>2,551,985,326</u>  | <u>57,705,282</u>              | <u>2,494,280,044</u> |

#### (2) Provision for decline in value of inventories

| Item                                    | 01/01/2020        | Increase for the year | Decrease for the year  | 31/12/2020         |
|---|-------------------|-----------------------|------------------------|--------------------|
|   |                   | Provision             | Reversal/<br>Write-off |                    |
| Raw materials                           | 49,221,644        | 59,875,623            | (3,042,071)            | 106,055,196        |
| Semi-finished products/Work in progress | 4,714,361         | 2,709,478             | (2,880,107)            | 4,543,732          |
| Finished goods                          | 3,746,334         | 12,228,881            | (3,816,807)            | 12,158,408         |
| Turnover materials                      | 22,943            | 55,480                | (10,888)               | 67,535             |
| Total                                   | <u>57,705,282</u> | <u>74,869,462</u>     | <u>(9,749,873)</u>     | <u>122,824,871</u> |



# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2020  
Renminbi Yuan

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

### 7. Inventories (continued)

#### (2) Provision for decline in value of inventories (continued)

| Item                                    | 01/01/2019        | Increase for the year<br>Provision | Decrease for the year<br>Reversal/<br>Write-off | 31/12/2019        |
|---|-------------------|------------------------------------|---|-------------------|
| Raw materials                           | 49,056,568        | 5,012,502                          | (4,847,426)                                     | 49,221,644        |
| Semi-finished products/Work in progress | 14,148,606        | 3,527,878                          | (12,962,123)                                    | 4,714,361         |
| Finished goods                          | 6,364,995         | –                                  | (2,618,661)                                     | 3,746,334         |
| Turnover materials                      | <u>736,367</u>    | <u>961,379</u>                     | <u>(1,674,803)</u>                              | <u>22,943</u>     |
| Total                                   | <u>70,306,536</u> | <u>9,501,759</u>                   | <u>(22,103,013)</u>                             | <u>57,705,282</u> |

### 8. Contract assets

#### (1) Details of contract assets

| Item   | 31/12/2020            |                           |                    |
|--|-----------------------|---------------------------|--------------------|
|  | Gross carrying amount | Provision for credit loss | Carrying amount    |
| Warranty provision receivable                              | <b>185,911,339</b>    | <b>3,727,343</b>          | <b>182,183,996</b> |
| Less: Contract assets included in other non-current assets | <u>101,285,018</u>    | <u>2,034,817</u>          | <u>99,250,201</u>  |
| Net amount   | <u>84,626,321</u>     | <u>1,692,526</u>          | <u>82,933,795</u>  |

| Item   | 31/12/2019            |                           |                    |
|--|-----------------------|---------------------------|--------------------|
|  | Gross carrying amount | Provision for credit loss | Carrying amount    |
| Warranty provision receivable                              | 409,394,473           | 8,487,607                 | 400,906,866        |
| Less: Contract assets included in other non-current assets | <u>345,977,266</u>    | <u>7,101,276</u>          | <u>338,875,990</u> |
| Net amount   | <u>63,417,207</u>     | <u>1,386,331</u>          | <u>62,030,876</u>  |

# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2020  
Renminbi Yuan

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

### 8. Contract assets (continued)

#### (2) Provision for credit losses of contract assets

| Item                                     | 2020        | 2019      |
|--|-------------|-----------|
| Opening balance                          | 8,487,607   | 1,550,702 |
| Provision (Reversal) in the current year | (4,760,264) | 6,936,905 |
| Closing balance                          | 3,727,343   | 8,487,607 |

As at 31 December 2020 and 31 December 2019, the Company had no credit-impaired contract assets.

#### (3) Provision for credit losses of contract assets

| Category   | 31/12/2020            |                                  |                             | 31/12/2019      |                       |                                  |                             |                 |
|--|-----------------------|----------------------------------|-----------------------------|-----------------|-----------------------|----------------------------------|-----------------------------|-----------------|
|  | Gross carrying amount | Provision for credit loss Amount | Proportion of provision (%) | Carrying amount | Gross carrying amount | Provision for credit loss Amount | Proportion of provision (%) | Carrying amount |
| Contract assets for which provision for credit loss is collectively assessed on a portfolio basis: |                       |                                  |                             |                 |                       |                                  |                             |                 |
| Category I   | 54,605,620            | 901,653                          | 1.65                        | 53,703,967      | 63,453,729            | 330,711                          | 0.52                        | 63,123,018      |
| Category II  | 96,875,255            | 1,937,505                        | 2.00                        | 94,937,750      | 305,413,151           | 4,121,263                        | 1.35                        | 301,291,888     |
| Category III   | 15,519,058            | 310,381                          | 2.00                        | 15,208,677      | 10,554,487            | 172,917                          | 1.64                        | 10,381,570      |
| Category IV  | 18,911,406            | 577,804                          | 3.06                        | 18,333,602      | 29,973,106            | 3,862,716                        | 12.89                       | 26,110,390      |
| Total  | 185,911,339           | 3,727,343                        |                             | 182,183,996     | 409,394,473           | 8,487,607                        |                             | 400,906,866     |

# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2020  
Renminbi Yuan

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

### 9. Other current assets

| Item                       | 31/12/2020  | 31/12/2019  |
|----------------------------|-------------|-------------|
| Structural deposits        | —           | 100,000,000 |
| Deductible value-added tax | 541,677,283 | 261,837,203 |
| Other taxes retained       | 786,585     | 73,020,686  |
| Total                      | 542,463,868 | 434,857,889 |

Note: As at 31 December 2019, the Company had structural deposits with expected yield rate per annum of 3.50%.

### 10. Long-term equity investments

| Items  | 31/12/2020    | 31/12/2019    |
|--|---------------|---------------|
| Long-term equity investments under equity method               | 338,373,042   | 338,095,501   |
| Long-term equity investments under cost method                 | 5,636,486,516 | 5,124,623,010 |
| Total  | 5,974,859,558 | 5,462,718,511 |
| Less: Provision for impairment of long-term equity investments | 400,893,001   | 246,169,001   |
| Carrying amount  | 5,573,966,557 | 5,216,549,510 |

# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2020  
Renminbi Yuan



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

### 10. Long-term equity investments (continued)

#### Long-term equity investments under equity method

| Investee                      | Balance at<br>01/01/2020 | Changes for the year      |   |                                    | Balance at<br>31/12/2020 | Impairment<br>provision at<br>31/12/2020 |
|-------------------------------|--------------------------|---------------------------|---|------------------------------------|--------------------------|--|
|                               |                          | Investment<br>in the year | Investment<br>income (loss)<br>recognized<br>under equity<br>method | Profit<br>distribution<br>declared |                          |  |
| <b>Non-listed investments</b> |                          |                           |   |                                    |                          |  |
| <b>Joint ventures</b>         |                          |                           |   |                                    |                          |  |
| Shiling                       | 208,663,918              | -                         | (22,500,000)  | -                                  | 186,163,918              | -  |
| LANP Electrical               | 16,020,801               | -                         | 600,000   | -                                  | 16,620,801               | -  |
| Shanghai Shentong<br>CRRC     | 6,343,316                | -                         | 162,700   | -                                  | 6,506,016                | -  |
| Zhengzhou Times               | -                        | 13,500,000                | (5,353,409)   | -                                  | 8,146,591                | -  |
| Sub-total                     | 231,028,035              | 13,500,000                | (27,090,709)  | -                                  | 217,437,326              | -  |
| <b>Associates</b>             |                          |                           |   |                                    |                          |  |
| Zhuzhou Siemens               | 45,962,196               | -                         | 48,000  | -                                  | 46,010,196               | -  |
| Guoxin Technology             | 50,033,270               | -                         | 35,000  | -                                  | 50,068,270               | -  |
| Times Wabtec                  | 11,072,000               | -                         | (1,400,000)   | -                                  | 9,672,000                | -  |
| CRRC India                    | -                        | 15,185,250                | -   | -                                  | 15,185,250               | -  |
| Sub-total                     | 107,067,466              | 15,185,250                | (1,317,000)   | -                                  | 120,935,716              | -  |
| Total                         | 338,095,501              | 28,685,250                | (28,407,709)  | -                                  | 338,373,042              | -  |



# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2020  
Renminbi Yuan

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

### 10. Long-term equity investments (continued)

#### Long-term equity investments under equity method (continued)

| Investee                      | Balance at<br>01/01/2019 | Changes for the year      |   |                                    | Translation<br>differences<br>of financial<br>statements<br>denominated<br>in foreign<br>currencies | Balance at<br>31/12/2019 | Impairment<br>provision at<br>31/12/2019 |
|-------------------------------|--------------------------|---------------------------|---|------------------------------------|---|--------------------------|--|
|                               |                          | Investment<br>in the year | Investment<br>income (loss)<br>recognized<br>under equity<br>method | Profit<br>distribution<br>declared |   |                          |  |
| <b>Non-listed investments</b> |                          |                           |   |                                    |   |                          |  |
| <b>Joint ventures</b>         |                          |                           |   |                                    |   |                          |  |
| Shiling                       | 208,360,915              | -                         | 303,003   | -                                  | -   | 208,663,918              | -  |
| LANP Electrical               | 15,783,118               | -                         | 237,683   | -                                  | -   | 16,020,801               | -  |
| Shanghai Shentong<br>CRRC     | 6,257,031                | -                         | 311,285   | (225,000)                          | -   | 6,343,316                | -  |
| Sub-total                     | 230,401,064              | -                         | 851,971   | (225,000)                          | -   | 231,028,035              | -  |
| <b>Associates</b>             |                          |                           |   |                                    |   |                          |  |
| Zhuzhou Siemens               | 45,790,970               | -                         | 171,226   | -                                  | -   | 45,962,196               | -  |
| Guoxin Technology             | 25,000,000               | 25,000,000                | 33,270  | -                                  | -   | 50,033,270               | -  |
| CRRC Wabtec                   | 10,232,202               | -                         | 839,798   | -                                  | -   | 11,072,000               | -  |
| Sub-total                     | 81,023,172               | 25,000,000                | 1,044,294   | -                                  | -   | 107,067,466              | -  |
| Total                         | 311,424,236              | 25,000,000                | 1,896,265   | (225,000)                          | -   | 338,095,501              | -  |



# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2020  
Renminbi Yuan



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

### 10. Long-term equity investments (continued)

#### Long-term equity investments under cost method

31/12/2020

| Name of subsidiary   | Balance at<br>01/01/2020    | Increase<br>in the year | Decrease<br>in the year | Balance at<br>31/12/2020    |
|--|-----------------------------|-------------------------|-------------------------|-----------------------------|
| Non-listed investments   |                             |                         |                         |                             |
| CRRC Times Electronics   | 182,977,618                 | –                       | –                       | 182,977,618                 |
| Ningbo CRRC Times  | 133,507,255                 | –                       | –                       | 133,507,255                 |
| USA CRRC Times Electric  | 3,187,516                   | –                       | –                       | 3,187,516                   |
| Shenyang CRRC Times  | 56,000,000                  | –                       | –                       | 56,000,000                  |
| Baoji CRRC Times   | 560,000,000                 | –                       | –                       | 560,000,000                 |
| Kunming CRRC Electric  | 55,000,000                  | –                       | –                       | 55,000,000                  |
| Hangzhou CRRC Electric   | 33,000,000                  | –                       | –                       | 33,000,000                  |
| Guangzhou CRRC Times   | 18,000,000                  | –                       | –                       | 18,000,000                  |
| HK CRRC Times Electric   | 731,009,400                 | –                       | –                       | 731,009,400                 |
| Australia CRRC Times Electric  | 1,814,037                   | –                       | –                       | 1,814,037                   |
| Ningbo CRRC Electric   | 110,000,000                 | –                       | –                       | 110,000,000                 |
| Brazil CRRC Times Electric   | 4,062,679                   | –                       | –                       | 4,062,679                   |
| Qingdao CRRC Electric  | 45,000,000                  | –                       | –                       | 45,000,000                  |
| CRRC Times Software  | 50,000,000                  | –                       | –                       | 50,000,000                  |
| Shanghai CRRC Rail Transit   | 25,500,000                  | –                       | –                       | 25,500,000                  |
| Hunan CRRC Signal  | 229,000,000                 | –                       | –                       | 229,000,000                 |
| Lanzhou CRRC Times   | 25,500,000                  | –                       | –                       | 25,500,000                  |
| CRRC National Centre of<br>Converters                                | 280,654,981                 | –                       | –                       | 280,654,981                 |
| Shanghai CRRC SMD  | 30,000,000                  | 40,000,000              | –                       | 70,000,000                  |
| Shanghai Yongdian  | 9,794,810                   | –                       | –                       | 9,794,810                   |
| Chengdu CRRC Electric  | 30,000,000                  | –                       | –                       | 30,000,000                  |
| CRRC Times Semiconductor   | 2,228,136,494               | 471,863,506             | –                       | 2,700,000,000               |
| Canada Dynex   | 282,478,220                 | –                       | –                       | 282,478,220                 |
| <b>Total</b>   | <b>5,124,623,010</b>        | <b>511,863,506</b>      | <b>–</b>                | <b>5,636,486,516</b>        |
| Less: Provision for impairment<br>of long-term equity<br>investments | <u>246,169,001</u>          |                         |                         | <u>400,893,001</u>          |
| <b>Net amount</b>  | <b><u>4,878,454,009</u></b> |                         |                         | <b><u>5,235,593,515</u></b> |



# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2020  
Renminbi Yuan

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

### 10. Long-term equity investments (continued)

#### Long-term equity investments under cost method (continued)

31/12/2019

| Name of subsidiary   | Balance at<br>01/01/2019 | Increase<br>in the year | Decrease<br>in the year | Balance at<br>31/12/2019 |
|--|--------------------------|-------------------------|-------------------------|--------------------------|
| Non-listed investments   |                          |                         |                         |                          |
| CRRC Times Electronics   | 182,977,618              | –                       | –                       | 182,977,618              |
| Ningbo CRRC Times  | 133,507,255              | –                       | –                       | 133,507,255              |
| USA CRRC Times Electric  | 3,187,516                | –                       | –                       | 3,187,516                |
| Shenyang CRRC Times  | 56,000,000               | –                       | –                       | 56,000,000               |
| Baoji CRRC Times   | 260,000,000              | 300,000,000             | –                       | 560,000,000              |
| Kunming CRRC Electric  | 55,000,000               | –                       | –                       | 55,000,000               |
| Hangzhou CRRC Electric   | 33,000,000               | –                       | –                       | 33,000,000               |
| Guangzhou CRRC Times   | 18,000,000               | –                       | –                       | 18,000,000               |
| HK CRRC Times Electric   | 731,009,400              | –                       | –                       | 731,009,400              |
| Australia CRRC Times Electric  | 1,814,037                | –                       | –                       | 1,814,037                |
| Ningbo CRRC Electric   | 10,000,000               | 100,000,000             | –                       | 110,000,000              |
| Brazil CRRC Times Electric   | 4,062,679                | –                       | –                       | 4,062,679                |
| Qingdao CRRC Electric  | 45,000,000               | –                       | –                       | 45,000,000               |
| CRRC Times Software  | 50,000,000               | –                       | –                       | 50,000,000               |
| Shanghai CRRC Rail Transit   | 25,500,000               | –                       | –                       | 25,500,000               |
| Hunan CRRC Signal  | 229,000,000              | –                       | –                       | 229,000,000              |
| Lanzhou CRRC Times   | 25,500,000               | –                       | –                       | 25,500,000               |
| CRRC National Centre of<br>Converters                                | 280,654,981              | –                       | –                       | 280,654,981              |
| Shanghai CRRC SMD  | 30,000,000               | –                       | –                       | 30,000,000               |
| Shanghai Yongdian  | 9,794,810                | –                       | –                       | 9,794,810                |
| Chengdu CRRC Electric  | 30,000,000               | –                       | –                       | 30,000,000               |
| CRRC Times Semiconductor   | –                        | 2,228,136,494           | –                       | 2,228,136,494            |
| Canada Dynex   | 216,539,728              | 65,938,492              | –                       | 282,478,220              |
| <b>Total</b>   | <b>2,430,548,024</b>     | <b>2,694,074,986</b>    | <b>–</b>                | <b>5,124,623,010</b>     |
| Less: Provision for impairment<br>of long-term equity<br>investments | 178,169,001              |                         |                         | 246,169,001              |
| <b>Net amount</b>  | <b>2,252,379,023</b>     |                         |                         | <b>4,878,454,009</b>     |

# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2020  
Renminbi Yuan



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

### 11. Fixed assets

#### (1) Fixed assets

| Item                                       | Buildings          | Machinery          | Vehicles          | Office facilities and others | Total                |
|--|--------------------|--------------------|-------------------|------------------------------|----------------------|
| I. Cost                                    |                    |                    |                   |                              |                      |
| 1. Balance at 1 January 2020               | 784,250,193        | 767,247,282        | 24,025,557        | 247,736,834                  | 1,823,259,866        |
| 2. Increase in the year                    |                    |                    |                   |                              |                      |
| (1) Purchase                               | —                  | 52,706,295         | 334,956           | 44,972,493                   | 98,013,744           |
| (2) Transfer from construction in progress | 1,857,731          | 1,739,824          | —                 | 6,659,649                    | 10,257,204           |
| 3. Disposals or retirement                 | —                  | (21,193,246)       | (500,498)         | (8,436,844)                  | (30,130,588)         |
| 4. Balance at 31 December 2020             | <u>786,107,924</u> | <u>800,500,155</u> | <u>23,860,015</u> | <u>290,932,132</u>           | <u>1,901,400,226</u> |
| II. Accumulated depreciation               |                    |                    |                   |                              |                      |
| 1. Balance at 1 January 2020               | 230,558,366        | 507,208,930        | 19,713,216        | 149,223,169                  | 906,703,681          |
| 2. Charge for the year                     | 18,195,335         | 77,645,271         | 1,564,744         | 33,518,558                   | 130,923,908          |
| 3. Eliminated on disposals or retirement   | —                  | (16,421,743)       | (475,473)         | (7,616,722)                  | (24,513,938)         |
| 4. Balance at 31 December 2020             | <u>248,753,701</u> | <u>568,432,458</u> | <u>20,802,487</u> | <u>175,125,005</u>           | <u>1,013,113,651</u> |
| III. Impairment provision                  |                    |                    |                   |                              |                      |
| 1. Balance at 1 January 2020               | 10,513,264         | 28,548,469         | —                 | 89,194                       | 39,150,927           |
| 2. Eliminated on disposals or retirement   | —                  | (1,681,325)        | —                 | —                            | (1,681,325)          |
| 3. Balance at 31 December 2020             | <u>10,513,264</u>  | <u>26,867,144</u>  | <u>—</u>          | <u>89,194</u>                | <u>37,469,602</u>    |
| IV. Carrying amount                        |                    |                    |                   |                              |                      |
| 1. Carrying amount at 31 December 2020     | <u>526,840,959</u> | <u>205,200,553</u> | <u>3,057,528</u>  | <u>115,717,933</u>           | <u>850,816,973</u>   |
| 2. Carrying amount at 1 January 2020       | <u>543,178,563</u> | <u>231,489,883</u> | <u>4,312,341</u>  | <u>98,424,471</u>            | <u>877,405,258</u>   |



# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2020  
Renminbi Yuan

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

### 11. Fixed assets (continued)

#### (1) Fixed assets (continued)

| Item  | Buildings          | Machinery            | Vehicles          | Office facilities and others | Total                |
|---|--------------------|----------------------|-------------------|------------------------------|----------------------|
| I. Cost   |                    |                      |                   |                              |                      |
| 1. Balance at 1 January 2019                      | 1,248,930,883      | 1,966,283,653        | 28,691,226        | 268,560,286                  | 3,512,466,048        |
| 2. Increase in the year                           |                    |                      |                   |                              |                      |
| (1) Purchase                                      | –                  | 33,783,522           | 554,236           | 47,027,502                   | 81,365,260           |
| (2) Transfer from construction in progress        | 148,783,985        | 150,082,860          | –                 | 26,072,946                   | 324,939,791          |
| 3. Disposals or retirement                        | –                  | (7,777,263)          | (3,923,804)       | (6,583,606)                  | (18,284,673)         |
| 4. Transferred to CRRC Times Semiconductor (note) | (613,464,675)      | (1,375,125,490)      | (1,296,101)       | (87,340,294)                 | (2,077,226,560)      |
| 5. Balance at 31 December 2019                    | <u>784,250,193</u> | <u>767,247,282</u>   | <u>24,025,557</u> | <u>247,736,834</u>           | <u>1,823,259,866</u> |
| II. Accumulated depreciation                      |                    |                      |                   |                              |                      |
| 1. Balance at 1 January 2019                      | 273,610,922        | 897,974,710          | 21,795,556        | 140,735,728                  | 1,334,116,916        |
| 2. Charge for the year                            | 38,026,059         | 167,656,068          | 2,123,607         | 34,081,589                   | 241,887,323          |
| 3. Eliminated on disposals or retirement          | –                  | (6,803,255)          | (3,713,523)       | (4,570,396)                  | (15,087,174)         |
| 4. Transfer to CRRC Times Semiconductor (note)    | (81,078,615)       | (551,618,593)        | (492,424)         | (21,023,752)                 | (654,213,384)        |
| 5. Balance at 31 December 2019                    | <u>230,558,366</u> | <u>507,208,930</u>   | <u>19,713,216</u> | <u>149,223,169</u>           | <u>906,703,681</u>   |
| III. Impairment provision                         |                    |                      |                   |                              |                      |
| 1. Balance at 1 January 2019                      | 10,513,264         | 46,279,869           | –                 | 696,752                      | 57,489,885           |
| 2. Eliminated on disposals or retirement          | –                  | (540,071)            | –                 | (600,591)                    | (1,140,662)          |
| 3. Transfer to Times CRRC Semiconductor (note)    | –                  | (17,191,329)         | –                 | (6,967)                      | (17,198,296)         |
| 4. Balance at 31 December 2019                    | <u>10,513,264</u>  | <u>28,548,469</u>    | <u>–</u>          | <u>89,194</u>                | <u>39,150,927</u>    |
| IV. Carrying amount                               |                    |                      |                   |                              |                      |
| 1. Carrying amount at 31 December 2019            | <u>543,178,563</u> | <u>231,489,883</u>   | <u>4,312,341</u>  | <u>98,424,471</u>            | <u>877,405,258</u>   |
| 2. Carrying amount at 1 January 2019              | <u>964,806,697</u> | <u>1,022,029,074</u> | <u>6,895,670</u>  | <u>127,127,806</u>           | <u>2,120,859,247</u> |

Note: In 2019, the Company increased the capital of CRRC Times Semiconductor with assets, resulting in transfer-out of fixed assets and accumulated losses as well as impairment provision thereof.

(2) At 31 December 2020 and 2019, the Company had no fixed assets that are temporarily idle.

# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2020  
Renminbi Yuan



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

### 11. Fixed assets (continued)

#### (3) Fixed assets leased out under operating lease

| Item      | Carrying amount at 31/12/2020 | Carrying amount at 31/12/2019 |
|-----------|-------------------------------|-------------------------------|
| Buildings | <u>44,811,520</u>             | <u>33,331,720</u>             |

(4) At 31 December 2020 and 2019, the Company had applied for certificate of ownership for all its buildings.

### 12. Intangible assets

| Item  | Land use rights     | Software licenses  | Patents, licenses and technical know-how | Total               |
|---|---------------------|--------------------|--|---------------------|
| I. Cost   |                     |                    |  |                     |
| 1. Balance at 1 January 2020                      | 74,494,406          | 119,480,198        | 564,160,311                              | 758,134,915         |
| 2. Increase in the year                           |                     |                    |  |                     |
| (1) Purchase                                      | -                   | 7,238,611          | 1,081,088                                | 8,319,699           |
| (2) Internal R&D                                  | -                   | -                  | 52,763,939                               | 52,763,939          |
| 3. Decrease in the year                           | <u>(10,886,820)</u> | -                  | -  | <u>(10,886,820)</u> |
| 4. Balance at 31 December 2020                    | <u>63,607,586</u>   | <u>126,718,809</u> | <u>618,005,338</u>                       | <u>808,331,733</u>  |
| II. Accumulated amortization                      |                     |                    |  |                     |
| 1. Balance at 1 January 2020                      | 19,854,264          | 88,167,919         | 153,388,094                              | 261,410,277         |
| 2. Charge for the year                            | 1,332,713           | 11,381,930         | 61,701,263                               | 74,415,906          |
| 3. Decrease in the year                           | <u>(2,717,022)</u>  | -                  | -  | <u>(2,717,022)</u>  |
| 4. Balance at 31 December 2020                    | <u>18,469,955</u>   | <u>99,549,849</u>  | <u>215,089,357</u>                       | <u>333,109,161</u>  |
| III. Impairment provision                         |                     |                    |  |                     |
| 1. Balance at 1 January 2020 and 31 December 2020 | -                   | -                  | 131,627,620                              | 131,627,620         |
| IV. Carrying amount                               |                     |                    |  |                     |
| 1. Balance at 31 December 2020                    | <u>45,137,631</u>   | <u>27,168,960</u>  | <u>271,288,361</u>                       | <u>343,594,952</u>  |
| 2. Balance at 1 January 2020                      | <u>54,640,142</u>   | <u>31,312,279</u>  | <u>279,144,597</u>                       | <u>365,097,018</u>  |



# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2020  
Renminbi Yuan

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

### 12. Intangible assets (continued)

| Item  | Land use rights     | Software licenses  | Patents, licenses and technical know-how | Total               |
|---|---------------------|--------------------|--|---------------------|
| I. Cost   |                     |                    |  |                     |
| 1. Balance at 1 January 2019                      | 110,469,384         | 116,753,444        | 471,376,134                              | 698,598,962         |
| 2. Increase in the year                           |                     |                    |  |                     |
| (1) Purchase                                      | –                   | 9,029,960          | 9,161,500                                | 18,191,460          |
| (2) Internal R&D                                  | –                   | –                  | 92,767,467                               | 92,767,467          |
| 3. Transfer to CRRC Times Semiconductor (note)    | <u>(35,974,978)</u> | <u>(6,303,206)</u> | <u>(9,144,790)</u>                       | <u>(51,422,974)</u> |
| 4. Balance at 31 December 2019                    | <u>74,494,406</u>   | <u>119,480,198</u> | <u>564,160,311</u>                       | <u>758,134,915</u>  |
| II. Accumulated amortization                      |                     |                    |  |                     |
| 1. Balance at 1 January 2019                      | 20,175,389          | 80,336,887         | 113,719,541                              | 214,231,817         |
| 2. Charge for the year                            | 2,017,248           | 10,756,206         | 48,813,343                               | 61,586,797          |
| 3. Transfer to CRRC Times Semiconductor (note)    | <u>(2,338,373)</u>  | <u>(2,925,174)</u> | <u>(9,144,790)</u>                       | <u>(14,408,337)</u> |
| 4. Balance at 31 December 2019                    | <u>19,854,264</u>   | <u>88,167,919</u>  | <u>153,388,094</u>                       | <u>261,410,277</u>  |
| III. Impairment provision                         |                     |                    |  |                     |
| 1. Balance at 1 January 2019 and 31 December 2019 | <u>–</u>            | <u>–</u>           | <u>131,627,620</u>                       | <u>131,627,620</u>  |
| IV. Carrying amount                               |                     |                    |  |                     |
| 1. Balance at 31 December 2019                    | <u>54,640,142</u>   | <u>31,312,279</u>  | <u>279,144,597</u>                       | <u>365,097,018</u>  |
| 2. Balance at 1 January 2019                      | <u>90,293,995</u>   | <u>36,416,557</u>  | <u>226,028,973</u>                       | <u>352,739,525</u>  |

Note: In 2019, the Company increased the capital of CRRC Times Semiconductor with assets, resulting in transfer-out of intangible assets and accumulated amortization thereof.

At 31 December 2020 and 2019, the Company had no land use rights pledged to secure the bank borrowings. The land used by the Company mainly locates in Mainland China, with a term of 40-50 years.

At 31 December 2020 and 2019, the Company's intangible assets arising from internal R&D respectively accounts for 33.00% and 28.22% of the cost of intangible assets.

# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2020  
Renminbi Yuan



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

### 13. Deferred tax assets

| Item   | 31/12/2020                       |                     | 31/12/2019                       |                     |
|--|----------------------------------|---------------------|----------------------------------|---------------------|
|  | Deductible temporary differences | Deferred tax assets | Deductible temporary differences | Deferred tax assets |
| Provision for product quality warranties                                   | 824,776,656                      | 123,716,498         | 686,022,340                      | 102,903,351         |
| Other provisions   | 5,091,706                        | 763,756             | –                                | –                   |
| Provision for credit loss  | 240,578,640                      | 36,086,796          | 188,275,612                      | 28,240,889          |
| Provision for impairment of assets   | 213,721,075                      | 32,073,161          | 159,718,231                      | 23,957,735          |
| Government grants  | 532,953,320                      | 79,942,998          | 343,133,904                      | 51,470,086          |
| Depreciation/Amortization differences arising from tax laws and accounting | 54,288,729                       | 8,143,309           | 43,197,894                       | 6,479,684           |
| Accrued expenses   | 59,996,466                       | 8,999,470           | 65,891,042                       | 9,883,656           |
| Accrued but unpaid employee benefits                                       | 20,045,000                       | 3,006,750           | 67,531,936                       | 10,129,790          |
| Changes in fair value of financial assets at FVTOCI                        | 29,470,416                       | 4,420,562           | 49,551,782                       | 7,432,767           |
| Others   | 8,276,833                        | 1,241,525           | 11,027,661                       | 1,654,150           |
| Total  | <u>1,989,198,841</u>             | <u>298,394,825</u>  | <u>1,614,350,402</u>             | <u>242,152,108</u>  |

### 14. Bills payable

| Item                        | 31/12/2020           | 31/12/2019           |
|-----------------------------|----------------------|----------------------|
| Commercial acceptance bills | 64,185,426           | 257,204,575          |
| Bank acceptance bills       | 994,108,148          | 972,791,996          |
| Total                       | <u>1,058,293,574</u> | <u>1,229,996,571</u> |



# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2020  
Renminbi Yuan

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

### 15. Trade payables

| Item            | 31/12/2020    | 31/12/2019    |
|-----------------|---------------|---------------|
| Related parties | 2,712,041,004 | 3,202,138,981 |
| Third parties   | 1,636,594,299 | 2,004,561,528 |
| Total           | 4,348,635,303 | 5,206,700,509 |

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

### 16. Contract liabilities

| Item                                     | 31/12/2020  | 31/12/2019  |
|--|-------------|-------------|
| Liabilities arising from sales contracts | 577,105,249 | 746,023,383 |

For part of the sales contracts, the delivery and acceptance is later than customer's payment, resulting in sales contract liabilities.

### 17. Taxes payable

| Item   | 31/12/2020 | 31/12/2019 |
|--|------------|------------|
| Enterprise income tax  | 21,630,858 | —          |
| VAT  | 139,136    | —          |
| City maintenance and construction tax and education surcharges | —          | 555        |
| Individual income tax  | 13,104,322 | 13,738,014 |
| Others   | —          | 1,401,224  |
| Total  | 34,874,316 | 15,139,793 |



# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2020  
Renminbi Yuan



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

### 18. Other payables

| Item           | 31/12/2020         | 31/12/2019         |
|----------------|--------------------|--------------------|
| Other payables | <u>554,109,964</u> | <u>687,538,734</u> |
| Total          | <u>554,109,964</u> | <u>687,538,734</u> |

#### Details of other payables by nature

| Item                             | 31/12/2020         | 31/12/2019         |
|----------------------------------|--------------------|--------------------|
| Deposits and pledges             | 136,025,341        | 187,114,254        |
| Amounts due to related companies | 291,212,709        | 302,600,733        |
| Recovery of factoring            | 56,900,381         | 193,871,569        |
| Others                           | <u>69,971,533</u>  | <u>3,952,178</u>   |
| Total                            | <u>554,109,964</u> | <u>687,538,734</u> |

### 19. Long-term borrowings

| Item   | 31/12/2020        | 31/12/2019        |
|--|-------------------|-------------------|
| Credit borrowings                              | 87,717,416        | 92,688,000        |
| Less: Long-term borrowings due within one year | <u>5,029,416</u>  | <u>5,000,000</u>  |
| Net amount                                     | <u>82,688,000</u> | <u>87,688,000</u> |

The annual rate for the above borrowings is 1.08%.



# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2020  
Renminbi Yuan

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

### 20. Provisions

| Item  | 01/01/2020         | Increase in the year | Decrease in the year | 31/12/2020         |
|---|--------------------|----------------------|----------------------|--------------------|
| Provision for product quality warranties        | 686,022,340        | 579,468,635          | 440,714,319          | 824,776,656        |
| Provision for repair of equipment under custody | –                  | 5,091,706            | –                    | 5,091,706          |
| Total   | <u>686,022,340</u> | <u>584,560,341</u>   | <u>440,714,319</u>   | <u>829,868,362</u> |
| Less: Provisions due within one year            | <u>275,229,129</u> |                      |                      | <u>332,317,010</u> |
| Net amount                                      | <u>410,793,211</u> |                      |                      | <u>497,551,352</u> |

| Item                                     | 01/01/2019         | Increase in the year | Decrease in the year | 31/12/2019         |
|--|--------------------|----------------------|----------------------|--------------------|
| Provision for product quality warranties | 580,564,102        | <u>591,619,409</u>   | <u>486,161,171</u>   | 686,022,340        |
| Less: Provisions due within one year     | <u>232,621,056</u> |                      |                      | <u>275,229,129</u> |
| Net amount                               | <u>347,943,046</u> |                      |                      | <u>410,793,211</u> |

### 21. Deferred income

| Item                                | 31/12/2020         | 31/12/2019         |
|-------------------------------------|--------------------|--------------------|
| Government grants related to assets | <u>192,985,273</u> | 206,998,524        |
| Government grants related to income | <u>339,968,047</u> | <u>136,135,380</u> |
| Total                               | <u>532,953,320</u> | <u>343,133,904</u> |

# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2020  
Renminbi Yuan

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

### 21. Deferred income (continued)

Items of government grants:

| Item   | 01/01/2020         | Increase<br>in the year | Recognized as<br>other income | Other<br>changes    | 31/12/2020         | Related to<br>assets/income |
|--|--------------------|-------------------------|-------------------------------|---------------------|--------------------|-----------------------------|
| Fiscal allotment for IGBT Phase II Information industry technological upgrading<br>(The revamping of high voltage and low voltage IGBT chip module production line)  | 50,000,000         | -                       | -                             | -                   | 50,000,000         | Assets                      |
| Construction of R&D and trial-manufacturing center of IGBT for electric vehicles   | 50,000,000         | -                       | -                             | -                   | 50,000,000         | Assets                      |
| Research on key technologies of high speed maglev transportation   | 55,790,000         | -                       | -                             | (13,920,000)        | 41,870,000         | Income                      |
| 8-inch IGBT intelligent manufacturing and digital factory construction item  | 42,000,000         | -                       | (4,083,333)                   | -                   | 37,916,667         | Assets                      |
| Industrial foundation fortification project-production of IGBT module for alternative fuel<br>automobiles  | 23,340,000         | -                       | -                             | -                   | 23,340,000         | Assets                      |
| Maotangao public rental housing construction project   | 18,158,800         | -                       | (454,917)                     | -                   | 17,703,883         | Assets                      |
| Research and development of power transmission and control system  | 11,113,500         | 1,171,500               | -                             | -                   | 12,285,000         | Income                      |
| High-speed railway system security technology  | 2,640,000          | 6,717,300               | -                             | (1,900,000)         | 7,457,300          | Income                      |
| Hunan governmental earmark on the development of the second batch of mobile internet<br>industry in 2016   | 5,000,000          | -                       | -                             | -                   | 5,000,000          | Assets                      |
| Virtual co-phase flexible power supply technology  | 4,890,000          | -                       | -                             | -                   | 4,890,000          | Income                      |
| Development and application of PCU power element for new generation high-speed train   | -                  | 4,700,000               | -                             | -                   | 4,700,000          | Income                      |
| Construction of intelligent manufacturing plant for railway vehicles core parts<br>(manufacturing center)  | 4,097,222          | -                       | (833,333)                     | -                   | 3,263,889          | Assets                      |
| Key technology and equipment development for catenary-free power supply urban rail vehicle   | 3,400,000          | -                       | -                             | -                   | 3,400,000          | Income                      |
| Low-sensitivity high-temperature-density multi-function composite SiC power modules  | 3,203,300          | -                       | -                             | -                   | 3,203,300          | Income                      |
| R&D of high-temperature and high-current SiC chip for automobile   | 3,062,980          | -                       | -                             | -                   | 3,062,980          | Income                      |
| Research on key technologies of medium-speed maglev transportation system  | 4,063,600          | 680,000                 | -                             | (1,290,000)         | 3,453,600          | Income                      |
| 8 MW golden sun demonstration project  | 10,891,667         | -                       | (10,891,667)                  | -                   | -                  | Assets                      |
| Rail transit system energy-consuming processes decoupling and energy efficiency promotion<br>key technology topics   | 2,710,000          | -                       | -                             | -                   | 2,710,000          | Income                      |
| Integrated manufacturing technology R&D and industrialization of SiC based power<br>electronic devices   | 3,100              | -                       | -                             | -                   | 3,100              | Income                      |
| EMU AC Drive & network control system and on-board control unit project  | 791,667            | -                       | (791,667)                     | -                   | -                  | Assets                      |
| 1MW Photovoltaic building demonstration project  | 791,667            | -                       | (791,667)                     | -                   | -                  | Assets                      |
| Key technology of high speed passenger rail equipment of 400km/h and above   | 8,400,000          | -                       | (8,400,000)                   | -                   | -                  | Income                      |
| Train network control and information system   | 2,000,000          | -                       | (2,000,000)                   | -                   | -                  | Income                      |
| State funds for high-speed railway system security technology  | 2,640,000          | -                       | -                             | -                   | 2,640,000          | Income                      |
| Middle and low pressure SiC materials and devices, and the pilot application in<br>charging equipment for electric vehicles (national key R&D program)   | 1,896,100          | -                       | -                             | -                   | 1,896,100          | Income                      |
| R&D and industrialization of wide-band gap semiconductor motor controller  | 1,750,000          | 200,000                 | -                             | -                   | 1,950,000          | Income                      |
| Research on pantograph safety awareness and early warning technology   | 1,560,000          | -                       | -                             | -                   | 1,560,000          | Income                      |
| Research on basic theory and evaluation method for high-temperature SiC device and<br>system for automobile  | 1,540,000          | -                       | -                             | -                   | 1,540,000          | Income                      |
| Hunan province strategic emerging industry scientific research projects and transformation of<br>significant scientific and technological achievements "Railway efficient power supply<br>technology research and equipment development" | 1,500,000          | -                       | -                             | -                   | 1,500,000          | Income                      |
| IGCT project funds   | 1,240,000          | -                       | -                             | -                   | 1,240,000          | Assets                      |
| Others   | 24,660,301         | 237,257,200             | (6,150,000)                   | (9,400,000)         | 246,367,501        | Assets/income               |
| <b>Total</b>   | <b>343,133,904</b> | <b>250,726,000</b>      | <b>(34,396,584)</b>           | <b>(26,510,000)</b> | <b>532,953,320</b> |                             |

# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2020  
Renminbi Yuan

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

### 21. Deferred income (continued)

Items of government grants: (continued)

| Item   | 01/01/2019         | Increase in the year | Recognized as other income | Other changes       | 31/12/2019         | Related to assets/income |
|--|--------------------|----------------------|----------------------------|---------------------|--------------------|--------------------------|
| Fiscal allotment for IGBT Phase II Information industry technological upgrading (The revamping of high voltage and low voltage IGBT chip module production line) | 50,000,000         | -                    | -                          | -                   | 50,000,000         | Assets                   |
| Construction of R&D and trial-manufacturing center of IGBT for electric vehicles   | 50,000,000         | -                    | -                          | -                   | 50,000,000         | Assets                   |
| Research on key technologies of high speed maglev transportation   | 39,670,000         | 16,120,000           | -                          | -                   | 55,790,000         | income                   |
| 8-inch IGBT intelligent manufacturing and digital factory construction item  | 42,000,000         | -                    | -                          | -                   | 42,000,000         | Assets                   |
| Industrial foundation fortification project-production of IGBT module for alternative fuel automobiles   | 23,340,000         | -                    | -                          | -                   | 23,340,000         | Assets                   |
| Maotangao public rental housing construction project   | 18,613,718         | -                    | (454,918)                  | -                   | 18,158,800         | Assets                   |
| Research and development of power transmission and control system  | 10,305,000         | 808,500              | -                          | -                   | 11,113,500         | income                   |
| High-speed railway system security technology  | 1,300,000          | 1,340,000            | -                          | -                   | 2,640,000          | income                   |
| Hunan governmental earmark on the development of the second batch of mobile internet industry in 2016  | 5,000,000          | -                    | -                          | -                   | 5,000,000          | Assets                   |
| Virtual co-phase flexible power supply technology  | 1,740,000          | 3,150,000            | -                          | -                   | 4,890,000          | income                   |
| State appropriation for high-speed railway system security technology  | 2,640,000          | -                    | -                          | -                   | 2,640,000          | income                   |
| Construction of intelligent manufacturing plant for railway vehicles core parts (manufacturing center)   | 5,000,000          | -                    | (902,778)                  | -                   | 4,097,222          | Assets                   |
| Key technology and equipment development for catenary-free power supply urban rail vehicle   | 685,000            | 2,715,000            | -                          | -                   | 3,400,000          | income                   |
| Low-sensitivity high-temperature-density multi-function composite SiC power modules  | 4,212,300          | -                    | (1,009,000)                | -                   | 3,203,300          | income                   |
| R&D of high-temperature and high-current SiC chip for automobile   | 2,030,445          | 1,579,235            | (546,700)                  | -                   | 3,062,980          | income                   |
| Research on key technologies of medium-speed maglev transportation system  | -                  | 4,063,600            | -                          | -                   | 4,063,600          | income                   |
| 8 MW golden sun demonstration project  | 21,783,333         | -                    | (10,891,666)               | -                   | 10,891,667         | Assets                   |
| Rail transit system energy-consuming processes decoupling and energy efficiency promotion key technology topics  | 540,000            | 2,170,000            | -                          | -                   | 2,710,000          | income                   |
| Integrated manufacturing technology R&D and industrialization of SiC based power electronic devices  | 77,456,200         | -                    | (77,453,100)               | -                   | 3,100              | income                   |
| EMU AC Drive & network control system and on-board control unit project  | 2,691,667          | -                    | (1,900,000)                | -                   | 791,667            | Assets                   |
| 1MW Photovoltaic building demonstration project  | 2,691,667          | -                    | (1,900,000)                | -                   | 791,667            | Assets                   |
| Key technology of high speed passenger rail equipment of 400km/h and above   | 5,230,000          | 3,170,000            | -                          | -                   | 8,400,000          | income                   |
| Train network control and information system   | 2,000,000          | -                    | -                          | -                   | 2,000,000          | income                   |
| SiC base industrial construction project fund  | 17,000,000         | -                    | -                          | (17,000,000)        | -                  | Assets                   |
| SiC Shandong Tianyue Development and Reform Commission Project   | 7,932,505          | 28,000,000           | (5,973,033)                | (29,959,472)        | -                  | Assets                   |
| Middle and low pressure SiC materials and devices, and the pilot application in charging equipment for electric vehicles (national key R&D program)              | 2,892,200          | -                    | (996,100)                  | -                   | 1,896,100          | income                   |
| Others   | 32,002,102         | 35,432,000           | (30,423,801)               | (4,760,000)         | 32,250,301         | Assets/income            |
| <b>Total</b>   | <b>428,756,137</b> | <b>98,548,335</b>    | <b>(132,451,096)</b>       | <b>(51,719,472)</b> | <b>343,133,904</b> |                          |

# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2020  
Renminbi Yuan



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

### 22. Revenue and cost of sales

#### (1) Details of revenue and cost of sales:

| Item                           | 2020                  |                      | 2019                  |                      |
|--------------------------------|-----------------------|----------------------|-----------------------|----------------------|
|                                | Income                | Cost                 | Income                | Cost                 |
| Principal operating activities | 11,680,166,873        | 8,471,584,726        | 11,660,829,769        | 8,382,844,395        |
| Other operating activities     | 514,788,392           | 478,616,116          | 664,488,928           | 594,939,961          |
| Total                          | <u>12,194,955,265</u> | <u>8,950,200,842</u> | <u>12,325,318,697</u> | <u>8,977,784,356</u> |

#### (2) Revenue from contracts

| Categories of contracts      | 2020                  | 2019                  |
|------------------------------|-----------------------|-----------------------|
| By geographic areas of sales |                       |                       |
| Mainland China               | 12,138,528,484        | 12,274,503,438        |
| Other countries and regions  | 56,426,781            | 50,815,259            |
| Total                        | <u>12,194,955,265</u> | <u>12,325,318,697</u> |



# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2020  
Renminbi Yuan

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

### 22. Revenue and cost of sales (continued)

#### (3) Description of performance obligations

##### *Sales of goods and materials*

The Company mainly sells rail transit equipments and components, which are mainly delivered using land transportation. The Company recognizes revenue upon receipts and acceptance of the goods by the customer.

Advances from customer before delivery of rail transit equipments and components are recognized as contract liabilities in the consolidated financial statements. There is no significant financing component and right of return during the course of sales of rail transit equipments and components.

##### *Maintenance service*

The Company mainly repairs and maintains rail transit equipments and components. According to the service contract, the maintenance service is subject to customer's acceptance upon delivery, and the Company is entitled to collect the payment upon acceptance by the customer. As the customer can't simultaneously receive and consume the economic benefits provided by the Company's performance as the Company performs; and can't control the service during the Company's performance either; and during the contract period, the Company can't collect the payment in respect of the part of obligations completed up to date, therefore, the maintenance service represent the performance obligation performed at a point in time, and the Company recognizes revenue from maintenance service upon acceptance by customer.

### 23. Tax and surcharges

| Item                                  | 2020       | 2019       |
|---------------------------------------|------------|------------|
| City maintenance and construction tax | 19,124,951 | 39,152,225 |
| Education surcharges                  | 13,657,680 | 27,965,875 |
| Others                                | 18,346,496 | 23,401,445 |
| Total                                 | 51,129,127 | 90,519,545 |

# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2020  
Renminbi Yuan



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

### 24. Selling expenses

| Item                                     | 2020        | 2019        |
|--|-------------|-------------|
| Provision for product quality warranties | 579,468,635 | 591,619,409 |
| Employee benefits                        | 87,626,295  | 87,656,972  |
| Transportation and handling charges      | 7,145,937   | 8,039,140   |
| Office and travel expenses               | 29,569,665  | 36,640,121  |
| Business entertainment expenses          | 13,471,440  | 16,144,260  |
| Advertising and publicity cost           | 2,523,311   | 4,773,876   |
| Bidding and tendering fee                | 8,622,136   | 4,865,014   |
| Others                                   | 54,013,494  | 25,690,728  |
| Total                                    | 782,440,913 | 775,429,520 |

### 25. Administrative expenses

| Item  | 2020        | 2019        |
|---|-------------|-------------|
| Employee benefits   | 161,519,847 | 203,608,914 |
| Depreciation and amortization charges                         | 51,381,827  | 49,038,328  |
| Facility maintenance cost                                     | 52,323,618  | 19,408,017  |
| Property management fee                                       | 12,007,574  | 40,838,380  |
| Utilities expenses  | 11,938,274  | 15,847,230  |
| Office and travel expenses and conference fee                 | 21,085,888  | 29,700,840  |
| Service fees for intermediaries and professional institutions | 12,607,836  | 16,060,959  |
| Insurance expenses  | 6,731,720   | 19,408,017  |
| Rental expense  | 3,237,135   | 3,406,823   |
| Business entertainment expenses                               | 3,231,738   | 3,152,703   |
| Others  | 19,640,146  | 19,674,880  |
| Total   | 355,705,603 | 420,145,091 |



# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2020  
Renminbi Yuan

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

### 26. R&D expenses

| Item                                  | 2020        | 2019          |
|---------------------------------------|-------------|---------------|
| Employee benefits                     | 261,590,661 | 256,503,940   |
| Technical service fee                 | 226,171,489 | 296,078,117   |
| Cost of materials consumed            | 115,260,164 | 250,926,060   |
| Depreciation and amortization charges | 118,774,305 | 109,826,572   |
| Office and travel expenses            | 22,198,437  | 34,995,011    |
| Experiment and inspection cost        | 15,555,279  | 19,893,300    |
| Others                                | 83,771,581  | 61,738,663    |
| Total                                 | 843,321,916 | 1,029,961,663 |

### 27. Finance costs

| Item                                   | 2020         | 2019         |
|--|--------------|--------------|
| Interest expenses on borrowings        | 3,559,962    | 10,218,693   |
| Interest expenses on lease liabilities | 1,590,444    | 1,506,934    |
| Less: Capitalized interest expenses    | 213,366      | 346,849      |
| Interest income                        | (48,767,143) | (51,130,046) |
| Net exchange losses (gains)            | 45,170,259   | (2,807,211)  |
| Financial institution charges          | 8,817,801    | 5,622,745    |
| Others                                 | 94,694       | (6,487,217)  |
| Total                                  | 10,252,651   | (43,422,951) |



# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2020  
Renminbi Yuan



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

### 28. Other income

| Item                    | 2020              | 2019               |
|-------------------------|-------------------|--------------------|
| Technology project fund | 20,783,333        | 109,755,600        |
| Government rewards      | 34,839,912        | 42,257,216         |
| Total                   | <u>55,623,245</u> | <u>152,012,816</u> |

### 29. Investment income

| Item   | 2020                 | 2019                 |
|--|----------------------|----------------------|
| Gains (losses) from long-term equity investments under cost method                   | 1,566,402,575        | 1,549,588,347        |
| Gains (losses) from long-term equity investments under equity method                 | (28,407,709)         | 1,896,265            |
| Gains on disposal of held-for-trading financial assets                               | 114,579,327          | 106,938,961          |
| Gains (losses) on disposal of derivative financial instruments                       | (6,080,567)          | –                    |
| Gains (losses) on derecognition of financial assets at amortized cost<br>– factoring | (6,113,684)          | –                    |
| Total  | <u>1,640,379,942</u> | <u>1,658,423,573</u> |

### 30. Credit impairment gains (losses)

| Item  | 2020                | 2019                |
|---|---------------------|---------------------|
| Credit impairment losses of bills receivable                            | (2,110,291)         | 42,405,188          |
| Credit impairment losses of trade receivables                           | (59,311,925)        | (78,140,205)        |
| Credit impairment losses of other receivables                           | 628,564             | (1,645,000)         |
| Credit impairment losses of contract assets                             | –                   | (643,386)           |
| Credit impairment losses of contract assets in other non-current assets | –                   | (6,293,519)         |
| Total   | <u>(60,793,652)</u> | <u>(44,316,922)</u> |



# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2020  
Renminbi Yuan

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

### 31. Assets impairment gains (losses)

| Item   | 2020          | 2019         |
|--|---------------|--------------|
| Impairment losses of inventories                                 | (65,119,588)  | (6,585,395)  |
| Impairment losses of long-term equity investments                | (154,724,000) | (68,000,000) |
| Impairment losses of contract assets                             | (306,196)     | –            |
| Impairment losses of contract assets in other non-current assets | 5,066,460     | –            |
| Total  | (215,083,324) | (74,585,395) |

### 32. Non-operating income

| Item   | 2020         |   | 2019         |   |
|--|--------------|---|--------------|---|
|  | Gross amount | Amount included in non-recurring profit or loss | Gross amount | Amount included in non-recurring profit or loss |
| Unsettled payment                              | 2,392,224    | 2,392,224                                       | 3,473        | 3,473   |
| Insurance claims income                        | 13,891,820   | 13,891,820                                      | 4,111,086    | 4,111,086                                       |
| Penalty income and default compensation income | 6,436,437    | 6,436,437                                       | 1,527,892    | 1,527,892                                       |
| Others   | 214,469      | 214,469   | 3,463,922    | 3,463,922                                       |
| Total  | 22,934,950   | 22,934,950                                      | 9,106,373    | 9,106,373                                       |

### 33. Non-operating expenses

| Item                                 | 2020    |  | 2019    |  |
|--------------------------------------|---------|--|---------|--|
|                                      | Amount  | Amount included in non-recurring profit or loss for the period | Amount  | Amount included in non-recurring profit or loss for the period |
| Losses on penalties and compensation | 287,622 | 287,622  | 378     | 378  |
| Losses on retirement of assets       | 28,979  | 28,979   | –       | –  |
| Others                               | 20,295  | 20,295   | 140,015 | 140,015  |
| Total                                | 336,896 | 336,896  | 140,393 | 140,393  |

# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2020  
Renminbi Yuan



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

### 34. Income tax expenses

| Item                          | 2020               | 2019              |
|-------------------------------|--------------------|-------------------|
| Current income tax expense    |                    |                   |
| – Mainland China              | 170,961,433        | 78,509,993        |
| – Other countries and regions | 316,688            | 627,126           |
| Sub-total                     | 171,278,121        | 79,137,119        |
| Deferred tax expense          | (59,254,922)       | (1,791,312)       |
| Total                         | <u>112,023,199</u> | <u>77,345,807</u> |

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

| Item  | 2020                 | 2019                 |
|---|----------------------|----------------------|
| Total profit  | <u>2,646,892,611</u> | <u>2,781,160,146</u> |
| Income tax expense at statutory tax rate of 25%   | 661,723,153          | 695,290,037          |
| Effect of preferential tax rate applicable  | (264,689,261)        | (278,116,015)        |
| Effect of profits and losses attributable to associates and joint ventures                  | 4,261,156            | (284,440)            |
| Effect of tax-free income   | (235,260,088)        | (233,017,696)        |
| Effect of additional deduction for R&D expenses   | (84,703,660)         | (100,987,792)        |
| Effect of expenses that are not deductible for tax purposes                                 | 1,346,261            | 2,576,722            |
| Effect of deductible temporary differences and deductible losses not recognized             | 24,198,099           | 10,200,000           |
| Effect of utilization of deductible temporary differences not recognized in the prior years | –                    | (2,193,935)          |
| Differences of annual filing  | <u>5,147,539</u>     | <u>(16,121,074)</u>  |
| Income tax expense  | <u>112,023,199</u>   | <u>77,345,807</u>    |



# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2020  
Renminbi Yuan

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

### 35. Supplementary information to the statement of cash flows

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

| Item   | 2020            | 2019            |
|--|-----------------|-----------------|
| Reconciliation of net profit to cash flows from operating activities:            |                 |                 |
| Net profit   | 2,534,869,412   | 2,703,814,339   |
| Add: Asset impairment losses   | 215,083,324     | 74,585,395      |
| Credit impairment losses   | 60,793,652      | 44,316,922      |
| Depreciation of fixed assets   | 130,923,908     | 241,887,323     |
| Amortization of intangible assets  | 74,415,906      | 61,586,797      |
| Depreciation of right-of-use assets  | 17,104,717      | 7,651,991       |
| Increase (decrease) in special reserves  | –               | 402,644         |
| Losses on disposal of fixed assets, intangible assets and other long-term assets | 63,174          | 18,140          |
| Finance costs  | 2,882,528       | 11,378,778      |
| Investment income  | (1,640,379,942) | (1,658,423,573) |
| Losses (gains) on fair value changes   | (2,327,307)     | (5,776,761)     |
| Decrease (increase) in deferred tax assets                                       | (59,254,922)    | (1,791,312)     |
| Increase in deferred tax liabilities   | –               | 9,634,500       |
| Decrease (increase) in inventories   | (390,123,348)   | (655,063,861)   |
| Decrease (Increase) in operating receivables                                     | 658,135,272     | 799,855,634     |
| Increase (decrease) in operating payables  | (1,314,344,642) | (1,306,672,241) |
| Net cash flows from operating activities   | 287,841,732     | 327,404,715     |

#### (2) Movement in cash and cash equivalents:

| Item   | 2020          | 2019          |
|--|---------------|---------------|
| Closing balance of cash                              | 3,005,589,102 | 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 | 52,799,897    | (471,374,608) |

# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2020  
Renminbi Yuan



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

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

#### (3) Cash and cash equivalents

| Item   | 31/12/2020           | 31/12/2019           |
|--|----------------------|----------------------|
| Cash on hand                                 | –                    | –                    |
| Bank deposits on demand                      | <u>3,005,589,102</u> | <u>2,452,789,205</u> |
| Closing balance of cash and cash equivalents | <u>3,005,589,102</u> | <u>2,452,789,205</u> |

### 36. Major transactions between the Company and its related parties

#### (1) Purchase of goods and receipt of services from related parties

| Name of the entity  | 2020                        | 2019                 |
|---|-----------------------------|----------------------|
| Consolidated related parties  | <b>3,212,584,114</b>        | 3,141,791,683        |
| Corporations controlled by the ultimate holding party other than the CRRZ ZELRI Group | <b>1,619,087,902</b>        | 936,062,483          |
| Corporations controlled by the CRRZ ZELRI   | <b>727,372,701</b>          | 609,902,177          |
| Associates of the ultimate holding group other than the CRRZ ZELRI Group              | <b>190,959,426</b>          | –                    |
| Joint ventures of the Company   | <b>171,829,428</b>          | 490,624,289          |
| CRRZ ZELRI  | <b>143,490,738</b>          | 182,681,733          |
| Joint ventures of the ultimate holding party other than the CRRZ ZELRI Group          | <b>23,901,846</b>           | –                    |
| Associates of the Company   | <b>26,501,010</b>           | 14,023,153           |
| Associates of the CRRZ ZELRI  | <b>259,245</b>              | –                    |
| Joint ventures of the CRRZ ZELRI  | –                           | <u>6,751,014</u>     |
| Total   | <u><b>6,115,986,410</b></u> | <u>5,381,836,532</u> |



# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2020  
Renminbi Yuan

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

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

#### (2) Sale of goods and rendering of services to related parties

| Name of the entity  | 2020                 | 2019                 |
|---|----------------------|----------------------|
| Corporations controlled by the ultimate holding party other than the CRRZ ZELRI Group | 6,416,109,719        | 6,718,006,179        |
| Consolidated related parties  | 1,784,964,745        | 1,639,235,969        |
| Joint ventures of the Company   | 166,414,369          | 300,685,849          |
| Joint ventures of the ultimate holding party other than the CRRZ ZELRI Group          | 143,208,243          | —                    |
| Associates of the ultimate holding group other than the CRRZ ZELRI Group              | 64,079,732           | 31,776,593           |
| Corporations controlled by the CRRZ ZELRI   | 26,573,695           | 61,946,511           |
| CRRZ ZELRI  | 22,015,647           | 15,142,252           |
| Associates of the Company   | 2,481,610            | 2,601,921            |
| Joint ventures of the CRRZ ZELRI  | 8,110                | —                    |
| Investors which have significant influence over Baoji CRRZ Times                      | 31,858               | —                    |
| Total   | <u>8,625,887,728</u> | <u>8,769,395,274</u> |

#### (3) Purchases of energy from related parties

| Name of the entity  | 2020           | 2019     |
|---|----------------|----------|
| Corporations controlled by the ultimate holding party other than the CRRZ ZELRI Group | 106,408        | —        |
| Consolidated related parties  | 134,010        | —        |
| Total   | <u>240,418</u> | <u>—</u> |

# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2020  
Renminbi Yuan



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

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

#### (4) Sales of energy to related parties

| Name of the entity                        | 2020       | 2019       |
|---|------------|------------|
| Consolidated related parties              | 44,119,764 | 10,052,195 |
| Corporations controlled by the CRRZ ZELRI | 3,476,744  | 3,080,258  |
| CRRZ ZELRI                                | 520,287    | 618,179    |
| Associates of the CRRZ ZELRI              | 255,003    | –          |
| Associates of the Company                 | 4,202      | 8,146      |
| Total                                     | 48,376,000 | 13,758,778 |

#### (5) Related party leases

##### As a lessor

| Name of the entity  | 2020       | 2019       |
|---|------------|------------|
| Corporations controlled by the CRRZ ZELRI   | 5,125,278  | 4,998,734  |
| CRRZ ZELRI  | 3,201,490  | 3,136,073  |
| Consolidated related parties  | 2,947,529  | 3,489,753  |
| Associates of the Company   | 417,878    | 417,878    |
| Corporations controlled by the ultimate holding party other than the CRRZ ZELRI Group | 166,183    | 142,398    |
| Total   | 11,858,358 | 12,184,836 |



# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2020  
Renminbi Yuan

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

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

#### (5) Related party leases (continued)

As a lessee

| Name of the entity  | 2020      | 2019      |
|---|-----------|-----------|
| CRRZ ZELRI  | 1,928,649 | 610,827   |
| Consolidated related parties  | 4,887,427 | –         |
| Corporations controlled by the CRRZ ZELRI   | 951,570   | 1,362,596 |
| Corporations controlled by the ultimate holding party other than the CRRZ ZELRI Group | 799,735   | –         |
| Total   | 8,567,381 | 1,973,423 |

| Name of the entity  | 2020   |   | 2019   |   |
|---|--|---|--|---|
|   | Right-of-use assets recognised in the current year | Interest expenses relating to lease liabilities | Right-of-use assets recognised in the current year | Interest expenses relating to lease liabilities |
| Corporations controlled by the ultimate holding party other than the CRRZ ZELRI Group | –  | 8,465   | –  | 36,528  |
| CRRZ ZELRI  | –  | 21,832  | 1,207,241  | 49,839  |
| Consolidated related parties  | 3,342,807  | 136,712   | –  | 23,094  |
| Total   | 3,342,807  | 167,009   | 1,207,241  | 109,461   |

#### (6) Borrowings from related parties

| Name of the entity                             | Amount      | Starting date | Due date   | Annual interest rate |
|--|-------------|---------------|------------|----------------------|
| Controlling shareholders of the parent company | 50,000,000  | 29/09/2015    | 28/09/2030 | 1.08%                |
|  | 34,188,000  | 29/09/2015    | 28/09/2030 | 1.08%                |
|  | 16,000,000  | 29/09/2015    | 28/09/2030 | 1.08%                |
| Total  | 100,188,000 |               |            |                      |



# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2020  
Renminbi Yuan



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

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

#### (7) Fund lending to/borrowing from related parties

| Nature         | 2020        | 2019        |
|----------------|-------------|-------------|
| Fund lending   | 445,000,000 | 360,000,000 |
| Fund borrowing | 240,000,000 | 19,150,100  |

During the reporting period, the fund lending to/borrowing from consolidated related parties bore an interest rate from 0.5% to 4.79% per annum with a maturity date due within one year.

#### (8) Contribution of social insurances and provident fund through related parties

| Name of the entity | 2020        | 2019        |
|--------------------|-------------|-------------|
| CRRZ ZELRI         | 322,392,000 | 380,227,987 |

#### (9) Interest income form cash and bank balances

| Name of the entity  | 2020       | 2019       |
|---|------------|------------|
| Corporations controlled by the ultimate holding party other than the CRRZ ZELRI Group | 5,951,780  | 6,370,398  |
| Consolidated related parties  | 21,452,258 | 28,749,179 |
| Total   | 27,404,038 | 35,119,577 |

#### (10) Interest expenses on borrowings

| Name of the entity                         | 2020      | 2019      |
|--|-----------|-----------|
| Controlling shareholders of the CRRZ ZELRI | 988,614   | 724,997   |
| Consolidated related parties               | 2,571,347 | 581,583   |
| Total                                      | 3,559,961 | 1,306,580 |



# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2020  
Renminbi Yuan

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

### 37. Amounts due from and due to related parties

| Name of the entity  | 31/12/2020 | 31/12/2019  |
|---|------------|-------------|
| <b>Cash and bank balances:</b>  |            |             |
| Corporations controlled by the ultimate holding party other than the CRRZ ZELRI Group | —          | 686,966,099 |

| Name of the entity  | 31/12/2020  | 31/12/2019  |
|---|-------------|-------------|
| <b>Bills receivable:</b>  |             |             |
| Corporations controlled by the ultimate holding party other than the CRRZ ZELRI Group | 813,082,889 | 836,623,935 |
| Associates of the ultimate holding group other than the CRRZ ZELRI Group              | 49,000,000  | 15,000,000  |
| Consolidated related parties  | 61,248,160  | 9,100,000   |
| Total   | 923,331,049 | 860,723,935 |

| Name of the entity  | 31/12/2020    | 31/12/2019    |
|---|---------------|---------------|
| <b>Trade receivables:</b>   |               |               |
| Corporations controlled by the ultimate holding party other than the CRRZ ZELRI Group | 2,469,451,395 | 1,207,860,445 |
| Consolidated related parties  | 1,005,775,632 | 1,536,980,427 |
| Joint ventures of the ultimate holding party other than the CRRZ ZELRI Group          | 54,471,109    | 4,994,973     |
| Corporations controlled by the CRRZ ZELRI   | 14,217,059    | 3,482,065     |
| Associates of the ultimate holding group other than the CRRZ ZELRI Group              | 4,529,532     | 24,265,419    |
| CRRZ ZELRI  | 2,379,911     | 10,490,184    |
| Joint ventures of the Company   | 294,067       | 137,589,236   |
| Associates of the Company   | 266,480       | 12,202,609    |
| Total   | 3,551,385,185 | 2,937,865,358 |

# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2020  
Renminbi Yuan



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

### 37. Amounts due from and due to related parties (continued)

| Name of the entity  | 31/12/2020         | 31/12/2019         |
|---|--------------------|--------------------|
| <b>Trade receivables financing:</b>   |                    |                    |
| Corporations controlled by the CRRZ ZELRI   | 6,162,129          | 676,816            |
| Corporations controlled by the ultimate holding party other than the CRRZ ZELRI Group | 484,188,433        | 408,986,847        |
| Associates of the ultimate holding group other than the CRRZ ZELRI Group              | 29,570,000         | –                  |
| CRRZ ZELRI  | 18,551,222         | 43,322,502         |
| Consolidated related parties  | –                  | 24,952,722         |
| Joint ventures of the ultimate holding party other than the CRRZ ZELRI Group          | –                  | 2,848,316          |
| Total   | <u>538,471,784</u> | <u>480,787,203</u> |

| Name of the entity  | 31/12/2020        | 31/12/2019        |
|---|-------------------|-------------------|
| <b>Prepayments:</b>   |                   |                   |
| Associates of the Company   | 9,954,549         | –                 |
| Consolidated related parties  | 1,890,106         | 16,954,459        |
| Corporations controlled by the CRRZ ZELRI   | 288,153           | –                 |
| Corporations controlled by the ultimate holding party other than the CRRZ ZELRI Group | 178,710           | –                 |
| Joint ventures of the Company   | 16,074            | –                 |
| CRRZ ZELRI  | –                 | 108,220           |
| Total   | <u>12,327,592</u> | <u>17,062,679</u> |



# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2020  
Renminbi Yuan

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

### 37. Amounts due from and due to related parties (continued)

| Name of the entity  | 31/12/2020         | 31/12/2019         |
|---|--------------------|--------------------|
| <b>Other receivables:</b>   |                    |                    |
| Consolidated related parties  | 182,723,169        | 399,906,761        |
| CRRC ZELRI  | 1,510,000          | 2,230,700          |
| Corporations controlled by the ultimate holding party other than the CRRC ZELRI Group | 682,000            | 604,000            |
| Corporations controlled by the CRRC ZELRI   | –                  | 1,702,573          |
| Associates of the Company   | –                  | 204,478            |
| Total   | <u>184,915,169</u> | <u>404,648,512</u> |

| Name of the entity           | 31/12/2020         | 31/12/2019         |
|------------------------------|--------------------|--------------------|
| <b>Dividends receivable:</b> |                    |                    |
| Consolidated related parties | <u>220,381,838</u> | <u>202,706,837</u> |

| Name of the entity  | 31/12/2020       | 31/12/2019        |
|---|------------------|-------------------|
| <b>Contract assets:</b>   |                  |                   |
| Corporations controlled by the ultimate holding party other than the CRRC ZELRI Group | 8,597,270        | 30,851,047        |
| Associates of the ultimate holding group other than the CRRC ZELRI Group              | –                | 31,900            |
| Joint ventures of the ultimate holding party other than the CRRC ZELRI Group          | –                | 34,253            |
| Total   | <u>8,597,270</u> | <u>30,917,200</u> |

# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2020  
Renminbi Yuan



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

### 37. Amounts due from and due to related parties (continued)

| Name of the entity  | 31/12/2020        | 31/12/2019        |
|---|-------------------|-------------------|
| <b>Other non-current assets:</b>  |                   |                   |
| Corporations controlled by the ultimate holding party other than the CRRC ZELRI Group | 57,378,698        | 29,064,409        |
| CRRC ZELRI  | 509,559           | 180,000           |
| Total   | <u>57,888,257</u> | <u>29,244,409</u> |

| Name of the entity  | 31/12/2020         | 31/12/2019         |
|---|--------------------|--------------------|
| <b>Bills payable:</b>   |                    |                    |
| Corporations controlled by the ultimate holding party other than the CRRC ZELRI Group | 77,187,934         | 69,074,523         |
| Corporations controlled by the CRRC ZELRI   | 38,101,110         | 90,198,436         |
| Joint ventures of the ultimate holding party other than the CRRC ZELRI Group          | 14,070,000         | 11,020,000         |
| Consolidated related parties  | –                  | 478,580            |
| Total   | <u>129,359,044</u> | <u>190,771,539</u> |

| Name of the entity  | 31/12/2020           | 31/12/2019           |
|---|----------------------|----------------------|
| <b>Trade payables:</b>  |                      |                      |
| Consolidated related parties  | 2,511,010,497        | 2,384,730,190        |
| Corporations controlled by the ultimate holding party other than the CRRC ZELRI Group | 129,613,010          | 421,133,505          |
| Corporations controlled by the CRRC ZELRI   | 47,056,625           | 144,287,833          |
| Joint ventures of the Company   | 16,317,045           | 241,722,886          |
| Associates of the CRRC ZELRI  | 4,700,357            | –                    |
| Joint ventures of the ultimate holding party other than the CRRC ZELRI Group          | 2,298,405            | 7,562,318            |
| Associates of the ultimate holding group other than the CRRC ZELRI Group              | 763,964              | –                    |
| CRRC ZELRI  | 209,101              | 2,598,562            |
| Associates of the Company   | 72,000               | 103,687              |
| Total   | <u>2,712,041,004</u> | <u>3,202,138,981</u> |



# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2020  
Renminbi Yuan

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

### 37. Amounts due from and due to related parties (continued)

| Name of the entity  | 31/12/2020 | 31/12/2019  |
|---|------------|-------------|
| <b>Contract liabilities:</b>  |            |             |
| Corporations controlled by the ultimate holding party other than the CRRZ ZELRI Group | 6,242,716  | 199,371,586 |
| Consolidated related parties  | 3,447,108  | 5,370,000   |
| Corporations controlled by the CRRZ ZELRI   | 2,707,647  | —           |
| CRRZ ZELRI  | 368,000    | —           |
| Total   | 12,765,471 | 204,741,586 |

| Name of the entity  | 31/12/2020  | 31/12/2019  |
|---|-------------|-------------|
| <b>Other payables:</b>  |             |             |
| CRRZ ZELRI  | 273,477,114 | 273,531,393 |
| Consolidated related parties  | 15,793,615  | 27,432,351  |
| Corporations controlled by the CRRZ ZELRI   | 1,153,571   | 1,436,989   |
| Corporations controlled by the ultimate holding party other than the CRRZ ZELRI Group | 513,609     | 200,000     |
| Associates of the CRRZ ZELRI  | 274,800     | —           |
| Total   | 291,212,709 | 302,600,733 |

| Name of the entity  | 31/12/2020 | 31/12/2019 |
|---|------------|------------|
| <b>Non-current liabilities due within one year:</b>                                   |            |            |
| Controlling shareholders of the CRRZ ZELRI  | 5,029,416  | 5,000,000  |
| CRRZ ZELRI  | —          | 617,624    |
| Corporations controlled by the ultimate holding party other than the CRRZ ZELRI Group | —          | 491,370    |
| Consolidated related parties  | 1,124,898  | 337,638    |
| Total   | 6,154,314  | 6,446,632  |

# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2020  
Renminbi Yuan



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

### 37. Amounts due from and due to related parties (continued)

| Name of the entity           | 31/12/2020       | 31/12/2019     |
|------------------------------|------------------|----------------|
| <b>Lease liabilities:</b>    |                  |                |
| Consolidated related parties | <u>1,688,482</u> | <u>322,327</u> |

| Name of the entity                         | 31/12/2020        | 31/12/2019        |
|--|-------------------|-------------------|
| <b>Long-term borrowings:</b>               |                   |                   |
| Controlling shareholders of the CRRZ ZELRI | <u>82,688,000</u> | <u>87,688,000</u> |

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



# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2020  
Renminbi Yuan

## SUPPLEMENTARY INFORMATION

### 1. Breakdown of non-recurring profit or loss for the current period

| Item  | 2020               | 2019               |
|---|--------------------|--------------------|
| Profit or loss on disposal of non-current assets  | 6,440,830          | (272,649)          |
| Government grants recognized in profit or loss (other than grants which are closely related to the Company's business and are either in fixed amounts or determined under quantitative methods in accordance with the national standard)  | 401,572,368        | 246,373,771        |
| Entity restructuring expenses, e.g., expenditure for layoff of employees, integration expenses, etc.  | —                  | (271,376)          |
| Profit or loss on debt restructuring  | (15,276,390)       | —                  |
| Profit or loss on changes in the fair value of held-for-trading financial assets, held-for-trading financial liabilities and derivative financial liabilities, and investment income on disposal of held-for-trading financial assets, held-for-trading financial liabilities and derivative financial liabilities, other than those used in the effective hedging activities relating to normal operating business | 110,826,066        | 112,715,722        |
| Reversal of provision for the receivable that are tested for impairment losses individually   | 108,644,750        | —                  |
| Other non-operating income or expenses other than the above   | 59,368,694         | 31,327,368         |
| <b>Total</b>  | <b>671,576,318</b> | <b>389,872,836</b> |
| Tax effect of non-recurring profit or loss  | (62,930,541)       | (56,128,638)       |
| Effects of non-recurring profit or loss attributable to minority interests  | 5,848,531          | 7,721,040          |
| Effects of non-recurring profit or loss attributable to the shareholders of the Company   | 602,797,246        | 326,023,158        |



# Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2020  
Renminbi Yuan

## SUPPLEMENTARY INFORMATION (continued)

### 2. Return on net assets and earnings per share ("EPS")

The return on net assets and EPS have been prepared by Zhuzhou CRRC Times Electric Co., Ltd. in accordance with Information Disclosure and Presentation Rules for Companies Making Public Offering of Securities No. 9 – Calculation and Disclosure of Return on Net Assets and Earnings per Share (Revised 2010) issued by China Securities Regulatory Commission.

#### 2020

| Profit for the reporting period  | Weighted average return on net assets (%) | EPS (RMB) |             |
|--|---|-----------|-------------|
|  |   | Basic EPS | Diluted EPS |
| Net profit attributable to ordinary shareholders of the Company  | 10.83                                     | 2.11      | N/A         |
| Net profit after deduction of non-recurring profits or losses attributable to ordinary shareholders of the Company | 8.19                                      | 1.59      | N/A         |

#### 2019

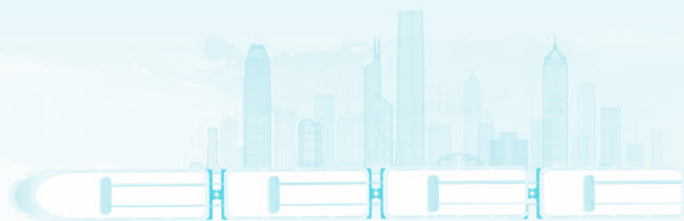
| Profit for the reporting period  | Weighted average return on net assets (%) | EPS (RMB) |             |
|--|---|-----------|-------------|
|  |   | Basic EPS | Diluted EPS |
| Net profit attributable to ordinary shareholders of the Company  | 12.74                                     | 2.26      | N/A         |
| Net profit after deduction of non-recurring profits or losses attributable to ordinary shareholders of the Company | 11.18                                     | 1.98      | N/A         |



# Glossary

|   |  |
|---|--|
| “2019 Annual General Meeting”               | the annual general meeting of the Company of 2019 held on 23 June 2020   |
| “2020 Extraordinary General Meeting”        | the first extraordinary general meeting of the Company of 2020 held on 7 December 2020   |
| “2020 Domestic Shareholders’ Class Meeting” | the first class meeting of holders of Domestic Shares of the Company of 2020 held on 7 December 2020   |
| “2020 H Shareholders’ Class Meeting”        | the first class meeting of holders of H Shares of the Company of 2020 held on 7 December 2020  |
| “13th Five-Year Plan”                       | the 13th Five-Year for the Economic and Social Development of the People’s Republic of China, i.e. from 2016 to 2020   |
| “14th Five-Year Plan”                       | the 14th Five-Year for the Economic and Social Development of the People’s Republic of China, i.e. from 2021 to 2025   |
| “A Share(s)”                                | the ordinary share(s) with a nominal value of RMB1.00 each in the share capital of the Company proposed to be allotted, issued and listed on the Science and Technology Innovation Board       |
| “A Share Prospectus”                        | the prospectus of the Company related to the Initial Public Issue and Listing of A Shares on the Science and Technology Innovation Board   |
| “Articles”                                  | the Articles of Association of the Company, in force prior to the Issue and Listing of A Shares  |
| “Articles (Draft)”                          | the Articles of Association of the Company approved at the 2020 Extraordinary General Meeting convened on 7 December 2020 and effective after the Issue and Listing of A Shares                |
| “Australia CRRC Times Electric”             | CRRC Times Electric Australia Pty Ltd. (中車時代電氣(澳洲)有限責任公司)  |
| “automaker(s)”                              | plants where rail vehicles are assembled, including locomotive works, electric multiple unit works, passenger car works, freight car works and large railway maintenance vehicle manufacturers |
| “Baoji CRRC Times”                          | Baoji CRRC Times Engineering Machinery Co., Ltd. (寶鷄中車時代工程機械有限公司)  |

# Glossary



|   |   |
|---|---|
| “Beijing Maohuan”   | Beijing Maohuan Rail Transit Industry Investment Management Partnership (Limited Partnership) (北京懋峇軌道交通產業投資管理合夥企業 (有限合夥)), a limited partnership jointly established by CRRC Fund Management (Beijing) Co., Ltd. (中車基金管理 (北京)有限公司) (a wholly-owned subsidiary of CRRC Group and an Executive Partner) and CSC Financial Co., Ltd. (A Share stock code: 601066.SH, and H Share stock code: 6066.HK). CSC Financial Co., Ltd. transferred all of its interests in Beijing Maohuan to Beijing CRRC Guochuang Equity Investment Capital Partnership (Limited Partnership) (北京中車國創股權投資基金合夥企業 (有限合夥)) on 23 February 2021 |
| “Brazil CRRC Times Electric”                                    | CRRC Times Electric Brasil LTDA (中車時代電氣 (巴西)有限責任公司)   |
| “Board”   | the board of directors of the Company   |
| “bidding prices”  | the final price determined in accordance with the bidding and tendering procedure adopted in accordance with the requirements of applicable laws, regulations and rules   |
| “CRRC Times Electric”,<br>“Issuer”, “our Company”,<br>“Company” | Zhuzhou CRRC Times Electric Co., Ltd. (株洲中車時代電氣股份有限公司), formerly named Zhuzhou CSR Times Electric Co., Ltd. (株洲南車時代電氣股份有限公司), a joint stock company established in the PRC with limited liability, the H Shares of which are listed on the Main Board of the Hong Kong Stock Exchange (stock code: 3898.HK), and depending on the context, also includes each of the branches and subsidiaries when describing the asset and business condition of the Issuer   |
| “CRRC ZELRI”  | 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), a limited liability company reformed by former China CSR Zhuzhou Electric Locomotive Research Institute (中國南車集團株洲電力機車研究所), one of the promoters and controlling shareholders of CSR Times Electric, a wholly-owned subsidiary of CRRC  |
| “CRRC Group”  | CRRC Group Co., Ltd. (中國中車集團有限公司), formerly named CRRC Group (中國中車集團公司) and China Northern Locomotive & Rolling Stock Industry (Group) Corporation (中國北方機車車輛工業集團公司), as approved by SASAC, changed its name to CRRC Group Co., Ltd. (中國中車集團有限公司) after former China Northern Locomotive & Rolling Stock Industry (Group) Corporation (中國北方機車車輛工業集團公司) merging former CSR Group (中國南車集團公司) based on equitable principles   |
| “CRRC”  | CRRC Corporation Limited (中國中車股份有限公司), formerly named CSR Corporation Limited (中國南車股份有限公司), a joint stock company listed on the Shanghai Stock Exchange and the Hong Kong Stock Exchange (A share stock code: 601766.SH, H share stock code: 1766.HK), a subsidiary controlled by CRRC Group Co., Ltd. (中國中車集團有限公司), as approved by SASAC and CSRC, changed its name to CRRC Corporation Limited (中國中車股份有限公司) after CSR Corporation Limited (中國南車股份有限公司) merging the controlling share company limited based on equitable principles  |

|                             |  |
|-----------------------------|--|
| “CSR Group”                 | former CSR Group (中國南車集團公司), also refers to China Southern Locomotive & Rolling Stock Industry (Group) Corporation (中國南方機車車輛工業集團公司) before its name changed  |
| “CNR Group”                 | former China Northern Locomotive & Rolling Stock Industry (Group) Corporation (中國北方機車車輛工業集團公司)   |
| “CSR”                       | former CSR Corporation Limited (中國南車股份有限公司)  |
| “CNR”                       | former China CNR Corporation Limited (中國北車股份有限公司)  |
| “CSR and CNR Merger”        | former CSR Corporation Limited (中國南車股份有限公司) merging former China CNR Corporation Limited (中國北車股份有限公司) based on equitable merger principles   |
| “CSR and CNR Group Merger”  | former China Northern Locomotive & Rolling Stock Industry (Group) Corporation (中國北方機車車輛工業集團公司) merging former CSR Group (中國南車集團公司) based on equitable merger principles  |
| “CRRC Zhuzhou”              | 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) and CSR Zhuzhou Electric Locomotive Co., Ltd. (中國南車集團株洲電力機車有限公司), a limited liability company reformed by former CSR Zhuzhou Electric Locomotive Works (中國南車集團株洲電力機車廠), one of the promoters of CSR Times Electric, a wholly-owned subsidiary of CRRC  |
| “CRCCE”                     | CRRC High-Tech Equipment Corporation Limited (中國鐵建高新裝備股份有限公司), a joint stock company reformed by former China Railway Large Maintenance Machinery Co., Ltd. Kunming (昆明中鐵大型養路機械集團有限公司) and listed on the Hong Kong Stock Exchange on 16 December 2015 (stock code: 1786.HK), one of the promoters of CSR Times Electric, a subsidiary controlled by China Railway Construction Corporation Limited (中國鐵建股份有限公司)                    |
| “CRRC Investment & Leasing” | 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), New Leap Transportation Equipment Investment & Leasing Co., Ltd. (新力搏交通裝備投資租賃有限公司), New Leap Transportation Equipment Investment & Development Co., Ltd. (新力搏交通裝備投資發展有限公司) and CSR Marketing and Leasing Corp., Ltd. (南車營銷租賃有限公司), one of the promoters of CSR Times Electric, a wholly-owned subsidiary of CRRC |
| “CRRC Qishuyan”             | CRRC Qishuyan Co., Ltd. (中車戚墅堰機車有限公司)  |
| “CRRC Taiyuan”              | CRRC Taiyuan Co., Ltd. (中車太原機車車輛有限公司)  |
| “CRRC Finance”              | CRRC Finance Co., Ltd. (中車財務有限公司), also refers to former China CNR Finance Co., Ltd. (中國北車集團財務有限公司)  |
| “CRRC Nanjing Puzhen”       | CRRC Nanjing Puzhen Co., Ltd (中車南京浦鎮車輛有限公司)  |

# Glossary



|                                      |  |
|--------------------------------------|--|
| “CRRC Qishuyan Institute”            | CRRC Qishuyan Institute Co., Ltd. (中車戚墅堰機車車輛工藝研究所有限公司)   |
| “CRRC Sifang Institute”              | CRRC Sifang Institute Co.,Ltd. (中車青島四方車輛研究所有限公司)   |
| “CRRC Sifang”                        | CRRC Qingdao Sifang Co., Ltd. (中車青島四方機車車輛股份有限公司)   |
| “CRRC Times Electronics”             | Zhuzhou Times Electronics Technology Co., Ltd. (株洲時代電子技術有限公司)  |
| “CRRC Times Software”                | Zhuzhou CRRC Times Software Technology Co., Ltd. (株洲中車時代軟件技術有限公司)  |
| “CRRC National Centre of Converters” | Zhuzhou National Engineering Research Centre of Converters Co., Ltd. (株洲變流技術國家工程研究中心有限公司)  |
| “CRRC Times Semiconductor”           | Zhuzhou CRRC Times Semiconductor Co., Ltd. (株洲中車時代半導體有限公司)   |
| “Chengdu CRRC Electric”              | Chengdu CRRC Times Electric Technology Co., Ltd. (成都中車時代電氣科技有限公司)  |
| “Canada Dynex”                       | Dynex Power Inc. (加拿大丹尼克斯電力電子股份有限公司)   |
| “CREC”                               | China Railway Group Limited (中國中鐵股份有限公司)   |
| “Company Law”                        | the Company Law of the People’s Republic of China (《中華人民共和國公司法》), amended on 26 October 2018 and effective on the same date  |
| “CG Code”                            | the Code on Corporate Governance and Corporate Governance Report set out in Appendix 14 to the SEHK Listing Rules  |
| “CSRC”                               | China Securities Regulatory Commission (中國證券監督管理委員會)   |
| “Guangzhou CRRC Times”               | Guangzhou CRRC Times Electric Technology Co., Ltd. (廣州中車時代電氣技術有限公司)  |
| “government-guided prices”           | the laws, regulations, decisions, orders or pricing guidelines targeting certain products and/or services or prices recommended within a certain range to be determined among trading parties, set by the central government and each level of government of the PRC (including provincial, municipal or other regional or local government entities) or other regulatory authority(ies) |
| “general meeting(s)”                 | the general meeting(s) of the Company  |
| “Headquarter”                        | the parent company of CRRC Times Electric, excluding the branches and subsidiaries   |
| “Hunan CRRC Signal”                  | Hunan CRRC Times Signal & Communication Co., Ltd. (湖南中車時代通信信號有限公司)   |



# Glossary

|  |  |
|--|--|
| “Hangzhou CRRC Electric”   | Hangzhou CRRC Times Electric Equipment Co., Ltd. (杭州中車時代電氣設備有限公司)  |
| “HK CRRC Times Electric”   | CRRC Times Electric (Hong Kong) Co., Limited (中車時代電氣(香港)有限公司)  |
| “H Share(s)”   | overseas listed foreign share(s) with a nominal value of RMB1.00 each in the share capital of the Company, which are listed on the Hong Kong Stock Exchange and are subscribed for and traded in HK\$  |
| “Hong Kong”  | the Hong Kong Special Administrative Region of the PRC   |
| “Hong Kong Stock Exchange”   | The Stock Exchange of Hong Kong Limited  |
| “Issue”, “Issue and Listing”, “Issue and Listing of A Shares”, “Initial Public Issue and Listing of A Shares on the Science and Technology Innovation Board” | the proposed initial public issue of not more than 240,760,275 A Shares (excluding the A Shares to be issued upon exercise of the over allotment option, if exercised) by the Company, which will be listed on the Science and Technology Innovation Board according to the resolutions of the general meeting and the conditions set out in the A Share Prospectus  |
| “Kunming CRRC Electric”  | Kunming CRRC Times Electric Equipment Co., Ltd. (昆明中車時代電氣設備有限公司)   |
| “Lanzhou CRRC Times”   | Lanzhou CRRC Times Rail Transit Technology Co., Ltd. (蘭州中車時代軌道交通科技有限公司)  |
| “LANP Electrical”  | LANP Electrical Co., Ltd. (溫州時代蘭普電氣設備有限公司)   |
| “MOR”  | Ministry of Railways of the PRC (中華人民共和國鐵道部)   |
| “MOT”  | Ministry of Transport of the PRC (中華人民共和國交通運輸部)  |
| “MOF”  | Ministry of Finance of the PRC (中華人民共和國財政部)  |
| “market prices”  | The prices confirmed in accordance with the following order: (1) the prevailing prices received by independent third parties when the type of products and/or services is provided under normal commercial circumstances in areas where the type of products and/or services is provided or its surrounding areas; or (2) the prevailing prices received by independent third parties when the type of products and/or services is provided under normal commercial circumstances. |
| “Ningbo CRRC Times”  | Ningbo CRRC Times Transducer Technology Co., Ltd. (寧波中車時代傳感技術有限公司)   |
| “Ningbo CRRC Electric”   | Ningbo CRRC Times Electric Equipment Co., Ltd. (寧波中車時代電氣設備有限公司)  |
| “NDRC”   | National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會)  |

# Glossary



|   |  |
|---|--|
| “New Regulations on Asset Management”   | the Guiding Opinions on Regulating the Asset Management Business of Financial Institutions (《關於規範金融機構資產管理業務的指導意見》)   |
| “PRC Accounting Standards”  | Accounting Standards for Business Enterprises and relevant regulations issued by the MOF of the PRC  |
| “PRC”   | the People’s Republic of China, for the purpose of this report, excluding the regions of Hong Kong, Macao Special Administrative Region and Taiwan                               |
| “Qingdao CRRC Electric”   | Qingdao CRRC Electric Equipment Co., Ltd. (青島中車電氣設備有限公司)   |
| “Railway Bureau”  | 18 Railway Bureau companies under former China Railway Corporation (中國鐵路總公司)/current State Railway Group   |
| “RMB”, “RMB million”, “RMB billion”   | Renminbi, Renminbi million, Renminbi billion   |
| “Shenyang CRRC Times”   | Shenyang CRRC Times Transportation Technology Co., Ltd. (瀋陽中車時代交通設備有限公司)   |
| “Shanghai CRRC SMD”   | Specialist Machine Developments (Shanghai) Co., Ltd. (上海中車艾森迪海洋裝備有限公司)   |
| “Shanghai Yongdian”   | Shanghai Yongdian Electronic Technology Co. Ltd. (上海永電電子科技有限公司), formerly named Shanghai CNR Yongdian Electronic Technology Co., Ltd. (上海北車永電電子科技有限公司)                           |
| “Soil Machine”  | Soil Machine Dynamics Limited  |
| “Shiling Company”   | Zhuzhou Shiling Transportation Equipment Co., Ltd. (株州時菱交通設備有限公司)  |
| “Securities Law”  | the Securities Law of the People’s Republic of China (《中華人民共和國證券法》), amended on 28 December 2019 and effective on 1 March 2020   |
| “Science and Technology Innovation Board Listing Rules” or “SSE Sci-Tech Listing Rules” | The Rules Governing the Listing of Stocks on the Science and Technology Innovation Board of the Shanghai Stock Exchange, amended on 30 April 2019 and effective on the same date |
| “SEHK Listing Rules”  | The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited   |
| “State Council”   | the State Council of the PRC (中華人民共和國國務院)  |
| “SASAC”   | State-owned Assets Supervision and Administration Commission of the State Council (國務院國有資產監督管理委員會)   |
| “State Railway Group”, “Railway Corporation”  | China State Railway Group Co., Ltd. (中國國家鐵路集團有限公司), formerly named China Railway Corporation (中國鐵路總公司)   |



# Glossary

|   |  |
|---|--|
| “State Administration of Taxation” or “SAT” | State Administration of Taxation of the PRC (中華人民共和國國家稅務總局)  |
| “SSE”                                       | the Shanghai Stock Exchange  |
| “Shenzhen Stock Exchange”                   | the Shenzhen Stock Exchange  |
| “SFO”                                       | the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)  |
| “Shanghai CRRC Rail”                        | Shanghai CRRC Rail Transit Technology Co., Ltd. (上海中車軌道交通科技有限公司)   |
| “Supervisory Committee”                     | the supervisory committee of the Company   |
| “Times New Materials”                       | Zhuzhou Times New Materials Technology Co., Ltd. (株洲時代新材料科技股份有限公司), a joint stock company listed on the Shanghai Stock Exchange (stock code: 600458) |
| “Taiyuan CRRC Times”                        | Taiyuan CRRC Times Rail Engineering Machinery Co., Ltd. (太原中車時代軌道工程機械有限公司)   |
| “the year” or<br>“the reporting period”     | the financial year ended 31 December 2020  |
| “UK CRRC SMD”                               | Specialist Machine Developments (SMD) Limited. (時代艾森迪智能裝備有限公司)   |
| “USA CRRC Times Electric”                   | CRRC Times Electric USA, LLC (中車時代電氣(美國)有限公司)  |
| “UK Dynex”                                  | Dynex Semiconductor Limited (英國丹尼克斯半導體有限公司)  |



# Basic Corporate Information

|   |   |  |
|---|---|--|
| 1 | <b>Name in Chinese</b><br><b>Name in English</b>    | 株洲中車時代電氣股份有限公司<br>Zhuzhou CRRC Times Electric Co., Ltd.  |
| 2 | <b>Authorised representatives</b>                   | Li Donglin<br>Tang Tuong Hock, Gabriel   |
| 3 | <b>Company secretary</b>                            | Tang Tuong Hock, Gabriel   |
|   | <b>Registered office</b>                            | Times Road, Shifeng District, Zhuzhou,<br>Hunan Province, PRC, 412001  |
|   | <b>Telephone</b>                                    | + 86 731 2849 8028   |
|   | <b>Fax</b>  | + 86 731 2849 3447   |
|   | <b>Website</b>                                      | www.tec.crrczic.cc   |
|   | <b>Principal place of business<br/>in Hong Kong</b> | Unit 1106, 11th Floor, Jubilee Centre,<br>18 Fenwick Street, Wanchai, Hong Kong  |
| 4 | <b>Listing information</b>                          | H Shares<br>The Stock Exchange of Hong Kong Limited<br>Stock Code: 3898<br>Stock Short Name: CRRC Times Elec   |
| 5 | <b>H share registrar</b>                            | Computershare Hong Kong Investor Services Limited<br>17M Floor, Hopewell Centre<br>183 Queen's Road East<br>Wanchai<br>Hong Kong                       |
| 6 | <b>Legal advisers</b>                               | MinterEllison LLP<br>Grandall Law Firm (Hangzhou)  |
| 7 | <b>Auditor</b>                                      | Deloitte Touche Tohmatsu Certified Public Accountants LLP<br>30/F Bund Center, 222 East Yan'an Road,<br>Huangpu District, Shanghai,<br>the PRC, 200002 |



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