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

(Stock Code: 3898)

## ANNOUNCEMENT OF UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2021

The board of directors of Zhuzhou CRRC Times Electric Co., Ltd. (the “**Company**”) is pleased to announce the unaudited operating results of the Company and its subsidiaries (the “**Group**”) for the six months ended 30 June 2021 are set out as follows, which are prepared under the Accounting Standards for Business Enterprises promulgated by the Ministry of Finance of the PRC (unless otherwise stated, the figures contained in this announcement are denominated in Renminbi yuan).

### CONSOLIDATED STATEMENT OF FINANCIAL POSITION 30 June 2021

| Item                              | Note  | 30 June 2021<br>(Unaudited) | Renminbi Yuan<br>31 December 2020<br>(Audited) |
|-----------------------------------|-------|-----------------------------|--|
| <b>Current Assets</b>             |       |                             |  |
| Cash and bank balances            | (IV)1 | 4,538,588,483               | 5,128,885,997                                  |
| Held-for-trading financial assets | (IV)2 | 2,601,212,210               | 3,732,327,307                                  |
| Bills receivable                  |       | 2,372,654,777               | 2,460,737,156                                  |
| Trade receivables                 | (IV)3 | 9,321,203,467               | 7,936,895,209                                  |
| Trade receivables financing       | (IV)4 | 1,562,855,135               | 1,443,941,055                                  |
| Prepayments                       |       | 234,682,965                 | 358,912,908                                    |
| Other receivables                 |       | 190,013,845                 | 162,774,728                                    |
| Inventories                       | (IV)5 | 5,484,433,293               | 4,258,490,200                                  |
| Contract assets                   |       | 253,278,195                 | 301,335,105                                    |
| Other current assets              |       | 568,780,522                 | 641,182,827                                    |
| <b>Total Current Assets</b>       |       | <b>27,127,702,892</b>       | <b>26,425,482,492</b>                          |

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)**

30 June 2021

|   |       | Renminbi Yuan               |                               |
|---|-------|-----------------------------|-------------------------------|
| Item  | Note  | 30 June 2021<br>(Unaudited) | 31 December 2020<br>(Audited) |
| <b>Non-current Assets</b>                   |       |                             |                               |
| Long-term equity investments                |       | 561,396,336                 | 550,805,565                   |
| Other equity instrument investments         |       | 92,832,300                  | 92,832,300                    |
| Fixed assets                                | (IV)6 | 2,597,564,725               | 2,751,142,435                 |
| Construction in progress                    | (IV)7 | 2,111,754,033               | 1,644,012,744                 |
| Right-of-use assets                         |       | 95,912,386                  | 80,331,083                    |
| Intangible assets                           |       | 741,548,484                 | 803,773,005                   |
| Development expenditure                     |       | 327,068,663                 | 308,376,123                   |
| Goodwill                                    |       | 244,289,363                 | 246,921,172                   |
| Long-term prepaid expenses                  |       | 45,140,792                  | 46,038,198                    |
| Deferred tax assets                         |       | 532,267,221                 | 484,378,231                   |
| Other non-current assets                    |       | 376,303,846                 | 431,627,910                   |
| <b>Total Non-current Assets</b>             |       | <b>7,726,078,149</b>        | <b>7,440,238,766</b>          |
| <b>TOTAL ASSETS</b>                         |       | <b>34,853,781,041</b>       | <b>33,865,721,258</b>         |
| <b>Current Liabilities</b>                  |       |                             |                               |
| Short-term borrowings                       |       | 289,363,421                 | 278,246,822                   |
| Bills payable                               |       | 1,479,104,011               | 1,767,905,098                 |
| Trade payables                              | (IV)8 | 4,363,025,398               | 3,611,924,434                 |
| Contract liabilities                        |       | 530,369,530                 | 692,579,809                   |
| Employee benefits payable                   |       | 236,336,867                 | 117,663,008                   |
| Taxes payable                               |       | 108,613,069                 | 165,498,903                   |
| Other payables                              |       | 638,555,274                 | 643,771,172                   |
| Non-current liabilities due within one year |       | 523,376,410                 | 516,727,113                   |
| Other current liabilities                   |       | 65,506,596                  | 83,024,481                    |
| <b>Total Current Liabilities</b>            |       | <b>8,234,250,576</b>        | <b>7,877,340,840</b>          |

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)**

30 June 2021

| <b>Item</b>  | <i>Note</i> | Renminbi Yuan                      |                               |
|--|-------------|------------------------------------|-------------------------------|
|  |             | <b>30 June 2021</b><br>(Unaudited) | 31 December 2020<br>(Audited) |
| <b>Non-current Liabilities</b>                                 |             |                                    |                               |
| Long-term borrowings   |             | <b>80,188,000</b>                  | 82,688,000                    |
| Lease liabilities  |             | <b>59,849,488</b>                  | 56,662,111                    |
| Long-term payables   |             | <b>553,417</b>                     | 10,215,068                    |
| Provisions   |             | <b>530,359,980</b>                 | 548,592,302                   |
| Deferred income  |             | <b>904,735,239</b>                 | 963,716,803                   |
| Deferred tax liabilities                                       |             | <b>37,414,329</b>                  | 40,780,758                    |
| Other non-current liabilities                                  |             | <b>45,218,203</b>                  | 26,134,972                    |
| <b>Total Non-current Liabilities</b>                           |             | <b>1,658,318,656</b>               | 1,728,790,014                 |
| <b>TOTAL LIABILITIES</b>                                       |             | <b>9,892,569,232</b>               | 9,606,130,854                 |
| <b>SHAREHOLDERS' EQUITY</b>                                    |             |                                    |                               |
| Share capital  | (IV)9       | <b>1,175,476,637</b>               | 1,175,476,637                 |
| Capital reserve  | (IV)10      | <b>3,321,880,949</b>               | 3,321,880,949                 |
| Other comprehensive income                                     | (IV)11      | <b>(157,906,565)</b>               | (152,338,731)                 |
| Special reserve  | (IV)12      | <b>30,566,530</b>                  | 25,247,257                    |
| Surplus reserve  | (IV)13      | <b>2,325,644,999</b>               | 2,325,644,999                 |
| Retained earnings  | (IV)14      | <b>17,851,791,818</b>              | 17,156,557,050                |
| <b>Total equity attributable to shareholders of the Parent</b> |             | <b>24,547,454,368</b>              | 23,852,468,161                |
| <b>Minority interests</b>                                      |             | <b>413,757,441</b>                 | 407,122,243                   |
| <b>Total shareholders' equity</b>                              |             | <b>24,961,211,809</b>              | 24,259,590,404                |
| <b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>              |             | <b>34,853,781,041</b>              | 33,865,721,258                |

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

Period from 1 January to 30 June 2021

|  |        | Renminbi Yuan   |   |
|--|--------|---|---|
| Item   | Note   | Period from<br>1 January to<br>30 June<br>2021<br>(Unaudited) | Period from<br>1 January to<br>30 June<br>2020<br>(Unaudited) |
| <b>I. Revenue</b>  | (IV)15 | <b>5,298,119,555</b>  | 5,570,059,638   |
| Less: Cost of sales  | (IV)15 | <b>3,300,418,281</b>  | 3,424,346,947   |
| Tax and surcharges   |        | <b>32,563,123</b>   | 34,297,862  |
| Selling expenses   | (IV)16 | <b>405,676,870</b>  | 360,252,467   |
| Administrative expenses  | (IV)17 | <b>288,880,216</b>  | 272,523,718   |
| Research and development expenses  | (IV)18 | <b>640,930,972</b>  | 605,241,313   |
| Finance costs  | (IV)19 | <b>(17,484,209)</b>   | 5,006,384   |
| Including: Interest expenses   |        | <b>6,001,132</b>  | 7,300,109   |
| Interest income  |        | <b>28,126,762</b>   | 19,623,334  |
| Add: Other income  | (IV)20 | <b>219,467,419</b>  | 151,628,980   |
| Investment income (losses)   | (IV)21 | <b>31,580,149</b>   | 55,902,036  |
| Including: share of gains (losses)<br>of associates and joint<br>ventures                    |        | <b>(11,154,070)</b>   | (8,117,432)   |
| Gains (losses) from<br>derecognition of<br>financial assets<br>measured at amortized<br>cost |        | <b>(101,331)</b>  | –   |
| Gains from fair value changes  |        | <b>8,884,903</b>  | 10,588,918  |
| Credit impairment gains (losses)   | (IV)22 | <b>(37,023,176)</b>   | (75,217,281)  |
| Asset impairment gains (losses)  | (IV)23 | <b>(76,743,393)</b>   | (198,098,342)   |
| Gains (losses) on disposal of assets   |        | <b>(200,180)</b>  | 2,063,538   |
| <b>II. Operating profit</b>  |        | <b>793,100,024</b>  | 815,258,796   |
| Add: Non-operating income  | (IV)24 | <b>8,353,116</b>  | 28,083,300  |
| Less: Non-operating expenses   | (IV)25 | <b>141,572</b>  | 885,720   |
| <b>III. Total profit</b>   |        | <b>801,311,568</b>  | 842,456,376   |
| Less: Income tax expense   | (IV)26 | <b>98,338,894</b>   | 157,667,774   |

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONTINUED)**

*Period from 1 January to 30 June 2021*

|  |      | Renminbi Yuan   |   |
|--|------|---|---|
| Item   | Note | Period from<br>1 January to<br>30 June<br>2021<br>(Unaudited) | Period from<br>1 January to<br>30 June<br>2020<br>(Unaudited) |
| <b>IV. Net profit</b>  |      | <b><u>702,972,674</u></b>                                     | <b><u>684,788,602</u></b>                                     |
| (I) Net profit classified by business continuity:                                    |      |   |   |
| 1. Net profit from continuing operations   |      | <b>702,972,674</b>  | 684,788,602   |
| 2. Net profit from discontinued operations   |      | <u>–</u>  | <u>–</u>  |
| (II) Net profit classified by ownership:   |      |   |   |
| 1. Net profit attributable to shareholders of the Parent                             |      | <b>695,234,768</b>  | 688,150,248   |
| 2. Net profit attributable to minority interests                                     |      | <b><u>7,737,906</u></b>                                       | <b><u>(3,361,646)</u></b>                                     |
| <b>V. Other comprehensive income, net of tax</b>                                     |      | <b>(5,714,855)</b>  | 23,797,384  |
| Other comprehensive income attributable to shareholders of the Parent, net of tax    |      | <b>(5,567,834)</b>  | 24,160,622  |
| (I) Other comprehensive income that will not be reclassified to profit or loss       |      | <u>–</u>  | <u>–</u>  |
| (II) Other comprehensive income that may be reclassified to profit or loss           |      | <b>(5,567,834)</b>  | 24,160,622  |
| 1. Changes in fair value of other debt investments                                   |      | <b>(3,201,774)</b>  | 35,225,164  |
| 2. Translation differences of financial statements denominated in foreign currencies |      | <b><u>(2,366,060)</u></b>                                     | <b><u>(11,064,542)</u></b>                                    |
| Other comprehensive income attributable to minority interests, net of tax            |      | <b><u>(147,021)</u></b>                                       | <b><u>(363,238)</u></b>                                       |

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONTINUED)**

*Period from 1 January to 30 June 2021*

|   |               | Renminbi Yuan   |   |
|---|---------------|---|---|
| Item  | Note          | Period from<br>1 January to<br>30 June<br>2021<br>(Unaudited) | Period from<br>1 January to<br>30 June<br>2020<br>(Unaudited) |
| <b>VI. Total comprehensive income</b>                                 |               | <b><u>697,257,819</u></b>                                     | <b><u>708,585,986</u></b>                                     |
| Total comprehensive income attributable to shareholders of the Parent |               | <b><u>689,666,934</u></b>                                     | <b><u>712,310,870</u></b>                                     |
| Total comprehensive income attributable to minority interests         |               | <b><u>7,590,885</u></b>                                       | <b><u>(3,724,884)</u></b>                                     |
| <b>VII. EARNINGS PER SHARE</b>  |               |   |   |
| Basic earnings per share  | <i>(IV)17</i> | <b><u>0.59</u></b>  | <b><u>0.59</u></b>  |

## NOTES:

### (I) BASIC INFORMATION ABOUT THE COMPANY

#### 1. General

Zhuzhou CRRC Times Electric Co., Ltd. (formerly named “**Zhuzhou CSR Times Electric Co., Ltd.**”, hereinafter referred to as (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 PRC. 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 Company’s consolidated financial statements have been approved by the Company’s board of directors on 9 August 2021.

In March 2021, the Company set up Chongqing CRRC Times Electric Technology Co., Ltd. (“**Chongqing CRRC Electric**”) with Chongqing Rail Transit Industry Investment Co., Ltd. The share capital of Chongqing CRRC Electric is RMB150.00 million. Since the Company holds 60% equity interest in Chongqing CRRC Electric and has over half voting seats of its board, the Company is able to control Chongqing CRRC Electric.

### (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 the Reporting Rules for the Disclosure of Information of Companies Offering Securities to the Public No. 15 – General Requirements for Financial Reporting (2014 Amendment) and the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.

The major accounting policies applied by the Group in preparing the unaudited financial statements for the six month ended 30 June 2021 were consistent with those for the audited annual financial statements for the year ended 31 December 2020.

#### Going concern

The Group assessed its ability to continue as a going concern for the 12 months from 30 June 2021 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.

## 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 the 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 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. No matter whether that fair value is directly observable or estimated using valuation technique, fair value measurement and disclosure in these financial statements are determined according to the above basis.

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

For financial assets with transaction prices as the fair value upon initial recognition and the valuation technique of unobservable inputs used to measure fair value in subsequent periods, the valuation technique is calibrated so that the initial results determined using the valuation technique equals to the transaction price.

Fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, 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) 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 | 13%           |
|                                       | Rendering of rental service of real properties  | 9%            |
|                                       | Rendering of general service  | 6%            |
| City maintenance and construction tax | VAT actually paid   | 7%, 5% and 1% |
| Education surcharges                  | VAT actually paid   | 3%            |
| Local education surcharges            | VAT actually paid   | 2%            |
| Enterprise income tax                 | Taxable income  | 25% (Note)    |

*Note:* 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.



## 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's subsidiaries, namely 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 namely 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 2020, and were subject to a reduced enterprise income tax rate of 15% in 2020 and for the period from 1 January to 30 June 2021.

The Company's subsidiaries, namely 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 2020 and for the period from 1 January to 30 June 2021.

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, obtained the high-tech enterprise certificate approved by the corresponding tax authorities in 2019 and subject to a reduced rate of 15% for enterprise income tax in 2020 and for the period from 1 January to 30 June 2021.

Hunan CRRC Signal, a subsidiary of the Company, obtained the high-tech enterprise certificate approved by the corresponding tax authorities in 2020, and is subject to a tax rate of 15% for enterprise income tax in 2020 and for the period from 1 January to 30 June 2021.

Taiyuan CRRC Times Rail Engineering Machinery Co., Ltd. ("**Taiyuan CRRC Times**"), a subsidiary of the Company, obtained the high-tech enterprise certificate approved by the corresponding tax authorities in 2020, and is subject to a tax rate of 15% for enterprise income tax in 2020 and for the period from 1 January to 30 June 2021.

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 2020 and for the period from 1 January to 30 June 2021. Chongqing CRRC Times Electric Technology Co., Ltd (hereafter referred to as "**Chongqing CRRC Electric**") is in compliance with the relevant provision of the preferential enterprise income tax policy for the Western China Development and subject to the rate of 15% for enterprise income tax for the period from 1 January to 30 June 2021.

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 was exempted from enterprise income tax in 2020 and for the period from 1 January to 30 June 2021.

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, namely 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 2020 and for the period from 1 January 2021 to 30 June 2021, 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 2020 and for the period from 1 January to 30 June 2021.

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, was qualified to be recognized as a small low-profit enterprise in 2020 and for the period from 1 January to 30 June 2021 and was subject to a tax rate of 20% for the enterprise income tax.

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

##### 1. Cash and bank balances

| Item   | Renminbi Yuan               |                               |
|--|-----------------------------|-------------------------------|
|  | 30 June 2021<br>(Unaudited) | 31 December 2020<br>(Audited) |
| Cash on hand   | 30,993                      | 52,256                        |
| Bank deposits  | 4,520,541,251               | 5,113,837,282                 |
| Other cash and bank balances                               | 18,016,239                  | 14,996,459                    |
| Total  | <u>4,538,588,483</u>        | <u>5,128,885,997</u>          |
| Including: Total cash and bank balances deposited overseas | <u>162,801,257</u>          | <u>199,238,118</u>            |

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

|                                   | Renminbi Yuan                       |
|-----------------------------------|-------------------------------------|
| <b>Item</b>                       | <b>30 June 2021<br/>(Unaudited)</b> |
| Deposits of bank acceptance bills | 12,800,000                          |
| Security deposits                 | <u>5,216,239</u>                    |
| Total                             | <u><u>18,016,239</u></u>            |

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

|   | Renminbi Yuan                       |
|---|-------------------------------------|
| <b>Item</b>                               | <b>30 June 2021<br/>(Unaudited)</b> |
| Time deposits with more than three months | <u><u>1,180,000,000</u></u>         |

Demand deposits at the banks earns interest income at the interest rate for demand deposit at the banks. The deposit periods for short-term time deposits vary from 1 day to 3 months depending on the cash requirement of the Group, with interest income earned at the respective interest rates of the banks' time deposits.

## 2. Held-for-trading financial assets

|   | Renminbi Yuan                       |                               |
|---|-------------------------------------|-------------------------------|
| <b>Item</b>                             | <b>30 June 2021<br/>(Unaudited)</b> | 31 December 2020<br>(Audited) |
| Financial assets classified as at FVTPL | 2,601,212,210                       | 3,732,327,307                 |
| Including: Structural deposits          | <u><u>2,601,212,210</u></u>         | <u><u>3,732,327,307</u></u>   |

As at 30 June 2021, the wealth management products and structural deposits of the banks held by the Group offers an expected return ranging from 1.29% to 5.22% per annum.

### 3. Trade receivables

#### (1) Disclosed by aging

| Item   | Renminbi Yuan               |                               |
|--|-----------------------------|-------------------------------|
|  | 30 June 2021<br>(Unaudited) | 31 December 2020<br>(Audited) |
| Within 6 months                                      | 5,443,148,816               | 7,344,531,992                 |
| 6 months to 1 year                                   | 3,644,922,621               | 567,878,887                   |
| 1 to 2 years   | 506,059,908                 | 251,738,465                   |
| 2 to 3 years   | 40,139,151                  | 39,427,904                    |
| Over 3 years   | 67,382,407                  | 76,495,221                    |
| Total  | 9,701,652,903               | 8,280,072,469                 |
| Less: Provision for credit loss of trade receivables | 380,449,436                 | 343,177,260                   |
| Carrying amount                                      | 9,321,203,467               | 7,936,895,209                 |

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

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

| By category           | 30 June 2021 (Unaudited) |                |                           |                             | Carrying amount |
|-----------------------|--------------------------|----------------|---------------------------|-----------------------------|-----------------|
|                       | Gross carrying amount    |                | Provision for credit loss |                             |                 |
|                       | Amount                   | Proportion (%) | Amount                    | Proportion of provision (%) |                 |
| Individual assessment | 61,450,269               | 0.63           | 61,450,269                | 100.00                      | -               |
| Collective assessment | 9,640,202,634            | 99.37          | 318,999,167               | 3.31                        | 9,321,203,467   |
| Including: Category I | 4,827,324,625            | 49.76          | 120,297,322               | 2.49                        | 4,707,027,303   |
| Category II           | 3,193,579,825            | 32.92          | 110,189,541               | 3.45                        | 3,083,390,284   |
| Category III          | 380,895,672              | 3.93           | 5,728,576                 | 1.50                        | 375,167,096     |
| Category IV           | 1,238,402,512            | 12.76          | 82,783,728                | 6.68                        | 1,155,618,784   |
| Total                 | 9,701,652,903            | 100.00         | 380,449,436               |                             | 9,321,203,467   |

Renminbi Yuan

| By category           | 31 December 2020 (Audited) |                |                           |                             | 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>       | <u>100.00</u>  | <u>343,177,260</u>        |                             | <u>7,936,895,209</u> |

Trade receivables for which provision for credit loss is assessed individually

Renminbi Yuan

| Trade receivables (by company)                                      | 30 June 2021 (Unaudited) |                           |                             |                             |
|---|--------------------------|---------------------------|-----------------------------|-----------------------------|
|   | Gross carrying amount    | Provision for credit loss | Proportion of provision (%) | Reason for provision        |
| Qingdao New Energy Solutions Inc.                                   | <b>30,563,584</b>        | <b>30,563,584</b>         | <b>100.00</b>               | Low possibility of recovery |
| Shenzhen Blue Wave New Energy Group Co., Ltd.                       | <b>3,149,874</b>         | <b>3,149,874</b>          | <b>100.00</b>               | Low possibility of recovery |
| Changde Lantianwuling Energy Technology Co., Ltd.                   | <b>3,098,532</b>         | <b>3,098,532</b>          | <b>100.00</b>               | Low possibility of recovery |
| Baotou City Shansheng New Energy Co., Ltd.                          | <b>2,973,743</b>         | <b>2,973,743</b>          | <b>100.00</b>               | Low possibility of recovery |
| Huasheng Green Energy (Changxing) Agricultural Technology Co., Ltd. | <b>2,680,000</b>         | <b>2,680,000</b>          | <b>100.00</b>               | Low possibility of recovery |
| Other   | <b>18,984,536</b>        | <b>18,984,536</b>         | <b>100.00</b>               | Low possibility of recovery |
| Total   | <u><b>61,450,269</b></u> | <u><b>61,450,269</b></u>  |                             |                             |

Renminbi Yuan

| Trade receivables (by company)                    | 31 December 2020 (Audited) |                           |                             |                             |
|---|----------------------------|---------------------------|-----------------------------|-----------------------------|
|   | 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   | 24,848,949                 | 24,848,949                | 100.00                      | Low possibility of recovery |
| Total   | <u>73,139,842</u>          | <u>73,139,842</u>         |                             |                             |

*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

Renminbi Yuan

| Item               | 30 June 2021 (Unaudited)       |                       |                           |                      |
|--------------------|--------------------------------|-----------------------|---------------------------|----------------------|
|                    | Expected average loss rate (%) | Gross carrying amount | Provision for credit loss | Carrying amount      |
| Within 6 months    | 1.87                           | 3,001,693,326         | 56,166,687                | 2,945,526,639        |
| 6 months to 1 year | 3.01                           | 1,617,940,982         | 48,706,521                | 1,569,234,461        |
| 1 to 2 years       | 5.22                           | 186,350,252           | 9,718,310                 | 176,631,942          |
| 2 to 3 years       | 19.72                          | 16,509,227            | 3,256,152                 | 13,253,075           |
| Over 3 years       | 50.71                          | 4,830,838             | 2,449,652                 | 2,381,186            |
| Total              |                                | <u>4,827,324,625</u>  | <u>120,297,322</u>        | <u>4,707,027,303</u> |

Renminbi Yuan

| Item               | 31 December 2020 (Audited)     |                       |                           |                      |
|--------------------|--------------------------------|-----------------------|---------------------------|----------------------|
|                    | Expected average loss rate (%) | 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> |

## Provision assessed collectively by category: Category II

Renminbi Yuan

| Item               | 30 June 2021 (Unaudited)          |                          |                              |                      |
|--------------------|-----------------------------------|--------------------------|------------------------------|----------------------|
|                    | Expected average<br>loss rate (%) | Gross carrying<br>amount | Provision for<br>credit loss | Carrying<br>amount   |
| Within 6 months    | 3.01                              | 1,307,848,821            | 39,305,751                   | 1,268,543,070        |
| 6 months to 1 year | 3.13                              | 1,635,413,220            | 51,127,704                   | 1,584,285,516        |
| 1 to 2 years       | 7.10                              | 237,423,333              | 16,854,826                   | 220,568,507          |
| 2 to 3 years       | 20.50                             | 11,117,350               | 2,279,275                    | 8,838,075            |
| Over 3 years       | 35.00                             | 1,777,101                | 621,985                      | 1,155,116            |
| Total              |                                   | <u>3,193,579,825</u>     | <u>110,189,541</u>           | <u>3,083,390,284</u> |

Renminbi Yuan

| Item               | 31 December 2020 (Audited)        |                          |                              |                      |
|--------------------|-----------------------------------|--------------------------|------------------------------|----------------------|
|                    | Expected average<br>loss rate (%) | Gross carrying<br>amount | Provision for<br>credit loss | Carrying<br>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> |

## Provision assessed collectively by category: Category III

Renminbi Yuan

| Item               | 30 June 2021 (Unaudited)          |                          |                              |                    |
|--------------------|-----------------------------------|--------------------------|------------------------------|--------------------|
|                    | Expected average<br>loss rate (%) | Gross carrying<br>amount | Provision for<br>credit loss | Carrying<br>amount |
| Within 6 months    | 0.51                              | 183,471,371              | 930,033                      | 182,541,338        |
| 6 months to 1 year | 1.96                              | 179,190,528              | 3,517,557                    | 175,672,971        |
| 1 to 2 years       | 7.03                              | 18,233,773               | 1,280,986                    | 16,952,787         |
| Total              |                                   | <u>380,895,672</u>       | <u>5,728,576</u>             | <u>375,167,096</u> |

Renminbi Yuan

| Item               | 31 December 2020 (Audited)        |                          |                              |                      |
|--------------------|-----------------------------------|--------------------------|------------------------------|----------------------|
|                    | Expected average<br>loss rate (%) | Gross carrying<br>amount | Provision for<br>credit loss | Carrying<br>amount   |
| Within 6 months    | 0.79                              | 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> |



Provision assessed collectively by category: Category IV

Renminbi Yuan

| Item               | 30 June 2021 (Unaudited)       |                       |                           |                      |
|--------------------|--------------------------------|-----------------------|---------------------------|----------------------|
|                    | Expected average loss rate (%) | Gross carrying amount | Provision for credit loss | Carrying amount      |
| Within 6 months    | 4.32                           | 826,592,984           | 35,732,715                | 790,860,269          |
| 6 months to 1 year | 8.09                           | 334,692,138           | 27,087,492                | 307,604,646          |
| 1 to 2 years       | 15.80                          | 63,090,776            | 9,966,635                 | 53,124,141           |
| 2 to 3 years       | 44.53                          | 3,061,772             | 1,363,366                 | 1,698,406            |
| Over 3 years       | 78.74                          | 10,964,842            | 8,633,520                 | 2,331,322            |
| Total              |                                | <u>1,238,402,512</u>  | <u>82,783,728</u>         | <u>1,155,618,784</u> |

Renminbi Yuan

| Item               | 31 December 2020 (Audited)     |                       |                           |                    |
|--------------------|--------------------------------|-----------------------|---------------------------|--------------------|
|                    | Expected average loss rate (%) | Gross carrying amount | Provision for credit loss | Carrying amount    |
| 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> |

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

Renminbi Yuan

| Item  | Lifetime expected credit losses (no credit-impaired) | Lifetime expected credit losses (credit-impaired) | Total                     |
|---|--|---|---------------------------|
| 1 January 2021 (audited)  | 208,574,000  | 134,603,260                                       | 343,177,260               |
| Transferred to credit-impaired losses                           | (20,612,140)   | 20,612,140  | –                         |
| Provision (Reversal) for the period                             | 82,167,456   | (44,712,521)                                      | 37,454,935                |
| Translation difference of foreign currency financial statements | (190,346)  | 7,587   | (182,759)                 |
| <b>30 June 2021 (unaudited)</b>                                 | <u><b>269,938,970</b></u>                            | <u><b>110,510,466</b></u>                         | <u><b>380,449,436</b></u> |

(4) *The Group did not write off any trade receivable during the period from 1 January to 30 June 2021*

(5) *Trade receivables derecognized due to transfer of financial assets*

During the period from 1 January to 30 June 2021, the Group derecognized trade receivables of RMB2,937,008 due to trade receivables factoring.

4. **Trade receivables financing**

| Item                                     | Renminbi Yuan               |                               |
|--|-----------------------------|-------------------------------|
|  | 30 June 2021<br>(Unaudited) | 31 December 2020<br>(Audited) |
| Bills receivable measured at fair value  | 570,256,796                 | 884,373,305                   |
| Trade receivables measured at fair value | 992,598,339                 | 559,567,750                   |
| Total                                    | 1,562,855,135               | 1,443,941,055                 |

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                              | Renminbi Yuan               |                               |
|-----------------------------------|-----------------------------|-------------------------------|
|                                   | 30 June 2021<br>(Unaudited) | 31 December 2020<br>(Audited) |
| Cost                              | 1,602,232,956               | 1,478,983,216                 |
| Carrying amount                   | 1,562,855,135               | 1,443,941,055                 |
| Accumulated changes in fair value | (39,377,821)                | (35,042,161)                  |

(2) *Bills receivable endorsed or discounted and not yet due at the balance sheet date at the end of the period*

| Item                        | Renminbi Yuan                                     |   |   |   |
|-----------------------------|---|---|---|---|
|                             | 30 June 2021 (Unaudited)                          |   | 31 December 2020 (Audited)                      |   |
|                             | Derecognized<br>amount as at<br>the end of period | Non-derecognized<br>amount as at<br>the end of period | Derecognized<br>amount as at<br>the end of year | Non-derecognized<br>amount as at<br>the end of year |
| Commercial acceptance bills | -   | 41,145,489  | -   | 36,203,116  |
| Bank acceptance bills       | 355,801,440                                       | 65,220,341  | 247,743,856                                     | 69,235,222  |
| Total                       | 355,801,440                                       | 106,365,830   | 247,743,856                                     | 105,438,338   |

## 5. Inventories

### (1) Category of inventories

Renminbi Yuan

| Item                                    | 30 June 2021 (Unaudited) |                                |                      |
|---|--------------------------|--------------------------------|----------------------|
|   | Gross carrying amount    | Provision for decline in value | Carrying amount      |
| Raw materials                           | 1,629,142,038            | 220,066,803                    | 1,409,075,235        |
| Semi-finished products/Work in progress | 1,697,962,658            | 41,858,914                     | 1,656,103,744        |
| Finished goods                          | 2,407,462,902            | 24,543,017                     | 2,382,919,885        |
| Turnover materials                      | 38,702,911               | 2,368,482                      | 36,334,429           |
| Total                                   | <u>5,773,270,509</u>     | <u>288,837,216</u>             | <u>5,484,433,293</u> |

Renminbi Yuan

| Item                                    | 31 December 2020 (Audited) |                                |                      |
|---|----------------------------|--------------------------------|----------------------|
|   | 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> |

### (2) Provision for decline in value of inventories

Renminbi Yuan

| Item                                    | Balance at 1 January 2021 (Audited) | Increase Provision | Decrease Reversal/Write-off | Foreign exchange translation | Balance at 30 June 2021 (Unaudited) |
|---|-------------------------------------|--------------------|-----------------------------|------------------------------|-------------------------------------|
| Raw materials                           | 160,893,693                         | 63,498,910         | (4,669,692)                 | 343,892                      | 220,066,803                         |
| Semi-finished products/Work in progress | 36,643,368                          | 17,475,068         | (12,531,047)                | 271,525                      | 41,858,914                          |
| Finished goods                          | 20,823,233                          | 6,817,648          | (3,189,028)                 | 91,164                       | 24,543,017                          |
| Turnover materials                      | 1,441,187                           | 948,877            | (21,582)                    | -                            | 2,368,482                           |
| Total                                   | <u>219,801,481</u>                  | <u>88,740,503</u>  | <u>(20,411,349)</u>         | <u>706,581</u>               | <u>288,837,216</u>                  |

## 6. Fixed assets

### (1) Details of fixed assets

| Renminbi Yuan   |                      |                      |                   |                                 |                      |
|---|----------------------|----------------------|-------------------|---------------------------------|----------------------|
| Item  | Buildings            | Machinery            | Vehicles          | Office facilities<br>and others | Total                |
| <b>I. Cost:</b>   |                      |                      |                   |                                 |                      |
| 1. Balance at 1 January 2021 (audited)                        | 1,919,672,606        | 2,887,529,369        | 44,017,434        | 496,588,216                     | 5,347,807,625        |
| 2. Increase   |                      |                      |                   |                                 |                      |
| (1) Purchase  | 1,487,812            | 15,979,885           | 196,914           | 16,486,677                      | 34,151,288           |
| (2) Transferred from construction<br>in progress (Note (IV)7) | -                    | 1,111,862            | -                 | -                               | 1,111,862            |
| 3. Disposal or written-offs                                   | -                    | (471,551)            | (1,243,857)       | (857,000)                       | (2,572,408)          |
| 4. Foreign exchange translation                               | 6,228,785            | 650,327              | 463,741           | (4,732,197)                     | 2,610,656            |
| 5. Balance at 30 June 2021 (unaudited)                        | <u>1,927,389,203</u> | <u>2,904,799,892</u> | <u>43,434,232</u> | <u>507,485,696</u>              | <u>5,383,109,023</u> |
| <b>II. Accumulated depreciation</b>                           |                      |                      |                   |                                 |                      |
| 1. Balance at 1 January 2021 (audited)                        | 540,735,848          | 1,674,930,318        | 38,307,274        | 287,506,165                     | 2,541,479,605        |
| 2. Provision  | 31,210,524           | 119,911,567          | 2,170,599         | 34,714,078                      | 188,006,768          |
| 3. Disposal or written-offs                                   | -                    | (198,170)            | (1,190,590)       | (685,291)                       | (2,074,051)          |
| 4. Foreign exchange translation                               | 4,578,664            | 708,885              | 23,524            | (2,364,682)                     | 2,946,391            |
| 5. Balance at 30 June 2021 (unaudited)                        | <u>576,525,036</u>   | <u>1,795,352,600</u> | <u>39,310,807</u> | <u>319,170,270</u>              | <u>2,730,358,713</u> |
| <b>III. Impairment provision</b>                              |                      |                      |                   |                                 |                      |
| 1. Balance at 1 January 2021 (audited)                        | 10,513,264           | 44,665,742           | -                 | 6,579                           | 55,185,585           |
| 2. Balance at 30 June 2021 (unaudited)                        | <u>10,513,264</u>    | <u>44,665,742</u>    | <u>-</u>          | <u>6,579</u>                    | <u>55,185,585</u>    |
| <b>IV. Carrying amount</b>                                    |                      |                      |                   |                                 |                      |
| 1. Carrying amount at 30 June 2021<br>(unaudited)             | <u>1,340,350,903</u> | <u>1,064,781,550</u> | <u>4,123,425</u>  | <u>188,308,847</u>              | <u>2,597,564,725</u> |
| 2. Balance at 1 January 2021 (audited)                        | <u>1,368,423,494</u> | <u>1,167,933,309</u> | <u>5,710,160</u>  | <u>209,075,472</u>              | <u>2,751,142,435</u> |

(2) As at 30 June 2021, the Group had no temporarily idle fixed assets.

(3) **Fixed assets leased out through operating leases**

Renminbi Yuan

| Item      | Carrying amount<br>at 30 June 2021<br>(Unaudited) |
|-----------|---|
| Buildings | <u><u>52,432,358</u></u>                          |

(4) As at 30 June 2021, the Group had no buildings for which the certificate of ownership had not yet been obtained.

**7. Construction in progress**

(1) **Details of construction in progress**

Renminbi Yuan

| Item   | 30 June 2021<br>(Unaudited) | 31 December 2020<br>(Audited) |
|--|-----------------------------|-------------------------------|
| Automobile components supporting construction project                                    | 1,651,739,986               | 1,294,885,697                 |
| The revamping and expansion of high voltage IGBT chip module production line             | 263,044,505                 | 256,858,382                   |
| Chencang base project  | 69,952,961                  | –                             |
| Innovation experiment platform construction project                                      | 33,534,775                  | 32,760,630                    |
| Semiconductor intelligent manufacturing project  | 15,076,618                  | 5,067,395                     |
| Verification and screening platform for key materials of rail transit products           | 13,384,333                  | 12,507,308                    |
| High-power AC drive system   | 13,273,145                  | 13,273,145                    |
| Production equipment investment in IGBT Manufacturing Center in 2017                     | 8,998,114                   | –                             |
| PLM Phase II Project   | 3,905,661                   | 3,905,661                     |
| FCL production technology upgrade project (Intelligent Manufacturing 2020)               | 3,610,000                   | –                             |
| PCB plant renovation project on electric transformer and distribution system engineering | 2,009,428                   | –                             |
| Laboratory of urban rail transit driverless signal system                                | 1,821,649                   | 1,821,649                     |
| IGBT park janitor reconstruction project   | 1,400,509                   | 1,112,046                     |
| Coating thickness tester/step profiler (TEG-GZ1916BHKS)                                  | 1,185,923                   | 1,185,923                     |
| Others   | <u>28,816,426</u>           | <u>20,634,908</u>             |
| Total  | <u><u>2,111,754,033</u></u> | <u><u>1,644,012,744</u></u>   |

(2) **Movements of significant construction in progress:**

Renminbi Yuan

| Name of project  | Budget        | Balance at                  | Increase    | Transferred to<br>fixed assets | Other<br>transfer-out | Foreign<br>exchange<br>translation | Balance at                  | Proportion of<br>budget<br>invested | Capital<br>resource             |
|--|---------------|-----------------------------|-------------|--------------------------------|-----------------------|------------------------------------|-----------------------------|-------------------------------------|---------------------------------|
|  |               | 1 January 2021<br>(Audited) |             |                                |                       |                                    | 30 June 2021<br>(Unaudited) |                                     |                                 |
| Automobile components supporting construction project                                    | 3,337,700,000 | 1,294,885,697               | 356,854,289 | -                              | -                     | -                                  | 1,651,739,986               | 49%                                 | Self-raised                     |
| The revamping and expansion of high voltage IGBT chip module production line             | 505,000,000   | 256,858,382                 | 6,186,123   | -                              | -                     | -                                  | 263,044,505                 | 52%                                 | Government grants & Self-raised |
| Chencang base project  | 600,000,000   | -                           | 69,952,961  | -                              | -                     | -                                  | 69,952,961                  | 12%                                 | Self-raised                     |
| Innovation experiment platform construction project                                      | 964,500,000   | 32,760,630                  | 774,145     | -                              | -                     | -                                  | 33,534,775                  | 3%                                  | Self-raised                     |
| Semiconductor intelligent manufacturing project  | 43,400,000    | 5,067,395                   | 10,009,223  | -                              | -                     | -                                  | 15,076,618                  | 35%                                 | Self-raised                     |
| Verification and screening platform for key materials of rail transit products           | 21,571,000    | 12,507,308                  | 877,025     | -                              | -                     | -                                  | 13,384,333                  | 62%                                 | Self-raised                     |
| High-power AC drive system   | 14,998,654    | 13,273,145                  | -           | -                              | -                     | -                                  | 13,273,145                  | 88%                                 | Self-raised                     |
| Production equipment investment in IGBT Manufacturing Center in 2017                     | 66,990,000    | -                           | 8,998,114   | -                              | -                     | -                                  | 8,998,114                   | 13%                                 | Self-raised                     |
| PLM Phase II Project   | 5,000,000     | 3,905,661                   | -           | -                              | -                     | -                                  | 3,905,661                   | 78%                                 | Self-raised                     |
| PCL production technology upgrade project (Intelligent Manufacturing 2020)               | 10,470,000    | -                           | 3,610,000   | -                              | -                     | -                                  | 3,610,000                   | 34%                                 | Self-raised                     |
| PCB plant renovation project on electric transformer and distribution system engineering | 4,600,000     | -                           | 2,009,428   | -                              | -                     | -                                  | 2,009,428                   | 44%                                 | Self-raised                     |
| Laboratory of urban rail transit driverless signal system                                | 4,760,000     | 1,821,649                   | -           | -                              | -                     | -                                  | 1,821,649                   | 38%                                 | Self-raised                     |
| IGBT park janitor reconstruction project   | 1,500,000     | 1,112,046                   | 288,463     | -                              | -                     | -                                  | 1,400,509                   | 93%                                 | Self-raised                     |
| Coating thickness tester/step profiler (TEG-GZ1916BHKS)                                  | 1,184,420     | 1,185,923                   | -           | -                              | -                     | -                                  | 1,185,923                   | 100%                                | Self-raised                     |
| Others   |               | 20,634,908                  | 10,193,587  | (1,111,862)                    | (921,236)             | 21,029                             | 28,816,426                  |                                     |                                 |
| Total  |               | 1,644,012,744               | 469,753,358 | (1,111,862)                    | (921,236)             | 21,029                             | 2,111,754,033               |                                     |                                 |

8. **Trade payables**

(1) **Details of trade payables**

Renminbi Yuan

| Item            | 30 June 2021<br>(Unaudited) | 31 December 2020<br>(Audited) |
|-----------------|-----------------------------|-------------------------------|
| Related parties | 920,410,487                 | 368,591,069                   |
| Third parties   | 3,442,614,911               | 3,243,333,365                 |
| Total           | 4,363,025,398               | 3,611,924,434                 |

Trade payables bear no interest and are usually repayable within 3 months.

(2) *Significant trade payables with the aging over 1 year*

Renminbi Yuan

| <u>Name of the entity</u>   | <u>Closing balance</u> | <u>Reasons for being not repaid or carried forward</u> |
|---|------------------------|--|
| Mitsubishi Corporation Machinery INC.   | 83,473,975             | Outstanding payments for purchase of materials         |
| Siemens International Trading Ltd.  | 26,832,948             | Outstanding payments for purchase of materials         |
| China Academy Of Railway Sciences Corporation Limited Signal & Communication Research Institute | 21,213,608             | Outstanding payments for purchase of materials         |
| Guangzhou Baiyun Electric Equipment Co., Ltd.   | 18,563,022             | Outstanding payments for purchase of materials         |
| CRRC Zhuzhou Electric Co., Ltd.   | 16,743,712             | Outstanding payments for purchase of materials         |
| Total   | <u>166,827,265</u>     |  |

9. **Share capital**

Renminbi Yuan

| <u>Item</u>                             | <u>30 June 2021 (Unaudited)</u> | <u>31 December 2020 (Audited)</u> |
|---|---------------------------------|-----------------------------------|
| Unrestricted shares:                    |                                 |                                   |
| Shares held by state-owned legal person | 628,147,237                     | 628,147,237                       |
| H Share listed overseas                 | <u>547,329,400</u>              | <u>547,329,400</u>                |
| Total                                   | <u>1,175,476,637</u>            | <u>1,175,476,637</u>              |

10. **Capital reserve**

Renminbi Yuan

| <u>Item</u>           | <u>1 January 2021 (Audited)</u> | <u>Increase during the period</u> | <u>Decrease during the period</u> | <u>30 June 2021 (Unaudited)</u> |
|-----------------------|---------------------------------|-----------------------------------|-----------------------------------|---------------------------------|
| Share capital premium | <u>3,321,880,949</u>            | <u>-</u>                          | <u>-</u>                          | <u>3,321,880,949</u>            |

## 11. Other comprehensive income

Renminbi Yuan

| Item  | 1 January 2021<br>(Audited) | Amount incurred for current period                                   |   |                              |  |   | 30 June 2021<br>(Unaudited) |
|---|-----------------------------|--|---|------------------------------|--|---|-----------------------------|
|   |                             | Amount<br>incurred<br>for the current<br>period before<br>income tax | Less: Amount<br>which was<br>included<br>in other<br>comprehensive<br>income of the<br>previous period<br>but transferred<br>to profit or loss<br>for the current<br>period | Less: Income<br>tax expenses | Attributable to<br>shareholders<br>of the parent<br>company<br>after tax | Attributable to<br>non-controlling<br>shareholders<br>after tax |                             |
| Other comprehensive income that will be reclassified to profit or loss: |                             |  |   |                              |  |   |                             |
| Changes in fair value of other debt investments                         | (29,681,509)                | (38,594,130)   | (34,258,470)  | (986,865)                    | (3,201,774)  | (147,021)   | (32,883,283)                |
| Foreign exchange translation  | (122,657,222)               | (2,366,060)  | -   | -                            | (2,366,060)  | -   | (125,023,282)               |
| Total other comprehensive income  | (152,338,731)               | (40,960,190)   | (34,258,470)  | (986,865)                    | (5,567,834)  | (147,021)   | (157,906,565)               |

## 12. Special reserve

Renminbi Yuan

| Item                  | 1 January 2021<br>(Audited) | Increase<br>during the period | Decrease<br>during the period | 30 June 2021<br>(Unaudited) |
|-----------------------|-----------------------------|-------------------------------|-------------------------------|-----------------------------|
| Safety production fee | 25,247,257                  | 26,799,465                    | 21,480,192                    | 30,566,530                  |

## 13. Surplus reserve

Renminbi Yuan

| Item                      | 1 January 2021<br>(Audited) | Increase<br>during the period | Decrease<br>during the period | 30 June 2021<br>(Unaudited) |
|---------------------------|-----------------------------|-------------------------------|-------------------------------|-----------------------------|
| Statutory surplus reserve | 2,325,644,999               | -                             | -                             | 2,325,644,999               |

*Note:* According to the Company Law and the Company's Articles of Association, the Company is required to appropriate 10% of its net profit to the statutory surplus reserve. After the appropriation to statutory surplus reserve, the Company may make appropriation to the discretionary surplus reserves. Upon approval, discretionary surplus reserves can be used to make up for losses of the prior years or to increase the share capital.



#### 14. Retained earnings

Renminbi Yuan

| <b>Item</b>   | <b>Amount</b>         |
|---|-----------------------|
| Retained earnings at the beginning of the period (audited)              | 17,156,557,050        |
| Add: Net profit attributable to shareholders of the parent company      | 695,234,768           |
| Less: Appropriation to statutory surplus reserve ( <i>Note (IV)13</i> ) | –                     |
| Dividends payable on ordinary shares                                    | –                     |
|   | <hr/>                 |
| Retained earnings at the end of the period (unaudited)                  | <u>17,851,791,818</u> |

The 2020 profit distribution proposal of the Company has been considered and approved at the 2020 Annual General Meeting held on 8 June 2021. As the Company is planning initial public offering of its A shares and listing them on the Science and Technology Innovation Board of the Shanghai Stock Exchange, which is not yet completed so far, there is no profit distribution, nor capitalization of capital reserve or distribution of dividends or bonus shares for 2020. The remaining retained earnings will be retained by the Company.

The 2019 profit distribution proposal of the Company has been considered and approved at the 2019 Annual General Meeting held on 23 June 2020, pursuant to which a final cash dividend of RMB0.45 (including tax) was paid on the basis of 1,175,476,637 shares in issue, amounting to a total cash dividend of RMB528,964,486.65 (audited).

The board of directors do not recommend the payment of an interim dividend for the six months ended 30 June 2021 (for the six months ended 30 June 2020: nil).

#### 15. Revenue and cost of sales

##### (1) Details of revenue and cost of sales

Renminbi Yuan

| <b>Item</b>                    | <b>Period from 1 January to<br/>30 June 2021 (Unaudited)</b> |                      | <b>Period from 1 January to<br/>30 June 2020 (Unaudited)</b> |                      |
|--------------------------------|--|----------------------|--|----------------------|
|                                | Revenue  | Cost of sales        | Revenue  | Cost of sales        |
| Principal operating activities | 5,172,734,504  | 3,194,567,549        | 5,460,134,401  | 3,321,848,416        |
| Other operating activities     | 125,385,051  | 105,850,732          | 109,925,237  | 102,498,531          |
|                                | <hr/>  | <hr/>                | <hr/>  | <hr/>                |
| Total                          | <u>5,298,119,555</u>   | <u>3,300,418,281</u> | <u>5,570,059,638</u>   | <u>3,424,346,947</u> |

(2) *Revenue from contracts*

|                                     | Renminbi Yuan  |  |
|-------------------------------------|--|--|
| <b>Categories of contracts</b>      | <b>Period from<br/>1 January to<br/>30 June 2021<br/>(Unaudited)</b> | <b>Period from<br/>1 January to<br/>30 June 2020<br/>(Unaudited)</b> |
| <b>By geographic areas of sales</b> |  |  |
| Mainland China                      | 5,011,795,724  | 5,232,162,751  |
| Other countries and regions         | 286,323,831  | 337,896,887  |
| Total                               | 5,298,119,555  | 5,570,059,638  |

16. **Selling expenses**

|  | Renminbi Yuan  |  |
|--|--|--|
| <b>Item</b>                              | <b>Period from<br/>1 January to<br/>30 June 2021<br/>(Unaudited)</b> | <b>Period from<br/>1 January to<br/>30 June 2020<br/>(Unaudited)</b> |
| Provision for product quality warranties | 224,855,339  | 196,050,684  |
| Employee benefits                        | 108,860,714  | 97,035,577   |
| Transportation and handling charges      | 8,365,630  | 5,275,059  |
| Office and travel expenses               | 19,417,816   | 14,177,230   |
| Business entertainment expenses          | 13,934,299   | 5,052,436  |
| Advertising and publicity cost           | 1,257,845  | 1,233,014  |
| Bidding and tendering fee                | 5,318,926  | 3,903,002  |
| Others                                   | 23,666,301   | 37,525,465   |
| Total                                    | 405,676,870  | 360,252,467  |

**17. Administrative expenses**

Renminbi Yuan

| <b>Item</b>   | <b>Period from<br/>1 January to<br/>30 June 2021<br/>(Unaudited)</b> | <b>Period from<br/>1 January to<br/>30 June 2020<br/>(Unaudited)</b> |
|---|--|--|
| Employee benefits   | 174,309,132  | 140,346,594  |
| Depreciation and amortization charges                         | 43,180,275   | 53,042,525   |
| Facility maintenance cost                                     | 5,680,598  | 10,215,464   |
| Property management fee                                       | 9,537,188  | 7,878,206  |
| Utilities expenses  | 7,884,676  | 7,841,594  |
| Office and travel expenses and conference fee                 | 6,851,015  | 7,438,487  |
| Service fees for intermediaries and professional institutions | 6,757,837  | 8,142,421  |
| Insurance expenses  | 3,146,551  | 7,505,723  |
| Rental expense  | 8,869,910  | 7,698,977  |
| Business entertainment expenses                               | 4,406,808  | 2,692,016  |
| Others  | 18,256,226   | 19,721,711   |
| Total   | <u>288,880,216</u>   | <u>272,523,718</u>   |

**18. R&D expenses**

Renminbi Yuan

| <b>Item</b>                           | <b>Period from<br/>1 January to<br/>30 June 2021<br/>(Unaudited)</b> | <b>Period from<br/>1 January to<br/>30 June 2020<br/>(Unaudited)</b> |
|---------------------------------------|--|--|
| Employee benefits                     | 290,860,340  | 262,632,494  |
| Technical service fee                 | 78,366,400   | 75,608,148   |
| Cost of materials consumed            | 83,635,257   | 100,080,757  |
| Depreciation and amortization charges | 106,599,198  | 90,979,502   |
| Office and travel expenses            | 23,659,500   | 37,303,109   |
| Experiment and inspection cost        | 10,396,293   | 10,310,900   |
| Others                                | 47,413,984   | 28,326,403   |
| Total                                 | <u>640,930,972</u>   | <u>605,241,313</u>   |

**19. Finance costs**

|  | Renminbi Yuan  |  |
|--|--|--|
| <b>Item</b>                            | <b>Period from<br/>1 January to<br/>30 June 2021<br/>(Unaudited)</b> | <b>Period from<br/>1 January to<br/>30 June 2020<br/>(Unaudited)</b> |
| Interest expenses on borrowings        | 3,430,067  | 4,729,773  |
| Interest expenses on lease liabilities | 2,686,422  | 2,675,297  |
| Less: Capitalized interest expenses    | 115,357  | 104,961  |
| Interest income                        | (28,126,762)   | (19,623,334)   |
| Net exchange losses (gains)            | (282,584)  | 9,236,310  |
| Financial institution charges          | 5,342,179  | 6,141,250  |
| Others                                 | (418,174)  | 1,952,049  |
| Total                                  | <u>(17,484,209)</u>  | <u>5,006,384</u>   |

**20. Other income**

|                         | Renminbi Yuan  |  |
|-------------------------|--|--|
| <b>Item</b>             | <b>Period from<br/>1 January to<br/>30 June 2021<br/>(Unaudited)</b> | <b>Period from<br/>1 January to<br/>30 June 2020<br/>(Unaudited)</b> |
| VAT refund              | 68,597,906   | 84,048,920   |
| Technology project fund | 133,263,795  | 36,813,200   |
| Government rewards      | 17,605,718   | 30,766,860   |
| Total                   | <u>219,467,419</u>   | <u>151,628,980</u>   |

**21. Investment income (losses)**

|   | Renminbi Yuan  |  |
|---|--|--|
| <b>Item</b>   | <b>Period from<br/>1 January to<br/>30 June 2021<br/>(Unaudited)</b> | <b>Period from<br/>1 January to<br/>30 June 2020<br/>(Unaudited)</b> |
| Share of gains (losses) of associates and joint ventures              | (11,154,070)   | (8,117,432)  |
| Gains from disposal of held-for-trading financial assets              | 42,835,550   | 64,019,468   |
| Gains (Losses) on derecognition of financial assets at amortized cost | (101,331)  | -  |
| Total   | <u>31,580,149</u>  | <u>55,902,036</u>  |

22. Credit impairment gains (losses)

Renminbi Yuan

| Item   | Period from<br>1 January to<br>30 June 2021<br>(Unaudited) | Period from<br>1 January to<br>30 June 2020<br>(Unaudited) |
|--|--|--|
| Credit impairment gains (losses) of bills receivable                               | 1,881,455  | 3,744,097  |
| Credit impairment gains (losses) of trade receivables                              | (37,454,935)   | (73,125,357)   |
| Credit impairment gains (losses) of other receivables                              | (1,449,696)  | 393,853  |
| Credit impairment gains (losses) of contract assets                                | –  | (1,237,460)  |
| Credit impairment gains (losses) of contract assets<br>in other non-current assets | –  | (4,992,414)  |
| Total  | <u>(37,023,176)</u>  | <u>(75,217,281)</u>  |

23. Assets impairment gains (losses)

Renminbi Yuan

| Item  | Period from<br>1 January to<br>30 June 2021<br>(Unaudited) | Period from<br>1 January to<br>30 June 2020<br>(Unaudited) |
|---|--|--|
| Impairment gains (losses) of inventories                                    | (74,029,446)   | (43,374,342)   |
| Impairment gains (losses) of contract assets                                | (894,201)  | –  |
| Impairment gains (losses) of contract assets<br>in other non-current assets | (1,819,746)  | –  |
| Impairment gains (losses) of goodwill                                       | –  | (154,724,000)  |
| Total   | <u>(76,743,393)</u>  | <u>(198,098,342)</u>                                       |

24. Non-operating income

Renminbi Yuan

| Item   | Period from 1 January to<br>30 June 2021 (Unaudited) |   | Period from 1 January to<br>30 June 2020 (Unaudited) |   |
|--|--|---|--|---|
|  | Amount   | Amount included<br>in non-recurring<br>profit or loss | Amount   | Amount included<br>in non-recurring<br>profit or loss |
| Unsettled payment                              | 1,571,553  | 1,571,553   | 9,578,118  | 9,578,118   |
| Penalty income and default compensation income | 1,103,337  | 1,103,337   | 6,008,183  | 6,008,183   |
| Others   | 5,678,226  | 5,678,226   | 12,496,999   | 12,496,999  |
| Total  | <u>8,353,116</u>                                     | <u>8,353,116</u>                                      | <u>28,083,300</u>                                    | <u>28,083,300</u>                                     |

25. Non-operating expenses

Renminbi Yuan

| Item  | Period from 1 January to<br>30 June 2021 (Unaudited) |   | Period from 1 January to<br>30 June 2020 (Unaudited) |   |
|---|--|---|--|---|
|   | Amount   | Amount included<br>in non-recurring<br>profit or loss | Amount   | Amount included<br>in non-recurring<br>profit or loss |
| Expenses on penalties and default<br>compensation | 87,655   | 87,655  | 8,679  | 8,679   |
| Others  | 53,917   | 53,917  | 877,041  | 877,041   |
| Total   | <u>141,572</u>                                       | <u>141,572</u>  | <u>885,720</u>                                       | <u>885,720</u>  |

26. Income tax expense

Renminbi Yuan

| Item                          | Period from<br>1 January to<br>30 June 2021<br>(Unaudited) | Period from<br>1 January to<br>30 June 2020<br>(Unaudited) |
|-------------------------------|--|--|
| Current income tax expense    |  |  |
| – Mainland China              | 144,569,511  | 194,508,381  |
| – Other countries and regions | <u>4,228,967</u>   | <u>1,050,843</u>   |
| Sub-total                     | <u>148,798,478</u>   | <u>195,559,224</u>   |
| Deferred income tax expense   | <u>(50,459,584)</u>  | <u>(37,891,450)</u>  |
| Total                         | <u>98,338,894</u>  | <u>157,667,774</u>   |

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

| Item  | Renminbi Yuan  |  |
|---|--|--|
|   | Period from<br>1 January to<br>30 June 2021<br>(Unaudited) | Period from<br>1 January to<br>30 June 2020<br>(Unaudited) |
| Total profit  | <b>801,311,568</b>   | 842,456,376  |
| Income tax expense at statutory tax rate of 25% (Note)  | <b>200,327,892</b>   | 210,614,094  |
| Effect of different tax rates for overseas entities   | <b>5,123,372</b>   | 17,757,610   |
| Effect of preferential tax rate applicable to the Company and certain of its subsidiaries                         | <b>(78,243,444)</b>  | (92,996,506)   |
| Effect of profits and losses attributable to associates and joint ventures  | <b>1,935,607</b>   | 1,189,343  |
| Effect of income not subject to taxation  | <b>(3,941,466)</b>   | (185,308)  |
| Effect of additional deduction on its R&D expenses  | <b>(41,059,698)</b>  | (40,170,018)   |
| Effect of expenses that are not deductible for tax purposes   | <b>7,955,078</b>   | 50,023,870   |
| Effect of deductible temporary differences and deductible losses not recognised                                   | <b>8,181,359</b>   | 7,912,977  |
| Effect of recognition of deductible temporary differences and deductible losses not recognised in the prior years | <b>(6,765,997)</b>   | (1,318,821)  |
| Others  | <b>4,826,191</b>   | 4,840,533  |
| Income tax expense  | <b>98,338,894</b>  | 157,667,774  |

*Note:* Income tax expenses of the Group include income tax of the Group's subsidiaries in the PRC calculated based on the taxable income at the applicable tax rate and income tax of the Group's subsidiaries not located in the PRC calculated based on the taxable income at the applicable tax rate under the local tax laws and regulations.

## 27. Earnings per share

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

|  | Renminbi Yuan  |  |
|--|--|--|
|  | <b>Period from<br/>1 January to<br/>30 June 2021<br/>(Unaudited)</b> | Period from<br>1 January to<br>30 June 2020<br>(Unaudited) |
| <b>Earnings</b>  |  |  |
| Net profit for the period attributable to ordinary shareholders of the Company | <u><u>695,234,768</u></u>  | <u><u>688,150,248</u></u>                                  |
| <b>Shares</b>  |  |  |
| Weighted average number of ordinary shares in issue of the Company             | <u><u>1,175,476,637</u></u>  | <u><u>1,175,476,637</u></u>                                |
| <b>Basic earnings per share (Renminbi Yuan/share)</b>                          | <u><u>0.59</u></u>   | <u><u>0.59</u></u>   |
| <b>Diluted earnings per share (Renminbi Yuan/share)</b>                        | <u><u>N/A</u></u>  | <u><u>N/A</u></u>  |

The Group had no potentially dilutive ordinary shares as at the date of this announcement.



(V) 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 organized in one 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 are as follow:

Revenue from external customers

| Countries or regions        | Renminbi Yuan  |  |
|-----------------------------|--|--|
|                             | Period from<br>1 January to<br>30 June 2021<br>(Unaudited) | Period from<br>1 January to<br>30 June 2020<br>(Unaudited) |
| Mainland China              | 5,011,795,724  | 5,232,162,751  |
| Other countries and regions | 286,323,831  | 337,896,887  |
| Total                       | <u>5,298,119,555</u>                                       | <u>5,570,059,638</u>                                       |

Total non-current assets

| Countries or regions        | Renminbi Yuan                  |                                  |
|-----------------------------|--------------------------------|----------------------------------|
|                             | 30 June<br>2021<br>(Unaudited) | 31 December<br>2020<br>(Audited) |
| Mainland China              | 6,294,859,939                  | 6,058,346,394                    |
| Other countries and regions | 806,118,689                    | 804,681,841                      |
| Total                       | <u>7,100,978,628</u>           | <u>6,863,028,235</u>             |

Non-current assets are analysed by geographic locations where the assets are located, excluding financial assets and deferred income 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   | Renminbi Yuan  |                                   |  |                                   |
|------------|--|-----------------------------------|--|-----------------------------------|
|            | Period from 1 January to<br>30 June 2021 (Unaudited) |                                   | Period from 1 January to<br>30 June 2020 (Unaudited) |                                   |
|            | Amount   | Proportion to<br>total revenue(%) | Amount   | Proportion to<br>total revenue(%) |
| CRRC Group | <u>2,415,573,056</u>                                 | <u>45.59</u>                      | <u>2,404,414,000</u>                                 | <u>43.17</u>                      |

## **BUSINESS REVIEW AND OUTLOOK**

In the first half of 2021, facing with the market situation with a drop in investment of railway equipment by State Railway Group, slowdown in approval progress of urban railway construction plan and ongoing COVID-19 pandemic, the Company adhered to the philosophy of “operating with high quality and high efficiency” and the strategy of “concentric and diversified development”. The Company deeply cultivated the rail transit field, developed the emerging industries in an innovative manner and strived for the Company’s steady development. The Company’s Initial Public Issue and Listing of A Shares on the Science and Technology Innovation Board achieved key milestones, and obtained the approval of registration from the CSRC on 22 June 2021.

In terms of the rail transport industry, the Company focused on the four core competitiveness of “technology, market, brand and services”, ensured the existing orders continued to be delivered, achieved breakthrough in market development of new products. The Company has continued to lead the industry with the newly received orders for urban rail traction converter systems. Delivery of new products of rail engineering machinery was accelerated and the operation of rail grinder was carried out smoothly. The Company has received bulk orders for LKJ-15C from State Railway Group and local railway groups, and has received new orders for urban rail communication signal systems.

In terms of the new industries, the automobile component project continued to undergo debugging; both the production capacity and delivered amount of electric drive system in new energy automobiles have increased; the wind power converters, photovoltaic inverter and central air conditioning converters continued to be delivered in batches; the Company has received new orders for sensors; multiple new domestic and international orders for marine equipment have been received.

2021 is the opening year of the “14th Five-Year Plan”. The Company adheres to be innovation-driven, continues to empower customers around the transportation and energy areas, focuses on innovating systems and mechanisms and technical quality, and enhances refined management and organizational guarantees.

In terms of the rail transport industry, focusing on the area of railway, the Company will continue to enhance the technical advantages of our products, ensure product delivery, and strive to develop new products and new markets; focusing on the area of urban rail, the Company will deepen the strategy of “operating cities”, enhance the product life-cycle management and the promotion of “smart urban rail” products, accelerate the development of maintenance services business; focusing on the area of rail engineering machinery, the Company will continue to enhance the technical research and development, develop the urban rail high-end vehicle market, and promote the development of maintenance service business; focusing on the area of communication signal systems, the Company will reinforce its position in main line railway market, and accelerate the market expansion of independent CBTC signalling systems in the urban rail market.

In terms of the new industries, the Company will enhance technology research and development and quality management, and expand the business of IGBT by market development and product supply of rail transit, power grid, new energy vehicles, new energy power generation and high-end industrial areas; the Company will improve the research and development system of the new energy vehicle electric drive system, and increase the effort of market development; the Company will ensure the launch of new marine equipment products and enhance the development in the PRC market.

## MANAGEMENT DISCUSSION AND ANALYSIS

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

### REVENUE

|  | Period from 1 January to 30 June     |                                      |
|--|--------------------------------------|--------------------------------------|
|  | 2021<br>(Unaudited)<br>(RMB million) | 2020<br>(Unaudited)<br>(RMB million) |
| Business of railway transportation equipment | 4,396.1                              | 4,776.0                              |
| Business of emerging equipment               | 776.6                                | 684.2                                |
| Others                                       | 125.4                                | 109.9                                |
| Total revenue                                | <u>5,298.1</u>                       | <u>5,570.1</u>                       |

The Group's revenue decreased by RMB272.0 million or 4.9% from RMB5,570.1 million for the six months ended 30 June 2020 to RMB5,298.1 million for the six months ended 30 June 2021. The decrease in the revenue was mainly due to the decrease in number of new orders and products delivered as compared to that of the corresponding period of last year as a result of the ongoing impact of the COVID-19 pandemic on the market conditions.

### COST OF SALES

The Group's cost of sales decreased by RMB123.9 million from RMB3,424.3 million for the six months ended 30 June 2020 to RMB3,300.4 million for the six months ended 30 June 2021. The decrease in the cost of sales was mainly due to the decrease in revenue as compared to that of the corresponding period of last year.

### GROSS PROFIT

The Group's gross profit decreased by RMB148.1 million from RMB2,145.8 million for the six months ended 30 June 2020 to RMB1,997.7 million for the six months ended 30 June 2021. The Group's gross profit margin decreased from 38.5% for the six months ended 30 June 2020 to 37.7% for the six months ended 30 June 2021. The change in gross profit margin was mainly due to the change of product sales mix.

## **SELLING EXPENSES**

The Group's selling expenses increased by RMB45.4 million from RMB360.3 million for the six months ended 30 June 2020 to RMB405.7 million for the six months ended 30 June 2021. The increase in selling expenses was mainly due to the increase in product warranty provision with the change in structure of revenue and increase in employee benefits as compared to that of the corresponding period of last year.

## **ADMINISTRATIVE EXPENSES**

The Group's administrative expenses increased by RMB16.4 million from RMB272.5 million for the six months ended 30 June 2020 to RMB288.9 million for the six months ended 30 June 2021. The administrative expenses remained basically the same as compared to that of the corresponding period of last year.

## **RESEARCH AND DEVELOPMENT EXPENSES**

The Group's research and development expenses increased by RMB35.7 million from RMB605.2 million for the six months ended 30 June 2020 to RMB640.9 million for the six months ended 30 June 2021. The increase in research and development expenses was mainly due to the increase in employee benefits, depreciation and amortization as compared to that of the corresponding period of last year.

## **FINANCE COSTS**

The Group's finance costs decreased by RMB22.5 million from RMB5.0 million for the six months ended 30 June 2020 to negative RMB17.5 million for the six months ended 30 June 2021. The decrease in finance costs was mainly due to the effect of change in exchange gains and losses and interest income.

## **ASSET IMPAIRMENT LOSSES**

The Group's asset impairment losses decreased by RMB121.4 million from RMB198.1 million for the six months ended 30 June 2020 to RMB76.7 million for the six months ended 30 June 2021. The decrease in asset impairment losses was mainly due to the impairment losses of goodwill of UK CRRC SMD.

## **CREDIT IMPAIRMENT LOSSES**

The Group's credit impairment losses decreased by RMB38.2 million from RMB75.2 million for the six months ended 30 June 2020 to RMB37.0 million for the six months ended 30 June 2021. The decrease in credit impairment losses were mainly due to the decrease in credit impairment losses of trade receivables as compared to that of the corresponding period of last year.

## **OTHER INCOME**

The Group's other income increased by RMB67.9 million from RMB151.6 million for the six months ended 30 June 2020 to RMB219.5 million for the six months ended 30 June 2021. The increase in other income was mainly due to the increase in amount of income transferred from technology project fund in deferred income as compared to that of the corresponding period of last year.

## **INVESTMENT INCOME**

The Group's investment income decreased by RMB24.3 million from RMB55.9 million for the six months ended 30 June 2020 to RMB31.6 million for the six months ended 30 June 2021. The decrease in investment income was mainly due to the decrease in gains from disposal of held-for-trading financial assets as compared to that of the corresponding period of last year.

## **GAINS ON FAIR VALUE CHANGES**

The gains on fair value changes of the Group decreased by RMB1.7 million from RMB10.6 million for the six months ended 30 June 2020 to RMB8.9 million for the six months ended 30 June 2021. The decrease in gains on fair value changes was due to the decrease in gain from fair value changes in forward exchange contracts as compared to that of the corresponding period of last year.

## **GAINS OR LOSSES ON DISPOSAL OF ASSETS**

The Group's gains or losses on disposal of assets decreased by RMB2.3 million from gains on disposal of assets of RMB2.1 million for the six months ended 30 June 2020 to losses on disposal of assets of RMB0.2 million for the six months ended 30 June 2021. The change in gains or losses on disposal of assets was due to the change in gains or losses on disposal of fixed assets.

## **NON-OPERATING INCOME**

The Group's non-operating income decreased by RMB19.7 million from RMB28.1 million for the six months ended 30 June 2020 to RMB8.4 million for the six months ended 30 June 2021. The decrease in non-operating income was mainly due to the decrease in unsettled payment and insurance claims as compared to that of the corresponding period of last year.

## **NON-OPERATING EXPENSES**

The non-operating expenses of the Group decreased by RMB0.8 million from RMB0.9 million for the six months ended 30 June 2020 to RMB0.1 million for the six months ended 30 June 2021.

## **TOTAL PROFIT**

The Group's total profit decreased by RMB41.2 million from RMB842.5 million for the six months ended 30 June 2020 to RMB801.3 million for the six months ended 30 June 2021. The Group's sales profit margin for the six months ended 30 June 2021 was 15.1%, which remained the same as compared to 15.1% for the six months ended 30 June 2020.

## **INCOME TAX EXPENSE**

The Group's income tax expense decreased by RMB59.4 million from RMB157.7 million for the six months ended 30 June 2020 to RMB98.3 million for the six months ended 30 June 2021.

The Company, CRRC Times Electronics, Ningbo CRRC Times, Shenyang CRRC Times, Qingdao CRRC Electric, CRRC National Centre of Converters, Shanghai CRRC SMD, Hunan CRRC Signal, Baoji CRRC Times, Taiyuan CRRC Times and CRRC Times Software 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 and Chongqing CRRC Electric were 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%.

Since 2019, CRRC Times Semiconductor enjoyed the preferential tax policy of "Five years exemptions and five years halve" ("五免五減半") for corporate income tax of integrated circuit production enterprises, with the corporate income tax for the current period waived.

During the period from 1 January to 30 June 2021, 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 six months ended 30 June 2021 and 30 June 2020 were 12.3% and 18.7%.

## **NET PROFIT ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT**

Net profit attributable to Shareholders of the Parent increased by RMB7.0 million from RMB688.2 million for the six months ended 30 June 2020 to RMB695.2 million for the six months ended 30 June 2021. The increase in the net profit attributable to Shareholders of the Parent was mainly due to the decrease in actual income tax rate.

## **NON-CONTROLLING INTERESTS**

Non-controlling interests increased by RMB11.1 million from negative RMB3.4 million for the six months ended 30 June 2020 to RMB7.7 million for the six months ended 30 June 2021.

## **EARNINGS PER SHARE**

Basic earnings per share for the six months ended 30 June 2021 was RMB0.59, which remained the same as compared to RMB0.59 for the six months ended 30 June 2020.

## **LIQUIDITY AND SOURCE OF CAPITAL**

### **Cash flows and working capital**

The Group's needs for working capital were mainly satisfied by cash generated from operations. The net increase in cash and cash equivalents of the Group amounted to negative RMB1,443.3 million for the Reporting Period.

### **Net cash inflows from operating activities**

The Group's net cash inflow from operating activities decreased by RMB2,237.0 million from RMB103.3 million for the six months ended 30 June 2020 to negative RMB2,133.7 million for the six months ended 30 June 2021, which was mainly due to the decrease in cash received from the sales of goods and provision of services by the Group as compared to that of the corresponding period of last year.

### **Net cash inflows from investing activities**

For the six months ended 30 June 2021, the Group's net cash inflow from investing activities was RMB730.0 million, including the cash receipts from disposals and recovery of investments of RMB8,400.0 million, the cash paid for acquisition of investments of RMB7,283.0 million, and the cash paid for acquisition of fixed assets, intangible assets and other long-term assets of RMB430.0 million.

### **Net cash outflows from financing activities**

For the six months ended 30 June 2021, the Group's net cash outflow from financing activities was RMB37.8 million, among which, the cash outflow of lease liabilities was RMB40.3 million.

## **LIQUIDITY**

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



## COMMITMENTS

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

|  | <b>30 June<br/>2021<br/>(Unaudited)<br/>(RMB million)</b> | 31 December<br>2020<br>(Audited)<br>(RMB million) |
|--|---|---|
| Capital commitments                      | <b>594.1</b>  | 940.5   |
| Investments in associates/joint ventures | <b>78.5</b>   | 78.5  |
| Investments in subsidiaries              | <b>50.0</b>   | 50.0  |
| Total                                    | <b><u>722.6</u></b>                                       | <u>1,069.0</u>                                    |

## INDEBTEDNESS

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

|   | <b>30 June<br/>2021<br/>(Unaudited)<br/>(RMB million)</b> | 31 December<br>2020<br>(Audited)<br>(RMB million) |
|---|---|---|
| Short-term borrowings   | <b>289.4</b>  | 278.2   |
| Long-term borrowings (inclusive of amounts due within one year) | <b>160.1</b>  | 163.2   |
| Total   | <b><u>449.5</u></b>                                       | <u>441.4</u>                                      |

The Group's borrowings were mainly fixed rate loans.

Maturity analysis:

|                         | <b>30 June<br/>2021<br/>(Unaudited)<br/>(RMB million)</b> | 31 December<br>2020<br>(Audited)<br>(RMB million) |
|-------------------------|---|---|
| Due within 1 year       | <b>369.3</b>  | 358.7   |
| Due within 1 to 2 years | <b>5.0</b>  | 5.0   |
| Due within 2 to 5 years | <b>15.0</b>   | 15.0  |
| Due over 5 years        | <b>60.2</b>   | 62.7  |
| Total                   | <b><u>449.5</u></b>                                       | <u>441.4</u>                                      |

As at 30 June 2021, the annual interest rates for loans above were 0.28%-2.15% (31 December 2020: 0.44%-2.32%).

Pursuant to the relevant borrowing agreements, as at 30 June 2021, no loans were entitled to priority to be repaid with certain assets if the Group is incapable of repayment.

## **PLEDGE**

As at 30 June 2021, no fixed assets (31 December 2020: nil) was pledged to secure general banking facilities granted to the Group.

As at 30 June 2021, the Group pledged no land use rights (31 December 2020: 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 during the six months ended 30 June 2021 and in 2020.

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 all borrowings, bills payable, trade payables, employee benefits payable, other taxes payable excluding corporate income tax payable, other payables, lease liabilities and long-term payables, less cash and cash equivalents. Capital includes equity attributable to Shareholders of the Parent. The Group's gearing ratio was 13.9% as at 30 June 2021 and 7.7% as at 31 December 2020.

## **OPERATING SEGMENTS**

For management purposes, the Group's operating activities are attributable to a single operating segment, focusing on the railway transport equipment 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 30 June 2021, and no member of the Group was engaged in any litigation, arbitration or claims of material importance and, so far as the Board was aware, no litigation or claim of material importance was pending or threatened by or against any member of the Group.

## MAJOR RISKS AND UNCERTAINTIES

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

### Market Risks

The Group is subject to various market risks, including foreign exchange risk. The businesses of the Group are principally located in the PRC, 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.

The Company and its several 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 reporting period, the balance of the Group's assets and liabilities are as follows:

|                                 | Renminbi Yuan       |                          |
|---------------------------------|---------------------|--------------------------|
| <b>30 June 2021 (unaudited)</b> | <b>Total assets</b> | <b>Total liabilities</b> |
| JPY                             | 988,297             | 1,090,719                |
| USD                             | 58,053,470          | 14,494,410               |
| GBP                             | 39,000,711          | 2,627,989                |
| EUR                             | 30,953,795          | 74,289,329               |
| HKD                             | 1,126,792           | –                        |
| Total                           | <u>130,123,065</u>  | <u>92,502,447</u>        |

|                                 | Renminbi Yuan   |  |
|---------------------------------|---|--|
| <b>30 June 2021 (unaudited)</b> | <b>Base point<br/>Increase/<br/>(decrease)<br/>in exchange rate</b> | <b>Effect on profit<br/>Increase/<br/>(decrease)</b> |
| <b>JPY</b>                      |   |  |
| If RMB strengthens against JPY  | +10%  | 8,706  |
| If RMB weakens against JPY      | -10%  | (8,706)  |
| <b>USD</b>                      |   |  |
| If RMB strengthens against USD  | +10%  | (3,702,520)  |
| If RMB weakens against USD      | -10%  | 3,702,520  |
| <b>GBP</b>                      |   |  |
| If RMB strengthens against GBP  | +10%  | (3,091,681)  |
| If RMB weakens against GBP      | -10%  | 3,091,681  |
| <b>EUR</b>                      |   |  |
| If RMB strengthens against EUR  | +10%  | 2,918,460  |
| If RMB weakens against EUR      | -10%  | (2,918,460)  |
| <b>HKD</b>                      |   |  |
| If RMB strengthens against HKD  | +10%  | (95,777)   |
| If RMB weakens against HKD      | -10%  | 95,777   |

The Group does not conduct any hedging transactions to manage potential foreign exchange fluctuations. However, the management continuously monitors the Group's foreign exchange risk and will employ financial derivatives to manage the foreign exchange risk exposure when necessary.

### **Policy Risk**

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

### **EMPLOYEES, REMUNERATION AND TRAINING**

Please refer to the section headed "Other Information – 9. Employees and remuneration policy" in the announcement for details on the number and remuneration policies of employees, bonus and training scheme.

## **MAJOR INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSALS**

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 component substrate line process integration, with its infrastructure construction and the expansion of factory systems completed and put into use. In the first half of 2021, the Company continued to promote the overall process debugging of component substrate line and purchased component line equipment.

Save as disclosed above, there were no significant investments held by the Company, nor were there any material acquisitions or disposals of subsidiaries, associates and joint ventures during the Reporting Period.

## **FUTURE PLAN FOR MATERIAL INVESTMENT OR CAPITAL ASSETS**

Save as disclosed in the announcement and circular of the Company dated 30 September 2020 and 20 November 2020 respectively, in relation to the projects to be financed with proceeds from the issue of A shares, and save as disclosed above, the Group does not have other plans for material investments and capital assets during the Reporting Period. For details of the projects to be financed with proceeds from the issue of A shares, please refer to the above announcement and circular.

## **POST BALANCE SHEET EVENTS**

There were no important events affecting the Group which have occurred at the end of the accounting period ended 30 June 2021 and as of the date of this announcement.

## OTHER INFORMATION

### 1. Corporate Governance

- ***Corporate governance***

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

During the Reporting Period, the Company has fully complied with the code provisions of the Corporate Governance Code contained in Appendix 14 to the 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. Chan Kam Wing, Clement, Mr. Pao Ping Wing and Mr. Chen Xiaoming, independent non-executive Directors of the Company were unable to attend the Annual General Meeting in person but they fulfilled their duties and attended the meeting by way of video conferencing. However, the foregoing situation still constituted a deviation from the requirement of code provision A.6.7 given that the Articles for the time being in force did not explicitly allow the Directors to attend the general meetings through electronic means.

- ***Securities transactions by Directors***

The Company has adopted 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 enquiry of all Directors in relation to the compliance with the Model Code, the Company confirmed that all Directors have complied with the required standards as set out in the Model Code during the Reporting Period.

- ***Board of Directors***

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

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

- ***Supervisory Committee***

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

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

- ***Audit Committee***

The Company's audit committee was established in October 2005. It currently consists of five independent non-executive Directors. The members of the audit committee are Mr. Chan Kam Wing, Clement, Mr. Pao Ping Wing, Ms. Liu Chunru, Mr. Chen Xiaoming and Mr. Gao Feng. Mr. Chan Kam Wing, Clement is the chairman of the audit committee.

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

The Company's audit committee discussed the accounting principles adopted by the Group with the management, and has reviewed the Group's unaudited consolidated financial report for the six months ended 30 June 2021 prepared in accordance with the PRC Accounting Standards and was satisfied that the unaudited consolidated results complied with applicable accounting standards, the relevant regulatory and legal requirements and that adequate disclosure had been made.

## **2. 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 internal control supervision and evaluation of the Company and its 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.

Based on the Company's core values and in adherence to the control objectives of "strengthening internal control, preventing risks and promoting compliance", according to the key businesses of the Company, the internal control process framework at the business level is refactored in accordance with the "structured" idea, the internal control system of the Company is reorganized and optimized, and the "Internal Control Manual of CRRC Times Electric" is focused upon to meet the Company's business development and reform needs, internal management requirements and internal control evaluation basis.

During the Reporting Period, the Company's internal control system was proved to be stable and reliable and continued to deepen the risk management work. The audit and risk control department carried out a special audit of risk control management innovation for the entire value chain of the procurement process, special diagnosis, special audit for the extension of business outsourcing efficiency enhancement of industrial units etc. 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.

### **3. Interests and short positions of Directors, Supervisors and the General Manager in the Shares, Underlying Shares and Debentures**

As at 30 June 2021, none of the Directors, supervisors, and the general manager or their respective associates had any personal, family, corporate or other interests and short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Part XV of the SFO, or were required to be recorded in a register kept pursuant to section 352 of the SFO, or were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.



#### 4. Structure of share capital

The Company's share capital structure as at 30 June 2021 was as follows:

| <b>Shareholder</b>                           | <b>Type</b>    | <b>Number of shares</b>     | <b>Approximate % of the issued share capital as at 30 June 2021</b> |
|--|----------------|-----------------------------|---|
| CRRC ZELRI                                   | Domestic share | 589,585,699                 | 50.16%  |
| CRRC Zhuzhou                                 | Domestic share | 10,000,000                  | 0.85%   |
| CRRC Investment & Leasing                    | Domestic share | 9,380,769                   | 0.80%   |
| CRCCE  | Domestic share | 9,800,000                   | 0.83%   |
| Beijing Maohuan                              | Domestic share | 9,380,769                   | 0.80%   |
| Shares in public circulation ( <i>Note</i> ) | H share        | <u>547,329,400</u>          | <u>46.56%</u>   |
| Total  |                | <u><u>1,175,476,637</u></u> | <u><u>100%</u></u>  |

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

## 5. Substantial Shareholders

Interests or short positions in the shares or underlying shares of the Company pursuant to the disclosure requirements of Divisions 2 and 3 of Part XV of the SFO as at 30 June 2021 were 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<br>(Long position)                      | Beneficial owner              | 93.86%   | –   | 50.16%                                |
| CRRC (Note 1)                    | 608,966,468<br>(Long position)                      | Interest in controlled entity | 96.95%   | –   | 51.81%                                |
|                                  | 16,200,000<br>(Long position)                       | Interest in controlled entity | –  | 2.96%                                     | 1.38%                                 |
| CRRC Group (Note 2)              | 608,966,468<br>(Long position)                      | Interest in controlled entity | 96.95%   | –   | 51.81%                                |
|                                  | 16,200,000<br>(Long position)                       | Interest in controlled entity | –  | 2.96%                                     | 1.38%                                 |
| Brown Brothers<br>Harriman & Co. | 32,606,828<br>(Long position)                       | Nominee                       | –  | 5.96%                                     | 2.77%                                 |
|                                  | 32,606,828<br>(Lending pool shares – long position) | Nominee                       | –  | 5.96%                                     | 2.77%                                 |
| Citigroup Inc.                   | 2,168,736<br>(Long position)                        | Interest in controlled entity | –  | 0.40%                                     | 0.18%                                 |
|                                  | 1,991,886<br>(Short position)                       | Interest in controlled entity | –  | 0.36%                                     | 0.17%                                 |
|                                  | 25,619,680<br>(Lending pool shares – long position) | Approved lending agent        | –  | 4.68%                                     | 2.18%                                 |

Notes:

- (1) CRRC is interested in 100% of the registered capital of CRRC ZELRI, CRRC Zhuzhou and CRRC Investment & Leasing. Accordingly, CRRC is deemed under the SFO to be interested in the shares held by each of CRRC ZELRI, CRRC Zhuzhou and CRRC Investment & Leasing. CRRC is interested in 16,200,000 H shares through CRRC Hongkong Capital Management Co., Limited, a wholly-owned subsidiary of CRRC.
- (2) CRRC Group is directly and indirectly interested in 51.35% of the shares of CRRC. Accordingly, CRRC Group is deemed under the SFO to be interested in the shares held by CRRC.

## **6. Purchase, Redemption or Sale of Listed Securities of the Company**

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

## **7. Distribution of Dividends**

### ***(1) Distribution plan and implementation of 2020 final dividend***

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, the Issue has not been completed yet. 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 facilitate the smooth progress of the Issue, it was approved and agreed at the 2020 Annual General Meeting 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.

### ***(2) 2021 interim profit distribution plan***

The Board did not recommend the distribution of an interim dividend for the six months ended 30 June 2021 (for the six months ended 30 June 2020: nil).

## 8. Connected Transactions

During the Reporting Period, the Company has strictly complied with the relevant requirements in respect of connected transactions or continuing connected transactions under Chapter 14A of the SEHK Listing Rules, and has established a set of mechanism to protect non-controlling shareholders' interests. The auditor of the Company has provided quarterly reports to independent non-executive Directors on transactions conducted between the Group and CRRC Group together with its subsidiaries and their respective associates but excluding the Group (collectively, the "CRRC Group of Companies"). In addition, the independent non-executive Directors have conducted quarterly reviews on the terms of the relevant transactions under the framework agreement entered into between the Company and the CRRC Group of Companies on 26 March 2019 for the mutual supply of products and ancillary services between the Group and the CRRC Group of Companies for a term of three years commencing from 1 January 2020 and ending on 31 December 2022, and the review opinions regarding the terms of such transactions would be disclosed by the Company to its shareholders by way of announcements.

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

## 9. Employees and Remuneration Policy

### *Employee Breakdown*

As at 30 June 2021, the Group had 8,155 full-time employees (including employees of overseas subsidiaries and employees under labor contract).

Among which, the distribution of 7,668 domestic employees under labor contract is as followed:

### *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 | Operation and management | High caliber talents | Not on duty | Total |
|--------------|----------------------|-------------------------|------------------------------|----------------------------------|----------------------------------|-------------------------------|-----------------------------|--------------------------|----------------------|-------------|-------|
| Number       | 199                  | 902                     | 2,342                        | 466                              | 1,461                            | 283                           | 446                         | 51                       | 1,514                | 4           | 7,668 |
| Percentage   | 2.6%                 | 11.76%                  | 30.54%                       | 6.08%                            | 19.05%                           | 3.69%                         | 5.82%                       | 0.67%                    | 19.74%               | 0.05%       | 100%  |

### *Education qualification*

| Education qualification | Doctor postgraduate | Master postgraduate | University undergraduate | Junior college graduate | Technical secondary school and below | Total |
|-------------------------|---------------------|---------------------|--------------------------|-------------------------|--------------------------------------|-------|
| Number                  | 120                 | 1,321               | 4,689                    | 944                     | 594                                  | 7,668 |
| Percentage              | 1.56%               | 17.23%              | 61.15%                   | 12.31%                  | 7.75%                                | 100%  |

### ***Remuneration policy***

The Group's remuneration policy for its employees takes into account the value of the individuals' posts, 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 for the six months ended 30 June 2021 was approximately RMB998.9 million.

### ***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 needs of corporate development, business development and talent development, the Group planned and organized selection and trainings for core talents including back-up management talents, internationalised talents, marketing talents, research and development talents and team leaders, covering more than 1,000 talents. 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, the abilities of participants have been significantly improved. Meanwhile, it carried out "Good Lecturer Competition (好講師大賽)" 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 organizational intelligence effectively, consolidated the basic management and strengthened the organisational capabilities internally, and opened up cooperation and expanded vision externally.

## 10. Review of Interim Results

The unaudited interim results for the six months ended 30 June 2021 of the Company and this results announcement have been reviewed and confirmed by the audit committee and approved by the Board. Deloitte Touche Tohmatsu Certified Public Accountants LLP, the auditor of the Company, has reviewed the financial information of the unaudited interim results of the Company for the six months ended 30 June 2021 and issued a review report dated 9 August 2021.

This announcement contains the unaudited interim results for the six months ended 30 June 2021 of the Company which complies with the relevant requirements of the SEHK Listing Rules in relation to the information to accompany preliminary announcements of interim results. The 2021 interim report of the Company will be published and (if required) will be delivered to the H-Share holders of the Company and will also be available for viewing on the website of the Hong Kong Stock Exchange at <http://www.hkex.com.hk> and on the website of the Company at <http://www.tec.crrczic.cc> on or before 30 September 2021.

This interim results announcement has been prepared in Chinese and English respectively. In the event of any discrepancy, the Chinese version shall prevail.

### DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms shall have the following meanings:

|                       |  |
|-----------------------|--|
| “14th Five-Year Plan” | the 14th Five-Year for the Economic and Social Development of the PRC, 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  |
| “Baoji CRRC Times”    | Baoji CRRC Times Engineering Machinery Co., Ltd. (寶鷄中車時代工程機械有限公司)  |
| “Beijing Maohuan”     | Beijing Maohuan Rail Transit Industry Investment Management Partnership (Limited Partnership) (北京懋嶺軌道交通產業投資管理合夥企業(有限合夥))   |
| “Board”               | the board of directors of the Company  |

|   |   |
|---|---|
| “CG Code”   | the Code on Corporate Governance and Corporate Governance Report set out in Appendix 14 to the SEHK Listing Rules   |
| “Chengdu CRRC Electric”                               | Chengdu CRRC Times Electric Technology Co., Ltd. (成都中車時代電氣科技有限公司)   |
| “Chongqing CRRC Electric”                             | Chongqing CRRC Times Electric Co., Ltd. (重慶中車時代電氣有限公司)  |
| “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   |
| “CRCCE”   | CRRC High-Tech Equipment Corporation Limited (中國鐵建高新裝備股份有限公司), whose shares are listed on the Hong Kong Stock Exchange (stock code: 1786.HK)  |
| “CRRC”  | CRRC Corporation Limited (中國中車股份有限公司), 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   |
| “CRRC Group”  | CRRC Group Co., Ltd. (中國中車集團有限公司), the ultimate controlling shareholder of the Company  |
| “CRRC Investment & Leasing”                           | CRRC Investment & Leasing Co., Ltd. (中車投資租賃有限公司), a wholly-owned subsidiary of CRRC   |
| “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 Electric”,<br>“the Company”,<br>“Company” | Zhuzhou CRRC Times Electric Co., Ltd. (株洲中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 Company) |
| “CRRC Times Electronics”                              | Zhuzhou Times Electronics Technology Co., Ltd. (株洲時代電子技術有限公司)   |

|  |   |
|--|---|
| “CRRC Times Semiconductor”   | Zhuzhou CRRC Times Semiconductor Co., Ltd. (株洲中車時代半導體有限公司)  |
| “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 ZELRI”   | CRRC Zhuzhou Institute Co., Ltd. (中車株洲電力機車研究所有限公司), a wholly-owned subsidiary of CRRC and a controlling shareholder of the Company  |
| “CRRC Zhuzhou”   | CRRC Zhuzhou Locomotive Co., Ltd. (中車株洲電力機車有限公司), a wholly-owned subsidiary of CRRC   |
| “CSRC”   | China Securities Regulatory Commission (中國證券監督管理委員會)  |
| “general meeting(s)”   | the general meeting(s) of the Company   |
| “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   |
| “Hunan CRRC Signal”  | Hunan CRRC Times Signal & Communication Co., Ltd. (湖南中車時代通信信號有限公司)  |
| “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)  |
| “Model Code”   | the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the SEHK Listing Rules   |



|                            |  |
|----------------------------|--|
| “Ningbo CRRC Electric”     | Ningbo CRRC Times Electric Equipment Co., Ltd. (寧波中車時代電氣設備有限公司)  |
| “Ningbo CRRC Times”        | Ningbo CRRC Times Transducer Technology Co., Ltd. (寧波中車時代傳感技術有限公司)   |
| “PRC”                      | the People’s Republic of China, for the purpose of this announcement, excluding the regions of Hong Kong, Macao Special Administrative Region and Taiwan |
| “PRC Accounting Standards” | Accounting Standards for Business Enterprises and relevant regulations issued by the MOF of the PRC  |
| “Qingdao CRRC Electric”    | Qingdao CRRC Electric Equipment Co., Ltd. (青島中車電氣設備有限公司)   |
| “Reporting Period”         | the six-month period ended 30 June 2021  |
| “SEHK Listing Rules”       | The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited   |
| “SFO”                      | the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)  |
| “Shanghai CRRC SMD”        | Specialist Machine Developments (Shanghai) Co., Ltd. (上海中車艾森迪海洋裝備有限公司)   |
| “Shenyang CRRC Times”      | Shenyang CRRC Times Transportation Technology Co., Ltd. (瀋陽中車時代交通設備有限公司)   |
| “SSE”                      | the Shanghai Stock Exchange  |
| “State Railway Group”      | China State Railway Group Co., Ltd. (中國國家鐵路集團有限公司)   |
| “Supervisory Committee”    | the supervisory committee of the Company   |

“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)

“UK CRRC SMD”      Specialist Machine Developments (SMD) Limited. (時代艾森迪智能裝備有限公司)

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

Zhuzhou, China, 9 August 2021

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