



2017 INTERIM REPORT

# 株洲中车时代电气股份有限公司

## ZHUZHOU CRRC TIMES ELECTRIC CO., LTD.

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

*Stock Code: 3898*

# Contents

<b>Results In Brief</b>	<b>2</b>
<b>Business Review and Outlook</b>	<b>3</b>
<b>Unaudited Interim Financial Statements</b>	
<b>Consolidated Statement of Financial Position</b>	<b>4</b>
<b>Consolidated Statement of Profit or Loss</b>	<b>6</b>
<b>Consolidated Statement of Changes in Equity</b>	<b>7</b>
<b>Consolidated Statement of Cash Flows</b>	<b>8</b>
<b>Statement of Financial Position</b>	<b>10</b>
<b>Statement of Profit or Loss</b>	<b>12</b>
<b>Statement of Changes in Equity</b>	<b>13</b>
<b>Statement of Cash Flows</b>	<b>14</b>
<b>Notes to Financial Statements</b>	<b>16</b>
<b>Management Discussion and Analysis</b>	<b>154</b>
<b>Other Information</b>	<b>161</b>
<b>Basic Corporate Information</b>	<b>167</b>
<b>Glossary</b>	<b>168</b>

Notes:

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

# Results In Brief

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The Board of the Company is pleased to announce the unaudited financial results of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 30 June 2017 which have been prepared in accordance with the PRC Accounting Standards. The interim financial statements in this interim report are unaudited, but have been reviewed by the Audit Committee of the Company.

The revenue of the Group for the six months ended 30 June 2017 amounted to RMB6,516,413,093 (for the six months ended 30 June 2016 (Restated) (Note): RMB6,709,696,836), representing a decrease of 3% over the same period of last year. Total profit amounted to RMB1,317,892,449 (for the six months ended 30 June 2016 (Restated): RMB1,496,907,971), representing a decrease of 12% over the same period of last year. Net profit attributable to shareholders of the Parent amounted to RMB1,122,858,652 (for the six months ended 30 June 2016 (Restated): RMB1,282,279,365), representing a decrease of 12% over the same period of last year. Basic earnings per share amounted to RMB0.96 (for the six months ended 30 June 2016 (Restated): RMB1.09).

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

Note: On 21 December 2016, the Group completed the business combination under common control of ZNERCC, and hence the information for the same period of 2016 of consolidated financial statements are restated to include the financial position, financial performance and cash flows of the acquiree, to conform the presentation and accounting treatment for the current year. The related details are set out in Note VI. 3.

# Business Review And Outlook

In the first half of 2017, China's fixed assets investment in railways saw steady growth, and "Fuxing Hao (復興號)", China's standard electric multiple units, was officially inaugurated along the Beijing-Shanghai High-speed Railway. The domestic urban rail transit market continued to grow, and the Company enjoyed increasing influence on overseas markets.

In respect of the traction systems for locomotives, the demand for railway locomotive trains picked up. The existing orders for locomotives with a speed of 160 km/h and 8-axles locomotives for China Railway Corporation were continuous delivered and the locomotives localization projects in South Africa was in the steady implement.

In respect of the traction systems for electric multiple units, the demand for electric multiple units shifted and the volume in purchase and tendering of unified models decreased. The Group began to deliver China's standard electric multiple units in batches, and secured batches of orders for inter-city electric multiple units.

In respect of the urban railway and metro market, the urban rail transit system experienced diversified development, the Company's influence in the industry continued to expand, the position in independent traction system market has further consolidated, and the existing contracts were smoothly delivered on schedule.

In respect of railway maintenance machineries related products, the JJC maintenance machine of catenary secured a large order and the capabilities in production and delivery were improved significantly.

In respect of signal & communication products, the independently developed CBTC signal system and tram signal system both secured their first order.

In respect of parts and components, the Group's high-voltage power electronic devices successfully won the bid in the UHV DC transmission project in Brazil, and the IGBT power components achieved smooth progress in R&D and industrialization.

In respect of marine engineering products, the oil and gas market remained sluggish and the Group increased its efforts to develop new markets. There was a rapid growth in orders in various markets other than the oil and gas market. Vamos, the EU's first inland underwater mining project, was successfully developed. In addition, the passenger vehicle electric drive system secured a large number of orders in the market.

Looking into the second half of 2017, in the field of traction systems for locomotives and electric multiple units, the Group will proactively respond to market changes, strengthen its internal management, ensure timely delivery of its existing orders, continue to follow up overseas projects including the locomotives localization project in South Africa, and continuously promote the overhaul and maintenance business through technical innovation. In the field of the urban railway and metro market, the Group will strengthen the project management, capitalize on its advantages of possessing the whole industry chain and wide spectrum of railway transportation products and vigorously secure market orders. In the field of railway maintenance machineries related products, the Group will ensure the production and delivery of its key vehicle models and constantly push forward the research, development and trial production of new products. In the field of signal & communication products, the Group will complete the CRCC certification of the new generation of LKJ products and promote demonstrative loading thereof. In the field of parts and components, the Group will speed up the development and application verification of IGBT products. The Group will closely follow up the project orders in key markets for marine engineering products.

# Consolidated Statement of Financial Position

30 June 2017

Renminbi Yuan

ASSETS	Note V	30 June 2017 (Unaudited)	31 December 2016 (Audited)
<b>CURRENT ASSETS</b>			
Cash and bank balances	1	4,936,793,139	3,201,134,282
Bills receivable	2	1,687,932,114	4,259,355,110
Trade receivables	3	8,463,680,820	5,317,077,521
Prepayments	4	281,612,294	217,252,783
Other receivables	5	154,463,441	129,788,537
Inventories	6	3,804,993,452	3,238,717,660
Other current assets	7	913,199,920	2,497,038,994
<b>Total current assets</b>		<b>20,242,675,180</b>	<b>18,860,364,887</b>
<b>NON-CURRENT ASSETS</b>			
Available-for-sale financial asset		900,000	900,000
Long-term receivables	8	48,823,841	49,932,355
Long-term equity investments	9	250,452,737	228,628,965
Fixed assets	10	2,751,140,462	2,823,518,651
Construction in progress	11	234,957,486	191,728,924
Intangible assets	12	606,826,759	633,354,186
Development expenditure	13	78,829,546	75,271,984
Goodwill	14	471,155,933	485,174,198
Deferred tax assets	15	320,781,009	301,219,923
Other non-current assets	16	98,341,575	73,467,821
<b>Total non-current assets</b>		<b>4,862,209,348</b>	<b>4,863,197,007</b>
<b>TOTAL ASSETS</b>		<b>25,104,884,528</b>	<b>23,723,561,894</b>



## Consolidated Statement of Financial Position

		30 June 2017	
		Renminbi Yuan	
LIABILITIES AND SHAREHOLDERS' EQUITY	Note V	30 June 2017 (Unaudited)	31 December 2016 (Audited)
<b>CURRENT LIABILITIES</b>			
Short-term borrowings	17	134,183,956	159,166,033
Financial liabilities at fair value through profit or loss	18	—	6,135,766
Bills payable	19	1,415,683,274	1,835,369,575
Trade payables	20	3,365,222,788	2,786,933,694
Advances from customers	21	965,436,686	858,585,589
Employee benefits payable	22	158,155,356	36,619,390
Dividends payable	23	531,964,487	3,000,000
Interests payable		409,897	448,131
Taxes payable	24	196,981,640	278,261,744
Other payables	25	473,476,035	445,525,339
Current portion of non-current liabilities	26	1,090,508	1,586,759
Provisions	28	222,818,573	262,822,271
Deferred income	29	75,521,083	76,840,639
<b>Total current liabilities</b>		<b>7,540,944,283</b>	<b>6,751,294,930</b>
<b>NON-CURRENT LIABILITIES</b>			
Long-term borrowings	27	100,910,544	101,317,364
Long-term payables	20	71,483,636	100,662,888
Provisions	28	336,807,299	339,462,724
Deferred income	29	305,665,510	292,301,752
Deferred tax liabilities	15	75,937,703	78,575,067
<b>Total non-current liabilities</b>		<b>890,804,692</b>	<b>912,319,795</b>
<b>Total liabilities</b>		<b>8,431,748,975</b>	<b>7,663,614,725</b>
<b>SHAREHOLDERS' EQUITY</b>			
Share capital		1,175,476,637	1,175,476,637
Capital reserve		3,341,900,430	3,341,900,430
Other comprehensive income		(94,445,378)	(89,637,548)
Special reserve		17,590,760	11,211,581
Surplus reserve		1,528,786,201	1,416,051,748
Retained earnings	30	10,425,937,873	9,944,778,161
<b>Total equity attributable to shareholders of the Parent</b>		<b>16,395,246,523</b>	<b>15,799,781,009</b>
<b>Non-controlling interests</b>		<b>277,889,030</b>	<b>260,166,160</b>
<b>Total shareholders' equity</b>		<b>16,673,135,553</b>	<b>16,059,947,169</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>25,104,884,528</b>	<b>23,723,561,894</b>

# Consolidated Statement of Profit or Loss

For the six months ended 30 June 2017

Renminbi Yuan

	Note V	For the six months ended 30 June 2017 (Unaudited)	For the six months ended 30 June 2016 (Unaudited) (Restated, Note XIII.4)
Revenue	31	<b>6,516,413,093</b>	6,709,696,836
Less: Cost of sales	31	<b>3,976,780,197</b>	4,188,377,718
Taxes and surcharges		<b>55,153,864</b>	39,928,202
Selling expenses		<b>297,016,202</b>	274,152,986
Administrative expenses		<b>878,970,761</b>	824,307,949
Finance costs	32	<b>(8,134,452)</b>	59,106,922
Asset impairment losses	33	<b>157,591,970</b>	130,436,067
Add: Gains on fair value changes	34	<b>6,135,766</b>	—
Investment income	35	<b>35,921,435</b>	69,682,038
including: share of profits and losses of associates and joint ventures	35	<b>16,645,679</b>	34,753,290
Other income	36	<b>103,070,469</b>	—
Operating profit		<b>1,304,162,221</b>	1,263,069,030
Add: Non-operating income	37	<b>17,593,590</b>	234,745,871
including: gains on disposal of non-current assets	37	<b>13,480</b>	1,391,246
Less: Non-operating expenses	38	<b>3,863,362</b>	906,930
including: losses on disposal of non-current assets	38	<b>65,645</b>	249,263
Total profit		<b>1,317,892,449</b>	1,496,907,971
Less: Income tax expense	40	<b>174,438,214</b>	207,063,720
Net profit		<b>1,143,454,235</b>	1,289,844,251
Net profit attributable to shareholders of the Parent		<b>1,122,858,652</b>	1,282,279,365
Including : Net losses of the acquiree attributable to shareholders of the Parent prior to business combination involving entities under common control		<b>—</b>	(4,056,620)
Non-controlling interests		<b>20,595,583</b>	7,564,886
Other comprehensive income, net of tax			
Other comprehensive income attributable to shareholders of the Parent, net of tax			
Other comprehensive income to be reclassified to profit or loss in subsequent periods			
Exchange fluctuation reserve		<b>(4,807,830)</b>	(95,195,735)
Total other comprehensive income attributable to non-controlling interests, net of tax		<b>(312,522)</b>	(2,658,357)
Total comprehensive income		<b>1,138,333,883</b>	1,191,990,159
Including:			
Total comprehensive income attributable to shareholders of the Parent		<b>1,118,050,822</b>	1,187,083,630
Total comprehensive income attributable to non-controlling interests		<b>20,283,061</b>	4,906,529
Earnings per share (Yuan/Share)	41		
Basic		<b>0.96</b>	1.09
Diluted		<b>0.96</b>	1.09

# Consolidated Statement of Changes in Equity

For the six months ended 30 June 2017

Renminbi Yuan

	Attributable to shareholders of the Parent							Non-controlling interests	Total shareholders' equity
	Share capital	Capital reserve	Special reserve	Surplus reserve	Retained earnings	Other comprehensive income	Sub-total		
I. 1 January 2017 (audited)	1,175,476,637	3,341,900,430	11,211,581	1,416,051,748	9,944,778,161	(89,637,548)	15,799,781,009	260,166,160	16,059,947,169
II. Movements during the period									
(i) Total comprehensive income (unaudited)	-	-	-	-	1,122,858,652	(4,807,830)	1,118,050,822	20,283,061	1,138,333,883
(ii) Profit appropriation									
1. Transfer to surplus reserve (unaudited)	-	-	-	112,734,453	(112,734,453)	-	-	-	-
2. Dividends paid (unaudited)	-	-	-	-	(528,964,487)	-	(528,964,487)	(3,152,206)	(532,116,693)
(iii) Special reserve									
1. Accrued during the period (unaudited)	-	-	18,983,889	-	-	-	18,983,889	985,446	19,969,335
2. Paid during the period (unaudited)	-	-	(12,604,710)	-	-	-	(12,604,710)	(393,431)	(12,998,141)
III. 30 June 2017 (unaudited)	1,175,476,637	3,341,900,430	17,590,760	1,528,786,201	10,425,937,873	(94,445,378)	16,395,246,523	277,889,030	16,673,135,553

For the six months ended 30 June 2016

Renminbi Yuan

	Attributable to shareholders of the Parent							Non-controlling interests	Total shareholders' equity
	Share capital	Capital reserve	Special reserve	Surplus reserve	Retained earnings	Other comprehensive income	Sub-total		
I. 1 January 2016 (audited)	1,175,476,637	3,352,123,130	7,520,445	1,149,501,481	7,829,036,380	(41,391,233)	13,472,266,840	204,335,724	13,676,602,564
Add: Business combination involving entities under common control (Restated, Note XIII.4)	-	273,000,000	-	-	34,877,454	-	307,877,454	32,989,045	340,866,499
II. At the beginning of the period	1,175,476,637	3,625,123,130	7,520,445	1,149,501,481	7,863,913,834	(41,391,233)	13,780,144,294	237,324,769	14,017,469,063
III. Movements during the period									
(i) Total comprehensive income (unaudited)	-	-	-	-	1,282,279,365	(95,195,735)	1,187,083,630	4,906,529	1,191,990,159
(ii) Capital contribution and withdrawal by shareholders									
1. Capital contribution by non-controlling shareholders (unaudited)	-	-	-	-	-	-	-	19,000,000	19,000,000
2. Decrease by disposal of subsidiaries (unaudited)	-	-	-	-	-	-	-	(32,570,045)	(32,570,045)
(iii) Profit appropriation									
1. Transfer to surplus reserve (unaudited)	-	-	-	137,909,746	(137,909,746)	-	-	-	-
2. Dividends paid (unaudited)	-	-	-	-	(556,265,193)	-	(556,265,193)	(2,680,544)	(558,945,737)
(iv) Special reserve									
1. Accrued during the period (unaudited)	-	-	19,768,067	-	-	-	19,768,067	634,937	20,403,004
2. Paid during the period (unaudited)	-	-	(14,239,053)	-	-	-	(14,239,053)	(480,177)	(14,719,230)
IV. 30 June 2016 (unaudited)	1,175,476,637	3,625,123,130	13,049,459	1,287,411,227	8,452,018,260	(136,586,968)	14,416,491,745	226,135,469	14,642,627,214



# Consolidated Statement of Cash Flows

For the six months ended 30 June 2017

Renminbi Yuan

	Note V	For the six months ended 30 June 2017 (Unaudited)	For the six months ended 30 June 2016 (Unaudited) (Restated, Note XIII.4)
1. Cash flows from operating activities			
Cash received from sale of goods or rendering of services		6,247,491,438	5,659,377,197
Refunds of taxes		131,168,575	205,098,716
Cash received relating to other operating activities		31,261,154	172,096,134
Sub-total of cash inflows from operating activities		6,409,921,167	6,036,572,047
Cash paid for goods and services		(3,992,779,819)	(3,866,327,781)
Cash paid to and on behalf of employees		(632,876,049)	(562,391,945)
Cash paid for all types of taxes		(663,089,530)	(664,542,049)
Cash paid relating to other operating activities		(744,263,554)	(794,418,186)
Sub-total of cash outflows from operating activities		(6,033,008,952)	(5,887,679,961)
Net cash flows from operating activities	42	376,912,215	148,892,086
2. Cash flows from investing activities			
Cash received from disposal or returns of investments		2,929,791,590	2,809,000,000
Cash received from returns on investments		22,681,297	37,955,705
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		647,385	3,873,842
Net cash received from disposal of subsidiaries		—	100,186,313
Cash received relating to other investing activities		5,150,000	114,514,120
Sub-total of cash inflows from investing activities		2,958,270,272	3,065,529,980
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets		(147,469,770)	(109,667,263)
Cash paid for acquisition of investments		(1,660,011,590)	(723,000,000)
Sub-total of cash outflows from investing activities		(1,807,481,360)	(832,667,263)
Net cash flows from investing activities		1,150,788,912	2,232,862,717

## Consolidated Statement of Cash Flows

For the six months ended 30 June 2017

Renminbi Yuan

	Note V	<b>For the six months ended 30 June 2017 (Unaudited)</b>	For the six months ended 30 June 2016 (Unaudited) (Restated, Note XIII.4)
3. Cash flows from financing activities			
Cash received from capital contribution		—	19,000,000
including: cash received from non-controlling shareholders of subsidiaries		—	19,000,000
Cash received from borrowings		<b>7,270,021</b>	159,316,635
Sub-total of cash inflows from financing activities		<b>7,270,021</b>	178,316,635
Cash repayment of borrowings		<b>(38,453,597)</b>	(13,867,415)
Cash paid for distribution of dividends or profits and for interest expenses		<b>(5,509,139)</b>	(14,942,050)
Sub-total of cash outflows from financing activities		<b>(43,962,736)</b>	(28,809,465)
Net cash flows (used in)/from financing activities		<b>(36,692,715)</b>	149,507,170
4. Effect of foreign exchange rate changes on cash and cash equivalents		<b>(260,558)</b>	2,371,828
5. Net increase in cash and cash equivalents		<b>1,490,747,854</b>	2,533,633,801
Add: Cash and cash equivalents at beginning of period		<b>3,063,801,902</b>	3,439,887,202
6. Cash and cash equivalents at end of period	42	<b><u>4,554,549,756</u></b>	<u>5,973,521,003</u>

# Statement of Financial Position

30 June 2017

Renminbi Yuan

ASSETS	Note XIV	30 June 2017 (Unaudited)	31 December 2016 (Audited)
<b>CURRENT ASSETS</b>			
Cash and bank balances		3,571,898,815	2,094,998,368
Bills receivable		1,281,715,334	3,998,043,226
Trade receivables	1	7,296,564,307	4,545,468,482
Dividends receivable		54,000,000	4,500,000
Prepayments		94,349,551	54,122,293
Interests receivable		14,305,557	8,466,626
Other receivables	2	686,825,335	346,348,639
Inventories		2,803,393,336	2,124,695,828
Other current assets		900,397,507	2,419,824,505
<b>Total current assets</b>		<b>16,703,449,742</b>	<b>15,596,467,967</b>
<b>NON-CURRENT ASSETS</b>			
Available-for-sale financial asset		900,000	900,000
Long-term receivables	3	897,200,781	925,643,988
Long-term equity investments	4	2,098,286,433	2,046,618,550
Fixed assets		2,092,428,941	2,142,387,131
Construction in progress		217,398,516	187,330,315
Intangible assets		226,123,093	234,933,256
Development expenditure		70,133,061	68,942,989
Deferred tax assets		241,350,751	228,336,369
Other non-current assets		87,066,473	65,961,543
<b>Total non-current assets</b>		<b>5,930,888,049</b>	<b>5,901,054,141</b>
<b>TOTAL ASSETS</b>		<b>22,634,337,791</b>	<b>21,497,522,108</b>

## Statement of Financial Position

	30 June 2017	
	Renminbi Yuan	
	30 June 2017 (Unaudited)	31 December 2016 (Audited)
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>CURRENT LIABILITIES</b>		
Financial liabilities at fair value through profit or loss	—	6,135,766
Bills payable	893,958,584	1,223,555,929
Trade payables	2,714,723,284	2,458,928,929
Advances from customers	819,800,792	684,490,712
Employee benefits payable	97,507,257	25,355,834
Dividends payable	528,964,487	—
Interests payable	409,897	409,897
Taxes payable	68,624,786	162,461,385
Other payables	457,685,224	412,661,903
Provisions	192,729,936	235,516,065
Deferred income	70,539,251	69,458,807
<b>Total current liabilities</b>	<b>5,844,943,498</b>	<b>5,278,975,227</b>
<b>NON-CURRENT LIABILITIES</b>		
Long-term borrowings	100,188,000	100,188,000
Long-term payables	71,483,636	100,662,888
Provisions	326,161,312	326,724,768
Deferred income	258,634,154	259,330,424
<b>Total non-current liabilities</b>	<b>756,467,102</b>	<b>786,906,080</b>
<b>Total liabilities</b>	<b>6,601,410,600</b>	<b>6,065,881,307</b>
<b>SHAREHOLDERS' EQUITY</b>		
Share capital	1,175,476,637	1,175,476,637
Capital reserve	3,375,442,574	3,375,442,574
Special reserve	9,687,487	6,781,144
Surplus reserve	1,528,786,201	1,416,051,748
Retained earnings	9,943,534,292	9,457,888,698
<b>Total shareholders' equity</b>	<b>16,032,927,191</b>	<b>15,431,640,801</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>22,634,337,791</b>	<b>21,497,522,108</b>

# Statement of Profit or Loss

For the six months ended 30 June 2017

Renminbi Yuan

	Note XIV	For the six months ended 30 June 2017 (Unaudited)	For the six months ended 30 June 2016 (Unaudited)
Revenue	5	<b>4,543,297,542</b>	5,555,817,370
Less: Cost of sales	5	<b>3,028,624,866</b>	3,488,927,831
Taxes and surcharges		<b>27,655,683</b>	31,501,830
Selling expenses		<b>188,177,545</b>	203,651,792
Administrative expenses		<b>551,348,964</b>	573,372,130
Finance costs		<b>4,563,947</b>	14,492,006
Asset impairment losses		<b>125,611,886</b>	106,234,622
Add: Gains on fair value changes		<b>6,135,766</b>	—
Investment income	6	<b>519,552,344</b>	231,568,591
including: share of profits and losses of associates and joint ventures	6	<b>25,341,506</b>	42,748,320
Other income		<b>75,814,732</b>	—
Operating profit		<b>1,218,817,493</b>	1,369,205,750
Add: Non-operating income		<b>12,184,455</b>	197,670,360
including: gains on disposal of non-current assets		<b>3,556</b>	1,229,833
Less: Non-operating expenses		<b>2,597,715</b>	215,252
including: losses on disposal of non-current assets		<b>57,327</b>	193,966
Total profit		<b>1,228,404,233</b>	1,566,660,858
Less: Income tax expense		<b>101,059,699</b>	187,563,398
Net profit		<b>1,127,344,534</b>	1,379,097,460
Other comprehensive income, net of tax		—	—
Total comprehensive income		<b>1,127,344,534</b>	1,379,097,460



# Statement of Changes in Equity

For the six months ended 30 June 2017

Renminbi Yuan

	Share capital	Capital reserve	Special reserve	Surplus reserve	Retained earnings	Total shareholders' equity
I. 1 January 2017 (audited)	1,175,476,637	3,375,442,574	6,781,144	1,416,051,748	9,457,888,698	15,431,640,801
II. Movements during the period						
(i) Total comprehensive income (unaudited)	-	-	-	-	1,127,344,534	1,127,344,534
(ii) Profit appropriation						
1. Transfer to surplus reserve (unaudited)	-	-	-	112,734,453	(112,734,453)	-
2. Dividends paid (unaudited)	-	-	-	-	(528,964,487)	(528,964,487)
(iii) Special reserve						
1. Accrued during the period (unaudited)	-	-	12,861,457	-	-	12,861,457
2. Paid during the period (unaudited)	-	-	(9,955,114)	-	-	(9,955,114)
III. 30 June 2017 (unaudited)	<u>1,175,476,637</u>	<u>3,375,442,574</u>	<u>9,687,487</u>	<u>1,528,786,201</u>	<u>9,943,534,292</u>	<u>16,032,927,191</u>

For the six months ended 30 June 2016

Renminbi Yuan

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

# Statement of Cash Flows

For the six months ended 30 June 2017

Renminbi Yuan

	Note XIV	For the six months ended 30 June 2017 (Unaudited)	For the six months ended 30 June 2016 (Unaudited)
1. Cash flows from operating activities			
Cash received from sale of goods or rendering of services		4,778,393,717	5,007,401,951
Refunds of taxes		79,257,869	190,795,705
Cash received relating to other operating activities		17,487,816	11,673,135
Sub-total of cash inflows from operating activities		4,875,139,402	5,209,870,791
Cash paid for goods and services		(3,709,624,122)	(3,557,531,076)
Cash paid to and on behalf of employees		(354,654,698)	(302,560,145)
Cash paid for all types of taxes		(355,910,852)	(527,922,279)
Cash paid relating to other operating activities		(519,508,430)	(462,060,849)
Sub-total of cash outflows from operating activities		(4,939,698,102)	(4,850,074,349)
Net cash flows (used in)/from operating activities	7	(64,558,700)	359,796,442
2. Cash flows from investing activities			
Cash received from disposal or returns of investments		2,900,000,000	2,500,000,000
Cash received from returns on investments		448,116,379	175,172,252
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		295,287	2,006,155
Cash received relating to other investing activities		5,150,000	23,410,000
Sub-total of cash inflows from investing activities		3,353,561,666	2,700,588,407
Cash paid for acquisitions of fixed assets, intangible assets and other long-term assets		(118,588,689)	(89,665,540)
Cash paid for acquisition of investments		(1,630,000,000)	(767,500,000)
Cash paid relating to other investing activities		(300,000,000)	—
Sub-total of cash outflows from investing activities		(2,048,588,689)	(857,165,540)
Net cash flows from investing activities		1,304,972,977	1,843,422,867

## Statement of Cash Flows

For the six months ended 30 June 2017

Renminbi Yuan

	Note XIV	For the six months ended 30 June 2017 (Unaudited)	For the six months ended 30 June 2016 (Unaudited)
3. Cash flows from financing activities			
Cash paid for distribution of dividends or profits and for interest expenses		(547,026)	—
Sub-total of cash outflows from financing activities		(547,026)	—
Net cash flows used in financing activities		(547,026)	—
4. Effect of foreign exchange rate changes on cash and cash equivalents		(480,432)	2,385,660
5. Net increase in cash and cash equivalents		1,239,386,819	2,205,604,969
Add: Cash and cash equivalents at beginning of period		2,082,511,996	2,754,350,998
6. Cash and cash equivalents at end of period	7	3,321,898,815	4,959,955,967

# Notes to Financial Statements

30 June 2017

Renminbi Yuan

## I. BASIC INFORMATION OF THE GROUP

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

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

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

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

As at 30 June 2017, the Company had issued an aggregate of 1,175,476,637 shares as share capital.

As at 30 June 2017, the Group's parent and ultimate holding company are CRRC Zhuzhou Institute Co., Ltd. (中車株洲電力機車研究所有限公司) and CRRC Group (中國中車集團公司) (i.e. renamed as CRRC Group after CNR Group merging with CSR Group) respectively, both established in the PRC.

The financial statements were approved by the board of directors of the Company on 18 August 2017.

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

30 June 2017

Renminbi Yuan

### II. BASIS OF PREPARATION

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

As at 10 May 2017, the China Ministry of Finance issued the “Notice on Printing and Distributing the revised ‘Accounting Standard for Business Enterprises No. 16-Government Grants’” (Accounting [2017] No. 15). “Accounting Standard for Business Enterprises No. 16-Government Grants” has been revised and implemented since 12 June 2017. Pursuant to the foregoing, the Company has carried out the aforesaid accounting standards for business enterprises from the effective date stipulated in the above documents.

In accordance with the requirements for Issuance of the revised “Accounting Standard for Business Enterprises No.16-Government Grants” (Accounting [2017] No. 15), the Company has revised the presentation of financial statements and reclassified the government grants related to the daily activities from “Non-operating income” to “Other income” in the income statement. The changes have no significant impact on the financial position, operating results and cash flows.

Except for the above issue, other accounting policy changes due to the implementation of the new guidelines have no impact on the subject and amounts of Company’s financial statements, nor retroactive adjustments.

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

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

### III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

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

The financial statements present fairly and completely, the financial position of the Group and the Company as at 30 June 2017 and the financial performance and cash flows for the six months ended 30 June 2017 in accordance with Accounting Standards for Business Enterprises.

#### 2. Accounting period

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

#### 3. Functional currency

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

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



## Notes to Financial Statements

30 June 2017

Renminbi Yuan

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

#### 4. Business combinations

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

##### ***Business combinations involving entities under common control***

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

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

##### ***Business combinations not involving entities under common control***

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

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

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

30 June 2017

Renminbi Yuan

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

#### 5. Consolidated financial statements

The consolidation scope of the consolidated financial statements is determined on the basis of control, including the financial statements for the six months ended 30 June 2017 of the Company and all of its subsidiaries. A subsidiary is an entity that is controlled by the Company (including enterprise, divided part of the investee and a structured entity that is controlled by the Company).

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

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

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

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

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

#### 6. Joint arrangement classification and joint operation

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

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

## Notes to Financial Statements

30 June 2017

Renminbi Yuan

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

#### 7. Cash and cash equivalents

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

#### 8. Foreign currency transactions and foreign currency translation

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

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

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

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

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

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

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

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

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

#### 9. Financial instruments

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

##### **Recognition and derecognition of financial instruments**

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

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

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

## Notes to Financial Statements

30 June 2017

Renminbi Yuan

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

#### 9. Financial instruments (continued)

##### **Recognition and derecognition of financial instruments** (continued)

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

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

##### **Classification and measurement of financial assets**

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

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

##### *Financial assets at fair value through profit or loss*

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



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

#### 9. Financial instruments (continued)

##### **Classification and measurement of financial assets** (continued)

###### *Held-to-maturity investments*

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

###### *Loans and receivables*

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

###### *Available-for-sale financial assets*

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

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

##### **Classification and measurement of financial liabilities**

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

## Notes to Financial Statements

30 June 2017

Renminbi Yuan

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

#### 9. Financial instruments (continued)

##### **Classification and measurement of financial liabilities** (continued)

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

##### *Financial liabilities at fair value through profit or loss*

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

##### *Other financial liabilities*

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

##### **Offsetting of financial instruments**

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

##### **Derivative financial instrument**

The Group uses derivative financial instruments, such as forward currency contracts, forward contracts and interest rate swaps, to hedge its foreign currency risk. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. As for those derivatives, which do not have quoted prices in an active market and the fair value cannot be measured reliable and must deliver equity when settled, shall be measured at cost.

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

**III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (continued)****9. Financial instruments (continued)*****Impairment of financial assets***

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

***Financial assets carried at amortised cost***

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

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

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

## Notes to Financial Statements

30 June 2017

Renminbi Yuan

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

#### 9. Financial instruments (continued)

##### **Impairment of financial assets** (continued)

###### *Available-for-sale financial asset*

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

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

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

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

###### *Financial assets carried at cost*

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

##### **Transfer of financial assets**

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

30 June 2017

Renminbi Yuan

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

#### 9. Financial instruments (continued)

##### **Transfer of financial assets** (continued)

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

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

#### 10. Inventories

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

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

The Group adopts a perpetual inventory system.

At the balance sheet date, inventories are measured at the lower of cost and net realisable value. If the cost of inventories is higher than the net realisable value, a provision for decline in value of inventories is recognised in profit or loss. If factors that previously resulted in the provision for decline in value of inventories no longer exist, the amount of the write-down is reversed. The reversal is limited to the amount originally provided for the provision for the decline in value of inventories, and is recognised in profit or loss of the current period.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale and relevant taxes. The provision for decline in value of raw materials is made on an individual basis and that for finished goods is made on an individual basis. For items of inventories that relate to a product line that is produced and marketed in the same geographical area, have the same or similar end uses or purposes, and cannot be practicably evaluated separately from other items, provision for decline in value of inventories can be determined on an aggregate basis.



## Notes to Financial Statements

30 June 2017

Renminbi Yuan

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

#### 11. Long-term equity investments

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

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

30 June 2017

Renminbi Yuan

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

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

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

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

The equity method is adopted when the Group has joint control, or exercises significant influence on the investee. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control with other parties over those policies.

Under the equity method, where the initial investment cost of a long-term equity investment exceeds the investing enterprise's interest in the fair values of the investee's identifiable net assets at the acquisition date, no adjustment is made to the initial investment cost. Where the initial investment cost is less than the investing enterprise's interest in the fair values of the investee's identifiable net assets at the acquisition date, the difference is charged to profit or loss of the current period, and the cost of the long-term equity investment is adjusted accordingly.

Under the equity method, the Group recognises its share of the net profits or losses and other comprehensive income made by the investee as investment income or losses and other comprehensive income respectively, and adjusts the carrying amount of the investment accordingly. The Group recognises its share of the investee's net profits or losses after making appropriate adjustments to the investee's net profits and losses based on the fair value of the investee's identifiable assets at the acquisition date, using the Group's accounting policies and periods, and eliminating the portion of the profits or losses arising from internal transactions with its joint ventures and associates, attributable to the investing entity according to its share ratio (but impairment losses for assets arising from internal transactions shall be recognised in full), except for the disposal of assets that consist of operations. The carrying amount of the investment is reduced based on the Group's share of any profit distributions or cash dividends declared by the investee. The Group's share of net losses of the investee is recognised to the extent the carrying amount of the investment together with any long-term interests that in substance form part of its net investment in the investee is reduced to zero, except that the Group has the obligations to assume additional losses. The Group adjusts the carrying amount of the long-term equity investment for any changes in shareholders' equity of the investee (other than net profits or losses, other comprehensive income, and profit distribution) and includes the corresponding adjustments in the shareholders' equity of the Group.

## Notes to Financial Statements

30 June 2017

Renminbi Yuan

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

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

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

#### 12. Fixed assets

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

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

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

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

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

30 June 2017

Renminbi Yuan

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

#### 13. Construction in progress

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

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

#### 14. Borrowing costs

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

The borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised. The amounts of other borrowing costs incurred are recognised as an expense in the period in which they are incurred. Qualifying assets are assets (fixed assets, investment property, inventories, etc.) that necessarily take a substantial period of time for acquisition, construction or production to get ready for their intended use or sale.

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

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

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

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

- (1) Where funds are borrowed for a specific purpose, the amount of interest to be capitalised is the actual interest expense incurred on that borrowing for the period less any bank interest earned from depositing the borrowed funds before being used on the asset or any investment income on the temporary investment of those funds.
- (2) Where funds are borrowed for a general purpose, the amount of interest to be capitalised on such borrowings is determined by applying a weighted average interest rate to the weighted average of the excess amounts of accumulated expenditure on the asset over and above the amounts of specific-purpose borrowings.

## Notes to Financial Statements

30 June 2017

Renminbi Yuan

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

#### 14. Borrowing costs (continued)

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

#### 15. Intangible assets

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

The useful life of an intangible asset is determined according to the period over which it is expected to generate economic benefits for the Group. An intangible asset is regarded as having an indefinite useful life when there is no foreseeable limit to the period over which the asset is expected to generate economic benefits for the Group.

The useful lives of the intangible assets are as follows:

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

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

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



30 June 2017

Renminbi Yuan

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

#### 15. Intangible assets (continued)

An intangible asset with an indefinite useful life is tested for impairment annually, irrespective of whether there is any indication that it may be impaired. Such asset is not amortised, but its useful life is reassessed in each accounting period. If there is evidence indicating that the useful life of the intangible asset is finite, it is accounted for using the above accounting policies applicable to intangible assets with finite useful lives.

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

#### 16. Impairment of assets

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

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

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

## Notes to Financial Statements

30 June 2017

Renminbi Yuan

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

#### 16. Impairment of assets (continued)

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

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

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

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

#### 17. Employee benefits

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

##### **Short-term benefits**

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

30 June 2017

Renminbi Yuan

**III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES** (continued)**17. Employee benefits** (continued)***Benefits after demission (Defined contribution plan)***

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

***Termination benefits***

The Group recognises a liability and expenses for termination benefits at the earlier of the following dates: a) when the Group can no longer withdraw the offer of those benefits due to the plan of dissolution of labor relations or the downsizing proposals; and b) when the Group recognises costs for a restructuring involving the payment of termination costs.

**18. Provisions**

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

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

A provision is initially measured at the best estimate of the expenditure required to settle the related present obligation, with comprehensive consideration of factors such as the risks, uncertainty and time value of money relating to a contingency. The carrying amount of a provision is reviewed at the balance sheet date. If there is clear evidence that the carrying amount does not reflect the current best estimate, the carrying amount is adjusted to the best estimate.

A contingent liability recognised in a business combination is initially measured at its fair value. Subsequently, it is measured at the higher of (i) the amount that would be recognised in accordance with the general guidance for provisions above; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with the principle of revenue recognition.

## Notes to Financial Statements

30 June 2017

Renminbi Yuan

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

#### 19. Revenue

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

##### ***Revenue from the sales of goods***

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

##### ***Revenue from the rendering of services***

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

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

**III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (continued)****19. Revenue (continued)*****Revenue from the construction contract***

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

***Interest income***

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

***Dividend income***

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

***Lease income***

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

**20. Government grants**

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

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



## Notes to Financial Statements

30 June 2017

Renminbi Yuan

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

#### 20. Government grants (continued)

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

A government grant related to daily operation is recognised in other income or used to offset against relevant costs based on the substance of the operation, while that not related to daily operation is recognised in non-operating income.

#### 21. Income tax

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

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

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

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

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

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

#### 21. Income tax (continued)

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

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

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

The carrying amount of deferred tax assets is reviewed at the balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available in future periods to allow the deferred tax assets to be utilised. Unrecognised deferred tax assets are reassessed at the balance sheet date and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

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

#### 22. Leases

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

##### ***In the case of the lessee of an operating lease***

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

## Notes to Financial Statements

30 June 2017

Renminbi Yuan

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

#### 22. Leases (continued)

##### *In the case of the lessor of an operating lease*

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

#### 23. Distribution of profit

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

#### 24. Production safety expenses

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

#### 25. Fair value measurement

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

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

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

**III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (continued)****25. Fair value measurement (continued)**

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

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

**26. Significant accounting judgements and estimates**

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

**Judgements**

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

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

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

**Estimation uncertainty**

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

## Notes to Financial Statements

30 June 2017

Renminbi Yuan

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

#### 26. Significant accounting judgements and estimates (continued)

##### **Estimation uncertainty** (continued)

###### *Impairment of trade receivables*

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

###### *Provision for impairment of inventories*

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

###### *Deferred tax assets*

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

###### *Impairment of goodwill*

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

###### *Development expenditure*

Determining the amounts to be capitalised requires management to make assumptions regarding the expected future cash flows from the assets, applicable discount rates and the expected period of benefits.



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

#### 26. Significant accounting judgements and estimates (continued)

##### **Estimation uncertainty** (continued)

##### *Impairment of non-financial assets (other than goodwill)*

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

##### *Provision for warranties*

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

### IV. TAXES

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

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

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

## Notes to Financial Statements

30 June 2017

Renminbi Yuan

### IV. TAXES (continued)

#### 2. Tax benefits and official approval

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

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

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

Pursuant to "The Notice Regarding the Tax Policies of the Encouragement Policy of Further Development of Software Industry and Integrate Circuit Industry Issued by Ministry of Finance and State Administration of Taxation" (《財政部、國家稅務總局關於進一步鼓勵軟件產業和集成電路產業發展企業所得稅政策的通知》), CRRC Times Electric Software Technology Co., Ltd. ("Times Software") and Hunan CRRC Times Signal & Communication Co., Ltd. ("Times Signal & Communication"), fulfilled the conditions of enjoyment of the preferential tax policy of "Two years exemptions and three years halve" ("兩免三減半") since year 2015 and 2016, respectively.

### V. NOTES TO KEY ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS

#### 1. Cash and bank balances

	30 June 2017 (Unaudited)	31 December 2016 (Audited)
Cash	50,899	15,258
Cash in bank	4,837,394,498	3,082,378,340
Other cash and bank balances	99,347,742	118,740,684
	<b>4,936,793,139</b>	<b>3,201,134,282</b>

## Notes to Financial Statements

30 June 2017

Renminbi Yuan

### V. NOTES TO KEY ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS

(continued)

#### 1. Cash and bank balances (continued)

As at 30 June 2017, the cash and bank balances of RMB47,556,955 (unaudited) (31 December 2016 (audited): RMB73,322,760) and RMB51,790,787 (unaudited) (31 December 2016 (audited): RMB45,417,924) of the Group were restricted as security deposits for issuance of bank acceptance bills and for issuance of bank letters of guarantee respectively.

As at 30 June 2017, the cash and bank balances deposited overseas by the Group were equivalent to RMB90,345,488 (unaudited) (31 December 2016 (audited): RMB72,169,186).

Interest income earned on current deposits is calculated by using the current deposit interest rate. The deposit periods for short-term deposits vary from 1 day to 3 months depending on the cash requirements of the Group and the Group earn interest at the respective deposit rates. As at 30 June 2017, the unpledged fixed deposit with terms over 3 months by the Group was RMB310,011,590 (unaudited) (31 December 2016 (audited): RMB29,791,590).

#### 2. Bills receivable

	30 June 2017 (Unaudited)	31 December 2016 (Audited)
Bank acceptance bills	728,369,718	1,348,748,973
Commercial acceptance bills	959,562,396	2,910,606,137
	<b>1,687,932,114</b>	<b>4,259,355,110</b>

Five highest bills receivable are listed as follows:

	30 June 2017 (Unaudited)
Guangzhou Locomotive Co., Ltd.	422,000,000
Non-related party 1	219,718,780
Non-related party 2	129,500,000
Non-related party 3	102,930,000
Non-related party 4	83,000,000
	<b>957,148,780</b>

## Notes to Financial Statements

30 June 2017

Renminbi Yuan

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

#### 2. Bills receivable (continued)

Five highest bills receivable are listed as follows: (continued)

	31 December 2016 (Audited)
Zhuzhou Shiling Transportation Equipment Company, Ltd. ("Shiling")	580,000,000
Non-related party 1	575,195,234
CRRC Zhuzhou Locomotive Co., Ltd.	451,108,027
Guangzhou Locomotive Co., Ltd.	352,000,000
Non-related party 2	311,902,500
	<u>2,270,205,761</u>

#### 3. Trade receivables

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

Maturity analysis:

	30 June 2017 (Unaudited)	31 December 2016 (Audited)
Within 6 months	6,061,460,719	3,990,789,823
6 months to 1 year	1,880,304,069	561,498,187
1 to 2 years	526,616,836	731,145,754
2 to 3 years	265,120,104	215,113,334
Over 3 years	113,235,765	97,095,075
	<u>8,846,737,493</u>	<u>5,595,642,173</u>
Less: Provision for bad debt	<u>334,232,832</u>	<u>228,632,297</u>
	<u>8,512,504,661</u>	<u>5,367,009,876</u>
Less: Classified as long-term receivables (Note V.8)	<u>48,823,841</u>	<u>49,932,355</u>
	<u>8,463,680,820</u>	<u>5,317,077,521</u>

## Notes to Financial Statements

30 June 2017

Renminbi Yuan

### V. NOTES TO KEY ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS

(continued)

#### 3. Trade receivables (continued)

The movements of provision for bad debt are as follows:

	For the six months ended 30 June 2017 (Unaudited)	2016 (Audited)
Opening balance	228,632,297	184,075,210
Provision in the current period/year	112,037,026	77,210,320
Reversal in the current period/year	(4,747,854)	(9,349,414)
Write-off in the current period/year	(1,763,115)	(498,454)
Transfer out by disposal of subsidiaries	–	(22,183,177)
Exchange realignment	74,478	(622,188)
Closing balance	334,232,832	228,632,297

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

	30 June 2017 (Unaudited)
CRRC Qingdao Sifang Co., Ltd.	2,032,491,783
CRRC Zhuzhou Locomotive Co., Ltd.	991,427,368
Non-related party 1	644,314,501
Non-related party 2	321,775,785
Non-related party 3	219,611,061
	4,209,620,498

31 December  
2016  
(Audited)

CRRC Qingdao Sifang Co., Ltd.	965,613,595
CRRC Zhuzhou Locomotive Co., Ltd.	440,787,002
Non-related party 1	384,948,305
Guangzhou Locomotive Co., Ltd.	129,560,603
Non-related party 2	127,956,795
	2,048,866,300



## Notes to Financial Statements

30 June 2017

Renminbi Yuan

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

#### 4. Prepayments

Maturity analysis:

	30 June 2017 (Unaudited)	31 December 2016 (Audited)
Within 1 year	255,942,771	202,020,838
1 to 2 years	18,383,801	7,886,229
2 to 3 years	6,749,017	6,141,588
Over 3 years	536,705	1,204,128
	<b>281,612,294</b>	<b>217,252,783</b>

Five highest prepayments are listed as follows:

	30 June 2017 (Unaudited)	
Non-related party 1	66,317,833	
Non-related party 2	18,000,000	
Non-related party 3	15,055,435	
Hunan CRRC Webtec Railway Transportation Technology Co., Ltd. ("CRRC Wabtec")	15,000,000	
Non-related party 4	13,627,736	
	<b>128,001,004</b>	
		31 December 2016 (Audited)
Non-related party 1		44,714,988
Non-related party 2		12,896,111
Zhuzhou CRRC Electromechanical Technology Co., Ltd.		12,456,260
Non-related party 3		11,092,700
Non-related party 4		9,856,000
		<b>91,016,059</b>

## Notes to Financial Statements

30 June 2017

Renminbi Yuan

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

#### 5. Other receivables

Maturity analysis:

	30 June 2017 (Unaudited)	31 December 2016 (Audited)
Within 1 year	149,292,257	125,430,032
1 to 2 years	6,795,664	3,996,201
2 to 3 years	1,656,299	832,548
Over 3 years	2,926,764	2,926,698
	160,670,984	133,185,479
Less: Provision for bad debt	6,207,543	3,396,942
	154,463,441	129,788,537

The movements of provision for bad debt are as follows:

	For the six months ended 30 June 2017 (Unaudited)	2016 (Audited)
Opening balance	3,396,942	4,572,565
Provision in the current period/year	2,810,601	288,420
Reversal in the current period/year	—	(1,363,944)
Write-off in the current period/year	—	(11,000)
Transfer out by disposal of subsidiaries	—	(89,099)
Closing balance	6,207,543	3,396,942

## Notes to Financial Statements

30 June 2017

Renminbi Yuan

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

#### 5. Other receivables (continued)

Net value of other receivables by nature is as follows:

	30 June 2017 (Unaudited)	31 December 2016 (Audited)
Tender deposit	64,483,530	56,259,446
Deposit	28,680,264	27,366,492
Export rebates receivables	12,530,064	30,032,538
Others	48,769,583	16,130,061
	<b>154,463,441</b>	<b>129,788,537</b>

Five highest other receivables are listed as follows:

	30 June 2017 (Unaudited)	31 December 2016 (Audited)
Non-related party 1	32,400,818	29,876,040
Non-related party 2	6,646,326	22,591,025
Non-related party 3	5,220,000	2,947,199
Non-related party 4	2,855,000	2,861,312
Non-related party 5	2,555,251	2,600,000
	<b>49,677,395</b>	<b>60,875,576</b>

## Notes to Financial Statements

30 June 2017

Renminbi Yuan

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

#### 6. Inventories

	30 June 2017 (Unaudited)		
	Gross carrying amount	Impairment provision	Carrying amount
Raw materials	1,116,208,432	127,282,795	988,925,637
Semi-finished products	638,355,886	117,323,256	521,032,630
Work in progress	707,997,933	5,882,169	702,115,764
Finished goods	1,627,727,267	52,599,009	1,575,128,258
Turnover materials	19,091,109	1,299,946	17,791,163
	<b>4,109,380,627</b>	<b>304,387,175</b>	<b>3,804,993,452</b>

	31 December 2016 (Audited)		
	Gross carrying amount	Impairment provision	Carrying amount
Raw materials	875,506,184	106,595,458	768,910,726
Semi-finished products	428,622,953	97,593,601	331,029,352
Work in progress	347,164,662	8,788,430	338,376,232
Finished goods	1,844,227,599	60,918,713	1,783,308,886
Assets under construction contract	241,288	–	241,288
Turnover materials	17,948,473	1,097,297	16,851,176
	<b>3,513,711,159</b>	<b>274,993,499</b>	<b>3,238,717,660</b>

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

	Aggregate cost incurred	Aggregate margin recognised	Amount invoiced
30 June 2017 (Unaudited)	–	–	–
31 December 2016 (Audited)	611,736,136	57,364,136	668,858,984

## Notes to Financial Statements

30 June 2017

Renminbi Yuan

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

#### 6. Inventories (continued)

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

##### For the six months ended 30 June 2017 (Unaudited)

	Opening balance	Provision	Reversal	Write off	Exchange realignment	Closing balance
Raw materials	106,595,458	24,464,740	(2,670,149)	(1,765,268)	658,014	127,282,795
Semi-finished products	97,593,601	19,729,655	–	–	–	117,323,256
Work in progress	8,788,430	1,582,341	(22,856)	(4,839,243)	373,497	5,882,169
Finished goods	60,918,713	2,108,998	(4,423,174)	(7,299,045)	1,293,517	52,599,009
Turnover materials	1,097,297	202,649	–	–	–	1,299,946
	<b>274,993,499</b>	<b>48,088,383</b>	<b>(7,116,179)</b>	<b>(13,903,556)</b>	<b>2,325,028</b>	<b>304,387,175</b>

2016 (Audited)

	Opening balance	Provision	Reversal and write off	Transfer out by disposal of subsidiaries	Exchange realignment	Closing balance
Raw materials	87,500,727	24,344,561	(2,878,200)	(11,045)	(2,360,585)	106,595,458
Semi-finished products	68,173,883	29,585,309	(165,591)	–	–	97,593,601
Work in progress	13,132,550	2,537,822	(5,736,154)	–	(1,145,788)	8,788,430
Finished goods	49,743,607	17,270,977	(1,956,058)	–	(4,139,813)	60,918,713
Turnover materials	1,502,646	–	(405,349)	–	–	1,097,297
	<b>220,053,413</b>	<b>73,738,669</b>	<b>(11,141,352)</b>	<b>(11,045)</b>	<b>(7,646,186)</b>	<b>274,993,499</b>

#### 7. Other current assets

	30 June 2017 (Unaudited)	31 December 2016 (Audited)
Bank financial products (Note)	751,020,274	2,300,752,192
Value-added tax retained	161,309,429	192,381,070
Other prepaid tax	870,217	3,905,732
	<b>913,199,920</b>	<b>2,497,038,994</b>

Note: As at 30 June 2017, the bank financial products held by the Group are with expected yield rates from 2.50% to 4.30%(unaudited) (31 December 2016 (audited): 2.50% to 4.30%). These bank financial products will expire in succession before 11 October 2017.



## Notes to Financial Statements

30 June 2017

Renminbi Yuan

### V. NOTES TO KEY ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS

(continued)

#### 8. Long-term receivables

	30 June 2017 (Unaudited)	31 December 2016 (Audited)
Trade receivables (Note V. 3)	48,823,841	49,932,355
Less: Long-term receivables due within one year	—	—
	<b>48,823,841</b>	<b>49,932,355</b>

#### 9. Long-term equity investments

For the six months ended 30 June 2017 (Unaudited)

	Current period movements					
	Opening balance	Impact of unrealised profits	Investment income under equity method	Cash dividends announced	Exchange realignment	Closing balance
Non-listed investments						
Equity method						
<b>Joint ventures</b>						
Shiling	158,267,061	8,823,941	16,311,179	—	—	183,402,181
SMD-BORD Limited	754,768	—	128,114	—	27,774	910,656
SMD Energy Limited	17	—	—	—	1	18
Shanghai Shentong CRRC Rail Transit Operation Safety Engineering Technology Research Co., Ltd. ("Shanghai Shentong CRRC")	5,547,428	—	513,901	—	—	6,061,329
	164,569,274	8,823,941	16,953,194	—	27,775	190,374,184
<b>Associates</b>						
Siemens Traction Equipment Ltd., Zhuzhou ("Zhuzhou Siemens")	51,871,746	—	(84,611)	(3,673,623)	—	48,113,512
CRRC Wabtec	12,187,945	—	(222,904)	—	—	11,965,041
	64,059,691	—	(307,515)	(3,673,623)	—	60,078,553
	228,628,965	8,823,941	16,645,679	(3,673,623)	27,775	250,452,737

## Notes to Financial Statements

30 June 2017

Renminbi Yuan

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

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

2016 (Audited)

	Current year movements						Closing balance
	Opening balance	Investment in current year	Impact of unrealised profits	Investment income/loss under equity method	Cash dividends announced	Exchange realignment	
Non-listed investments							
Equity method							
<b>Joint ventures</b>							
Shiling	157,255,872	–	(5,527,672)	41,038,861	(34,500,000)	–	158,267,061
SMD-BORD Limited	1,909,854	–	–	(1,000,998)	–	(154,088)	754,768
SMD Energy Limited	19	–	–	–	–	(2)	17
Shanghai Shentong CRRC	–	5,000,000	–	547,428	–	–	5,547,428
	<u>159,165,745</u>	<u>5,000,000</u>	<u>(5,527,672)</u>	<u>40,585,291</u>	<u>(34,500,000)</u>	<u>(154,090)</u>	<u>164,569,274</u>
<b>Associates</b>							
Zhuzhou Siemens	52,750,239	–	–	3,673,623	(4,552,116)	–	51,871,746
CRRC Wabtec	9,957,106	–	–	2,230,839	–	–	12,187,945
	<u>62,707,345</u>	<u>–</u>	<u>–</u>	<u>5,904,462</u>	<u>(4,552,116)</u>	<u>–</u>	<u>64,059,691</u>
	<u>221,873,090</u>	<u>5,000,000</u>	<u>(5,527,672)</u>	<u>46,489,753</u>	<u>(39,052,116)</u>	<u>(154,090)</u>	<u>228,628,965</u>

## Notes to Financial Statements

30 June 2017

Renminbi Yuan

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

#### 10. Fixed assets

For the six months ended 30 June 2017 (Unaudited)

	Buildings	Machinery	Vehicles	Office facilities and others	Total
Cost					
Opening balance	1,750,413,278	2,093,093,716	43,116,698	273,944,147	4,160,567,839
Purchase	–	8,437,971	3,060,456	14,495,897	25,994,324
Construction in progress	2,633,042	42,735,886	–	630,925	45,999,853
Sale and disposal	–	(135,435)	(19,614)	(2,167,699)	(2,322,748)
Exchange realignment	2,468,459	10,770,617	22,923	894,450	14,156,449
Closing balance	<u>1,755,514,779</u>	<u>2,154,902,755</u>	<u>46,180,463</u>	<u>287,797,720</u>	<u>4,244,395,717</u>
Accumulated depreciation					
Opening balance	295,980,493	810,274,742	31,154,353	138,140,750	1,275,550,338
Increase	30,050,653	101,750,502	1,949,884	16,436,006	150,187,045
Write-off	–	(117,785)	(19,510)	(1,407,868)	(1,545,163)
Exchange realignment	912,209	6,005,760	18,581	705,673	7,642,223
Closing balance	<u>326,943,355</u>	<u>917,913,219</u>	<u>33,103,308</u>	<u>153,874,561</u>	<u>1,431,834,443</u>
Impairment provision					
Opening balance	10,513,264	50,193,568	–	792,018	61,498,850
Write-off	–	–	–	(78,038)	(78,038)
Closing balance	<u>10,513,264</u>	<u>50,193,568</u>	<u>–</u>	<u>713,980</u>	<u>61,420,812</u>
Net carrying amount					
Closing balance	<u>1,418,058,160</u>	<u>1,186,795,968</u>	<u>13,077,155</u>	<u>133,209,179</u>	<u>2,751,140,462</u>
Opening balance	<u>1,443,919,521</u>	<u>1,232,625,406</u>	<u>11,962,345</u>	<u>135,011,379</u>	<u>2,823,518,651</u>

## Notes to Financial Statements

30 June 2017

Renminbi Yuan

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

#### 10. Fixed assets (continued)

2016 (Audited)

	Buildings	Machinery	Vehicles	Office facilities and others	Total
Cost					
Opening balance	1,337,038,514	1,411,361,932	43,742,700	212,265,764	3,004,408,910
Purchase	354,199,288	633,935,099	2,686,219	70,804,535	1,061,625,141
Construction in progress	86,131,651	141,031,991	–	813,852	227,977,494
Sale and disposal	(2,244,161)	(56,350,591)	(1,716,566)	(8,657,251)	(68,968,569)
Transfer out by disposal of subsidiaries	(16,140,100)	–	(1,612,675)	(1,096,074)	(18,848,849)
Exchange realignment	(8,571,914)	(36,884,715)	17,020	(186,679)	(45,626,288)
Closing balance	<u>1,750,413,278</u>	<u>2,093,093,716</u>	<u>43,116,698</u>	<u>273,944,147</u>	<u>4,160,567,839</u>
Accumulated depreciation					
Opening balance	250,862,587	720,800,478	29,464,440	119,935,300	1,121,062,805
Increase	48,405,873	149,704,760	4,723,379	26,747,566	229,581,578
Write-off	(1,745,428)	(42,040,938)	(1,630,738)	(7,625,636)	(53,042,740)
Transfer out by disposal of subsidiaries	(822,227)	–	(1,412,762)	(888,059)	(3,123,048)
Exchange realignment	(720,312)	(18,189,558)	10,034	(28,421)	(18,928,257)
Closing balance	<u>295,980,493</u>	<u>810,274,742</u>	<u>31,154,353</u>	<u>138,140,750</u>	<u>1,275,550,338</u>
Impairment provision					
Opening balance	10,513,264	56,999,504	–	799,991	68,312,759
Increase	–	2,413,142	–	–	2,413,142
Write-off	–	(9,219,078)	–	(7,973)	(9,227,051)
Closing balance	<u>10,513,264</u>	<u>50,193,568</u>	<u>–</u>	<u>792,018</u>	<u>61,498,850</u>
Net carrying amount					
Closing balance	<u>1,443,919,521</u>	<u>1,232,625,406</u>	<u>11,962,345</u>	<u>135,011,379</u>	<u>2,823,518,651</u>
Opening balance	<u>1,075,662,663</u>	<u>633,561,950</u>	<u>14,278,260</u>	<u>91,530,473</u>	<u>1,815,033,346</u>

## Notes to Financial Statements

30 June 2017

Renminbi Yuan

### V. NOTES TO KEY ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS

(continued)

#### 10. Fixed assets (continued)

The amount of depreciation provided for the six months ended 30 June 2017 was RMB150,187,045 (unaudited) (six months ended 30 June 2016 (unaudited, restated): RMB95,085,226). For the six months ended 30 June 2017, the cost of fixed assets transferred from constructions in progress was RMB45,999,853 (unaudited) (six months ended 30 June 2016 (unaudited, restated): RMB22,193,382).

#### 11. Construction in progress

	30 June 2017 (Unaudited)	31 December 2016 (Audited)
Semiconductor key lab construction project	114,634,854	89,721,848
Copper electroplating system	14,595,848	14,595,848
High temperature ion implantation equipment	13,404,421	—
PECVDs equipment	13,241,298	13,241,298
Motor driver lab construction project	10,179,487	10,179,487
Low pressure chemical vapor deposition	7,105,167	—
Power cycle tester of press pack IGBT	6,376,617	—
Auto silver sintering equipment	5,218,349	—
ICP etching machine	4,954,139	—
Overhaul and inspection equipments for after-sale service department	—	7,140,595
Semiconductor implantation equipment project	—	27,814,367
Others	45,247,306	29,035,481
	<b>234,957,486</b>	<b>191,728,924</b>



## Notes to Financial Statements

30 June 2017

Renminbi Yuan

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

#### 11. Construction in Progress (continued)

For the six months ended 30 June 2017 (Unaudited)

	Budget	Opening balance	Increase	Transferred to fixed assets	Exchange realignment	Closing balance	Capital resource	Proportion of budget invested
Semiconductor key lab construction project	292,650,000	89,721,848	24,913,006	-	-	114,634,854	Self-raised & government grant	39%
Copper electroplating system	15,426,100	14,595,848	-	-	-	14,595,848	Self-raised	95%
High temperature ion implantation equipment	14,399,000	-	13,404,421	-	-	13,404,421	Self-raised	93%
PECVDs equipment	13,500,000	13,241,298	-	-	-	13,241,298	Government grant	98%
Motor driver lab construction project	21,900,000	10,179,487	-	-	-	10,179,487	Self-raised & government grant	46%
Low pressure chemical vapor deposition	11,791,000	-	7,105,167	-	-	7,105,167	Self-raised	60%
Power cycle tester of press pack IGBT	9,605,000	-	6,376,617	-	-	6,376,617	Self-raised	66%
Auto silver sintering equipment	5,890,000	-	5,218,349	-	-	5,218,349	Self-raised	89%
ICP etching machine	8,108,000	-	4,954,139	-	-	4,954,139	Self-raised	61%
Overhaul and inspection equipments for after-sale service department	7,140,595	7,140,595	-	7,140,595	-	-	Self-raised	100%
Semiconductor implantation equipment project	32,000,000	27,814,367	3,159,293	30,973,660	-	-	Government grant	97%
Others		29,035,481	23,953,475	7,885,598	143,948	45,247,306		
		<u>191,728,924</u>	<u>89,084,467</u>	<u>45,999,853</u>	<u>143,948</u>	<u>234,957,486</u>		

## Notes to Financial Statements

30 June 2017

Renminbi Yuan

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

#### 11. Construction in Progress (continued)

2016 (Audited)

	Budget	Opening balance	Increase	Transferred to fixed assets	Exchange realignment	Closing balance	Capital resource	Proportion of budget invested
Semiconductor key lab construction project	292,650,000	24,535,133	65,186,715	–	–	89,721,848	Self-raised & government grant	31%
Semiconductor implantation equipment project	32,000,000	–	27,814,367	–	–	27,814,367	Government grant	87%
Copper electroplating System	15,426,100	14,595,848	–	–	–	14,595,848	Self-raised Government grant	95%
PECVDs equipment	13,500,000	–	13,241,298	–	–	13,241,298	Self-raised & government grant	98%
Motor driver lab construction project	21,900,000	–	10,179,487	–	–	10,179,487	Self-raised & government grant	46%
Overhaul and Inspection Equipments for After- sale Service Department	7,140,595	–	7,140,595	–	–	7,140,595	Self-raised	100%
Power electronic devices & electric drive system test platform construction project	156,100,000	91,493,884	10,662,624	101,490,508	–	666,000	Self-raised	75%
Yinzhou Wuxiang base	110,000,000	34,580,883	37,246,723	71,827,606	–	–	Self-raised	65%
Maotangao staff dorm building B interior decoration project	9,371,700	9,347,570	266,645	9,614,215	–	–	Self-raised	100%
Electron irradiation processing facility construction project	7,500,000	7,134,987	304,094	7,439,081	–	–	Self-raised	99%
Others		27,426,252	40,533,167	37,606,084	(1,983,854)	28,369,481		
		<u>209,114,557</u>	<u>212,575,715</u>	<u>227,977,494</u>	<u>(1,983,854)</u>	<u>191,728,924</u>		

Note: For the six months ended 30 June 2017, the Company received special loan for construction in progress. The interest expenses amounting to RMB547,026 (unaudited) (six months ended 30 June 2016 (unaudited, restated): RMB513,382) has been capitalised.

## Notes to Financial Statements

30 June 2017

Renminbi Yuan

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

#### 12. Intangible assets

For the six months ended 30 June 2017 (Unaudited)

	Land use rights	Software licenses	Patents, licenses and technical know-how	Trademarks	Backlog orders and service contracts	Total
Cost						
Opening balance	228,354,688	108,524,156	540,227,161	119,131,600	51,907,340	1,048,144,945
Purchase	–	2,230,885	2,275,806	–	–	4,506,691
Exchange realignment	571,067	554,399	9,330,559	4,270,000	1,860,500	16,586,525
Closing balance	<u>228,925,755</u>	<u>111,309,440</u>	<u>551,833,526</u>	<u>123,401,600</u>	<u>53,767,840</u>	<u>1,069,238,161</u>
Accumulated amortisation						
Opening balance	33,037,955	72,244,961	134,695,018	10,424,015	32,761,190	283,163,139
Increase	2,197,187	3,471,164	20,585,094	3,031,070	7,794,180	37,078,695
Exchange realignment	–	261,499	2,019,831	427,595	1,313,030	4,021,955
Closing balance	<u>35,235,142</u>	<u>75,977,624</u>	<u>157,299,943</u>	<u>13,882,680</u>	<u>41,868,400</u>	<u>324,263,789</u>
Impairment provision						
Opening balance	–	–	131,627,620	–	–	131,627,620
Increase	–	–	6,519,993	–	–	6,519,993
Closing balance	<u>–</u>	<u>–</u>	<u>138,147,613</u>	<u>–</u>	<u>–</u>	<u>138,147,613</u>
Net carrying amount						
Closing balance	<u>193,690,613</u>	<u>35,331,816</u>	<u>256,385,970</u>	<u>109,518,920</u>	<u>11,899,440</u>	<u>606,826,759</u>
Opening balance	<u>195,316,733</u>	<u>36,279,195</u>	<u>273,904,523</u>	<u>108,707,585</u>	<u>19,146,150</u>	<u>633,354,186</u>

## Notes to Financial Statements

30 June 2017

Renminbi Yuan

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

#### 12. Intangible assets (continued)

2016 (Audited)

	Land use rights	Software licenses	Patents, licenses and technical know-how	Trademarks	Backlog orders and service contracts	Total
Cost						
Opening balance	194,464,936	90,311,201	575,023,389	134,017,800	58,393,470	1,052,210,796
Purchase	35,983,814	19,565,984	1,936,068	–	–	57,485,866
Internal development	–	–	8,966,778	–	–	8,966,778
Transfer out by disposal of subsidiaries	–	(94,017)	(13,170,600)	–	–	(13,264,617)
Exchange realignment	(2,094,062)	(1,259,012)	(32,528,474)	(14,886,200)	(6,486,130)	(57,253,878)
Closing balance	<u>228,354,688</u>	<u>108,524,156</u>	<u>540,227,161</u>	<u>119,131,600</u>	<u>51,907,340</u>	<u>1,048,144,945</u>
Accumulated amortisation						
Opening balance	29,003,329	66,866,355	97,651,109	5,025,668	20,102,670	218,649,131
Increase	4,034,626	5,892,919	44,165,696	6,302,660	15,756,650	76,152,551
Transfer out by disposal of subsidiaries	–	(94,017)	(5,497,725)	–	–	(5,591,742)
Exchange realignment	–	(420,296)	(1,624,062)	(904,313)	(3,098,130)	(6,046,801)
Closing balance	<u>33,037,955</u>	<u>72,244,961</u>	<u>134,695,018</u>	<u>10,424,015</u>	<u>32,761,190</u>	<u>283,163,139</u>
Impairment provision						
Opening balance	–	–	131,627,620	–	–	131,627,620
Closing balance	<u>–</u>	<u>–</u>	<u>131,627,620</u>	<u>–</u>	<u>–</u>	<u>131,627,620</u>
Net carrying amount						
Closing balance	<u>195,316,733</u>	<u>36,279,195</u>	<u>273,904,523</u>	<u>108,707,585</u>	<u>19,146,150</u>	<u>633,354,186</u>
Opening balance	<u>165,461,607</u>	<u>23,444,846</u>	<u>345,744,660</u>	<u>128,992,132</u>	<u>38,290,800</u>	<u>701,934,045</u>

The amount of amortisation for the six months ended 30 June 2017 was RMB37,078,695 (unaudited) (six months ended 30 June 2016 (unaudited, restated): RMB42,663,142).

## Notes to Financial Statements

30 June 2017

Renminbi Yuan

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

#### 12. Intangible assets (continued)

As at 30 June 2017, none of certain of the Group's land use rights (unaudited) (31 December 2016 (audited): Nil) was pledged to secured banking facilities.

The land use rights related to the land located in Mainland China which is held under a medium term lease.

#### 13. Development expenditure

For the six months ended 30 June 2017 (Unaudited)

			Decrease		
	Opening balance	Internal development	Recognised as intangible asset	Recognised in profit or loss	Closing balance
Research expenses	–	598,285,683	–	598,285,683	–
Development expenses	<u>75,271,984</u>	<u>3,557,562</u>	<u>–</u>	<u>–</u>	<u>78,829,546</u>
	<u>75,271,984</u>	<u>601,843,245</u>	<u>–</u>	<u>598,285,683</u>	<u>78,829,546</u>

2016 (Audited)

			Decrease		
	Opening balance	Internal development	Recognised as intangible asset	Recognised in profit or loss	Closing balance
Research expenses	–	1,129,597,094	–	1,129,597,094	–
Development expenses	<u>663,534</u>	<u>83,575,228</u>	<u>8,966,778</u>	<u>–</u>	<u>75,271,984</u>
	<u>663,534</u>	<u>1,213,172,322</u>	<u>8,966,778</u>	<u>1,129,597,094</u>	<u>75,271,984</u>



## Notes to Financial Statements

30 June 2017

Renminbi Yuan

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

#### 14. Goodwill

##### For the six months ended 30 June 2017 (Unaudited)

	Opening balance	Exchange realignment	Closing balance	Impairment provision	Net carrying amount
Dynex Power Inc. ("Dynex")	46,517,958	–	46,517,958	46,517,958	–
Ningbo Times	437,432	–	437,432	–	437,432
Times Electronics	13,333,101	–	13,333,101	–	13,333,101
Specialist Machine Developments (SMD) Limited ("SMD")	599,873,405	(14,018,265)	585,855,140	128,469,740	457,385,400
	<u>660,161,896</u>	<u>(14,018,265)</u>	<u>646,143,631</u>	<u>174,987,698</u>	<u>471,155,933</u>

##### 2016 (Audited)

	Opening balance	Exchange realignment	Transfer out by disposal of subsidiaries	Closing balance	Impairment provision	Net carrying amount
Dynex	46,517,958	–	–	46,517,958	46,517,958	–
Ningbo Times	437,432	–	–	437,432	–	437,432
Times Electronics	13,333,101	–	–	13,333,101	–	13,333,101
SMD	561,253,135	38,620,270	–	599,873,405	128,469,740	471,403,665
Shanghai CRRC Hange Shipping and Marine Engineering Co., Ltd. ("Shanghai Hange")	20,723,508	–	20,723,508	–	–	–
	<u>642,265,134</u>	<u>38,620,270</u>	<u>20,723,508</u>	<u>660,161,896</u>	<u>174,987,698</u>	<u>485,174,198</u>

The movements of impairment of goodwill are as follows:

##### For the six months ended 30 June 2017 (Unaudited)

	Opening & Closing balance
Dynex	46,517,958
SMD	128,469,740
	<u>174,987,698</u>

## Notes to Financial Statements

30 June 2017

Renminbi Yuan

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

#### 14. Goodwill (continued)

The movements of impairment of goodwill are as follows: (continued)

2016 (Audited)

	Opening balance	Provision	Closing balance
Dynex	46,517,958	—	46,517,958
SMD	—	128,469,740	128,469,740
	<u>46,517,958</u>	<u>128,469,740</u>	<u>174,987,698</u>

#### 15. Deferred tax assets/liabilities

Recognised deferred tax assets and liabilities:

	30 June 2017 (Unaudited)		31 December 2016 (Audited)	
	Deductible temporary differences	Deferred tax assets	Deductible temporary differences	Deferred tax assets
Deferred tax assets				
Provision for product quality warranties	559,625,872	84,463,347	602,284,995	90,849,287
Provision for impairment of assets	815,180,051	125,306,516	670,871,895	103,790,531
Government grants	381,186,593	57,482,383	369,142,391	55,678,499
Depreciation differences arising from different depreciation terms in tax laws and accounting	112,159,391	17,063,212	111,790,022	17,008,262
Payroll payable	—	—	1,405,104	281,021
Deductible losses	128,331,617	25,666,323	107,199,853	21,439,971
Special reserve	—	—	11,211,581	1,729,905
Accrued expense	53,927,097	8,089,065	50,140,546	7,521,082
Others	18,067,750	2,710,163	19,475,768	2,921,365
	<u>2,068,478,371</u>	<u>320,781,009</u>	<u>1,943,522,155</u>	<u>301,219,923</u>

## Notes to Financial Statements

30 June 2017

Renminbi Yuan

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

#### 15. Deferred tax assets/liabilities (continued)

Recognised deferred tax assets and liabilities: (continued)

	30 June 2017 (Unaudited)		31 December 2016 (Audited)	
	Taxable temporary differences	Deferred tax liabilities	Taxable temporary differences	Deferred tax liabilities
Deferred tax liabilities				
Fair value adjustments arising from acquisition of subsidiaries	312,040,634	63,138,213	332,684,940	66,948,217
Depreciation differences arising from different depreciation terms in tax laws and accounting	63,997,452	12,799,490	58,134,248	11,626,850
	<b>376,038,086</b>	<b>75,937,703</b>	<b>390,819,188</b>	<b>78,575,067</b>

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

	30 June 2017 (Unaudited)	31 December 2016 (Audited)
Deductible losses	64,682,901	87,439,864
Deductible temporary differences	330,599,487	254,658,750
	<b>395,282,388</b>	<b>342,098,614</b>

## Notes to Financial Statements

30 June 2017

Renminbi Yuan

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

#### 15. Deferred tax assets/liabilities (continued)

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

	30 June 2017 (Unaudited)	31 December 2016 (Audited)
2017	—	24,191,832
2018	1,040,792	33,472,072
2019	4,980,050	4,980,050
2020	21,061,076	21,061,076
2021	3,734,834	3,734,834
2022	1,434,869	—
	<b>32,251,621</b>	<b>87,439,864</b>

#### 16. Other non-current assets

	30 June 2017 (Unaudited)	31 December 2016 (Audited)
Prepayments for acquisition of land use rights	42,831,600	42,831,600
Prepayments for construction in progress	7,165,665	7,359,187
Prepayments for purchase of machinery and equipment	48,344,310	23,277,034
	<b>98,341,575</b>	<b>73,467,821</b>

#### 17. Short-term borrowings

	30 June 2017 (Unaudited)	31 December 2016 (Audited)
Other loans (Note)	134,183,956	159,166,033

As at 30 June 2017, the annual interest rate of the above borrowings was 0-3.50% (unaudited) (31 December 2016 (audited): 0-3.50%).

## Notes to Financial Statements

30 June 2017

Renminbi Yuan

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

#### 17. Short-term borrowings (continued)

Note: Pursuant to relevant borrowing agreements, the loans are entitled to priority to be repaid with certain assets if the Group is incapable of repayment. The carrying amounts of such assets as at 30 June 2017 and 31 December 2016 are as follows:

	30 June 2017 (Unaudited)	31 December 2016 (Audited)
Cash and bank balances	23,437,583	27,875,516
Trade receivables	119,674,403	112,659,853
Other receivables	39,816,226	39,598,924
Prepayments	4,710,007	9,319,932
Inventories	142,550,086	146,506,184
Other current assets	11,467,327	3,506
Long-term equity investments	909,034	751,696
Fixed assets	186,169,564	198,045,552
Construction in progress	26,771,123	1,586,755
	<b>555,505,353</b>	<b>536,347,918</b>

#### 18. Financial liabilities at fair value through profit or loss

	30 June 2017 (Unaudited)	31 December 2016 (Audited)
Derivative financial instrument		
Forward foreign exchange contracts		
– Losses on fair value changes	–	6,135,766

As at 31 December 2016, the Group entered into forward foreign exchange contracts with converting Japan YEN to RMB, which was not yet expired. The contract amount was YEN6,170,000,000, and the period was from 26 January 2017 to 30 June 2017 with the maturity rate of 0.060478-0.061335. It was assessed that the losses on fair value changes in the end of last year was RMB6,135,766. The forward foreign exchange contracts were fulfilled in the current period and gains of RMB3,899,318 were realised.



## Notes to Financial Statements

30 June 2017

Renminbi Yuan

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

#### 19. Bills payable

	30 June 2017 (Unaudited)	31 December 2016 (Audited)
Commercial acceptance bills	235,416,074	211,538,939
Bank acceptance bills	1,180,267,200	1,623,830,636
	<b>1,415,683,274</b>	<b>1,835,369,575</b>

#### 20. Trade payables

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

	30 June 2017 (Unaudited)	31 December 2016 (Audited)
Within 3 months	2,426,982,517	2,227,937,793
3 months to 1 year	524,154,485	349,574,979
1 to 2 years	229,625,338	130,081,567
2 to 3 years	108,590,440	85,912,775
Over 3 years	147,353,644	94,089,468
	<b>3,436,706,424</b>	<b>2,887,596,582</b>
Less: Classified as long-term payables	71,483,636	100,662,888
	<b>3,365,222,788</b>	<b>2,786,933,694</b>

## Notes to Financial Statements

30 June 2017

Renminbi Yuan

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

#### 21. Advances from customers

	30 June 2017 (Unaudited)	31 December 2016 (Audited)
Within 1 year	779,440,246	606,393,643
1 to 2 years	166,094,554	229,372,239
2 to 3 years	15,569,357	16,184,953
Over 3 years	4,332,529	6,634,754
	<b>965,436,686</b>	<b>858,585,589</b>

#### 22. Employee benefits payable

For the six months ended 30 June 2017 (Unaudited)

	Opening balance	Increase	Decrease	Exchange realignment	Closing balance
Short-term benefits	35,702,845	608,497,632	490,048,008	69,433	154,221,902
Benefits after demission (defined contribution plan)	916,545	97,313,594	94,303,362	6,677	3,933,454
	<b>36,619,390</b>	<b>705,811,226</b>	<b>584,351,370</b>	<b>76,110</b>	<b>158,155,356</b>

2016 (Audited)

	Opening balance	Increase	Decrease	Exchange realignment	Closing balance
Short-term benefits	50,962,922	1,363,727,686	1,378,367,613	(620,150)	35,702,845
Benefits after demission (defined contribution plan)	2,401,620	176,072,947	177,502,108	(55,914)	916,545
	<b>53,364,542</b>	<b>1,539,800,633</b>	<b>1,555,869,721</b>	<b>(676,064)</b>	<b>36,619,390</b>

## Notes to Financial Statements

30 June 2017

Renminbi Yuan

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

#### 22. Employee benefits payable (continued)

Details of short-term benefits are as follows:

#### For the six months ended 30 June 2017 (Unaudited)

	Opening balance	Increase	Decrease	Exchange realignment	Closing balance
Salaries, bonuses, allowances and subsidies	1,405,104	467,604,683	359,212,645	49,619	109,846,761
Staff welfare	–	24,252,572	22,932,594	–	1,319,978
Social insurance	263,333	48,181,251	46,517,469	–	1,927,115
Including: Basic medical insurance	135,060	25,859,988	24,678,528	–	1,316,520
Supplementary medical insurance	300	14,344,980	14,240,682	–	104,598
Work injury insurance	75,457	5,798,277	5,527,537	–	346,197
Maternity insurance	52,516	2,178,006	2,070,722	–	159,800
Housing fund	3,524	44,738,941	42,199,749	–	2,542,716
Union fund and employee education fund	29,846,413	14,525,207	11,442,954	–	32,928,666
Others	4,184,471	9,194,978	7,742,597	19,814	5,656,666
	<u>35,702,845</u>	<u>608,497,632</u>	<u>490,048,008</u>	<u>69,433</u>	<u>154,221,902</u>

#### 2016 (Audited)

	Opening balance	Increase	Decrease	Exchange realignment	Closing balance
Salaries, bonuses, allowances and subsidies	22,227,487	1,080,741,066	1,101,123,881	(439,568)	1,405,104
Staff welfare	–	65,856,325	65,856,325	–	–
Social insurance	242,915	82,681,587	82,661,169	–	263,333
Including: Basic medical insurance	147,896	48,505,592	48,518,428	–	135,060
Supplementary medical insurance	300	19,142,008	19,142,008	–	300
Work injury insurance	49,333	10,981,088	10,954,964	–	75,457
Maternity insurance	45,386	4,052,899	4,045,769	–	52,516
Housing fund	8,333	81,470,685	81,475,494	–	3,524
Union fund and employee education fund	21,579,378	36,927,499	28,660,464	–	29,846,413
Others	6,904,809	16,050,524	18,590,280	(180,582)	4,184,471
	<u>50,962,922</u>	<u>1,363,727,686</u>	<u>1,378,367,613</u>	<u>(620,150)</u>	<u>35,702,845</u>

## Notes to Financial Statements

30 June 2017

Renminbi Yuan

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

#### 22. Employee benefits payable (continued)

Details of defined contribution plan are as follows:

##### For the six months ended 30 June 2017 (Unaudited)

	Opening balance	Increase	Decrease	Exchange realignment	Closing balance
Basic pension insurance	793,958	71,525,257	68,984,661	6,677	3,341,231
Unemployment insurance	115,169	3,378,373	3,148,468	–	345,074
Annuity	7,418	22,409,964	22,170,233	–	247,149
	<u>916,545</u>	<u>97,313,594</u>	<u>94,303,362</u>	<u>6,677</u>	<u>3,933,454</u>

2016 (Audited)

	Opening balance	Increase	Decrease	Exchange realignment	Closing balance
Basic pension insurance	2,287,975	132,857,174	134,295,277	(55,914)	793,958
Unemployment insurance	106,130	6,130,929	6,121,890	–	115,169
Annuity	7,515	37,084,844	37,084,941	–	7,418
	<u>2,401,620</u>	<u>176,072,947</u>	<u>177,502,108</u>	<u>(55,914)</u>	<u>916,545</u>

#### 23. Dividends payable

Pursuant to the board of directors' meeting held on 28 March 2017, a proposed final dividend of RMB0.45 (including tax) was paid on each of the 1,175,476,637 shares in issue, amounting to a total cash dividend of RMB528,964,487. The above proposal was approved in the Company's Annual General Meeting held on 13 June 2017. As at 30 June 2017, the above cash dividends were not paid. As at the approval date of the financial statements, the Company has fulfilled distributed the above cash dividends.

Pursuant to the resolution of Guangzhou CRRC Times Electric Technology Co., Ltd. ("Guangzhou Times"), a subsidiary of the Company, in the Annual General Meeting held on 30 December 2016, a dividend of RMB3,000,000 was paid to Guangzhou Metro Design & Research Institute Co., Ltd. As at the approval date of the financial statements, Guangzhou Times has fulfilled distributed the above cash dividends.

## Notes to Financial Statements

30 June 2017

Renminbi Yuan

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

#### 24. Taxes payable

	30 June 2017 (Unaudited)	31 December 2016 (Audited)
Corporate income tax	140,150,347	118,984,355
Value-added tax	45,385,511	89,660,988
City maintenance and construction and education surcharge	6,467,177	12,279,418
Individual income tax	1,690,366	50,215,044
Others	3,288,239	7,121,939
	<b>196,981,640</b>	<b>278,261,744</b>

#### 25. Other payables

	30 June 2017 (Unaudited)	31 December 2016 (Audited)
Within 1 year	218,280,165	229,774,567
1 to 2 years	71,049,096	47,983,603
2 to 3 years	23,721,140	138,333,398
Over 3 years	160,425,634	29,433,771
	<b>473,476,035</b>	<b>445,525,339</b>

#### 26. Current portion of non-current liabilities

	Note V	30 June 2017 (Unaudited)	31 December 2016 (Audited)
Long-term borrowings due within one year	27	<b>1,090,508</b>	<b>1,586,759</b>



## Notes to Financial Statements

30 June 2017

Renminbi Yuan

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

#### 26. Current portion of non-current liabilities (continued)

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

	30 June 2017 (Unaudited)	31 December 2016 (Audited)
Other loans	<b>1,090,508</b>	1,586,759

#### 27. Long-term borrowings

	Note V	30 June 2017 (Unaudited)	31 December 2016 (Audited)
Trusted loans		<b>100,188,000</b>	100,188,000
Mortgage loans		<b>469,008</b>	1,042,042
Other loans	17.Note	<b>1,344,044</b>	1,674,081
		<b>102,001,052</b>	102,904,123
Less: Long-term borrowings due within one year	26	<b>1,090,508</b>	1,586,759
		<b>100,910,544</b>	101,317,364

Maturity analysis:

	30 June 2017 (Unaudited)	31 December 2016 (Audited)
Due within 1 year	<b>1,090,508</b>	1,586,759
Due within 2 years	<b>5,493,255</b>	3,114,803
Due within 2 to 5 years	<b>15,229,289</b>	15,514,561
Due more than 5 years	<b>80,188,000</b>	82,688,000
	<b>102,001,052</b>	102,904,123

As at 30 June 2017, the annual interest rate of the above borrowings were 0-4.92% (unaudited)  
(31 December 2016 (audited): 0-4.92%).

## Notes to Financial Statements

30 June 2017

Renminbi Yuan

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

#### 28. Provisions

For the six months ended 30 June 2017 (Unaudited)

	Opening balance	Increase	Decrease	Exchange realignment	Closing balance
Provision for product quality warranties	<u>602,284,995</u>	<u>123,692,950</u>	<u>166,634,211</u>	<u>282,138</u>	<u>559,625,872</u>
Less: Provisions due within one year					<u>222,818,573</u>
					<u>336,807,299</u>

2016 (Audited)

	Opening balance	Increase	Decrease	Exchange realignment	Closing balance
Provision for product quality warranties	<u>885,538,077</u>	<u>130,202,858</u>	<u>411,960,302</u>	<u>(1,495,638)</u>	<u>602,284,995</u>
Less: Provisions due within one year					<u>262,822,271</u>
					<u>339,462,724</u>

#### 29. Deferred income

	30 June 2017 (Unaudited)	31 December 2016 (Audited)
Government grants related to assets	<u>301,814,757</u>	<u>309,472,299</u>
Government grants related to income	<u>79,371,836</u>	<u>59,670,092</u>
	<u>381,186,593</u>	<u>369,142,391</u>
Less: Classified as current liabilities	<u>75,521,083</u>	<u>76,840,639</u>
Government grants classified as non-current liabilities	<u>305,665,510</u>	<u>292,301,752</u>

## Notes to Financial Statements

30 June 2017

Renminbi Yuan

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

#### 29. Deferred income (continued)

Liabilities relevant to government grants as at 30 June 2017 are listed as follows (Unaudited):

	Opening balance	Increase	Recognised as non- operating income	Closing balance	Relevant to asset/income
(Power electronics) integrated manufacturing technology R&D and industrialization of SiC based power electronic devices	68,604,000	5,150,000	–	73,754,000	Asset
The revamping of high voltage and low voltage IGBT chip module production line	50,000,000	–	–	50,000,000	Asset
8 MW golden sun demonstration project	43,566,667	–	(5,445,834)	38,120,833	Asset
Industrial foundation fortification project-production of IGBT module for alternative fuel automobiles	23,340,000	–	–	23,340,000	Asset
Test platforms of power electronics devices & electric drive systems	23,872,083	–	(2,075,833)	21,796,250	Asset
Maotangao staff dorm building construction project	19,523,555	–	(227,459)	19,296,096	Asset
SiC-based power electronic devices lab & fab construction project	17,000,000	–	–	17,000,000	Asset
High voltage chip packaging and module technology development and industrialization for high speed train application	14,540,000	–	–	14,540,000	Income
R&D, industrialization of 6-inch SiC wafer and application in high power IGBT	10,000,000	–	–	10,000,000	Asset
Basic construction compensation	8,793,760	–	(103,456)	8,690,304	Asset
Industrialization of 200KM EMU AC drive & network control system and ATP control device	6,491,667	–	(950,000)	5,541,667	Asset
Photovoltaic power generation comprehensive test system construction project	6,491,667	–	(950,000)	5,541,667	Asset
(Power electronics) research for power electronic devices & built for production line	5,200,000	–	(200,000)	5,000,000	Asset
Construction of intelligent manufacturing works for core components of rolling stock	5,000,000	–	–	5,000,000	Asset
Hunan governmental earmark on the development of mobile internet industry in 2016	5,000,000	–	–	5,000,000	Asset
Project of united national & local engineering research center on rail transit rolling-stock manufacturing	5,000,000	–	–	5,000,000	Asset
Others	56,718,992	19,701,743	(2,854,959)	73,565,776	Asset/income
	<u>369,142,391</u>	<u>24,851,743</u>	<u>(12,807,541)</u>	<u>381,186,593</u>	

## Notes to Financial Statements

30 June 2017

Renminbi Yuan

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

#### 29. Deferred income (continued)

Liabilities relevant to government grants as at 31 December 2016 are listed as follows (Audited):

	Opening balance	Increase	Recognised as non- operating income	Other movements	Closing balance	Relevant to asset/ income
8 MW golden sun demonstration project	54,458,334	–	(10,891,667)	–	43,566,667	Asset
Maotangao staff dorm building construction project	19,978,472	–	(454,918)	–	19,523,554	Asset
Photovoltaic power generation comprehensive test system construction project	8,391,667	–	(1,900,000)	–	6,491,667	Asset
Industrialization of 200KM EMU AC drive & network control system and ATP control device	8,391,667	–	(1,900,000)	–	6,491,667	Asset
(Power electronics) research for power electronic devices & built for production line	5,600,000	–	(400,000)	–	5,200,000	Asset
High voltage chip packaging and module technology development and industrialization for high speed train application	14,540,000	–	–	–	14,540,000	Income
Industrial foundation fortification project- production of IGBT module for alternative fuel automobiles	–	23,340,000	–	–	23,340,000	Asset
Construction of intelligent manufacturing works for core components of rolling stock	5,000,000	–	–	–	5,000,000	Asset
Hunan governmental earmark on the development of mobile internet industry in 2016	–	5,000,000	–	–	5,000,000	Asset
(Power electronics) integrated manufacturing technology R&D and industrialization of SiC based power electronic devices	53,170,000	19,400,000	–	(3,966,000)	68,604,000	Asset
Test platforms of power electronics devices & electric drive systems	1,500,000	23,410,000	(1,037,917)	–	23,872,083	Asset
Basic construction compensation	9,000,672	–	(206,912)	–	8,793,760	Asset
SiC-based power electronic devices lab & fab construction project	17,000,000	–	–	–	17,000,000	Asset
The revamping of high voltage and low voltage IGBT chip module production line	50,000,000	–	–	–	50,000,000	Asset
R&D, industrialization of 6-inch SiC wafer and application in high power IGBT	10,000,000	–	–	–	10,000,000	Asset
Others	37,151,500	41,534,920	(15,432,427)	(1,535,000)	61,718,993	Asset/income
	<u>294,182,312</u>	<u>112,684,920</u>	<u>(32,223,841)</u>	<u>(5,501,000)</u>	<u>369,142,391</u>	

## Notes to Financial Statements

30 June 2017

Renminbi Yuan

### V. NOTES TO KEY ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS

(continued)

#### 30. Retained earnings

	For the six months ended 30 June 2017 (Unaudited)	2016 (Audited)
Retained earnings at the end of last year	<b>9,944,778,161</b>	7,829,036,380
Add : Business combination involving entities under common control (Note 1)	<b>—</b>	34,877,454
Retained earnings at the beginning of the period/year	<b>9,944,778,161</b>	7,863,913,834
Add: Net profit attributable to shareholders of the Parent	<b>1,122,858,652</b>	2,903,679,787
Less: Appropriation to statutory surplus reserve	<b>112,734,453</b>	266,550,267
Cash dividends paid (Note 2)	<b>528,964,487</b>	556,265,193
Retained earnings at the end of the period/year	<b>10,425,937,873</b>	9,944,778,161

Note 1: In 2016, as the change in scope of consolidation due to business combination involving entities under common control, the retained earnings at the beginning of the period increased by RMB34,877,454.

Note 2: The 2016 scheme of profit distribution of the Company has been reviewed and approved in the 2016 Annual General Meeting held on 13 June 2017, pursuant to which a final dividend of RMB0.45 (including tax) was paid on each of the 1,175,476,637 shares in issue, amounting to a total cash dividend of RMB528,964,487 (unaudited).

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

Pursuant to the resolution of CRRC Zhuzhou Institute Co., Ltd. on 16 June 2016, a dividend of RMB27,300,706 was paid to CRRC Zhuzhou Institute Co., Ltd. by ZNERCC, a subsidiary of the Company. The dividend was paid during the year 2016.

The board of directors do not recommend the payment of an interim dividend (six months ended 30 June 2016: Nil).



## Notes to Financial Statements

30 June 2017

Renminbi Yuan

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

#### 31. Revenue and cost of sales

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

Revenue is stated as follows:

	<b>For the six months ended 30 June 2017  (Unaudited)</b>	For the six months ended 30 June 2016  (Unaudited, restated)
Revenue from principal operations	<b>6,352,874,952</b>	6,594,736,173
Other operating income	<b>163,538,141</b>	114,960,663
	<b><u>6,516,413,093</u></b>	<b><u>6,709,696,836</u></b>

Cost of sales is stated as follows:

	<b>For the six months ended 30 June 2017  (Unaudited)</b>	For the six months ended 30 June 2016  (Unaudited, restated)
Cost of sales from principal operations	<b>3,858,469,926</b>	4,103,907,114
Other operating costs	<b>118,310,271</b>	84,470,604
	<b><u>3,976,780,197</u></b>	<b><u>4,188,377,718</u></b>

## Notes to Financial Statements

30 June 2017

Renminbi Yuan

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

#### 31. Revenue and cost of sales (continued)

Details of revenue are listed as follows:

	For the six months ended 30 June 2017  (Unaudited)	For the six months ended 30 June 2016 (Unaudited, restated)
Sale of goods and materials	5,828,382,777	6,274,207,484
Maintenance income	430,289,776	295,290,007
Revenue from construction contracts	215,581,755	93,176,117
Technical service income	33,881,076	38,801,685
Rental income	5,886,573	5,032,506
Others	2,391,136	3,189,037
	<b>6,516,413,093</b>	<b>6,709,696,836</b>

#### 32. Finance costs

	For the six months ended 30 June 2017  (Unaudited)	For the six months ended 30 June 2016 (Unaudited, restated)
Interest expenses	2,318,698	20,032,776
Less: Capitalised interests	547,026	513,382
Interest income	(16,569,562)	(24,195,132)
Exchange losses	1,167,742	60,400,459
Others	5,495,696	3,382,201
	<b>(8,134,452)</b>	<b>59,106,922</b>

## Notes to Financial Statements

30 June 2017

Renminbi Yuan

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

#### 33. Asset impairment losses

	For the six months ended 30 June 2017  (Unaudited)	For the six months ended 30 June 2016 (Unaudited, restated)
Bad debt loss	110,099,773	65,334,552
Impairment losses of inventories	40,972,204	65,101,515
Impairment losses of intangible assets	6,519,993	—
	<b>157,591,970</b>	<b>130,436,067</b>

#### 34. Gains on fair value changes

	For the six months ended 30 June 2017  (Unaudited)	For the six months ended 30 June 2016 (Unaudited, restated)
Derivative financial instrument		
Forward foreign exchange contracts		
– Gains on fair value changes (Note V.18)	6,135,766	—

#### 35. Investment income

	For the six months ended 30 June 2017  (Unaudited)	For the six months ended 30 June 2016 (Unaudited, restated)
Income from non-listed investments:		
Long-term equity investment income under the equity method	16,645,679	34,753,290
Bank financial product income	15,376,438	38,659,691
Gains from forward foreign exchange contracts (Note V.18)	3,899,318	—
Losses on disposal of subsidiaries (Note VI.4)	—	(3,730,943)
	<b>35,921,435</b>	<b>69,682,038</b>

## Notes to Financial Statements

30 June 2017

Renminbi Yuan

### V. NOTES TO KEY ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS

(continued)

#### 36. Other income

	For the six months ended 30 June 2017  (Unaudited)	For the six months ended 30 June 2016 (Unaudited, restated)
Refunds of value-added tax	<b>103,070,469</b>	—

#### 37. Non-operating income

	For the six months ended 30 June 2017  (Unaudited)	For the six months ended 30 June 2016 (Unaudited, restated)
Gains on disposal of non-current assets	<b>13,480</b>	1,391,246
Refunds of value-added tax	—	203,265,312
Government grants	<b>15,121,442</b>	20,750,407
Unsettled payment	<b>441,677</b>	1,020,046
Penalty income and default compensation income	<b>430,069</b>	3,571,543
Others	<b>1,586,922</b>	4,747,317
	<b>17,593,590</b>	234,745,871

#### 38. Non-operating expenses

	For the six months ended 30 June 2017  (Unaudited)	For the six months ended 30 June 2016 (Unaudited, restated)
Losses on disposal of non-current assets	<b>65,645</b>	249,263
Losses on penalties and compensation	<b>2,312,062</b>	56,274
Others	<b>1,485,655</b>	601,393
	<b>3,863,362</b>	906,930

## Notes to Financial Statements

30 June 2017

Renminbi Yuan

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

#### 39. Expenses by nature

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

	For the six months ended 30 June 2017  (Unaudited)	For the six months ended 30 June 2016 (Unaudited, restated)
Consumption of raw materials and semi-finished products	3,379,906,685	3,287,228,066
Inventory movements of finished goods and work in progress	(144,332,939)	209,583,819
Staff costs	705,811,226	725,297,161
Depreciation	150,187,045	95,085,226
Amortisation	37,078,695	42,663,142
Provision for product quality warranties	123,692,950	167,316,858
Research and development expense	598,285,683	526,447,047

#### 40. Income tax expense

	For the six months ended 30 June 2017  (Unaudited)	For the six months ended 30 June 2016 (Unaudited, restated)
Current income tax expense		
– Mainland China	205,947,865	277,435,326
– Other countries and regions	(6,350,421)	(7,935,404)
	199,597,444	269,499,922
Deferred tax expense	(25,159,230)	(62,436,202)
	174,438,214	207,063,720



## Notes to Financial Statements

30 June 2017

Renminbi Yuan

### V. NOTES TO KEY ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS

(continued)

#### 40. Income tax expense (continued)

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

	For the six months ended 30 June 2017  (Unaudited)	For the six months ended 30 June 2016 (Unaudited, Restated)
Total profit	<b>1,317,892,449</b>	1,496,907,971
Income tax expense at statutory tax rate of 25% (Note)	<b>329,473,112</b>	374,226,993
Effect of different income tax rates for overseas entities	<b>901,847</b>	5,241,764
Effect of preferential tax rate applicable to the Company and its certain subsidiaries	<b>(153,987,453)</b>	(163,567,761)
Profits and losses attributable to associates and joint ventures	<b>(2,477,635)</b>	(6,412,248)
Income not subject to tax	<b>(8,187,921)</b>	(2,493,862)
Income tax benefits on research and development expenditure	<b>(29,176,960)</b>	(36,524,694)
Expenses not deductible for tax	<b>15,227,626</b>	5,058,565
Deductible temporary differences not recognised	<b>16,334,127</b>	11,905,762
Tax losses not recognised	<b>380,240</b>	13,247,007
Utilisation of tax losses carried forward from previous periods	—	(1,652,534)
Recognise the un-recognised deductible temporary differences of previous years	—	(2,471,467)
Others	<b>5,951,231</b>	10,506,195
Tax expense at the Group's effective tax rate	<b>174,438,214</b>	207,063,720

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

## Notes to Financial Statements

30 June 2017

Renminbi Yuan

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

#### 41. Earnings per share

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

The calculation of basic earnings per share is as follows:

	For the six months ended 30 June 2017 <i>(Unaudited)</i>	For the six months ended 30 June 2016 <i>(Unaudited, restated)</i>
Earnings		
Net profit for the period attributable to ordinary shareholders of the Company	<b>1,122,858,652</b>	1,282,279,365
Shares		
Weighted average number of ordinary shares in issue of the Company	<b>1,175,476,637</b>	1,175,476,637
Basic earnings per share (Yuan/share)	<b>0.96</b>	1.09
Diluted earnings per share (Yuan/share)	<b>0.96</b>	1.09

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

## Notes to Financial Statements

30 June 2017

Renminbi Yuan

### V. NOTES TO KEY ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS

(continued)

#### 42. Supplementary information to cash flow statement

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

	For the six months ended 30 June 2017  (Unaudited)	For the six months ended 30 June 2016  (Unaudited, restated)
Adjustment of net profit to cash flows from operating activities:		
Net profit	<b>1,143,454,235</b>	1,289,844,251
Add: Provision for impairment of assets	<b>157,591,970</b>	130,436,067
Depreciation of fixed assets	<b>150,187,045</b>	95,085,226
Amortisation of intangible assets	<b>37,078,695</b>	42,663,142
Provision of special reserve	<b>6,971,194</b>	5,683,774
Losses/(Gains) from disposal of fixed assets, intangible assets and other long-term assets	<b>52,165</b>	(1,141,983)
Finance costs	<b>1,771,672</b>	19,519,394
Investment income	<b>(35,921,435)</b>	(69,709,725)
Gains on the changes in fair value	<b>(6,135,766)</b>	—
Increase in deferred tax assets	<b>(19,561,086)</b>	(53,333,121)
Decrease in deferred tax liabilities	<b>(2,637,364)</b>	(13,378,401)
Increase in inventories	<b>(609,573,024)</b>	(508,825,034)
Increase in operating receivables	<b>(714,663,176)</b>	(685,907,704)
Increase/(Decrease) in operating payables	<b>268,297,090</b>	(102,043,800)
Net cash flows from operating activities	<b>376,912,215</b>	148,892,086

## Notes to Financial Statements

30 June 2017

Renminbi Yuan

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

#### 42. Supplementary information to cash flow statement (continued)

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

Movement in cash and cash equivalents:

	For the six months ended 30 June 2017 (Unaudited)	2016 (Audited)
Closing balance of cash	4,554,549,756	3,063,801,902
Less: Opening balance of cash	3,063,801,902	3,439,887,202
Net change of cash and cash equivalents	1,490,747,854	(376,085,300)

##### (2) Information of acquiring and disposal subsidiaries

Information of disposal subsidiaries

	For the six months ended 30 June 2017 (Unaudited)	For the six months ended 30 June 2016 (Unaudited, restated)
Considerations for disposal of subsidiaries	—	132,468,180
Cash and cash equivalents received from disposal of subsidiaries	—	132,468,180
Less: Cash and equivalents acquired from subsidiaries	—	32,281,867
Net cash inflow in the disposal of subsidiaries	—	100,186,313

## Notes to Financial Statements

30 June 2017

Renminbi Yuan

### V. NOTES TO KEY ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS

(continued)

#### 42. Supplementary information to cash flow statement (continued)

##### (3) Cash and cash equivalents

	30 June 2017 (Unaudited)	31 December 2016 (Audited)
Cash		
Including: Cash on hand	50,899	15,258
Bank deposits on demand	4,510,218,874	2,896,613,514
Deposits due within 3 months	17,164,034	155,973,236
Security deposit due within 3 months	27,115,949	11,199,894
Closing balance of cash and cash equivalents	4,554,549,756	3,063,801,902

#### 43. Assets with restrictions on title

		30 June 2017 (Unaudited)	31 December 2016 (Audited)
Pledged assets			
Cash and bank balance	Note 1	99,347,742	118,740,684
Fixed assets	Note 2	3,085,376	3,142,332
		102,433,118	121,883,016

Note 1: As at 30 June 2017, the cash and bank balances of RMB47,556,955 (unaudited) (31 December 2016 (audited): RMB73,322,760) is used as security deposits by the Group for acceptance bills from bank. The cash and bank balances of RMB51,790,787 (unaudited) (31 December 2016 (audited): RMB45,417,924) is used as security deposits by the Group for letters of guarantee from bank.

Note 2: As at 30 June 2017, the title of fixed assets with a net carrying amount of RMB3,085,376 (unaudited) (31 December 2016 (audited): RMB3,142,332) was pledged to secure general banking facilities granted to the Group.



## Notes to Financial Statements

30 June 2017

Renminbi Yuan

### VI. CHANGES IN SCOPE OF CONSOLIDATION

#### 1. Subsidiaries newly built up

Following subsidiary is newly built up during current period:

		Proportion of shareholding
Specialist Machine Developments (Shanghai) Co., Ltd. ("Shanghai SMD")	Note	100%

Note: In February 2017, Shanghai SMD was established by the Company with registered capital of RMB30,000,000 (unaudited). The interest held by the Company is 100%. Up to the balance sheet date, the Company has injected the capital of RMB30,000,000 (unaudited).

#### 2. The cancellation of subsidiaries

In the current period, Beijing CRRC Rail Transit Intelligent Control Technology Co., Ltd. ("Beijing CRRC Intelligent Control"), a wholly-owned subsidiary of the Company, was merged by Times Signal & Communication, another wholly-owned subsidiary of the Company. As at the approval date of the financial statements, the related change of industrial and commercial registration is still in process.

#### 3. Business combinations involving entities under common control

In December 2016, the Company acquired 100% share of ZNERCC by cash consideration of RMB283,222,700. ZNERCC is a subsidiary of CRRC Zhuzhou Institute Co., Ltd., the parent company of the Company. It is controlled by CRRC Zhuzhou Institute Co., Ltd. before and after the combination, and that control is not temporary, therefore the business combination is involving entities under common control. In accordance with the equity transfer agreement, since 100% share of ZNERCC was transferred to the Company by CRRC Zhuzhou Institute Co., Ltd. on 21 December 2016, the Company completed the business combination under common control of ZNERCC. 21 December 2016 is determined to be the date of acquisition.

#### 4. Disposal of subsidiary

On 31 May 2016, ZNERCC, a subsidiary of the Company, entered into the equity transfer agreement with CRRC Zhuzhou Institute Co., Ltd. to sell all the equity held of Shanghai Hange at RMB132,468,180 (audited). The disposal date was 31 May 2016 and the losses on disposal was RMB3,730,943 (audited). Since then, Shanghai Hange was excluded from the consolidation scope.

## Notes to Financial Statements

30 June 2017

Renminbi Yuan

### VII. INTERESTS IN OTHER ENTITIES

#### 1. Interests in subsidiaries

Particulars of subsidiaries of the Company are as follows:

	Place of registration/ Principal place of business	Registered capital	Nature of business	Proportion of shareholding		Proportion of votes
Names of companies				Direct	Indirect	
By newly established or invested						
Ningbo Times	Ningbo Zhejiang	RMB148,826,200	Manufacture industry	100%	–	100%
Times Electronics	Zhuzhou Hunan	RMB80,000,000	Manufacture industry	100%	–	100%
Times Equipment	Zhuzhou Hunan	RMB101,000,000	Manufacture industry	100%	–	100%
Shenyang Times	Shenyang Liaoning	RMB56,000,000	Manufacture industry	100%	–	100%
Baoji Times	Baoji Shaanxi	RMB281,655,300	Manufacture industry	85.8%	–	85.8%
Kunming Electric	Kunming Yunnan	RMB55,000,000	Manufacture industry	100%	–	100%
Hangzhou CRRC Times Electric Equipment Co., Ltd. ("Hangzhou Electric")	Hangzhou Zhejiang	RMB75,000,000	Manufacture industry	60%	–	60%
Guangzhou Times	Guangzhou Guangdong	RMB30,000,000	Manufacture industry	60%	–	60%
CRRC Times Electric (Hong Kong) Co., Ltd. ("HK Electric")	Hong Kong	HKD426,952,000	Investment holding	100%	–	100%
Ningbo CRRC Times Electrical Equipment Co., Ltd. ("Ningbo Electric")	Ningbo Zhejiang	RMB10,000,000	Manufacture industry	100%	–	100%
Qingdao Electric	Qingdao Shandong	RMB100,000,000	Manufacture industry	45%	–	45%
Shanghai CRRC Railway Transportation Technology Co., Ltd. ("Shanghai CRRC Railway")	Shanghai	RMB50,000,000	Manufacture industry	51%	–	51%
Wenzhou CRRC Electrical Equipment Co., Ltd. ("Wenzhou Electric")	Wenzhou Zhejiang	RMB30,000,000	Manufacture industry	51%	–	51%
Times Software	Zhuzhou Hunan	RMB100,000,000	Software service	100%	–	100%
Times Signal & Communication	Changsha Hunan	RMB200,000,000	Manufacture industry	100%	–	100%
Lanzhou CRRC Times Rail Transit Technology Co., Ltd. ("Lanzhou Times")	Gansu Lanzhou	RMB50,000,000	Manufacture industry	51%	–	51%
Shanghai SMD	Shanghai	RMB30,000,000	Manufacture industry	100%	–	100%
CRRC Times Electric Australia Pty. Ltd. ("Times Australia")	Australia	AUD290,000	Trading	100%	–	100%
CRRC Times Electric USA, LLC. ("Times USA")	USA	USD430,000	Trading	100%	–	100%
CRRC Times Electric Brasil Ltda. ("Times Brasil")	Brasil	USD741.820	Trading	99%	1%	100%

## Notes to Financial Statements

30 June 2017

Renminbi Yuan

### VII. INTERESTS IN OTHER ENTITIES (continued)

#### 1. Interests in subsidiaries (continued)

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

Names of companies	Place of registration/ Principal place of business	Registered capital	Nature of business	Proportion of shareholding		Proportion of votes
				Direct	Indirect	
By business combination not involving entities under common control						
Dynex	Canada	CAD 37,096,192	Investment holding	75%	–	75%
Dynex Semiconductor Limited ("Dynex Semiconductor")	United Kingdom	GBP 15,000,000	Manufacture industry	–	75%	75%
SMD	United Kingdom	GBP44,049,014	Investment holding	–	100%	100%
Soil Machine Dynamics Limited	United Kingdom	GBP100	Manufacture industry	–	100%	100%
Bywell Holdings Limited	United Kingdom	GBP85,409	Investment holding	–	100%	100%
Specialist Machine Developments (Investment) Limited	United Kingdom	GBP2	Investment holding	–	100%	100%
SMD Offshore Support Limited	United Kingdom	GBP2	Trading	–	100%	100%
Soil Machine Dynamics USA LLC	USA	USD0	Trading	–	100%	100%
SMD Robotics Limited	United Kingdom	GBP1	Trading	–	100%	100%
Soil Machine Dynamics Singapore Pte. Ltd.	Singapore	SGD1	Manufacture industry	–	100%	100%
SMD do Brasil Ltd.	Brasil	BRL100	Trading	–	100%	100%
Crossco 236 Limited	United Kingdom	GBP1	Dormant	–	100%	100%
SMD ROVs Limited	United Kingdom	GBP1	Dormant	–	100%	100%
SMD Specialist Vehicles Limited	United Kingdom	GBP1	Dormant	–	100%	100%
By business combination involving entities under common control						
ZNERCC	Zhuzhou Hunan	RMB273,000,000	Manufacture industry	100%	–	100%

Subsidiaries with significant non-controlling interests are as follows:

#### For the six months ended 30 June 2017 (Unaudited)

	Proportion of non-controlling interests	Profits attributable to non-controlling shareholders	Dividends paid to non-controlling shareholders	Accumulated non-controlling interests
Baoji Times	14.2%	11,365,821	(3,152,206)	66,558,616

## Notes to Financial Statements

30 June 2017

Renminbi Yuan

### VII. INTERESTS IN OTHER ENTITIES (continued)

#### 1. Interests in subsidiaries (continued)

Subsidiaries with significant non-controlling interests are as follows: (continued)

2016 (Audited)

	Proportion of non-controlling interests	Profits attributable to non-controlling interests	Dividends paid to non-controlling shareholders	Accumulated non-controlling interests
Baoji Times	14.2%	8,756,126	(2,130,544)	58,345,001

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

	Baoji Times
<b>30 June 2017 (Unaudited)</b>	
Current assets	<b>2,185,217,800</b>
Non-current assets	<b>155,774,840</b>
Total assets	<b>2,340,992,640</b>
Current liabilities	<b>1,863,269,983</b>
Non-current liabilities	<b>9,000,000</b>
Total liabilities	<b>1,872,269,983</b>
<b>For the six months ended 30 June 2017 (Unaudited)</b>	
Revenue	<b>1,224,846,527</b>
Net profit	<b>80,040,999</b>
Total comprehensive income	<b>80,040,999</b>
Net cash flows from operating activities	<b>66,412,586</b>

## Notes to Financial Statements

30 June 2017

Renminbi Yuan

### VII. INTERESTS IN OTHER ENTITIES (continued)

#### 1. Interests in subsidiaries (continued)

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

Baoji Times

31 December 2016 (Audited)

Current assets	1,709,780,431
Non-current assets	<u>169,261,302</u>

Total assets	<u>1,879,041,733</u>
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Current liabilities	1,459,161,441
Non-current liabilities	<u>9,000,000</u>

Total liabilities	<u>1,468,161,441</u>
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2016 (Audited)

Revenue	1,303,903,291
Net profit	61,662,863
Total comprehensive income	<u>61,662,863</u>

Net cash flows used in operating activities	<u><u>(151,626,736)</u></u>
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## Notes to Financial Statements

30 June 2017

Renminbi Yuan

### VII. INTERESTS IN OTHER ENTITIES (continued)

#### 2. Interests in joint ventures and associates

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

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



## Notes to Financial Statements

30 June 2017

Renminbi Yuan

### VII. INTERESTS IN OTHER ENTITIES (continued)

#### 2. Interests in joint ventures and associates (continued)

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

	30 June 2017 (Unaudited)	31 December 2016 (Audited)
Current assets	685,085,463	843,911,878
Including: Cash and bank balances	383,734,719	273,095,958
Non-current assets	55,126,209	52,776,206
Total assets	740,211,672	896,688,084
Current liabilities	258,319,231	447,418,001
Non-current liabilities	—	—
Total liabilities	258,319,231	447,418,001
Net assets	481,892,441	449,270,083
Net assets portion based on shareholding	240,946,221	224,635,042
Less: Unrealised profit of downstream trading	56,154,810	64,978,751
Carrying amount of investment	183,402,181	158,267,061
	For the six months ended 30 June 2017 (Unaudited)	For the six months ended 30 June 2016 (Unaudited)
Revenue	555,787,692	916,914,941
Income tax expense	11,084,876	21,504,104
Net profit	32,622,358	64,717,742
Total comprehensive income	32,622,358	64,717,742
Dividends received	—	—

## Notes to Financial Statements

30 June 2017

Renminbi Yuan

### VII. INTERESTS IN OTHER ENTITIES (continued)

#### 2. Interests in joint ventures and associates (continued)

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

	For the six months ended 30 June 2017 (Unaudited)	For the six months ended 30 June 2016 (Unaudited)
Total carrying amount of investment	67,050,556	67,330,359
Total amounts based on shareholding		
Net profit	334,500	2,394,419
Total comprehensive income	334,500	2,394,419

### VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS

#### 1. Classification of financial instruments

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

#### 30 June 2017 (Unaudited)

##### Financial assets

	Loans and receivables	Available-for-sale financial asset	Total
Cash and bank balances	4,936,793,139	—	4,936,793,139
Bills receivable	1,687,932,114	—	1,687,932,114
Trade receivables	8,463,680,820	—	8,463,680,820
Other receivables	154,463,441	—	154,463,441
Other current assets	751,020,274	—	751,020,274
Available-for-sale financial asset	—	900,000	900,000
Long-term receivables	48,823,841	—	48,823,841
	<b>16,042,713,629</b>	<b>900,000</b>	<b>16,043,613,629</b>

## Notes to Financial Statements

30 June 2017

Renminbi Yuan

### VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS (continued)

#### 1. Classification of financial instruments (continued)

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

**30 June 2017 (Unaudited)** (continued)

#### **Financial liabilities**

	Other financial liabilities
Short-term borrowings	134,183,956
Bills payable	1,415,683,274
Trade payables	3,365,222,788
Dividends payables	531,964,487
Interests payable	409,897
Other payables	473,476,035
Long-term borrowings	
(inclusive of current portion of long-term borrowings)	102,001,052
Long-term payables	71,483,636
	<b>6,094,425,125</b>

31 December 2016 (Audited)

#### **Financial assets**

	Loans and receivables	Available-for-sale financial asset	Total
Cash and bank balances	3,201,134,282	—	3,201,134,282
Bills receivable	4,259,355,110	—	4,259,355,110
Trade receivables	5,317,077,521	—	5,317,077,521
Other receivables	129,788,537	—	129,788,537
Other current assets	2,300,752,192	—	2,300,752,192
Available-for-sale financial asset	—	900,000	900,000
Long-term receivables	49,932,355	—	49,932,355
	<b>15,258,039,997</b>	<b>900,000</b>	<b>15,258,939,997</b>

## Notes to Financial Statements

30 June 2017

Renminbi Yuan

### VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS (continued)

#### 1. Classification of financial instruments (continued)

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

31 December 2016 (Audited) (continued)

#### **Financial liabilities**

	Financial liabilities at fair value through profit or loss	Other financial liabilities	Total
Short-term borrowings	–	159,166,033	159,166,033
Financial liabilities at fair value through profit or loss	6,135,766	–	6,135,766
Bills payable	–	1,835,369,575	1,835,369,575
Trade payables	–	2,786,933,694	2,786,933,694
Dividends payable	–	3,000,000	3,000,000
Interests payable	–	448,131	448,131
Other payables	–	445,525,339	445,525,339
Long-term borrowings (inclusive of current portion of long-term borrowings)	–	102,904,123	102,904,123
Long-term payables	–	100,662,888	100,662,888
	<u>6,135,766</u>	<u>5,434,009,783</u>	<u>5,440,145,549</u>

#### 2. Transfer of financial assets

#### **Transferred financial assets that are not derecognised in their entirety**

As at 30 June 2017, the Group endorsed commercial acceptance bills (the “Endorsed Bills”) with a carrying amount of RMB32,583,807 (unaudited) (31 December 2016 (audited): RMB50,332,813) to certain of its suppliers in order to settle the trade payables due to such suppliers (the “Endorsement”). In the opinion of the directors, the Group has retained the substantial risks and rewards, which include default risks relating to such Endorsed Bills. Accordingly, it continued to recognise the full carrying amounts of the settled accounts payable.

## Notes to Financial Statements

30 June 2017

Renminbi Yuan

### VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS (continued)

#### 2. Transfer of financial assets (continued)

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

As at 30 June 2017, the Group endorsed bank acceptance bills (the “Derecognized Bills”) to certain of its suppliers in order to settle the trade payables due to such suppliers with a carrying amount of RMB166,610,163 (unaudited) (31 December 2016 (audited): RMB366,049,565). The Derecognized Bills had a maturity of one to ten months at the end of the reporting period. In accordance with the Law of Negotiable Instruments in the PRC, the holders of the Derecognized Bills have a right of recourse against the Group if the PRC banks default (the “Continuing Involvement”). The maximum exposure to loss from the Group’s Continuing Involvement in the Derecognised Bills and the undiscounted cash flows to repurchase these Derecognised Bills is equal to their carrying amounts. In the opinion of the directors, the fair values of the Group’s Continuing Involvement in the Derecognised Bills are not significant. The Group has transferred substantially all risks and rewards relating to the Derecognised Bills. Accordingly, the carrying amounts of trade payables settled by the Derecognised Bills were derecognized.

For the six months ended 30 June 2017, the Group has not recognised any gain or loss on the date of transfer of the Derecognised Bills. No gains or losses were recognised from the Continuing Involvement, both during the year or cumulatively. The endorsement has been made evenly throughout the period.

#### 3. Financial instruments and their risks

The Group’s principal financial instruments, other than derivative instruments, comprise bank loans and cash and bank balances. The main purpose of these financial instruments is to raise finance for the Group’s operations. The Group has various other financial assets and liabilities such as the trade receivables and trade payables, which arise directly from its operations.

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

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

##### ***Credit risk***

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

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

30 June 2017

Renminbi Yuan

**VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS** (continued)**3. Financial instruments and their risks** (continued)**Credit risk** (continued)

The major customers of the Group are CRRC Corporation Limited and its subsidiaries as well as other state-owned enterprises and institutions in the railway transportation industry. Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed by customer. As at 30 June 2017, the Group had certain concentrations of credit risk as 23.0% (unaudited) (31 December 2016 (audited): 17.3%) and 47.6% (unaudited) (31 December 2016 (audited): 36.6%) of the Group's trade receivables (including long-term trade receivables) were due from the Group's largest customer and the five largest customers, respectively.

The maturity profile of the Group's financial assets with no impairment incurred is analysed as follows:

**30 June 2017 (Unaudited)**

	Total	Neither overdue nor impaired	Overdue but not impaired	
			Within six months	Over six months
Bills receivable	1,687,932,114	1,687,932,114	—	—
Trade receivables	6,022,352,383	6,022,352,383	—	—
Other receivables	93,062,480	93,062,480	—	—
Other current assets	751,020,274	751,020,274	—	—
Available-for-sale financial asset	900,000	900,000	—	—
Long-term receivables	38,810,718	38,810,718	—	—
	<b>8,594,077,969</b>	<b>8,594,077,969</b>	<b>—</b>	<b>—</b>



## Notes to Financial Statements

30 June 2017

Renminbi Yuan

### VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS (continued)

#### 3. Financial instruments and their risks (continued)

##### **Credit risk** (continued)

31 December 2016 (Audited)

			Overdue but not impaired	
	Total	Neither overdue nor impaired	Within six months	Over six months
Bills receivable	4,259,355,110	4,259,355,110	–	–
Trade receivables	3,948,323,883	3,948,323,883	–	–
Other receivables	110,790,371	110,790,371	–	–
Other current assets	2,300,752,192	2,300,752,192	–	–
Available-for-sale financial asset	900,000	900,000	–	–
Long-term receivables	40,541,736	40,541,736	–	–
	<u>10,660,663,292</u>	<u>10,660,663,292</u>	<u>–</u>	<u>–</u>

As at 30 June 2017 (unaudited) and 31 December 2016 (audited), the trade receivables not overdue without impairment were related to several recent customers without default records.

##### **Liquidity risk**

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

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

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

## Notes to Financial Statements

30 June 2017

Renminbi Yuan

### VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS (continued)

#### 3. Financial instruments and their risks (continued)

##### **Liquidity risk** (continued)

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

##### **30 June 2017 (Unaudited)**

	Within 1 year	1-2 years	Over 2 years	Total
Short-term borrowings	134,183,956	—	—	134,183,956
Bills payable	1,415,683,274	—	—	1,415,683,274
Trade payables	3,365,222,788	—	—	3,365,222,788
Dividends payable	531,964,487	—	—	531,964,487
Interests payable	409,897	—	—	409,897
Other payables	473,476,035	—	—	473,476,035
Long-term borrowings (inclusive of current portion of long-term borrowings)	2,189,203	6,575,285	100,017,441	108,781,929
Long-term payables	—	41,741,547	29,742,089	71,483,636
	<u>5,923,129,640</u>	<u>48,316,832</u>	<u>129,759,530</u>	<u>6,101,206,002</u>

## Notes to Financial Statements

30 June 2017

Renminbi Yuan

### VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS (continued)

#### 3. Financial instruments and their risks (continued)

##### **Liquidity risk** (continued)

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

31 December 2016 (Audited)

	Within 1 year	1-2 years	Over 2 years	Total
Short-term borrowings	159,166,033	–	–	159,166,033
Financial liabilities at fair value through profit or loss	6,135,766	–	–	6,135,766
Bills payable	1,835,369,575	–	–	1,835,369,575
Trade payables	2,786,933,694	–	–	2,786,933,694
Dividends payable	3,000,000	–	–	3,000,000
Interests payable	448,131	–	–	448,131
Other payables	445,525,339	–	–	445,525,339
Long-term borrowings (inclusive of current portion of long-term borrowings)	2,715,858	4,199,722	106,429,527	113,345,107
Long-term payables	–	49,693,657	50,969,231	100,662,888
	<u>5,239,294,396</u>	<u>53,893,379</u>	<u>157,398,758</u>	<u>5,450,586,533</u>

##### **Market risk**

##### *Interest rate risk*

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long term debt obligations with a floating interest rate.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's net profit (through the impact on floating rate borrowings) and the other comprehensive income after tax.

30 June 2017

Renminbi Yuan

**VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS** (continued)**3. Financial instruments and their risks** (continued)**Market risk** (continued)*Interest rate risk* (continued)**For the six months ended 30 June 2017 (Unaudited)**

	Increase/ (decrease) in basis points	Increase/ (decrease) in net profit	Increase/ (decrease) in other comprehensive income after tax	Increase/ (decrease) in shareholders' equity
GBP	+1%	(216)	—	(216)

**For the six months ended 30 June 2016 (Unaudited, restated)**

	Increase/ (decrease) in basis points	Increase/ (decrease) in net profit	Increase/ (decrease) in other comprehensive income after tax	Increase/ (decrease) in shareholders' equity
GBP	+1%	(773)	—	(773)

*Foreign currency risk*

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

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

## Notes to Financial Statements

30 June 2017

Renminbi Yuan

### VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS (continued)

#### 3. Financial instruments and their risks (continued)

##### **Market risk** (continued)

##### *Foreign currency risk* (continued)

##### **For the six months ended 30 June 2017 (Unaudited)**

	Increase/ (decrease) in exchange rate	Increase/ (decrease) in net profit	Increase/ (decrease) in other comprehensive income after tax	Increase/ (decrease) in shareholders' equity
Japanese yen				
If RMB strengthens against Japanese yen	+10%	10,713,947	–	10,713,947
If RMB weakens against Japanese yen	-10%	(10,713,947)	–	(10,713,947)
United States dollar				
If RMB strengthens against United States dollar	+10%	(7,623,203)	(664,800)	(8,288,003)
If RMB weakens against United States dollar	-10%	7,623,203	664,800	8,288,003
Great British pound				
If RMB strengthens against Great British pound	+10%	(4,921,718)	10,907,468	5,985,750
If RMB weakens against Great British pound	-10%	4,921,718	(10,907,468)	(5,985,750)

30 June 2017

Renminbi Yuan

## VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS (continued)

## 3. Financial instruments and their risks (continued)

**Market risk** (continued)*Foreign currency risk* (continued)

For the six months ended 30 June 2016 (Unaudited, restated)

	Increase/ (decrease) in exchange rate	Increase/ (decrease) in net profit	Increase/ (decrease) in other comprehensive income after tax	Increase/ (decrease) in shareholders' equity
Japanese yen				
If RMB strengthens against Japanese yen	+10%	17,339,219	–	17,339,219
If RMB weakens against Japanese yen	-10%	(17,339,219)	–	(17,339,219)
United States dollar				
If RMB strengthens against United States dollar	+10%	(6,469,296)	(655,121)	(7,124,417)
If RMB weakens against United States dollar	-10%	6,469,296	655,121	7,124,417
Great British pound				
If RMB strengthens against Great British pound	+10%	(3,733,224)	9,790,241	6,057,017
If RMB weakens against Great British pound	-10%	3,733,224	(9,790,241)	(6,057,017)

## 4. Capital management

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

The Group manages its capital structure and makes adjustment to it in light of changes in economic conditions and the risk characteristics of underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the six months ended 30 June 2017 and the year ended 31 December 2016.



## Notes to Financial Statements

30 June 2017

Renminbi Yuan

### VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS (continued)

#### 4. Capital management (continued)

The Group monitors capital using a gearing ratio, which is net debt divided by the adjusted capital plus net debt. The Group's policy is to maintain the gearing ratio below 30%. Net debt includes financial liabilities at fair value through profit or loss, interest-bearing bank and other borrowings, bills payable, trade payables, advances from customers, employee benefits payable, dividends payable, interests payable, other taxes payable excluding income tax payable, other payables and long-term payables, less cash and cash equivalents. Capital includes equity attributable to shareholders of the Parent. The gearing ratios as at balance sheet date were as follows:

	30 June 2017 (Unaudited)	31 December 2016 (Audited)
Short-term borrowings	134,183,956	159,166,033
Financial liabilities at fair value through profit or loss	—	6,135,766
Bills payable	1,415,683,274	1,835,369,575
Trade payables	3,365,222,788	2,786,933,694
Advances from customers	965,436,686	858,585,589
Employee benefits payable	158,155,356	36,619,390
Dividends payable	531,964,487	3,000,000
Interests payable	409,897	448,131
Taxes payable (excluding income tax payable)	56,831,293	159,277,389
Other payables	473,476,035	445,525,339
Long-term borrowings (inclusive of current portion of long-term borrowings)	102,001,052	102,904,123
Long-term payables	71,483,636	100,662,888
Less: Cash and cash equivalents	4,554,549,756	3,063,801,902
Net debt	2,720,298,704	3,430,826,015
Equity attributable to the shareholders of the Parent	16,395,246,523	15,799,781,009
Capital and net debt	19,115,545,227	19,230,607,024
Gearing ratio	14.23%	17.84%

## Notes to Financial Statements

30 June 2017

Renminbi Yuan

### IX. FAIR VALUE

#### 1. Assets and liabilities measured at fair value

As at 30 June 2017, there is no assets or liabilities measured at fair value in the Group (Unaudited).

31 December 2016 (Audited)

	Inputs used in financial instruments measured at fair value			Total
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
Financial liabilities at fair value through profit or loss	–	6,135,766	–	6,135,766

#### 2. Assets and liabilities disclosed at fair value

30 June 2017 (Unaudited)

	Inputs used in financial instruments measured at fair value			Total
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
Long-term receivables	–	48,823,841	–	48,823,841
Long-term borrowings	–	100,910,544	–	100,910,544
Long-term payables	–	71,483,636	–	71,483,636

## Notes to Financial Statements

30 June 2017

Renminbi Yuan

### IX. FAIR VALUE (continued)

#### 2. Assets and liabilities disclosed at fair value (continued)

31 December 2016 (Audited)

	Inputs used in financial instruments measured at fair value			Total
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
Long-term receivables	–	49,932,355	–	49,932,355
Long-term borrowings	–	101,317,364	–	101,317,364
Long-term payables	–	100,662,888	–	100,662,888

#### 3. Fair value evaluation

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

	Carrying amount		Fair value	
	30 June 2017 (Unaudited)	31 December 2016 (Audited)	30 June 2017 (Unaudited)	31 December 2016 (Audited)
Financial assets				
Long-term receivables	<b>48,823,841</b>	49,932,355	<b>48,823,841</b>	49,932,355

	Carrying amount		Fair value	
	30 June 2017 (Unaudited)	31 December 2016 (Audited)	30 June 2017 (Unaudited)	31 December 2016 (Audited)
Financial liabilities				
Financial liabilities at fair value through profit or loss	–	6,135,766	–	6,135,766
Long-term borrowings	<b>100,910,544</b>	101,317,364	<b>100,910,544</b>	101,317,364
Long-term payables	<b>71,483,636</b>	100,662,888	<b>71,483,636</b>	100,662,888

30 June 2017

Renminbi Yuan

### IX. FAIR VALUE (continued)

#### 3. Fair value evaluation (continued)

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

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

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

The fair values of long-term receivables, long-term borrowings, long-term payables, etc. have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The Group's own non-performance risk for interest-bearing bank and other borrowings as at 30 June 2017 was assessed to be insignificant.

The Group signed the derivative financial instrument contracts with more than one counterparties (mainly refer to financial institutions with higher credit rating). Derivative financial instruments mainly includes forward foreign exchange contracts which calculated by method of valuation techniques of forward pricing, swap model and present value method. The model covers multiple input values of observed market, including credit quality of counterparty, spot and forward exchange rate and interest rate curve. The carrying amount of the forward foreign exchange contract is in accordance with the fair value. As at 30 June 2017, the fair value of the derivative instrument is offset the net value of credit valuation of default risk attributable to derivative instrument counterparty after adjustment. The change of counterparty credit risk had no significant impact on the effectiveness of derivative hedging evaluation and other financial instrument measured at fair value.

## Notes to Financial Statements

30 June 2017

Renminbi Yuan

### X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

#### 1. Parent company

Name of the parent company	Place of registration	Nature of business	Registered capital	Proportion of shareholding	Proportion of votes
CRRC Zhuzhou Institute Co., Ltd.	Zhuzhou Hunan	Manufacture Industry	8,287,910,000	50.16%	50.16%

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

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

In June 2017, CRRC Corporation Limited increased the capital contribution amount by RMB3,023,410,000 to CRRC Zhuzhou Institute Co., Ltd. After completion of the capital increase, the registered capital and paid-in capital of CRRC Zhuzhou Institute Co., Ltd. increased to RMB8,287,910,000.

#### 2. Subsidiaries

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

#### 3. Joint ventures and associates

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

#### 4. Other related parties

Name of the companies	Related party relationships
CRRC Zhuzhou Locomotive Co., Ltd.	Corporation controlled by the ultimate holding party
Ningbo Jiangbei Gofront Herong Electric Co., Ltd.	Corporation controlled by the ultimate holding party
Beijing North Gofront Science Business Co., Ltd.	Corporation controlled by the ultimate holding party
CRRC Datong Co., Ltd.	Corporation controlled by the ultimate holding party
Beijing CRRC CED Railway Electric Tech. Co., Ltd.	Corporation controlled by the ultimate holding party
CRRC Dalian Co., Ltd.	Corporation controlled by the ultimate holding party

## Notes to Financial Statements

30 June 2017

Renminbi Yuan

### X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (continued)

#### 4. Other related parties (continued)

Name of the companies	Related party relationships
CRRC Qishuyan Co., Ltd.	Corporation controlled by the ultimate holding party
CRRC Erqi Co., Ltd.	Corporation controlled by the ultimate holding party
CRRC Ziyang Co., Ltd.	Corporation controlled by the ultimate holding party
CRRC Changchun Railway Vehicles Co., Ltd.	Corporation controlled by the ultimate holding party
CRRC Qingdao Sifang Co., Ltd.	Corporation controlled by the ultimate holding party
Qingdao CRRC Sifang Sales Co., Ltd.	Corporation controlled by the ultimate holding party
CRRC Chengdu Co., Ltd.	Corporation controlled by the ultimate holding party
CRRC Tangshan Co., Ltd.	Corporation controlled by the ultimate holding party
CRRC Nanjing Puzhen Co., Ltd.	Corporation controlled by the ultimate holding party
Nanjing CRRC Puzhen Rapid Transit Vehicles Co., Ltd.	Corporation controlled by the ultimate holding party
CRRC Guangdong Co., Ltd.	Corporation controlled by the ultimate holding party
CRRC Hangzhou Co., Ltd.	Corporation controlled by the ultimate holding party
CRRC Sifang Co., Ltd.	Corporation controlled by the ultimate holding party
Bombardier Sifang (Qingdao) Transportation Ltd.	Corporation controlled by the ultimate holding party
Shijiazhuang King Transportation Equipment Co., Ltd.	Corporation controlled by the ultimate holding party
CRRC Taiyuan Co., Ltd.	Corporation controlled by the ultimate holding party
CRRC Yongji Electric Co., Ltd.	Corporation controlled by the ultimate holding party
Xi'an CRRC Yongdian Electric Co., Ltd.	Corporation controlled by the ultimate holding party
CRRC Zhuzhou Electric Co., Ltd.	Corporation controlled by the ultimate holding party
Dalian CRRC Zelong Machinery Co., Ltd.	Corporation controlled by the ultimate holding party



## Notes to Financial Statements

30 June 2017

Renminbi Yuan

### X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (continued)

#### 4. Other related parties (continued)

Name of the companies	Related party relationships
Shanghai Alstom Transport Co., Ltd.	Corporation controlled by the ultimate holding party
Ningbo CRRC New Energy Technology Co., Ltd.	Corporation controlled by the ultimate holding party
CRRC Luoyang Co., Ltd.	Corporation controlled by the ultimate holding party
Quanzhou CRRC Tangshan Railway Vehicle Co., Ltd.	Corporation controlled by the ultimate holding party
Ziyang CRRC Electric Locomotive Co., Ltd.	Corporation controlled by the ultimate holding party
CRRC Qishuyan Institute Co., Ltd.	Corporation controlled by the ultimate holding party
Ziyang CRRC Electrical Technology Co., Ltd.	Corporation controlled by the ultimate holding party
CRRC Finance Co., Ltd.	Corporation controlled by the ultimate holding party
CRRC Xi'an Co., Ltd.	Corporation controlled by the ultimate holding party
Meishan CRRC Brake Technology Co., Ltd.	Corporation controlled by the ultimate holding party
Meishan CRRC Fastener Science & Technology Co., Ltd.	Corporation controlled by the ultimate holding party
CRRC Yangtze Tongling Co., Ltd.	Corporation controlled by the ultimate holding party
CRRC Qingdao Sifang Rolling Stock Research Institute Co., Ltd.	Corporation controlled by the ultimate holding party
CRRC Changzhou Tech-mark Industrial Co., Ltd.	Corporation controlled by the ultimate holding party
Changzhou Ruitai Engineering Machinery Co., Ltd.	Corporation controlled by the ultimate holding party
Dalian CRRC Electrical Technology Co., Ltd.	Corporation controlled by the ultimate holding party
Zhuzhou CRRC Special Equipment Technology Co., Ltd.	Corporation controlled by the ultimate holding party
Chengdu CRRC Electric Co., Ltd.	Corporation controlled by the ultimate holding party
Wuhan CRRC Changke Railway Vehicles Co., Ltd.	Corporation controlled by the ultimate holding party
Nanjing CRRC Puzhen Haitai Brake Equipment Co., Ltd.	Corporation controlled by the ultimate holding party

30 June 2017

Renminbi Yuan

**X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS** (continued)**4. Other related parties** (continued)

<b>Name of the companies</b>	<b>Related party relationships</b>
CRRC Ziyang Transmission Co., Ltd.	Corporation controlled by the ultimate holding party
CRRC Dalian Institute Co., Ltd.	Corporation controlled by the ultimate holding party
CRRC Logistics Co., Ltd.	Corporation controlled by the ultimate holding party
Qingdao KAMAX Buffer Equipment Co., Ltd.	Corporation controlled by the ultimate holding party
Qingdao Sri Technology Co., Ltd.	Corporation controlled by the ultimate holding party
CRRC Yangtze Co., Ltd.	Corporation controlled by the ultimate holding party
Changchun CRRC Railway Vehicles Co., Ltd.	Corporation controlled by the ultimate holding party
Tianjin CRRC Sifang Co., Ltd.	Corporation controlled by the ultimate holding party
CRRC Tianjin JL Equipment Co., Ltd.	Corporation controlled by the ultimate holding party
Guangzhou CRRC Junfa Electrical Co. Ltd.	Corporation controlled by the ultimate holding party
CRRC Dalian Electric Traction Research and Development Center Co., Ltd.	Corporation controlled by the ultimate holding party
Zhejiang CRRC Electric Vehicles Co.,Ltd.	Corporation controlled by the ultimate holding party
Jiangxi CRRC Changchun Railway Vehicles Co., Ltd.	Corporation controlled by the ultimate holding party
Foshan CRRC Sifang Railway Vehicles Co., Ltd.	Corporation controlled by the ultimate holding party
Hefei CRRC Rolling Stock Co., Ltd.	Corporation controlled by the ultimate holding party
CRRC Shijiazhuang Co., Ltd.	Corporation controlled by the ultimate holding party
Shijiazhuang CRRC Railway Vehicles Equipment Co., Ltd.	Corporation controlled by the ultimate holding party
CRRC Shandong CO., LTD.	Corporation controlled by the ultimate holding party
CRRC xi'an YongeJieTong Electric Co., Ltd.	Corporation controlled by the ultimate holding party

## Notes to Financial Statements

30 June 2017

Renminbi Yuan

### X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (continued)

#### 4. Other related parties (continued)

Name of the companies	Related party relationships
CRRC Investment & Leasing Co., Ltd.	Corporation controlled by the ultimate holding party
CRRC Changzhou Qishuyan Locomotive & Rolling Stock Works	Corporation controlled by the ultimate holding party
Chongqing CRRC Construction Engrg Co., Ltd.	Corporation controlled by the ultimate holding party
CRRC Industry Research Institute Co., Ltd.	Corporation controlled by the ultimate holding party
Guangzhou Locomotive Co., Ltd.	Associate of the ultimate holding group
Tianjin Locomotive Co., Ltd.	Associate of the ultimate holding group
Shentong CSR (Shanghai) Railway Vehicles Maintenance Co., Ltd.	A joint venture of the ultimate holding group
Shentong CNR (Shanghai) Railway Vehicles Maintenance Co., Ltd.	A joint venture of the ultimate holding group
Changzhou Ruiyang Transmission Technology Co., Ltd.	A joint venture of the ultimate holding group
Qingdao Faiveley SRI Rail Brake Co., Ltd.	A joint venture of the ultimate holding group
Dalian Toshiba Electric Equipment Co., Ltd.	A joint venture of the ultimate holding group
Zhuzhou Times Material International Trade Co., Ltd.	Corporation controlled by the parent company
Hunan CRRC Times Electric Vehicle Co., Ltd.	Corporation controlled by the parent company
Shanghai CRRC Hange Shipping and Marine Engineering Co., Ltd.	Corporation controlled by the parent company
Xiangyang CRRC Electric Machinery Co., Ltd.	Corporation controlled by the parent company
Zhuzhou CRRC Electromechanical Technology Co., Ltd.	Corporation controlled by the parent company
Hunan CRRC Special Electric Equipment Co., Ltd.	Corporation controlled by the parent company
Zhuzhou Times New Material Technology Co., Ltd.	Corporation controlled by the parent company
Zhuzhou Times Rubber and Plastics Components Development Co., Ltd.	Corporation controlled by the parent company
CRCC Zhuzhou Traction Electrical Equipment Test & Certification Co., Ltd.	Corporation controlled by the parent company

## Notes to Financial Statements

30 June 2017

Renminbi Yuan

### X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (continued)

#### 4. Other related parties (continued)

Name of the companies	Related party relationships
Xiangyang China Railway Hongji Engineering Co., Ltd.	Corporation controlled by the parent company
CRRC Beijing Heavy Industry and Mechanics Co., Ltd.	Corporation controlled by the parent company
Zhuzhou Times Electric Insulation Co., Ltd.	Corporation controlled by the parent company
CRRC-AVC Thermal Technologies (Zhuzhou) Co., Ltd. (formerly known as CSR-AVC Thermal Technologies (Zhuzhou) Co., Ltd.)	Corporation controlled by the parent company
Zhuzhou Electric Vehicle Co., Ltd.	Associate of the parent company

#### 5. Major transactions between the Group and its related parties

##### (1) Sales of goods to related parties

	For the six months ended 30 June 2017 (Unaudited)	For the six months ended 30 June 2016 (Unaudited, restated)
Corporations controlled by the ultimate holding party	2,075,409,179	3,017,720,922
Joint ventures of the Company	215,493,016	539,803,864
Corporations controlled by the parent company	75,979,694	66,296,146
Parent company	6,667,255	4,935,649
Associates of the ultimate holding group	2,521,632	8,694,616
Joint ventures of ultimate holding group	198,291	50,769
Associates of the Company	—	198,999
	<b>2,376,269,067</b>	<b>3,637,700,965</b>

## Notes to Financial Statements

30 June 2017

Renminbi Yuan

### X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (continued)

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

##### (2) Purchases of goods from related parties

	For the six months ended 30 June 2017  (Unaudited)	For the six months ended 30 June 2016  (Unaudited, restated)
Corporations controlled by the ultimate holding party	364,345,343	357,659,980
Joint ventures of the Company	302,337,271	685,348,434
Corporations controlled by the parent company	186,694,874	156,124,460
Joint ventures of the ultimate holding group	10,041,807	4,309,470
Associates of the Company	822,879	26,314,307
Parent company	3,334	—
	<b>864,245,508</b>	<b>1,229,756,651</b>

##### (3) Sales of electricity to related parties

	For the six months ended 30 June 2017  (Unaudited)	For the six months ended 30 June 2016  (Unaudited, restated)
Corporations controlled by the parent company	730,095	1,392,602
Parent company	249,477	291,173
Corporations controlled by the ultimate holding party	39,095	—
Associates of the Company	5,348	12,690
	<b>1,024,015</b>	<b>1,696,465</b>

## Notes to Financial Statements

30 June 2017

Renminbi Yuan

### X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (continued)

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

##### (4) Purchases of electricity from related party

	For the six months ended 30 June 2017  (Unaudited)	For the six months ended 30 June 2016 (Unaudited, restated)
Corporations controlled by the ultimate holding party	<b>74,611</b>	147,954

##### (5) Related party leases

As lessor

	For the six months ended 30 June 2017  (Unaudited)	For the six months ended 30 June 2016 (Unaudited, restated)
Corporations controlled by the parent company	<b>1,779,152</b>	2,025,818
Parent company	<b>1,408,992</b>	—
	<b>3,188,144</b>	2,025,818

As lessee

	For the six months ended 30 June 2017  (Unaudited)	For the six months ended 30 June 2016 (Unaudited, restated)
Parent company (Note)	<b>451,725</b>	92,404,333
Associates of the group of parent company	<b>395,373</b>	706,418
	<b>847,098</b>	93,110,751



## Notes to Financial Statements

30 June 2017

Renminbi Yuan

### X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (continued)

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

##### (5) Related party leases (continued)

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

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

##### (6) Technical service income from related parties

	For the six months ended 30 June 2017  (Unaudited)	For the six months ended 30 June 2016 (Unaudited, restated)
Corporations controlled by the ultimate holding party	3,019,710	9,244,446
Parent company	—	1,351,830
Corporations controlled by the parent company	—	106,654
	<b>3,019,710</b>	<b>10,702,930</b>

## Notes to Financial Statements

30 June 2017

Renminbi Yuan

### X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (continued)

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

##### (7) Maintenance services provided to related parties

	For the six months ended 30 June 2017  (Unaudited)	For the six months ended 30 June 2016 (Unaudited, restated)
Corporations controlled by the ultimate holding party	250,083,522	208,959,967
Associates of the ultimate holding group	53,151,043	—
Joint ventures of the ultimate holding group	166,154	—
Corporations controlled by the parent company	3,806	93,299
	<b>303,404,525</b>	<b>209,053,266</b>

##### (8) Technical service fees paid to related parties

	For the six months ended 30 June 2017  (Unaudited)	For the six months ended 30 June 2016 (Unaudited, restated)
Parent company	97,405,661	85,165,094
Corporations controlled by the ultimate holding party	3,207,547	—
Corporations controlled by the parent company	1,887,786	3,905,019
	<b>102,500,994</b>	<b>89,070,113</b>

## Notes to Financial Statements

30 June 2017

Renminbi Yuan

### X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (continued)

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

##### (9) Interest income from cash and bank balances

	For the six months ended 30 June 2017 (Unaudited)	For the six months ended 30 June 2016 (Unaudited, restated)
Corporations controlled by the ultimate holding party	<b>1,979,743</b>	2,291,484

##### (10) Interests expenses to borrowings

	For the six months ended 30 June 2017 (Unaudited)	For the six months ended 30 June 2016 (Unaudited, restated)
Shareholder of the parent company	<b>547,026</b>	513,382
Parent company	—	5,276,168
	<b>547,026</b>	5,789,550

##### (11) Remuneration of key management

	For the six months ended 30 June 2017 (Unaudited)	For the six months ended 30 June 2016 (Unaudited, restated)
Remuneration of key management	<b>3,791,172</b>	3,957,245

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

## Notes to Financial Statements

30 June 2017

Renminbi Yuan

### X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (continued)

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

##### (12) Commitments between the Group and related parties

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

##### Sales of goods to related parties

	For the second half of 2017 (Unaudited)
Corporations controlled by the ultimate holding party	1,139,163,138
Joint ventures of the Company	663,028,131
	<u>1,802,191,269</u>

##### Purchases of goods from related parties

	For the second half of 2017 (Unaudited)
Corporations controlled by the ultimate holding party	257,176,699
Joint ventures of the Company	100,798,317
Corporations controlled by the parent company	53,150,262
Joint ventures of the ultimate holding group	26,100,514
Associates of the Company	48,687
	<u>437,274,479</u>

## Notes to Financial Statements

30 June 2017

Renminbi Yuan

### X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (continued)

#### 6. Amounts due from and due to related parties

	30 June 2017 (Unaudited)	31 December 2016 (Audited)
Trade receivables (including long-term trade receivables):		
Corporations controlled by the ultimate holding party	3,670,359,638	1,758,432,938
Joint ventures of the Company	217,079,055	—
Corporations controlled by the parent company	70,519,954	38,701,250
Associates of the ultimate holding group	53,356,263	129,870,603
Parent company	7,980,375	1,592,350
Joint ventures of the ultimate holding group	191,506	571,447
	<b>4,019,486,791</b>	<b>1,929,168,588</b>
	30 June 2017 (Unaudited)	31 December 2016 (Audited)
Bills receivable:		
Associates of the ultimate holding group	422,000,000	352,000,000
Corporations controlled by the ultimate holding party	165,180,000	1,031,520,154
Corporations controlled by the parent company	24,278,762	36,709,748
Joint ventures of the Company	—	580,000,000
Parent company	—	29,630,430
Joint ventures of the ultimate holding group	—	5,900,000
	<b>611,458,762</b>	<b>2,035,760,332</b>

## Notes to Financial Statements

30 June 2017

Renminbi Yuan

### X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (continued)

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

	30 June 2017 (Unaudited)	31 December 2016 (Audited)
Prepayments:		
Associates of the Company	15,000,000	–
Corporations controlled by the ultimate holding party	4,020,856	2,408,917
Corporations controlled by the parent company	–	13,476,260
	<b>19,020,856</b>	<b>15,885,177</b>
Other receivables:		
Corporations controlled by the parent company	1,747,400	1,407,024
Corporations controlled by the ultimate holding party	1,173,917	1,152,967
Parent company	257,216	700
Associates of the Company	83,263	2,301
Associates of the ultimate holding group	50,000	–
	<b>3,311,796</b>	<b>2,562,992</b>
Cash and bank deposit:		
Corporations controlled by the ultimate holding party (Note)	<b>671,789,117</b>	<b>684,753,576</b>



## Notes to Financial Statements

30 June 2017

Renminbi Yuan

### X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (continued)

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

Note: As at 30 June 2017, the Company's deposit with CRRC Finance Co., Ltd. is amounted to RMB671,789,117 (unaudited) (31 December 2016 (audited): RMB684,753,576).

On 29 December 2016, the Company entered into a Financial Service Framework Agreement with CRRC Finance Co., Ltd. which was effective from 31 December 2016. Pursuant to Financial Services Framework Agreement, the maximum daily deposit balance with CRRC Finance Co., Ltd. is no more than RMB700,000,000. The interest rate is no less than the benchmark interest rate set by People's Bank of China for similar deposits and the interest rate payable by CRRC Finance Co., Ltd. to other members of the CRRC Group for comparable deposits.

	30 June 2017 (Unaudited)	31 December 2016 (Audited)
Trade payables:		
Corporations controlled by the ultimate holding party	314,977,820	172,757,101
Corporations controlled by the parent company	156,198,580	49,618,160
Joint ventures of the Company	20,204,910	361,003,042
Joint ventures of the ultimate holding group	12,839,938	16,989,718
Associates of the Company	435,675	—
Parent company	167,706	164,372
	<b>504,824,629</b>	<b>600,532,393</b>
	30 June 2017 (Unaudited)	31 December 2016 (Audited)
Bills payable:		
Corporations controlled by the ultimate holding party	197,712,609	301,753,248
Joint ventures of the Company	70,000,000	100,000,000
Corporations controlled by the parent company	45,100,000	217,191,910
Joint ventures of the ultimate holding group	12,442,163	4,050,456
	<b>325,254,772</b>	<b>622,995,614</b>

## Notes to Financial Statements

30 June 2017

Renminbi Yuan

### X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (continued)

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

	30 June 2017 (Unaudited)	31 December 2016 (Audited)
Advances from customers:		
Corporations controlled by the ultimate holding party	19,163,097	19,990,519
Associates of the ultimate holding group	9,462,016	1,654,432
Parent company	1,886,792	—
Corporations controlled by the parent company	1,602,100	1,607,500
Joint ventures of the Company	—	42,111,113
	<b>32,114,005</b>	<b>65,363,564</b>
	30 June 2017 (Unaudited)	31 December 2016 (Audited)
Interests payable:		
Shareholders of the parent company	409,897	409,897
	30 June 2017 (Unaudited)	31 December 2016 (Audited)
Dividends payable:		
Parent company	265,313,565	—
Corporations controlled by the ultimate holding party	8,721,346	—
	<b>274,034,911</b>	<b>—</b>

## Notes to Financial Statements

30 June 2017

Renminbi Yuan

### X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (continued)

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

	30 June 2017 (Unaudited)	31 December 2016 (Audited)
Other payables:		
Parent company	242,277,649	242,268,055
Corporations controlled by the parent company	1,614,154	2,087,131
Corporations controlled by the ultimate holding party	655,881	1,006,162
	<b>244,547,684</b>	<b>245,361,348</b>
	30 June 2017 (Unaudited)	31 December 2016 (Audited)
Long-term borrowings:		
Shareholder of the parent company	100,188,000	100,188,000

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

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

## Notes to Financial Statements

30 June 2017

Renminbi Yuan

### XI. COMMITMENTS AND CONTINGENCIES

#### 1. Commitments

	30 June 2017 (Unaudited)	31 December 2016 (Audited)
Contracted but not provided for capital commitments	<b>145,455,117</b>	61,832,679

#### 2. Contingencies

The Group had no contingencies which should be disclosed.

### XII. POST BALANCE SHEET EVENTS

As at 30 June 2017, the Group had no post balance sheet events which should be disclosed.

### XIII. OTHER SIGNIFICANT EVENTS

#### 1. Segment reporting

##### Operating segments

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

##### Other information

##### Products and services information

Revenue from external customers

	For the six months ended 30 June 2017 (Unaudited)	For the six months ended 30 June 2016 (Unaudited, restated)
Railway transportation equipment and relevant products and services	<b>6,516,413,093</b>	6,709,696,836

## Notes to Financial Statements

30 June 2017

Renminbi Yuan

### XIII. OTHER SIGNIFICANT EVENTS (continued)

#### 1. Segment reporting Group information (continued)

##### **Other information** (continued)

##### *Geographical information*

Revenue from external customers

	For the six months ended 30 June 2017 (Unaudited)	For the six months ended 30 June 2016 (Unaudited, restated)
Mainland China	6,220,643,083	6,520,070,800
Other countries and regions	295,770,010	189,626,036
	<b>6,516,413,093</b>	<b>6,709,696,836</b>

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

Total non-current assets

	30 June 2017 (Unaudited)	31 December 2016 (Audited)
Mainland China	3,492,656,549	3,489,475,020
Other countries and regions	999,047,949	1,021,669,709
	<b>4,491,704,498</b>	<b>4,511,144,729</b>

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

##### *Information of major customers*

For the six months ended 30 June 2017, the Group's operating revenue (which accounted for more than 10% of the Group's total revenue) of RMB2,473,386,840 (unaudited) was derived from sales to a single customer (including sales to a group of entities which are known to be under the control of that customer) (for the six months ended 30 June 2016 (unaudited, restated): RMB3,323,455,375 from a single customer).

## Notes to Financial Statements

30 June 2017

Renminbi Yuan

### XIII. OTHER SIGNIFICANT EVENTS (continued)

#### 2. Operating lease

##### As lessor

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

	30 June 2017 (Unaudited)	31 December 2016 (Audited)
Within 1 year, inclusive	11,412,848	6,731,757
1 to 2 years, inclusive	4,196,547	3,906,225
2 to 3 years, inclusive	4,057,947	3,971,448
Over 3 years	12,698,684	15,110,425
	<b>32,366,026</b>	<b>29,719,855</b>

##### As lessee

##### Significant operating leases

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

	30 June 2017 (Unaudited)	31 December 2016 (Audited)
Within 1 year, inclusive	29,403,256	10,929,862
1 to 2 years, inclusive	14,069,828	5,806,225
2 to 3 years, inclusive	7,572,550	3,086,733
Over 3 years	23,055,822	16,481,634
	<b>74,101,456</b>	<b>36,304,454</b>

#### 3. Other financial information

	30 June 2017 (Unaudited)		31 December 2016 (Audited)	
	Group	Company	Group	Company
Net current assets	12,701,730,897	10,858,506,244	12,109,069,957	10,317,492,740
Total assets less current liabilities	<b>17,563,940,245</b>	<b>16,789,394,293</b>	<b>16,972,266,964</b>	<b>16,218,546,881</b>



## Notes to Financial Statements

30 June 2017

Renminbi Yuan

### XIII. OTHER SIGNIFICANT EVENTS (continued)

#### 4. Comparative information

As stated in Note VI.3, the Group completed the business combination under common control of ZNERCC in December 2016, and hence the comparative information of consolidated financial statements are restated to include the financial position, financial performance and cash flows of the acquire, to conform the presentation and accounting treatment for the current year.

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

#### 1. Trade receivables

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

Maturity analysis:

	30 June 2017 (Unaudited)	31 December 2016 (Audited)
Within 6 months	5,195,624,189	3,646,465,127
6 months to 1 year	1,844,032,004	438,241,359
1 to 2 years	299,769,081	412,332,616
2 to 3 years	110,947,753	124,647,210
Over 3 years	56,400,681	44,387,112
	<b>7,506,773,708</b>	4,666,073,424
Less: Provision for bad debt	<b>206,945,620</b>	116,295,954
	<b>7,299,828,088</b>	4,549,777,470
Less: Classified as long-term receivables (Note XIV.3)	<b>3,263,781</b>	4,308,988
	<b>7,296,564,307</b>	4,545,468,482

## Notes to Financial Statements

30 June 2017

Renminbi Yuan

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

(continued)

#### 1. Trade receivables (continued)

The movements of provision for bad debt are as follows:

	For the six months ended 30 June 2017 (Unaudited)	2016 (Audited)
Opening balance	116,295,954	98,154,429
Provision in the current period/year	94,329,225	26,930,609
Reversal in the current period/year	(3,644,567)	(8,290,631)
Write-off in the current period/year	(34,992)	(498,453)
Closing balance	206,945,620	116,295,954

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

	30 June 2017 (Unaudited)
CRRC Qingdao Sifang Co., Ltd.	1,970,949,825
CRRC Zhuzhou Locomotive Co., Ltd.	937,397,927
Non-related party 1	321,775,785
Times Signal & Communication	250,586,438
Baoji Times	222,788,807
	3,703,498,782

31 December  
2016  
(Audited)

CRRC Qingdao Sifang Co., Ltd.	932,095,464
CRRC Zhuzhou Locomotive Co., Ltd.	392,979,032
Times Electronics	181,980,196
ZNERCC	139,076,717
Non-related party 1	126,776,810
	1,772,908,219

## Notes to Financial Statements

30 June 2017

Renminbi Yuan

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

(continued)

#### 2. Other receivables

Maturity analysis:

	30 June 2017 (Unaudited)	31 December 2016 (Audited)
Within 1 year	502,036,641	184,238,356
1 to 2 years	107,723,916	108,934,801
2 to 3 years	26,612,375	183,198
Over 3 years	55,561,552	55,595,436
	691,934,484	348,951,791
Less: Provision for bad debt	5,109,149	2,603,152
	686,825,335	346,348,639

The movements of provision for bad debt are as follows:

	For the six months ended 30 June 2017 (Unaudited)	2016 (Audited)
Opening balance	2,603,152	3,962,449
Accrual of current period/year	2,505,997	—
Reversal in current period/year	—	(1,348,297)
Disposal in current period/year	—	(11,000)
Closing balance	5,109,149	2,603,152

## Notes to Financial Statements

30 June 2017

Renminbi Yuan

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

(continued)

#### 2. Other receivables (continued)

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

	30 June 2017 (Unaudited)	31 December 2016 (Audited)
Receivables from subsidiaries	611,651,232	284,131,911
Tender deposit	57,185,051	48,713,917
Others	17,989,052	13,502,811
	<b>686,825,335</b>	<b>346,348,639</b>

Five highest other receivables are as follows:

	30 June 2017 (Unaudited)
Baoji Times	360,320,652
Ningbo Electric	97,600,000
Times Signal & Communication	69,290,376
HK Electric	44,727,646
Times Software	31,723,609
	<b>603,662,283</b>

31 December  
2016  
(Audited)

Ningbo Electric	77,600,000
Beijing CRRC Intelligent Control	69,290,376
Baoji Times	55,634,658
HK Electric	42,547,000
Times Software	31,575,985
	<b>276,648,019</b>

## Notes to Financial Statements

30 June 2017

Renminbi Yuan

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

(continued)

#### 3. Long-term receivables

	30 June 2017 (Unaudited)	31 December 2016 (Audited)
Receivables from subsidiaries	893,937,000	921,335,000
Trade receivables (Note XIV. 1)	3,263,781	4,308,988
Less: Long-term receivables due within one year	—	—
	<b>897,200,781</b>	<b>925,643,988</b>

#### 4. Long-term equity investments

	30 June 2017 (Unaudited)	31 December 2016 (Audited)
Long-term equity investments using equity method	249,542,063	227,874,180
Long-term equity investments using cost method	2,026,913,371	1,996,913,371
	<b>2,276,455,434</b>	<b>2,224,787,551</b>
Less: Impairment of long-term investments	178,169,001	178,169,001
	<b>2,098,286,433</b>	<b>2,046,618,550</b>

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

	For the six months ended 30 June 2017 (Unaudited)	2016 (Audited)
Opening balance	178,169,001	49,699,261
Provision in the current period/year	—	128,469,740
Closing balance	<b>178,169,001</b>	<b>178,169,001</b>

## Notes to Financial Statements

30 June 2017

Renminbi Yuan

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

(continued)

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

##### *Long-term equity investments using equity method*

For the six months ended 30 June 2017 (Unaudited)

	Current period movements				Closing balance
	Opening balance	Impact of unrealised profits	Investment income under equity method	Cash dividends announced	
Non-listed investments					
Equity method					
<b>Joint ventures</b>					
Shiling	158,267,061	8,823,941	16,311,179	–	183,402,181
Shanghai Shentong CRRC	5,547,428	–	513,901	–	6,061,329
	<u>163,814,489</u>	<u>8,823,941</u>	<u>16,825,080</u>	<u>–</u>	<u>189,463,510</u>
<b>Associates</b>					
Zhuzhou Siemens	51,871,746	–	(84,611)	(3,673,623)	48,113,512
CRRC Wabtec	12,187,945	–	(222,904)	–	11,965,041
	<u>64,059,691</u>	<u>–</u>	<u>(307,515)</u>	<u>(3,673,623)</u>	<u>60,078,553</u>
	<u>227,874,180</u>	<u>8,823,941</u>	<u>16,517,565</u>	<u>(3,673,623)</u>	<u>249,542,063</u>



## Notes to Financial Statements

30 June 2017

Renminbi Yuan

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

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

##### *Long-term equity investments using equity method* (continued)

2016 (Audited)

	Current year movements					Closing balance
	Opening balance	Investment in current year	Impact of unrealised profits	Investment income under equity method	Cash dividends announced	
Non-listed investments Equity method						
<b>Joint ventures</b>						
Shiling	157,255,872	–	(5,527,672)	41,038,861	(34,500,000)	158,267,061
Shanghai Shentong CRRC	–	5,000,000	–	547,428	–	5,547,428
	<u>157,255,872</u>	<u>5,000,000</u>	<u>(5,527,672)</u>	<u>41,586,289</u>	<u>(34,500,000)</u>	<u>163,814,489</u>
<b>Associates</b>						
Zhuzhou Siemens	52,750,239	–	–	3,673,623	(4,552,116)	51,871,746
CRRC Wabtec	9,957,106	–	–	2,230,839	–	12,187,945
	<u>62,707,345</u>	<u>–</u>	<u>–</u>	<u>5,904,462</u>	<u>(4,552,116)</u>	<u>64,059,691</u>
	<u>219,963,217</u>	<u>5,000,000</u>	<u>(5,527,672)</u>	<u>47,490,751</u>	<u>(39,052,116)</u>	<u>227,874,180</u>

## Notes to Financial Statements

30 June 2017

Renminbi Yuan

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

(continued)

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

##### *Long-term equity investments using cost method*

**For the six months ended 30 June 2017 (Unaudited)**

	Opening balance	Changes	Closing balance
Non-listed investments			
Times Electronics	182,977,618	—	182,977,618
Ningbo Times	133,507,255	—	133,507,255
Beijing CRRC Intelligent Control	29,000,000	(29,000,000)	—
Times USA	3,187,516	—	3,187,516
Times Equipment	99,561,157	—	99,561,157
Shenyang Times	56,000,000	—	56,000,000
Baoji Times	260,000,000	—	260,000,000
Kunming Electric	55,000,000	—	55,000,000
Hangzhou Electric	33,000,000	—	33,000,000
Guangzhou Times	18,000,000	—	18,000,000
HK Electric	352,308,400	—	352,308,400
Times Australia	1,814,037	—	1,814,037
Ningbo Electric	10,000,000	—	10,000,000
Times Brasil	4,062,679	—	4,062,679
Qingdao Electric	45,000,000	—	45,000,000
Wenzhou Electric	15,300,000	—	15,300,000
Times Software	50,000,000	—	50,000,000
Shanghai CRRC Railway	25,500,000	—	25,500,000
Times Signal & Communication	100,000,000	29,000,000	129,000,000
Lanzhou Times	25,500,000	—	25,500,000
ZNERCC	280,654,981	—	280,654,981
Shanghai SMD	—	30,000,000	30,000,000
	<b>1,780,373,643</b>	<b>30,000,000</b>	<b>1,810,373,643</b>
Listed investments			
Dynex	216,539,728	—	216,539,728
	<b>1,996,913,371</b>	<b>30,000,000</b>	<b>2,026,913,371</b>
Less: Impairment of long-term investments	178,169,001	—	178,169,001
	<b>1,818,744,370</b>	<b>30,000,000</b>	<b>1,848,744,370</b>

## Notes to Financial Statements

30 June 2017

Renminbi Yuan

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

(continued)

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

##### **Long-term equity investments using cost method** (continued)

2016 (Audited)

	Opening balance	Changes	Closing balance
Non-listed investments			
Times Electronics	182,977,618	—	182,977,618
Ningbo Times	133,507,255	—	133,507,255
Beijing CRRC Intelligent Control	29,000,000	—	29,000,000
Times USA	3,187,516	—	3,187,516
Times Equipment	99,561,157	—	99,561,157
Shenyang Times	56,000,000	—	56,000,000
Baoji Times	260,000,000	—	260,000,000
Kunming Electric	3,000,000	52,000,000	55,000,000
Hangzhou Electric	33,000,000	—	33,000,000
Guangzhou Times	18,000,000	—	18,000,000
HK Electric	352,308,400	—	352,308,400
Times Australia	1,814,037	—	1,814,037
Ningbo Electric	10,000,000	—	10,000,000
Times Brasil	4,062,679	—	4,062,679
Qingdao Electric	22,500,000	22,500,000	45,000,000
Wenzhou Electric	15,300,000	—	15,300,000
Times Software	50,000,000	—	50,000,000
Shanghai CRRC Railway	25,500,000	—	25,500,000
Times Signal & Communication	—	100,000,000	100,000,000
Lanzhou Times	—	25,500,000	25,500,000
ZNERCC	—	280,654,981	280,654,981
	1,299,718,662	480,654,981	1,780,373,643
Listed investments			
Dynex	216,539,728	—	216,539,728
	1,516,258,390	480,654,981	1,996,913,371
Less: Impairment of long-term investments	49,699,261	128,469,740	178,169,001
	1,466,559,129	352,185,241	1,818,744,370

## Notes to Financial Statements

30 June 2017

Renminbi Yuan

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

(continued)

#### 5. Revenue and cost of sales

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

Revenue is stated as follows:

	For the six months ended 30 June 2017 (Unaudited)	For the six months ended 30 June 2016 (Unaudited)
Revenue from principal operations	4,404,394,500	5,364,763,820
Other operating income	138,903,042	191,053,550
	<b>4,543,297,542</b>	<b>5,555,817,370</b>

Cost of sales is stated as follows:

	For the six months ended 30 June 2017 (Unaudited)	For the six months ended 30 June 2016 (Unaudited)
Cost of sales from principal operations	2,915,656,858	3,336,952,631
Other operating costs	112,968,008	151,975,200
	<b>3,028,624,866</b>	<b>3,488,927,831</b>

## Notes to Financial Statements

30 June 2017

Renminbi Yuan

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

(continued)

#### 5. Revenue and cost of sales (continued)

Details of revenue are listed as follows:

	For the six months ended 30 June 2017 (Unaudited)	For the six months ended 30 June 2016 (Unaudited)
Sale of goods and materials	4,161,287,228	5,241,716,559
Maintenance income	347,411,054	270,394,920
Technical service income	27,191,522	37,499,876
Rental income	4,634,531	2,223,581
Others	2,773,207	3,982,434
	<b>4,543,297,542</b>	<b>5,555,817,370</b>

#### 6. Investment income

	For the six months ended 30 June 2017 (Unaudited)	For the six months ended 30 June 2016 (Unaudited)
Income from non-listed investments:		
Long-term equity investment income under the cost method	474,935,082	151,323,286
Long-term equity investment income under the equity method	25,341,506	42,748,320
Gains on forward foreign exchange contracts	3,899,318	—
Bank financial product income	15,376,438	37,496,985
	<b>519,552,344</b>	<b>231,568,591</b>

## Notes to Financial Statements

30 June 2017

Renminbi Yuan

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

(continued)

#### 7. Supplementary information to the statement of cash flows

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

	For the six months ended 30 June 2017 (Unaudited)	For the six months ended 30 June 2016 (Unaudited)
Adjustment of net profit to cash flows from operating activities:		
Net profit	1,127,344,534	1,379,097,460
Add: Provision for impairment of assets	125,611,886	106,234,622
Depreciation	112,497,584	71,512,197
Amortisation of intangible assets	12,694,222	11,002,867
Accrued special reserve	2,906,342	3,658,659
Losses/(Gains) from disposal of fixed assets, intangible assets and other long-term assets	53,771	(1,035,867)
Gains on fair value changes	(6,135,766)	–
Investment income	(519,552,344)	(231,568,591)
Increase in deferred tax assets	(13,014,382)	(50,434,206)
Increase in inventories	(711,118,738)	(420,848,915)
Increase in operating receivables	(203,396,381)	(197,412,147)
Increase/(Decrease) in operating payables	7,550,572	(310,409,637)
Net cash flows (used in)/from operating activities	(64,558,700)	359,796,442
Movements in cash and cash equivalents:		
	For the six months ended 30 June 2017 (Unaudited)	31 December 2016 (Audited)
Closing balance of cash	3,321,898,815	2,082,511,996
Less: Opening balance of cash	2,082,511,996	2,754,350,998
Net change of cash and cash equivalents	1,239,386,819	(671,839,002)



## Notes to Financial Statements

30 June 2017

Renminbi Yuan

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

(continued)

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

##### (2) Cash and cash equivalents

	30 June 2017 (Unaudited)	31 December 2016 (Audited)
Cash		
Including: Cash on hand	—	—
Bank deposits on demand	3,309,392,550	2,038,738,761
Deposits due within 3 months	—	43,773,235
Security deposit due within 3 months	12,506,265	—
Closing balance of cash and cash equivalents	3,321,898,815	2,082,511,996

#### 8. Major transactions between the Company and its related parties

##### (1) Sales of goods to related parties

	For the six months ended 30 June 2017 (Unaudited)	For the six months ended 30 June 2016 (Unaudited, restated)
Subsidiaries	365,728,840	322,998,044
Corporations controlled by the ultimate holding party	1,912,891,600	2,949,580,543
Joint ventures of the Company	215,493,016	539,803,864
Corporations controlled by the parent company	42,900,134	54,181,396
Associates of the ultimate holding group	1,384,615	8,676,923
Parent company	956,818	4,935,649
Associates of the Company	—	198,999
	2,539,355,023	3,880,375,418

## Notes to Financial Statements

30 June 2017

Renminbi Yuan

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

(continued)

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

##### (2) Purchases of goods from related parties

	For the six months ended 30 June 2017  (Unaudited)	For the six months ended 30 June 2016  (Unaudited, restated)
Subsidiaries	844,879,417	339,435,194
Joint ventures of the Company	302,337,271	685,348,434
Corporations controlled by the ultimate holding party	241,388,364	344,466,076
Corporations controlled by the parent company	116,004,102	152,594,446
Joint ventures of the ultimate holding group	10,041,807	4,309,470
Associates of the Company	822,879	26,314,307
Parent company	3,334	—
	<b>1,515,477,174</b>	<b>1,552,467,927</b>

##### (3) Sales of electricity to related parties

	For the six months ended 30 June 2017  (Unaudited)	For the six months ended 30 June 2016  (Unaudited, restated)
Subsidiaries	476,592	109,676
Corporations controlled by the parent company	730,095	1,392,602
Parent company	249,477	291,173
Corporations controlled by the ultimate holding party	39,095	—
Associates of the Company	5,348	12,690
	<b>1,500,607</b>	<b>1,806,141</b>

## Notes to Financial Statements

30 June 2017

Renminbi Yuan

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

(continued)

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

##### (4) Purchases of electricity from related parties

	For the six months ended 30 June 2017  (Unaudited)	For the six months ended 30 June 2016 (Unaudited, restated)
Corporations controlled by the ultimate holding party	<b>74,611</b>	147,954

##### (5) Related party leases

As lessor

	For the six months ended 30 June 2017  (Unaudited)	For the six months ended 30 June 2016 (Unaudited, restated)
Subsidiaries	<b>1,340,101</b>	—
Corporations controlled by the parent company	<b>1,779,152</b>	2,025,818
Parent company	<b>1,408,992</b>	—
	<b>4,528,245</b>	2,025,818

As lessee

	For the six months ended 30 June 2017  (Unaudited)	For the six months ended 30 June 2016 (Unaudited, restated)
Parent company (Note)	<b>451,725</b>	92,404,333
Associates of the parent company	<b>395,373</b>	706,418
	<b>847,098</b>	93,110,751

## Notes to Financial Statements

30 June 2017

Renminbi Yuan

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

(continued)

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

##### (5) Related party leases (continued)

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

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

##### (6) Technical service income from related parties

	For the six months ended 30 June 2017  (Unaudited)	For the six months ended 30 June 2016  (Unaudited, restated)
Subsidiaries	12,574,359	—
Corporations controlled by the ultimate holding party	3,019,710	9,244,446
Parent company	—	1,351,830
Corporations controlled by the parent company	—	106,654
	<b>15,594,069</b>	<b>10,702,930</b>

## Notes to Financial Statements

30 June 2017

Renminbi Yuan

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

(continued)

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

##### (7) Maintenance services provided to related parties

	For the six months ended 30 June 2017 (Unaudited)	For the six months ended 30 June 2016 (Unaudited, restated)
Subsidiaries	—	247,269
Corporations controlled by the ultimate holding party	249,846,022	208,959,967
Associates of the ultimate holding group	53,151,043	—
Corporations controlled by the parent company	3,806	93,299
	<b>303,000,871</b>	<b>209,300,535</b>

##### (8) Technical service fees paid to related parties

	For the six months ended 30 June 2017 (Unaudited)	For the six months ended 30 June 2016 (Unaudited, restated)
Subsidiaries	3,692,849	1,415,094
Parent company	97,405,661	85,165,094
Corporations controlled by the parent company	1,887,786	3,905,019
	<b>102,986,296</b>	<b>90,485,207</b>

##### (9) Fund Lending between related parties

For the six months ended 30 June 2017

	Borrowed amount	Interest rate	Start date	Expiry date
Subsidiaries	300,000,000	4.35%	28 March 2017	27 March 2018

## Notes to Financial Statements

30 June 2017

Renminbi Yuan

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

(continued)

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

##### (10) Interests income from cash and bank balances

	For the six months ended 30 June 2017 (Unaudited)	For the six months ended 30 June 2016 (Unaudited, restated)
Subsidiaries	18,752,791	674,557
Corporations controlled by the ultimate holding party	1,979,736	2,288,136
	<b>20,732,527</b>	<b>2,962,693</b>

##### (11) Interests expenses to borrowings

	For the six months ended 30 June 2017 (Unaudited)	For the six months ended 30 June 2016 (Unaudited, restated)
Shareholder of the parent company	547,026	513,382

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

##### (12) Guarantee provided to related parties

For the six months ended 30 June 2017 (Unaudited)

	Amount	Beginning date	Ending date	Fulfilled or not
Subsidiary	100,862,738	18/4/2017	18/4/2018	No
Subsidiary	40,000,000	1/5/2017	1/3/2018	No
	<b>140,862,738</b>			



## Notes to Financial Statements

30 June 2017

Renminbi Yuan

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

(continued)

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

##### (12) Guarantee provided to related parties (continued)

For the six months ended 30 June 2016 (Unaudited)

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

#### 9. Amounts due from and due to related parties

	30 June 2017 (Unaudited)	31 December 2016 (Audited)
Trade receivables (including long-term trade receivables):		
Subsidiaries	<b>1,787,403,518</b>	1,673,708,854
Corporations controlled by the ultimate holding party	<b>3,483,025,521</b>	1,639,989,704
Joint ventures of the Company	<b>217,079,055</b>	—
Associates of the ultimate holding group	<b>48,242,180</b>	122,701,500
Corporations controlled by the parent company	<b>26,988,019</b>	25,000,798
Parent company	<b>3,299,164</b>	1,592,350
Joint ventures of the ultimate holding group	<b>58,952</b>	62,055
	<u><b>5,566,096,409</b></u>	<u>3,463,055,261</u>

## Notes to Financial Statements

30 June 2017

Renminbi Yuan

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

(continued)

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

	30 June 2017 (Unaudited)	31 December 2016 (Audited)
Bills receivable:		
Subsidiaries	2,500,000	134,208,798
Associates of the ultimate holding group	420,000,000	350,000,000
Corporations controlled by the ultimate holding party	138,770,000	989,089,606
Corporations controlled by the parent company	20,614,948	30,010,735
Joint ventures of the Company	—	580,000,000
Parent company	—	29,630,430
	<b>581,884,948</b>	<b>2,112,939,569</b>
Prepayments:		
Subsidiaries	1,801,400	1,801,400
Joint ventures of the Company	15,000,000	—
Corporations controlled by the ultimate holding party	120,433	120,433
Corporations controlled by the parent company	—	12,456,260
	<b>16,921,833</b>	<b>14,378,093</b>
Other receivables:		
Subsidiaries	611,651,232	284,131,910
Corporations controlled by the parent company	1,747,400	1,407,024
Parent company	257,216	700
Associates of the Company	83,263	2,301
Associates of the ultimate holding party	50,000	—
Corporations controlled by the ultimate holding party	21,000	—
	<b>613,810,111</b>	<b>285,541,935</b>

## Notes to Financial Statements

30 June 2017

Renminbi Yuan

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

(continued)

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

	30 June 2017 (Unaudited)	31 December 2016 (Audited)
Dividends receivable: Subsidiaries	<b>54,000,000</b>	4,500,000
Interests receivable: Subsidiaries	<b>14,305,557</b>	8,466,626
Cash and bank deposits: Corporations controlled by the ultimate holding party (Note)	<b>671,785,733</b>	684,747,910

Note: As at 30 June 2017, the Company's deposit with CRRC Finance Co., Ltd. is amounted to RMB671,785,733 (unaudited) (31 December 2016 (audited): RMB684,747,910).

On 29 December 2016, the Company entered into a Financial Service Framework Agreement with CRRC Finance Co., Ltd. which was effective from 31 December 2016. Pursuant to Financial Services Framework Agreement, the maximum daily deposit balance with CRRC Finance Co., Ltd. is no more than RMB700,000,000. The interest rate is no less than the benchmark interest rate set by People's Bank of China for similar deposits and the interest rate payable by CRRC Finance Co., Ltd. to other members of the CRRC Group for comparable deposits.

## Notes to Financial Statements

30 June 2017

Renminbi Yuan

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

(continued)

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

	30 June 2017 (Unaudited)	31 December 2016 (Audited)
Trade payables:		
Subsidiaries	974,386,550	906,408,200
Corporations controlled by the ultimate holding party	212,324,004	88,143,208
Corporations controlled by the parent company	95,348,556	36,574,886
Joint ventures of the Company	20,204,910	361,003,042
Joint ventures of the ultimate holding group	12,839,938	16,989,718
Associates of the Company	435,676	–
Parent company	167,706	164,372
	<b>1,315,707,340</b>	<b>1,409,283,426</b>
	30 June 2017 (Unaudited)	31 December 2016 (Audited)
Bills payable:		
Subsidiaries	10,000,000	10,000,000
Corporations controlled by the ultimate holding party	172,317,866	283,053,248
Joint ventures of the Company	70,000,000	100,000,000
Corporations controlled by the parent company	32,000,000	203,091,910
Joint ventures of the ultimate holding group	12,442,163	4,050,456
	<b>296,760,029</b>	<b>600,195,614</b>

## Notes to Financial Statements

30 June 2017

Renminbi Yuan

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

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

	30 June 2017 (Unaudited)	31 December 2016 (Audited)
Advances from customers:		
Subsidiaries	13,984	—
Corporations controlled by the ultimate holding party	10,744,246	8,755,029
Associates of the ultimate holding group	9,462,016	1,654,432
Parent company	1,886,792	—
Corporations controlled by the parent company	100	100
Joint ventures of the Company	—	42,111,113
	<b>22,107,138</b>	<b>52,520,674</b>
	30 June 2017 (Unaudited)	31 December 2016 (Audited)
Interests payable:		
Shareholder of the parent company	409,897	409,897
	30 June 2017 (Unaudited)	31 December 2016 (Audited)
Dividends payable:		
Parent company	265,313,565	—
Corporations controlled by the ultimate holding party	8,721,346	—
	<b>274,034,911</b>	<b>—</b>

## Notes to Financial Statements

30 June 2017

Renminbi Yuan

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

(continued)

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

	30 June 2017 (Unaudited)	31 December 2016 (Audited)
Other payables:		
Subsidiaries	36,378,673	57,182,698
Parent company	242,277,649	242,268,055
Corporations controlled by the parent company	1,124,302	1,726,532
Corporations controlled by the ultimate holding party	549,119	450,000
	<b>280,329,743</b>	<b>301,627,285</b>
	30 June 2017 (Unaudited)	31 December 2016 (Audited)
Long term borrowings:		
Shareholder of the parent company	<b>100,188,000</b>	<b>100,188,000</b>

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



# Management Discussion and Analysis

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

## REVENUE

	For the six months ended 30 June	
	2017 (Unaudited) (RMB million)	2016 (Unaudited, restated) (RMB million)
Locomotives	856.1	671.7
Electric Multiple Units	1,567.4	2,884.7
Metropolitan rail transportation equipment	1,274.8	1,165.7
Railway maintenance machineries related products	1,394.8	868.6
Signal & communication products	236.7	228.1
Key electric part and component products	393.1	335.1
Marine engineering products and others	793.5	555.8
Total revenue	6,516.4	6,709.7

The Group's revenue decreased by RMB193.3 million or 2.9% from RMB6,709.7 million for the six months ended 30 June 2016 (Restated) to RMB6,516.4 million for the six months ended 30 June 2017.

In the first half of 2017, the small decrease in the Group's revenue was mainly due to a decrease of RMB1,317.3 million in the revenue from electric multiple units. Otherwise, other product series recorded increases in revenue at various growth levels, of which, the growth level of railway maintenance machineries related products was higher than that of other products, representing an increase of RMB526.2 million as compared to the same period of last year, which was mainly due to the delivery of the JJC maintenance machine of catenary; the second higher growth level was marine engineering products and others, representing an increase of RMB237.7 million as compared to the same period of last year, which was mainly due to the increase of the revenue from the non-oil and gas market of marine engineering products and others as compared to the same period of last year.

## COST OF SALES

The Group's cost of sales decreased by RMB211.6 million from RMB4,188.4 million for the six months ended 30 June 2016 (Restated) to RMB3,976.8 million for the six months ended 30 June 2017. The decrease in cost of sales was mainly due to the combined effects of the decrease in the Group's revenue and the change of product sales structure.

## GROSS PROFIT

In view of the above factors, the Group's gross profit increased by RMB18.3 million from RMB2,521.3 million for the six months ended 30 June 2016 (Restated) to RMB2,539.6 million for the six months ended 30 June 2017. The Group's gross profit margin increased from 37.6% for the six months ended 30 June 2016 (Restated) to 39.0% for the six months ended 30 June 2017. The change in gross profit margin was mainly due to the change of product sales structure.

### SELLING EXPENSES

The Group's selling expenses increased by RMB22.8 million from RMB274.2 million for the six months ended 30 June 2016 (Restated) to RMB297.0 million for the six months ended 30 June 2017. The increase in selling expenses was due to the fact that the Group devoted greater efforts on market development in the first half of 2017.

### ADMINISTRATIVE EXPENSES

The Group's administrative expenses increased by RMB54.7 million from RMB824.3 million for the six months ended 30 June 2016 (Restated) to RMB879.0 million for the six months ended 30 June 2017. The increase in administrative expenses was due to the increase in research and development expenses of the Group in the first half of 2017.

### FINANCE COSTS

The Group's finance costs decreased by RMB67.2 million from RMB59.1 million for the six months ended 30 June 2016 (Restated) to negative RMB8.1 million for the six months ended 30 June 2017. The decrease in finance costs was mainly due to the decreased exchange loss caused by exchange rates fluctuation.

### ASSET IMPAIRMENT LOSSES

The Group's asset impairment losses increased by RMB27.2 million from RMB130.4 million for the six months ended 30 June 2016 (Restated) to RMB157.6 million for the six months ended 30 June 2017. In the first half of 2017, the Group made provision for bad debts of RMB110.1 million for account receivables with signs of impairment and made provision for impairment of RMB41.0 million for inventories with signs of impairment.

### INVESTMENT INCOME

The Group's investment income decreased by RMB33.8 million from RMB69.7 million for the six months ended 30 June 2016 (Restated) to RMB35.9 million for the six months ended 30 June 2017. The decrease in investment income was mainly due to the decrease in bank financial products income of the Group.

### OTHER INCOME

The Group's other income was RMB103.1 million for the six months ended 30 June 2017, which was the refunds of tax related to the daily activities of the Group.

### NON-OPERATING INCOME

The Group's non-operating income decreased by RMB217.1 million from RMB234.7 million for the six months ended 30 June 2016 (Restated) to RMB17.6 million for the six months ended 30 June 2017. The decrease in non-operating income was mainly due to the refunds of tax of RMB103.1 million related to the daily activities received in the first half of 2017 was included in other income and the amounts was decreased as compared to the same period of last year.

### NON-OPERATING EXPENSES

The Group's non-operating expenses increased by RMB3.0 million from RMB0.9 million for the six months ended 30 June 2016 (Restated) to RMB3.9 million for the six months ended 30 June 2017.

## Management Discussion and Analysis

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### TOTAL PROFIT

The Group's total profit decreased by RMB179.0 million from RMB1,496.9 million for the six months ended 30 June 2016 (Restated) to RMB1,317.9 million for the six months ended 30 June 2017. The decrease in total profit was mainly due to a decrease in refunds of tax. The Group's sales profit margins for the six months ended 30 June 2016 (Restated) and for the six months ended 30 June 2017 were 22.3% and 20.2%, respectively.

### INCOME TAX EXPENSE

The Group's income tax expense decreased by RMB32.7 million from RMB207.1 million for the six months ended 30 June 2016 (Restated) to RMB174.4 million for the six months ended 30 June 2017.

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

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

Times Software and Times Signal & Communication enjoyed the preferential tax policy of "Two years exemptions and three years halve" (「兩免三減半」).

The effective income tax rates of the Group for the six months ended 30 June 2016 (Restated) and six months ended 30 June 2017 were 13.8% and 13.2%, respectively.

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

Net profit attributable to the shareholders of the Parent decreased by RMB159.4 million from RMB1,282.3 million for the six months ended 30 June 2016 (Restated) to RMB1,122.9 million for the six months ended 30 June 2017. The Group's sales net profit margins for the six months ended 30 June 2016 (Restated) and for the six months ended 30 June 2017 were 19.1% and 17.2%, respectively.

### NON-CONTROLLING INTERESTS

Non-controlling interests increased by RMB13.0 million from RMB7.6 million for the six months ended 30 June 2016 (Restated) to RMB20.6 million for the six months ended 30 June 2017. The increase in non-controlling interests was mainly due to the increase in net profit incurred by the Group's non-wholly owned subsidiaries during the reporting period as compared to the same period of last year.

### EARNINGS PER SHARE

Earnings per share decreased by RMB0.13 from RMB1.09 for the six months ended 30 June 2016 (Restated) to RMB0.96 for the six months ended 30 June 2017.

### LIQUIDITY AND SOURCE OF CAPITAL

#### Cash flow and working capital

The Group's needs for working capital were mainly satisfied by cash generated from operations. For the six months ended 30 June 2017, the net cash and cash equivalents of the Group increased by RMB1,490.7 million, which was mainly due to an increase in net cash inflows from operating activities and from investment activities of the Group in the first half of 2017.

#### Net cash inflow from operating activities

The Group's net cash inflow from operating activities increased by RMB228.0 million from RMB148.9 million for the six months ended 30 June 2016 (Restated) to RMB376.9 million for the six months ended 30 June 2017, which was mainly due to the increase in the cash received from sale of goods and rendering of services by the Group as compared to the same period of last year.

#### Net cash inflow from investing activities

For the six months ended 30 June 2017, the Group's net cash inflow from investing activities was approximately RMB1,150.8 million, which principally includes the cash received from disposal or returns of investments of RMB2,929.8 million, the cash paid for acquisition of investments of RMB1,660.0 million, and the cash paid for acquisition of fixed assets, intangible assets and other long-term assets of RMB147.5 million.

#### Net cash outflow from financing activities

For the six months ended 30 June 2017, the Group's net cash outflow from financing activities was approximately RMB36.7 million. Cash outflow items from financing activities were mainly the cash repayment of borrowings amounting to RMB38.5 million and the cash paid for distribution of dividend or profits and for interest expenses amounting to RMB5.5 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 2017 (Unaudited) (RMB million)</b>	<b>31 December 2016 (Audited) (RMB million)</b>
Contracted but not provided for capital commitments	<b>145.5</b>	<b>61.8</b>

## Management Discussion and Analysis

### INDEBTEDNESS

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

	30 June 2017 (Unaudited) (RMB million)	31 December 2016 (Audited) (RMB million)
Short-term borrowings	134.2	159.2
Long-term borrowings (inclusive of long-term borrowings due within one year)	102.0	102.9
Total	236.2	262.1

The Group's borrowings were mainly fixed rate loans.

#### Maturity analysis:

	30 June 2017 (Unaudited) (RMB million)	31 December 2016 (Audited) (RMB million)
Due within 1 year	135.3	160.8
Due within 1 to 2 years	5.5	3.1
Due within 2 to 5 years	15.2	15.5
Due over 5 years	80.2	82.7
Total	236.2	262.1

As at 30 June 2017, the annual interest rate of the above borrowings was 0-4.92% (31 December 2016: 0-4.92%).

Pursuant to the relevant borrowing agreements, the loans amounting to RMB135.5 million as at 30 June 2017 (31 December 2016: RMB160.8 million) are entitled to priority to be repaid with certain assets if the Group is incapable of repayment. The carrying amounts of such assets as at 30 June 2017 and 31 December 2016 were RMB555.5 million and RMB536.3 million, respectively.

### PLEDGE

As at 30 June 2017, the Group pledged its fixed assets with a carrying amount of RMB3.1 million (31 December 2016: RMB3.1 million) to obtain bank borrowings.

As at 30 June 2017, the Group pledged no land use rights (31 December 2016: 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 maximize shareholders' value.

The Group manages its capital structure and makes adjustment to it in light of changes in economic conditions and risk characteristics of underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. The Group made no changes in the objectives and processes for managing capital in the first half of 2017 and in 2016.

The Group monitors capital by using the gearing ratio, which is net debt divided by the adjusted capital plus net debt. The Group's policy is to maintain the gearing ratio below 30%. Net debt includes the net amount of financial liabilities at fair value through profit or loss, all borrowings, bills payable, trade payables, advances from customers, employee benefits payable, dividends payable, interests payable, other taxes payable excluding income tax payable, other payables and long-term payables, less cash and cash equivalents. Capital includes equity attributable to shareholders of the Parent. The Group's gearing ratio was 17.8% as at 31 December 2016 and 14.2% as at 30 June 2017.

### CANCELLATION OF SUBSIDIARIES

Beijing CRRC Intelligent Control, a wholly-owned subsidiary of the Group, was merged by Times Signal & Communication, another wholly-owned subsidiary of the Company. As at the approval date of the financial statements, the related change of industrial and commercial registration is still in process.

### BUSINESS COMBINATIONS INVOLVING ENTITIES UNDER COMMON CONTROL

In December 2016, the Group acquired 100% share of ZNERCC by cash consideration of RMB283.2 million. ZNERCC is a subsidiary of the Parent Company of the Group. It is controlled by the Parent Company before and after the combination, and that control is not temporary, therefore the business combination is involving entities under common control. In accordance with the equity transfer agreement, since 100% share of ZNERCC was transferred to the Group by the Parent Company on 21 December 2016, the Group completed the business combination under common control of ZNERCC. The acquisition date was determined as 21 December 2016.



## Management Discussion and Analysis

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### DISPOSAL OF SUBSIDIARIES

On 31 May 2016, ZNERCC, a subsidiary of the Group entered into the equity transfer agreement with the Parent Company to sell its 78% equity interests in Shanghai CRRC Hange Shipping and Marine Engineering Co., Ltd. at RMB132.5 million. The disposal date was 31 May 2016 and since then, Shanghai CRRC Hange Shipping and Marine Engineering Co., Ltd. was excluded from the consolidation scope.

### CONTINGENT LIABILITIES

The Group did not have any material contingent liabilities as at 30 June 2017, and no member of the Group was engaged in any litigation, arbitration or claims of material importance and, so far as the Directors were aware, no litigation or claim of material importance was pending or threatened by or against any member of the Group.

### MARKET RISKS

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

### FOREIGN CURRENCY RISK

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

### POLICY RISK

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

### EMPLOYEES, REMUNERATION AND TRAINING

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

# Other Information

## I. CORPORATE GOVERNANCE

### 1. Corporate governance

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

During the reporting period ended 30 June 2017, the Company has fully complied with the code provisions of the Corporate Governance Code and Corporate Governance Report contained in Appendix 14 to the Listing Rules, except for code provision A.6.7 set out below.

Mr. Ma Yunkun, a former non-executive Director, had not attended the 2016 Annual General Meeting held on 13 June 2017 due to his other important commitments. This constituted a deviation from the requirement of code provision A.6.7.

### 2. Securities transactions by directors

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

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

### 3. Board of Directors

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

Mr. Li Donglin was appointed as the Vice Chairman of the Board, an executive Director, the chairman of the risk control committee and a member of the strategy committee of the Company on 28 March 2017.

Mr. Chen Xiaoming was appointed as an independent non-executive Director, a member of the audit committee and a member of the remuneration committee of the Company on 28 March 2017.

Mr. Deng Huijin resigned as the Vice Chairman of the Board, an executive Director, the chairman and a member of the risk management committee of the Company on 28 March 2017 due to normal change in job position.

Mr. Ma Yunkun resigned as a non-executive Director and a member of the audit committee of the Company on 10 July 2017 due to personal reason.

Mr. Zhang Xinning was appointed as a non-executive Director and a member of the strategy committee of the Company on 18 August 2017.

## Other Information

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Mr. Ouyang Minggao was appointed as an independent non-executive Director, a member of the strategy committee and a member of the audit committee of the Company on 18 August 2017.

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

### 4. Supervisory Committee

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

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

### 5. Audit Committee

The Company's audit committee was established in October 2005. It currently consists of 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. Ouyang Minggao. Mr. Chan Kam Wing, Clement is the chairman of the audit committee.

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

The Company's audit committee discussed the accounting principles adopted by the Group with the management, and has reviewed the Group's unaudited financial statements for the six months ended 30 June 2017 prepared in accordance the PRC Accounting Standards and was satisfied that the unaudited financial statements for the period ended 30 June 2017 complied with applicable accounting standards, the relevant regulatory and legal requirements and that adequate disclosure had been made.

## II. INTERNAL CONTROL

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

During the reporting period, the Company's internal control system was proved to be stable and reliable and the Company continued to strengthen its risk management. The main tasks of the Company were: put great emphasis on the rectification of the problems identified by the audits of the Company, and continued to follow up on the implementation of the internal control deficiencies; carried out the research of the risk control of new business models, and implemented quarterly risk warning and specific measures to tackle and avoid material risk events; and carried out the research of enhancement of service procurement management to effectively implement internal control. The Company can ensure to withstand changes in business and external environment from financial, operational and risk management perspectives, so as to safeguard the Company's assets and interests of shareholders.

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

As at 30 June 2017, none of the Directors, supervisors, and the general manager of the Company or their respective associates had any personal, family, corporate or other interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Part XV of the SFO, or were required to be recorded in a register kept pursuant to section 352 of the SFO, or were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

### IV. STRUCTURE OF SHARE CAPITAL

The Company's share capital structure as at 30 June 2017 was as follows:

Shareholder	Type	Number of shares	Approximate % of the issued share capital as at 30 June 2017
CRRZ ZELRI	Domestic share	589,585,699	50.16%
CRRZ Zhuzhou	Domestic share	10,000,000	0.85%
CRRZ Investment & Leasing	Domestic share	9,380,769	0.80%
CRCCE	Domestic share	9,800,000	0.83%
Sinomach Capital Holdings Ltd.	Domestic share	9,380,769	0.80%
Shares in public circulation	H Share	547,329,400	46.56%
Total		1,175,476,637	100%

## Other Information

### V. SUBSTANTIAL SHAREHOLDERS

Interests and short positions in the shares and relevant underlying shares of the Company or any of its associated corporations pursuant to the disclosure requirements of Divisions 2 and 3 of Part XV of the SFO as at 30 June 2017 were as follows:

Name of substantial shareholder	Number of shares held	Capacity	Approximate % of Domestic Share capital	Approximate % of H share Share capital	Approximate % of issued share capital
CRRC ZELRI	589,585,699 (Long position)	Beneficial owner	93.86%	—	50.16%
CRRC (Note 1)	608,966,468 (Long position)	Interest in controlled entity	96.95%	—	51.81%
CRRC Group (Note 2)	608,966,468 (Long position)	Interest in controlled entity	96.95%	—	51.81%
Schroders Plc	54,623,973 (Long position)	Investment manager	—	9.98%	4.65%
GIC Private Limited	28,108,000 (Long position)	Investment manager	—	5.14%	2.39%
The Bank of New York Mellon Corporation (Note 3)	27,787,739 (Long position)	Interest in controlled entity Interest in controlled entity	—	5.08%	2.36%
	26,932,679 (lending pool)	Interest in controlled entity Interest in controlled entity	—	4.92%	2.29%

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.
- (2) CRRC Group is directly and indirectly interested in 55.63% of the shares of CRRC. Accordingly, CRRC Group is deemed under the SFO to be interested in the shares held by CRRC.
- (3) As stated in the corporate substantial shareholders notification filed by The Bank of New York Mellon Corporation, it holds interests in the shares of the Company through its wholly-owned corporations.

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

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

## VII. DISTRIBUTION OF DIVIDENDS

### 1. Distribution plan and implementation of 2016 final dividend

Having been considered and approved by shareholders of the Company at the Annual General Meeting, the Company has distributed a cash dividend of RMB0.45 per share (inclusive of applicable taxes) as final dividend for 2016 to all shareholders whose names appeared on the register of members of the Company on 22 June 2017. Based on the Company's total share capital of 1,175,476,637 shares in issue, a total amount of dividend of approximately RMB528.96 million was paid. Implementation of the final dividend distribution plan was completed before the approval of this interim report.

### 2. 2017 Interim profit distribution plan

The Board did not recommend the distribution of interim dividend for the six months ended 30 June 2017.

## VIII. CONNECTED TRANSACTIONS

During the reporting period, the Company has strictly complied with the relevant requirements in respect of connected transactions under Chapter 14A of the Listing Rules, and has established a set of mechanism to protect non-controlling shareholders' interests. The auditor of the Company has provided quarterly reports to independent non-executive Directors on transactions conducted between the Group and CRRC Group. In addition, the independent non-executive Directors have conducted quarterly reviews on the terms of the framework agreement for mutual supply of products and ancillary services entered into between the Company (on behalf of itself and/or its subsidiaries) and CRRC Group (on behalf of itself and/or its subsidiaries but excluding the Group) on 28 March 2016 for a term of three years commencing from 1 January 2017 to 31 December 2019, and the review opinions regarding such transactions (including the same type of transactions between the Company and CRRC Group (on behalf of itself and/or its subsidiaries but excluding the Group)) would be disclosed to shareholders by way of announcements.

## IX. EMPLOYEES AND TRAINING

As at 30 June 2017, the Company had 7,539 full-time employees. Employment expenses for the six months ended 30 June 2017 was approximately RMB705.81 million. The Group's remuneration policy for its employees takes into account the experience, level of responsibilities, work performance, qualifications and competence of the individual employees. The Group offers salary increments and bonuses to employees with outstanding performance. The bonus scheme is discretionary and is determined by the Directors with reference to the performance of the employees and the Group's operation results.



## Other Information

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

During the reporting period, the Company devised and organized a number of training sessions including Training for the Development of Manager in Foreign Countries, the Management Team of R&D (for leading the high caliber training camp), Training for the Internal Training Team, Training for PDT Project Managers. The Company continued to refine the two internal training classes, namely, Happy Learning Class (樂學講堂) and Expert Forum (專家講壇), plan internal training programs including teaching series for professional managers, training series for sophisticated research and development, and training series for marketing staff and the skill and tips for ordinary office software. All these training programmes organised were well received. The Company put great emphasis to establish the Company's image as an international community and improve the language capacity and internationalized quality of the Company's staff by utilizing English Corner, English Business Salon, English Presentation events and Working Day in English.

# Basic Corporate Information

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

# Glossary

“AGM” or “Annual General Meeting”	The annual general meeting for year 2016 of the Company held on Tuesday, 13 June 2017
“Articles”	the Articles of Association of the Company
“Baoji Times”	寶雞中車時代工程機械有限公司 (Baoji CRRC Times Engineering Machinery Co., Ltd.), formerly known as 寶雞南車時代工程機械有限公司 (Baoji CSR Times Engineering Machinery Co. Ltd.), a subsidiary of the Company in which the Company holds 85.8% of its equity interests
“Beijing CRRC Intelligent”	北京中車軌道交通智控科技有限公司 (Beijing CRRC Transit Intelligent Control Technology Co., Ltd.), formerly known as 北京南車時代信息技術有限公司 (Beijing CSR Times Information Technology Co., Ltd.), a wholly-owned subsidiary of the Company
“Board” or “Board of Directors”	the board of Directors of the Company
“CG Code”	the Code on Corporate Governance and Corporate Governance Report set out in Appendix 14 to the Listing Rules
“CNR”	formerly known as 中國北車股份有限公司 (China CNR Corporation Limited)
“Company”	株洲中車時代電氣股份有限公司 (Zhuzhou CRRC Times Electric Co., Ltd.), formerly known as 株洲南車時代電氣股份有限公司 (Zhuzhou CSR Times Electric Co., Ltd.), a joint stock company established in the PRC with limited liability whose H shares are listed on the Main Board of the Stock Exchange
“CRCCE”	中國鐵建高新裝備股份有限公司 (CRCC High-Tech Equipment Corporation Limited), formerly known as 昆明中鐵大型養路機械集團有限公司 (China Railway Large Maintenance Machinery Co., Ltd. Kunming), one of the Promoters of the Company, whose H shares are listed on the Main Board of the Hong Kong Stock Exchange (stock code: 1786)
“CRRC”	中國中車股份有限公司 (CRRC Corporation Limited), a joint stock limited liability company incorporated in the PRC and formed through the merger of CSR and CNR, whose A shares and H shares are listed on the Shanghai Stock Exchange and the Main Board of the Hong Kong Stock Exchange, respectively. CRRC holds the entire equity interest in the Parent Company
“CRRC Finance”	中車財務有限公司 (CRRC Finance Co., Ltd.), known as 中國北車集團財務有限公司 (China CNR Finance Co., Ltd.) before 18 January 2017, a company established under the laws of the PRC with limited liability
“CRRCG”	CRRC Group and its subsidiaries

“CRRC Group”	中國中車集團公司 (CRRC Group), a Chinese state-owned Company, which was established through the merger of 中國北方機車車輛工業集團公司 (China Northern Locomotive & Rolling Stock Industry (Group) Corporation) and 中國南車集團公司 (CSR Group), CRRC Group is the ultimate controlling shareholder of the Company
“CRRC Investment & Leasing”	中車投資租賃有限公司 (CRRC Investment & Leasing Co., Ltd., formerly known as 南車投資租賃有限公司 (CSR Investment & Leasing Co., Ltd.), a wholly-owned subsidiary of CRRC, and one of the Promoters
“CRRC Sifang”	中車青島四方機車車輛股份有限公司 (CRRC Qingdao Sifang Co., Ltd.), formerly known as 南車青島四方機車車輛股份有限公司 (CSR Qingdao Sifang Locomotive & Rolling Stock Co., Ltd.), which is held as to 97.81% by CRRC
“CRRC Wabtec”	湖南中車西屋軌道交通技術有限公司 (Hunan CRRC-Wabtec Rail Transit Technology Co., Ltd.), formerly known as 湖南南車西屋軌道交通技術有限公司 (Hunan CSR-Wabtec Railway Transportation Technology Co., Ltd.), a company held as to 50% by the Company and as to 50% by Wabtec China Rail Products & Services Holding Limited
“CRRC Zhuzhou”	中車株洲電力機車有限公司 (CRRC Zhuzhou Locomotive Co., Ltd.), formerly known as 南車株洲電力機車有限公司 (CSR Zhuzhou Electric Locomotive Co., Ltd.), which is held as to 100% by CRRC, and one of the Promoters
“CSR”	formerly known as 中國南車股份有限公司 (CSR Corporation Limited)
“Director(s)”	the director(s) of the Company
“Dynex”	Dynex Power Inc., a company established under the law of Canada and listed on the TSX Venture Exchange, Toronto, Canada (stock code: DNX) whose 75% equity interests was acquired by the Company in October 2008 and is a Company’s subsidiary. Dynex Semiconductor Ltd. is its only operating subsidiary and its headquarters are located in Lincoln, England
“Electric Multiple Units”	Electric Multiple Units power converters, auxiliary power supply equipment and control systems
“Group”	the Company and its subsidiaries
“Guangzhou Times”	廣州中車時代電氣技術有限公司 (Guangzhou CRRC Times Electric Technology Co., Ltd.), formerly known as 廣州南車時代電氣技術有限公司 (Guangzhou CSR Times Electric Technology Co., Ltd.), a subsidiary of the Company in which the Company holds 60% of its equity interests
“Hangzhou Electric”	杭州中車時代電氣設備有限公司 (Hangzhou CRRC Times Electric Equipment Co., Ltd.), formerly known as 杭州南車電氣設備有限公司 (Hangzhou CSR Electric Equipment Co., Ltd.), a subsidiary of the Company in which the Company holds 60% of its equity interests

## Glossary

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“HK Electric”	中車時代電氣（香港）有限公司 (CRRC Times Electric (Hong Kong) Co., Limited), formerly known as CSR Times Electric (Hong Kong) Co., Limited, a company established under the law of Hong Kong and a wholly-owned subsidiary of the Company
“Kunming Electric”	昆明中車時代電氣設備有限公司 (Kunming CRRC Times Electric Equipment Co., Ltd.), formerly known as 昆明南車電氣設備有限公司 (Kunming CSR Electric Equipment Co., Ltd.), a wholly-owned subsidiary of the Company
“Lanzhou Times”	蘭州中車時代軌道交通科技有限公司 (Lanzhou CRRC Times Rail Transit Technology Co., Ltd.), a subsidiary of the Company in which the Company holds 51% of its equity interests
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“Locomotives”	Locomotives power converters, auxiliary power supply equipment and control systems
“Metropolitan rail transportation equipment”	Metropolitan rail transportation equipment power converters, auxiliary power supply equipment and control systems
“Ningbo Electric”	寧波中車時代電氣設備有限公司 (Ningbo CRRC Times Electric Equipment Co., Ltd.), formerly known as 寧波南車電氣設備有限公司 (Ningbo CSR Electric Equipment Co., Ltd.), a wholly-owned subsidiary of the Company
“Ningbo Times”	寧波中車時代傳感技術有限公司 (Ningbo CRRC Times Transducer Technology Co., Ltd.) formerly known as 寧波南車時代傳感技術有限公司 (Ningbo CSR Times Sensor Technology Co., Ltd.), a wholly-owned subsidiary of the Company
“Parent Company” or “CRRC ZELRI”	中車株洲電力機車研究所有限公司 (CRRC Zhuzhou Institute Co., Ltd.), formerly known as 南車株洲電力機車研究所有限公司 (CSR Zhuzhou Electric Locomotive Research Institute Co., Ltd.), a wholly-owned subsidiary of CRRC, one of the Promoters of the Company and the controlling shareholder of the Company
“Parent Group”	the Parent Company and its subsidiaries (excluding the Group)
“PRC”	The People's Republic of China
“PRC Accounting Standards”	Accounting Standards for Business Enterprises and relevant regulations issued by the Ministry of Finance of the PRC
“Promoters”	the promoters of the Company, being CRRC ZELRI, CRRC Zhuzhou, CRRC Investment & Leasing, CRRC Changzhou Qishuyan Locomotive & Rolling Stock Works and CRCCE

“Qingdao Electric”	青島中車電氣設備有限公司 (Qingdao CRRC Electric Equipment Co., Ltd.), formerly known as 青島南車電氣設備有限公司 (Qingdao CSR Electric Equipment Co., Ltd.), held as to 45% by the Company, as to 38% by 中車青島四方機車車輛股份有限公司 (CRRC Qingdao Sifang Locomotive & Rolling Stock Co., Ltd.), formerly known as 南車青島四方機車車輛股份有限公司 (CSR Qingdao Sifang Locomotive & Rolling Stock Co., Ltd.), as to 17% by Qingdao Hongda Schnell Science & Technology Co., Ltd. It is a subsidiary of the Company since the Company has actual control over it
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shanghai CRRC Rail Transit”	上海中車軌道交通科技有限公司 (Shanghai CRRC Rail Transit Technology Co., Ltd.), formerly known as 上海南車軌道交通科技有限公司 (Shanghai CSR Railway Transportation Technology Co., Ltd.), a subsidiary of the Company in which the Company holds 51% of its equity interests
“Shanghai Shentong CRRC”	上海申通中車軌道交通運行安全工程技術研究有限公司 (Shanghai Shentong CRRC Rail Transit Operation Safety Engineering Technology Research Co., Ltd.), a company in which the Company holds 50% of its equity interests
“Shenyang Times”	瀋陽中車時代交通設備有限公司 (Shenyang CRRC Times Transportation Technology Co., Ltd.), formerly known as 瀋陽南車時代交通設備有限公司 (Shenyang CSR Times Transportation Equipment Co., Ltd.), a wholly-owned subsidiary of the Company
“Shiling”	株州時菱交通設備有限公司 (Zhuzhou Shiling Transportation Equipment Co., Ltd.), held as to 50% by the Company, as to 40% by Mitsubishi Electric Corporation and as to 10% by Mitsubishi Electric (China) Ltd.
“SMD”	Specialist Machine Developments (SMD) Limited, a private limited company incorporated in England and Wales, a wholly-owned subsidiary of the Company
“SMD Group”	SMD and its subsidiaries
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supervisory Committee”	the supervisory committee of the Company
“the Reporting Period”	the six-month period ended 30 June 2017
“Times Australia”	CRRC Times Electric Australia Pty. Ltd., formerly known as CSR Times Electric Australia Pty. Ltd., a company established under the law of Australia and a wholly-owned subsidiary of the Company
“Times Brasil”	CRRC Times Electric Brasil Ltd., formerly known as CSR Times Electric Brasil Ltd., a company established under the law of Brasil and a wholly-owned subsidiary of the Company



## Glossary

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“Times Electronics”	株洲時代電子技術有限公司 (Zhuzhou Times Electronics Technology Co., Ltd.), a wholly-owned subsidiary of the Company
“Times Equipment”	株洲中車時代裝備技術有限責任公司 (Zhuzhou CRRC Times Equipment Technology Co., Ltd.), formerly known as 株洲時代裝備技術有限責任公司 (Zhuzhou Times Equipment Technology Co., Ltd.), a wholly-owned subsidiary of the Company
“Times New Materials”	株洲時代新材料科技股份有限公司 (Zhuzhou Times New Materials Technology Co., Ltd.), the shares of which are listed on the Shanghai Stock Exchange (stock code: 600458), a subsidiary of CRRC ZELRI
“Times Signal & Communication”	湖南中車時代通信信號有限公司 (Hunan CRRC Times Signal & Communication Co., Ltd.), a wholly-owned subsidiary of the Company
“Times Software”	株洲中車時代軟件技術有限公司 (Zhuzhou CRRC Times Software Technology Co., Ltd.), formerly known as 株洲南車時代軟件技術有限公司 (Zhuzhou CSR Times Software Technology Co., Ltd.), a wholly-owned subsidiary of the Company
“Times USA”	CRRC Times Electric USA LLC., formerly known as CSR Times Electric USA LLC, a company established under the law of the United States of America and a wholly-owned subsidiary of the Company
“Traction Inspection”	中鐵檢驗認證株洲牽引電氣設備檢驗站有限公司 (China Railway Approved Zhuzhou Traction Electric Equipment Inspection Station Company Limited), a subsidiary of CRRC ZELRI in which CRRC ZELRI holds 55% of its equity interest
“Wenzhou Electric”	溫州中車電氣設備有限公司 (Wenzhou CRRC Electric Equipment Co., Ltd.), formerly known as 樂清南車軌道科技有限公司 (Yueqing CSR Railway Technologies Co., Ltd.), a subsidiary of the Company in which the Company holds 51% of its equity interest
“Zhuzhou Siemens”	株洲西門子牽引設備有限公司 (Siemens Traction Equipment Ltd., Zhuzhou), held as to 30% by the Company, as to 20% by CRRC Zhuzhou and as to 50% by Siemens Ltd., China
“ZNERCC”	株洲變流技術國家工程研究中心有限公司 (Zhuzhou National Engineering Research Centre of Converters Co., Ltd.), a limited liability company established under the laws of the PRC and a wholly-owned subsidiary of the Company

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