中国中车
CRRC

2018
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

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Notes:

I. The financial data in this interim report is prepared under PRC Accounting Standards;

II. 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

The Board of the Company is pleased to announce the unaudited financial results of the Group for the six months ended 30 June 2018 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 2018 amounted to RMB6,320,463,420 (for the six months ended 30 June 2017: RMB6,516,413,093), representing a decrease of 3% over the same period of last year. Total profit amounted to RMB1,227,941,574 (for the six months ended 30 June 2017 (Restated) (Note): RMB1,314,707,105), representing a decrease of 7% over the same period of last year. Net profit attributable to shareholders of the Parent amounted to RMB1,040,257,544 (for the six months ended 30 June 2017 (Restated): RMB1,120,692,618), representing a decrease of 7% over the same period of last year. Basic earnings per share amounted to RMB0.88 (for the six months ended 30 June 2017 (Restated): RMB0.95).

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

Note: On 2 August 2017, the Group completed the business combination under common control of Shanghai Yongdian, and hence the related information of the year 2017 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 period. The related details are set out in Note VI.3 to the financial statements.

Business Review and Outlook

In the first half of 2018, the Central Economic Work Conference issued the decision and deployment "adjusting the transportation structure and increasing the railway freight capacity". Both the volume of passenger and cargo transportation has increased compared with the previous year, China Railway Corporation continued to deepen its reform, the development of the domestic urban rail transit market tended to be standardized, and the international environment was becoming increasingly complicated. The Company practiced the "three-year action plan", explored incremental business based on the rail transit market, strived to serve customers and planned to accelerate the cultivation of new industries.

In respect of the traction systems for locomotives, the Company continued to maintain the normal delivery of the existing orders and actively explored emerging railway markets; constantly launched new products and new technologies, such as big data and expert diagnosis systems, ground automatic passing phase insulators for electronic switches, and automatic driving systems for locomotives.

In respect of the traction systems for electric multiple units, the Company smoothly delivered standard electric multiple units with a speed of 350km/h and actively promoted standard electric multiple units with a speed of 250km/h.

In respect of the urban rail transit, the existing orders for independent traction systems were smoothly delivered as planned.

In respect of railway engineering machinery, the delivery of orders on hand and the R&D and promotion of new products were smoothly promoted.

In respect of signal & communication products, the Company captured the signal system project of Foshan Metro Line 3.

In respect of parts and components, China-made IGBT technology was successfully applied in Wuxi Metro.

In respect of new industries, the electric drive systems for passenger cars began to be delivered in batches and the first set of marine engineering products of Shanghai SMD was launched.

In the second half of 2018, China Railway Corporation issued the Incremental Action Plan for Freight Transport from 2018 to 2020 (《2018-2020年貨運增量行動方案》), which imposed certain requirements for strengthening the equipment support for locomotive vehicles. The State Council issued the Opinions on Further Strengthening the Management of Urban Rail Transit Planning and Construction (《關於進一步加強城市軌道交通規劃建設管理的意見》), which further promoted the orderly, sustained and healthy development of urban rail transit.

In respect of the traction systems for locomotives and electric multiple units, the Company will fully guarantee the delivery of standard electric multiple unit products and locomotive products, focus on the latest market demand and actively deploy new products and new technologies.

In respect of the urban rail transit, the Company will maintain the existing market position under fierce market competition through planning in technological, market and other aspects.

In respect of railway engineering machinery, the Company will enrich the spectrum of heavy rail car products and strengthen the acquisition of orders for whole machines.

In respect of parts and components, the Company will strengthen communication with key customers of IGBT devices, well prepare pre-sales services and shorten the introduction period of new products.

In respect of the electric drive systems for passenger cars, the Company will focus on build professional production lines.

In respect of marine engineering products, the Company will increase efforts to develop the domestic offshore wind power market.

Consolidated Statement of Financial Position

30 June 2018

Renminbi Yuan

ASSETS	Note V	30 June 2018 (Unaudited)	31 December 2017 (Audited, restated)
CURRENT ASSETS			
Cash and bank balances	1	**5,824,436,853**	3,807,870,646
Held-for-trading financial asset	2	**1,706,606,411**	–
Derivative financial assets	3	**2,741,958**	–
Bills receivable and trade receivables	4	**9,496,523,096**	11,234,254,663
Prepayments	5	**404,044,711**	351,818,771
Other receivables	6	**137,219,571**	175,057,776
Inventories	7	**4,096,720,555**	3,498,039,948
Contract assets		**3,390,933**	–
Other current assets	8	**1,016,705,708**	2,545,606,214
Total current assets		**22,688,389,796**	21,612,648,018
NON-CURRENT ASSETS			
Long-term receivables	9	**66,645,106**	68,963,685
Long-term equity investments	10	**279,522,113**	270,226,834
Available-for-sale financial asset		**–**	900,000
Other equity instrument investment		**900,000**	–
Fixed assets	11	**2,720,502,010**	2,718,043,237
Construction in progress	12	**223,423,591**	236,723,437
Intangible assets	13	**654,274,557**	698,630,503
Development expenditure	14	**130,481,858**	113,520,722
Goodwill	15	**458,086,273**	454,291,856
Long-term deferred expenses	16	**22,221,253**	12,396,018
Deferred tax assets	17	**400,444,326**	372,796,918
Other non-current assets	18	**103,833,888**	90,507,247
Total non-current assets		**5,060,334,975**	5,037,000,457
TOTAL ASSETS		**27,748,724,771**	26,649,648,475

30 June 2018

Renminbi Yuan

LIABILITIES AND SHAREHOLDERS' EQUITY	Note V	30 June 2018 (Unaudited)	31 December 2017 (Audited, restated)
CURRENT LIABILITIES			
Short-term borrowings	19	**209,496,178**	202,427,360
Bills payable and trade payables	20	**5,702,381,668**	5,454,698,714
Advances from customers	21	**–**	856,636,427
Contract liabilities	22	**710,099,393**	–
Employee benefits payable	23	**170,976,043**	47,223,201
Taxes payable	24	**215,374,799**	214,197,481
Other payables	25	**982,964,274**	556,316,992
Current portion of non-current liabilities	26	**328,360,104**	291,790,393
Total current liabilities		**8,319,652,459**	7,623,290,568
NON-CURRENT LIABILITIES			
Long-term borrowings	27	**113,021,934**	99,427,028
Long-term payables	20	**119,375,682**	119,375,682
Provisions	28	**261,373,877**	334,208,148
Deferred income	29	**344,042,603**	346,645,279
Deferred tax liabilities	17	**59,394,258**	70,136,010
Total non-current liabilities		**897,208,354**	969,792,147
Total liabilities		**9,216,860,813**	8,593,082,715
SHAREHOLDERS' EQUITY			
Share capital		**1,175,476,637**	1,175,476,637
Capital reserve		**3,369,786,541**	3,369,786,541
Other comprehensive income		**(140,508,084)**	(116,467,835)
Special reserve		**17,551,878**	13,569,337
Surplus reserve		**1,765,252,682**	1,598,210,193
Retained earnings	30	**12,068,058,870**	11,723,779,095
Total equity attributable to shareholders of the Parent		**18,255,618,524**	17,764,353,968
Non-controlling interests		**276,245,434**	292,211,792
Total shareholders' equity		**18,531,863,958**	18,056,565,760
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**27,748,724,771**	26,649,648,475

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2018

Renminbi Yuan

	Note V	From 1 January 2018 to 30 June 2018 (Unaudited)	From 1 January 2017 to 30 June 2017 (Unaudited, restated)
Revenue	31	**6,320,463,420**	6,516,413,093
Less: Cost of sales	31	**3,887,808,376**	3,976,780,197
Taxes and surcharges		**48,485,870**	55,153,864
Selling expenses		**316,561,173**	297,016,202
Administrative expenses		**296,381,104**	281,365,547
Research and development expenses		**591,930,205**	600,816,675
Finance costs	32	**(16,887,325)**	(8,139,827)
Including: Interest expenses	32	**4,342,472**	1,771,672
Interest income	32	**(34,036,633)**	(16,575,367)
Asset impairment losses	33	**20,433,790**	157,574,749
Credit impairment losses	34	**89,154,095**	–
Add: Other income	35	**126,980,551**	103,070,469
Investment income	36	**8,216,306**	35,921,435
Including: share of profits and losses of associates and joint ventures	36	**(7,669,962)**	16,645,679
Gains on fair value changes	37	**2,741,958**	6,135,766
Gains/(losses) on disposal of non-current assets	38	**1,535,205**	(52,165)
Operating profit		**1,226,070,152**	1,300,921,191
Add: Non-operating income	39	**2,655,545**	17,583,631
Less: Non-operating expenses	40	**784,123**	3,797,717
Total profit		**1,227,941,574**	1,314,707,105
Less: Income tax expense	42	**172,549,744**	174,438,214
Net profit		**1,055,391,830**	1,140,268,891
Including: Net profit of the acquire attributable to shareholders of the Parent prior to business combination involving entities under common control		**–**	(2,166,034)

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2018

Renminbi Yuan

	Note V	From 1 January 2018 to 30 June 2018 (Unaudited)	From 1 January 2017 to 30 June 2017 (Unaudited, restated)
(i) Net profit classified by business continuity:			
1. Net profit from continuing operations		**1,055,391,830**	1,140,268,891
2. Net profit from discontinued operations		**–**	–
(ii) Net profit classified by ownership:			
1. Net profit attributable to non-controlling interests		**15,134,286**	19,576,273
2. Net profit attributable to shareholders of the Parent		**1,040,257,544**	1,120,692,618
Other comprehensive income, net of tax:			
Other comprehensive income attributable to shareholders of the Parent, net of tax		**(24,040,249)**	(4,807,830)
(i) Items that will not be reclassified to profit or loss		**–**	–
(ii) Items that may be reclassified to profit or loss			
1. Fair value losses on financial assets at fair value through other comprehensive income		**(13,384,000)**	–
2. Exchange fluctuation reserve		**(10,656,249)**	(4,807,830)
Other comprehensive income attributable to non-controlling interests, net of tax		**(3,395,197)**	(312,522)
Total comprehensive income:		**1,027,956,384**	1,135,148,539
Including:			
Total comprehensive income attributable to shareholders of the Parent		**1,016,217,295**	1,115,884,788
Total comprehensive income attributable to non-controlling interests		**11,739,089**	19,263,751
Earnings per share (Yuan/Share)			
Basic earnings per share	43	**0.88**	0.95
Diluted earnings per share		**N/A**	N/A

Consolidated Statement of Changes in Equity

For the six months ended 30 June 2018

Renminbi Yuan

	Attributable to shareholders of the Parent								
	Share capital	Capital reserve	Other comprehensive income	Special reserve	Surplus reserve	Retained earnings	Sub-total	Non-controlling interests	Total shareholders' equity
I. At 31 December 2017 (Audited)	**1,175,476,637**	**3,369,786,541**	**(116,467,835)**	**13,569,337**	**1,598,210,193**	**11,723,779,095**	**17,764,353,968**	**292,211,792**	**18,056,565,760**
Add: Changes in accounting policy (Note III.27)	**–**	**–**	**(13,384,000)**	**–**	**–**	**–**	**(13,384,000)**	**(133,000)**	**(13,517,000)**
II. At 1 January 2018 (Unaudited)	**1,175,476,637**	**3,369,786,541**	**(129,851,835)**	**13,569,337**	**1,598,210,193**	**11,723,779,095**	**17,750,969,968**	**292,078,792**	**18,043,048,760**
III. Movements during the period									
(i) Total comprehensive income (Unaudited)	**–**	**–**	**(10,656,249)**	**–**	**–**	**1,040,257,544**	**1,029,601,295**	**11,872,089**	**1,041,473,384**
(ii) Capital contribution and withdrawal by shareholders									
1. Business combination involving enterprises under common control (Note VI.1) (Unaudited)	**–**	**–**	**–**	**–**	**9,347,986**	**(9,347,986)**	**–**	**–**	**–**
2. Loss control of a subsidiary (Note VI.2) (Unaudited)	**–**	**–**	**–**	**–**	**29,207**	**–**	**29,207**	**(15,058,724)**	**(15,029,517)**
(iii) Profit appropriation									
1. Transfer to surplus reserve (Unaudited)	**–**	**–**	**–**	**–**	**157,665,296**	**(157,665,296)**	**–**	**–**	**–**
2. Dividends distribution (Unaudited)	**–**	**–**	**–**	**–**	**–**	**(528,964,487)**	**(528,964,487)**	**(12,780,000)**	**(541,744,487)**
(iv) Special reserve									
1. Accrued during the period (Unaudited)	**–**	**–**	**–**	**19,916,288**	**–**	**–**	**19,916,288**	**698,803**	**20,615,091**
2. Paid during the period (Unaudited)	**–**	**–**	**–**	**(15,933,747)**	**–**	**–**	**(15,933,747)**	**(565,526)**	**(16,499,273)**
IV. At 30 June 2018 (Unaudited)	**1,175,476,637**	**3,369,786,541**	**(140,508,084)**	**17,551,878**	**1,765,252,682**	**12,068,058,870**	**18,255,618,524**	**276,245,434**	**18,531,863,958**

	Attributable to shareholders of the Parent								
	Share capital	Capital reserve	Other comprehensive income	Special reserve	Surplus reserve	Retained earnings	Sub-total	Non-controlling interests	Total shareholders' equity
I. At 31 December 2016 (Audited)	1,175,476,637	3,341,900,430	(89,637,548)	11,211,581	1,416,051,748	9,944,778,161	15,799,781,009	260,166,160	16,059,947,169
Add: Business combination involving enterprises under common control (Restated, Note XIII.4)	–	40,800,000	–	–	–	(33,347,219)	7,452,781	3,507,191	10,959,972
II. At 1 January 2017 (Unaudited)	1,175,476,637	3,382,700,430	(89,637,548)	11,211,581	1,416,051,748	9,911,430,942	15,807,233,790	263,673,351	16,070,907,141
III. Movements during the period									
(i) Total comprehensive income (Unaudited, restated)	–	–	(4,807,830)	–	–	1,120,692,618	1,115,884,788	19,263,751	1,135,148,539
(ii) Profit appropriation									
1. Transfer to surplus reserve (Unaudited)	–	–	–	–	112,734,453	(112,734,453)	–	–	–
2. Dividends distribution (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)
IV. At 30 June 2017 (Unaudited)	1,175,476,637	3,382,700,430	(94,445,378)	17,590,760	1,528,786,201	10,390,424,620	16,400,533,270	280,376,911	16,680,910,181

Consolidated Statement of Cash Flows

For the six months ended 30 June 2018

Renminbi Yuan

		Note V	**From 1 January 2018 to 30 June 2018 *(Unaudited)***	From 1 January 2017 to 30 June 2017 *(Unaudited, restated)*
I.	Cash flows from operating activities			
	Cash received from sale of goods or rendering of services		**8,365,831,378**	6,247,491,438
	Refunds of taxes		**170,561,031**	131,168,575
	Cash received relating to operating activities		**362,841,326**	33,965,633
	Sub-total of cash inflows from operating activities		**8,899,233,735**	6,412,625,646
	Cash paid for goods and services		**(4,639,765,759)**	(3,992,992,850)
	Cash paid to and on behalf of employees		**(755,566,969)**	(633,216,948)
	Cash paid for all types of taxes		**(494,202,365)**	(663,127,749)
	Cash paid relating to other operating activities		**(881,360,442)**	(746,526,960)
	Sub-total of cash outflows from operating activities		**(6,770,895,535)**	(6,035,864,507)
	Net cash flows from operating activities	44	**2,128,338,200**	376,761,139
II.	Cash flows from investing activities			
	Cash received from disposal or returns of investments		**3,250,000,000**	2,929,791,590
	Cash received from returns on investments		**9,536,848**	22,681,297
	Net cash received from disposal of fixed assets, intangible assets and other long-term assets		**10,751,465**	647,385
	Cash received relating to other investing activities		**–**	5,150,000
	Sub-total of cash inflows from investing activities		**3,270,288,313**	2,958,270,272
	Cash paid for acquisition of fixed assets, intangible assets and other long-term assets		**(220,965,143)**	(147,469,770)
	Cash paid for acquisition of investments		**(2,900,000,000)**	(1,660,011,590)
	Net cash paid for the disposal of a subsidiary		**(30,699,682)**	–
	Sub-total of cash outflows from investing activities		**(3,151,664,825)**	(1,807,481,360)
	Net cash flows from investing activities		**118,623,488**	1,150,788,912

Consolidated Statement of Cash Flows

For the six months ended 30 June 2018

Renminbi Yuan

		Note V	From 1 January 2018 to 30 June 2018 (Unaudited)	From 1 January 2017 to 30 June 2017 (Unaudited, restated)
III.	Cash flows from financing activities			
	Cash received from borrowings		**39,110,905**	7,270,021
	Sub-total of cash inflows from financing activities		**39,110,905**	7,270,021
	Cash repayment of borrowings		**(13,407,237)**	(38,453,597)
	Cash paid for distribution of dividends or profits and for interest expenses		**(11,696,725)**	(5,509,139)
	Sub-total of cash outflows from financing activities		**(25,103,962)**	(43,962,736)
	Net cash flows from financing activities		**14,006,943**	(36,692,715)
IV.	Effect of foreign exchange rate changes on cash and cash equivalents		**(1,464,191)**	(260,558)
V.	Net increase in cash and cash equivalents		**2,259,504,440**	1,490,596,778
	Add: Cash and cash equivalents at beginning of period		**3,422,194,522**	3,065,846,850
VI.	Cash and cash equivalents at end of period	44	**5,681,698,962**	4,556,443,628

Statement of Financial Position

30 June 2018

Renminbi Yuan

ASSETS	Note XIV	30 June 2018 (Unaudited)	31 December 2017 (Audited, restated)
CURRENT ASSETS			
Cash and bank balances		**4,084,620,696**	2,276,673,151
Held-for-trading financial assets		**1,706,606,411**	–
Derivative financial assets		**2,741,958**	–
Bills receivable and trade receivables	1	**8,602,678,183**	9,320,781,542
Prepayments		**216,002,991**	183,989,167
Other receivables	2	**617,895,256**	834,340,860
Inventories		**3,229,680,438**	2,401,079,829
Other current assets		**896,326,164**	2,508,380,711
Total current assets		**19,356,552,097**	17,525,245,260
NON-CURRENT ASSETS			
Long-term receivables	3	**883,486,506**	864,788,432
Long-term equity investments	4	**2,153,200,136**	2,158,766,014
Available-for-sale financial asset		**–**	900,000
Other equity instrument investment		**900,000**	–
Fixed assets		**2,096,138,914**	2,056,467,640
Construction in progress		**203,100,636**	224,692,797
Intangible assets		**316,065,255**	323,717,194
Development expenditure		**130,481,858**	101,842,110
Deferred tax assets		**250,996,899**	219,995,460
Other non-current assets		**82,482,036**	84,298,876
Total non-current assets		**6,116,852,240**	6,035,468,523
TOTAL ASSETS		**25,473,404,337**	23,560,713,783

Statement of Financial Position

30 June 2018

Renminbi Yuan

LIABILITIES AND SHAREHOLDERS' EQUITY	Notes XIV	30 June 2018 (Unaudited)	31 December 2017 (Audited, restated)
CURRENT LIABILITIES			
Bills payable and trade payables		**4,812,285,575**	4,420,376,755
Advances from customers		**–**	698,256,990
Contract liabilities		**606,797,783**	–
Employee benefits payable		**138,462,969**	29,937,159
Taxes payable		**79,899,791**	73,665,299
Other payables		**970,895,812**	545,982,785
Current portion of non-current liabilities		**251,654,414**	225,648,508
Total current liabilities		**6,859,996,344**	5,993,867,496
NON-CURRENT LIABILITIES			
Long-term borrowings		**95,188,000**	97,688,000
Long-term payables		**119,375,682**	119,375,682
Provisions		**246,912,173**	311,799,564
Deferred income		**324,452,424**	319,712,424
Total non-current liabilities		**785,928,279**	848,575,670
Total liabilities		**7,645,924,623**	6,842,443,166
SHAREHOLDERS' EQUITY			
Share capital		**1,175,476,637**	1,175,476,637
Capital reserve		**3,371,446,430**	3,370,007,584
Other comprehensive income		**(7,871,000)**	–
Special reserve		**10,038,057**	6,225,988
Surplus reserve		**1,765,252,682**	1,598,210,193
Retained earnings		**11,513,136,908**	10,568,350,215
Total shareholders' equity		**17,827,479,714**	16,718,270,617
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**25,473,404,337**	23,560,713,783

Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2018

Renminbi Yuan

	Note XIV	From 1 January 2018 to 30 June 2018 (Unaudited)	From 1 January 2017 to 30 June 2017 (Unaudited, restated)
Revenue	5	**4,365,885,322**	4,543,297,542
Less: Cost of sales	5	**3,100,615,601**	3,028,624,866
Taxes and surcharges		**19,354,158**	27,655,683
Selling expenses		**177,840,411**	188,177,545
Administrative expenses		**143,741,621**	144,925,763
Research and development expenses		**361,701,948**	406,423,201
Finance costs		**(41,465,204)**	4,563,947
Including: Interest expenses		**1,625,062**	–
Interest income		**(45,133,148)**	(30,969,105)
Asset impairment losses		**21,137,278**	125,611,886
Credit impairment losses		**88,595,214**	–
Add: Other income		**10,528,292**	75,814,732
Investment income	6	**1,123,876,386**	519,552,344
Including: share of profits and losses of associates and joint ventures	6	**(6,374,886)**	25,341,506
Gains on fair value changes		**2,741,958**	6,135,766
Gains/(losses) on disposal of non-current assets		**1,732,615**	(53,771)
Operating profit		**1,633,243,546**	1,218,763,722
Add: Non-operating income		**214,861**	12,180,899
Less: Non-operating expenses		**–**	2,540,388
Total profit		**1,633,458,407**	1,228,404,233
Less: Income tax expense		**56,805,450**	101,059,699
Net profit		**1,576,652,957**	1,127,344,534
Classified by business continuity			
1. Net profit from continuing operations		**1,576,652,957**	1,127,344,534
2. Net profit from discontinued operations		**–**	–
Other comprehensive income, net of tax:			
(i) Items that will not be reclassified to profit or loss		**–**	–
(ii) Items that may be reclassified to profit or loss			
Fair value losses on financial assets at fair value through other comprehensive income		**(7,871,000)**	–
Total comprehensive income		**1,568,781,957**	1,127,344,534

Statement of Changes in Equity

For the six month ended 30 June 2018

Renminbi Yuan

	Share capital	Capital reserve	Other comprehensive income	Special reserve	Surplus reserve	Retained earnings	Total shareholders' equity
I. At 31 December 2017 (Audited)	1,175,476,637	3,370,007,584	–	6,225,988	1,598,210,193	10,568,350,215	16,718,270,617
Add: Changes in accounting policy (Note III.27)	–	–	(7,871,000)	–	–	–	(7,871,000)
II. At 1 January 2018 (Unaudited)	1,175,476,637	3,370,007,584	(7,871,000)	6,225,988	1,598,210,193	10,568,350,215	16,710,399,617
III. Movements during the period							
(i) Total comprehensive income (Unaudited)	–	–	–	–	–	1,576,652,957	1,576,652,957
(ii) Capital contribution and withdrawal by shareholders							
1. Business combination involving enterprises under common control (Note VI.1) (Unaudited)	–	–	–	–	9,347,986	54,514,330	63,862,316
2. Loss control of a subsidiary (Note VI.2) (Unaudited)	–	1,438,846	–	–	29,207	249,189	1,717,242
(iii) Profit appropriation							
1. Transfer to surplus reserve (Unaudited)	–	–	–	–	157,665,296	(157,665,296)	–
2. Dividends distribution (Unaudited)	–	–	–	–	–	(528,964,487)	(528,964,487)
(iv) Special reserve							
1. Accrued during the period (Unaudited)	–	–	–	16,797,627	–	–	16,797,627
2. Paid during the period (Unaudited)	–	–	–	(12,985,558)	–	–	(12,985,558)
IV. At 30 June 2018 (Unaudited)	1,175,476,637	3,371,446,430	(7,871,000)	10,038,057	1,765,252,682	11,513,136,908	17,827,479,714

	Share capital	Capital reserve	Special reserve	Surplus reserve	Retained earnings	Total Shareholders' Equity
I. At 31 December 2016 (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 distribution (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. At 30 June 2017 (Unaudited)	1,175,476,637	3,375,442,574	9,687,487	1,528,786,201	9,943,534,292	16,032,927,191

Statement of Cash Flows

For the six months ended 30 June 2018

Renminbi Yuan

		Note XIV	From 1 January 2018 to 30 June 2018 *(Unaudited)*	From 1 January 2017 to 30 June 2017 *(Unaudited)*
I.	Cash flows from operating activities			
	Cash received from sale of goods or rendering of services		**5,536,118,583**	4,778,393,717
	Refunds of taxes		**–**	79,257,869
	Cash received relating to other operating activities		**306,393,590**	17,487,816
	Sub-total of cash inflows from operating activities		**5,842,512,173**	4,875,139,402
	Cash paid for goods and services		**(4,160,552,693)**	(3,709,624,122)
	Cash paid to and on behalf of employees		**(394,971,977)**	(354,654,698)
	Cash paid for all types of taxes		**(159,959,703)**	(355,910,852)
	Cash paid relating to other operating activities		**(586,960,974)**	(519,508,430)
	Sub-total of cash outflows from operating activities		**(5,302,445,347)**	(4,939,698,102)
	Net cash flows from/(used in) operating activities	7	**540,066,826**	(64,558,700)
II.	Cash flows from investing activities			
	Cash received from disposal or returns of investments		**3,272,318,556**	2,900,000,000
	Cash received from returns on investments		**1,022,931,174**	448,116,379
	Net cash received from disposal of fixed assets, intangible assets and other long-term assets		**8,477,354**	295,287
	Cash received relating to other investing activities		**374,111,859**	5,150,000
	Sub-total of cash inflows from investing activities		**4,677,838,943**	3,353,561,666
	Cash paid for acquisition of fixed assets, intangible assets and other long-term assets		**(178,628,250)**	(118,588,689)
	Cash paid for acquisition of investments		**(3,000,000,000)**	(1,630,000,000)
	Cash paid relating to other investing activities		**(30,000,000)**	(300,000,000)
	Sub-total of cash outflows from investing activities		**(3,208,628,250)**	(2,048,588,689)
	Net cash flows from investing activities		**1,469,210,693**	1,304,972,977

Statement of Cash Flows

For the six months ended 30 June 2018

Renminbi Yuan

		Note XIV	**From 1 January 2018 to 30 June 2018 *(Unaudited)***	From 1 January 2017 to 30 June 2017 *(Unaudited)*
III.	Cash flows from financing activities			
	Cash paid for distribution of dividends or profits and for interest expenses		**(2,235,207)**	(547,026)
	Sub-total of cash outflows from financing activities		**(2,235,207)**	(547,026)
	Net cash flows used in financing activities		**(2,235,207)**	(547,026)
IV.	Effect of foreign exchange rate changes on cash and cash equivalents		**885,277**	(480,432)
V.	Net increase in cash and cash equivalents		**2,007,927,589**	1,239,386,819
	Add: Cash and cash equivalents at beginning of period		**2,064,146,853**	2,082,511,996
VI.	Cash and cash equivalents at end of period	7	**4,072,074,442**	3,321,898,815

Notes to the Financial Statements

For the six months ended 30 June 2018

Renminbi Yuan

I. BASIC INFORMATION OF THE GROUP

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

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

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

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

As at 30 June 2018, the Company had issued an aggregate of 1,175,476,637 shares as share capital.

As at 30 June 2018, the Group's parent and ultimate holding company are CRRC Zhuzhou Institute Co., Ltd.(中車株洲電力機車研究所有限公司) and CRRC Group (中國中車集團有限公司) respectively, both established in the PRC.

The financial statements were approved by the board of directors of the Company on 17 August 2018.

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

II. BASIS OF PREPARATION

Basis of preparation

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

Basis of accounting and principle of measurement

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

Going concern

The Group assessed its ability to continue as a going concern for the 12 months from 30 June 2018 and did not notice any events or circumstances that may cast significant doubt upon its ability to continue as a going concern. Therefore, the financial statements have been prepared on a going concern basis.

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

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

The financial statements of the Company have been prepared in accordance with ASBE, and present fairly and completely, the Company's and consolidated financial position as at 30 June 2018, and the Company's and consolidated financial performance and cash flows from 1 January 2018 to 30 June 2018.

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 currency 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 currency based on their specific economic environments. In the preparation of the financial statements, their functional currencies shall be translated into RMB.

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (continued)

4. Business combination

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

4.1 Business combinations involving enterprises under common control

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

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.

4.2 Business combinations not involving entities under common control and goodwill

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

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (continued)

4. Business combination (continued)

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

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.

5. Consolidated financial statements

The consolidation scope of the consolidated financial statements is determined on the basis of control, including the financial statements from 1 January 2018 to 30 June 2018 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 preparation of the consolidated financial statement, when the accounting policies of a subsidiary are different from those of the Company, the Company shall make adjustments to the financial statements of the subsidiary based on 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 shareholders' equity attributable to non-controlling shareholders of the subsidiary, the excess shall still be allocated against non-controlling interests.

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (continued)

5. Consolidated financial statements (continued)

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

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

6. Joint arrangements classification and joint operation

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

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

7. Cash and cash equivalents

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

8. Foreign currency transactions and foreign currency translation

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (continued)

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

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

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

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 recognised in "Exchange fluctuation reserve."

(2) In substance the foreign currency monetary item of net investment was created and disclosed by other currency of parent company and subsidiary except functional currency, the offsetting balance arising from foreign currency monetary item exchange of the parent and subsidiary should be recognised in "Exchange fluctuation reserve."

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

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

9. Financial instruments

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. For financial assets and financial liabilities at fair value through profit or loss, transaction costs are immediately recognised in profit or loss. For other financial assets and financial liabilities, transaction costs are added to or deducted from the fair value of the financial assets or liabilities on initial recognition. For trade receivables excluding significant financing components or regardless of financing components of contracts less than one year recognised based on "*Accounting Standard for Business Enterprises No.14 – Revenue*", trade receivables initially recognised shall be measured at transaction price defined based on the Standard.

9.1 Classification and measurement of financial assets

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (continued)

9. Financial instruments (continued)

9.1 Classification and measurement of financial assets (continued)

9.1.1 Financial assets classified as at amortised cost

If contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, and the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows, such asset is classified into financial asset measured at amortised cost.

These financial assets are subsequently measured at amortised cost using the effective interest method. Gain or loss arising from derecognition, impairment or amortisation is recognised in profit or loss.

9.1.1.1 Effective interest method and amortised cost

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

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

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (continued)

9. Financial instruments (continued)

9.1 Classification and measurement of financial assets (continued)

9.1.1 Financial assets classified as at amortised cost (continued)

9.1.1.1 Effective interest method and amortised cost (continued)

Interest income from financial assets at amortised cost and at fair value through other comprehensive income is recognised based on the effective interest method. Interest income is determined by applying an effective interest rate to the carrying amount of the financial asset:

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

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

9.1.2 Financial assets classified as at FVTOCI

Financial assets are classified as at FVTOCI, when the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Except that financial assets-related gains or losses on impairment, interest income calculated using effective interest rate and exchange gains or losses are recognised in profit or loss for the period, fair value changes in the above financial assets are included in other comprehensive income. Upon derecognition of the financial assets, cumulative gains or losses previously recognised in other comprehensive income are transferred and reclassified into profit or loss for the period.

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (continued)

9. Financial instruments (continued)

9.1 Classification and measurement of financial assets (continued)

9.1.3 Financial assets classified as at FVTPL

Financial assets at FVTPL include financial assets at faire value through profit and loss and those designated as at fair value through profit or loss.

(1) Both financial assets fail to qualify as at amortised cost, and those classified as at fair value through other comprehensive income are classified into financial assets at FVTPL.

(2) On initial recognition, the Group may irrevocably designate a financial asset as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

9.1.4 Financial assets designated as at FVTOCI

On initial recognition, the Group may irrevocably designate non-trading equity instruments as financial assets at fair value through other comprehensive income on an individual basis. When contingent consideration recognised through business combination not involving enterprises under common control forms a financial asset, such asset is classified into financial assets at fair value through profit or loss and is not designated as at fair value through other comprehensive income on.

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (continued)

9. Financial instruments (continued)

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

9.1.4 Financial assets designated as at FVTOCI (continued)

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

9.2 *Impairment of financial instruments*

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

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

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (continued)

9. Financial instruments (continued)

9.2 Impairment of financial instruments (continued)

9.2.1 Credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition.

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

(1) Whether internal price indicator resulted from change in credit risk has changed significantly.

(2) If the existing financial instruments are derived into or issued as new financial instruments at the end of each period, whether interest rates or other terms of the above financial instruments have changed significantly (including harsher contractual terms, increase in collaterals or higher yield rate etc.)

(3) Whether external market indicators of credit risk for the same financial instrument or financial instruments with shared expected life have changed significantly. Indicators include: length and extent of time when fair value of financial assets is less than amortised cost, other market information related to the borrower (including price changes in borrower's debt instruments or equity instruments).

(4) Whether external credit rating of the financial instrument has actually changed significantly or is expected to change significantly.

(5) Whether the borrower's internal credit rating is actually lowered or is expected to be lowered.

(6) Whether expected detrimental changes in business, financial and economic conditions of the borrower which will affect borrower's ability to perform repayment obligation have changed significantly.

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (continued)

9. Financial instruments (continued)

9.2 Impairment of financial instruments (continued)

9.2.1 Credit risk (continued)

(7) Whether the actual or expected financial performance of the borrower have changed significantly.

(8) Whether credit risk of other financial instruments issued by the same borrower has increased significantly.

(9) Whether supervisory, economic or technical environment for the borrower has significant detrimental changes.

(10) Whether the economic motive that will lower the borrower's repayment based on contractual stipulation has changed significantly.

(11) Whether the borrower's expected performance and repayment activities have changed significantly.

(12) Whether the Group's financial instrument management measures have changed.

(13) Past due period of contract payment exceeds (includes) 30 days.

At the balance date, the Group assumes that credit risk of the financial instrument has not increased significantly since initial recognition when the Group determines that the financial instrument is only exposed to lower credit risk.

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (continued)

9. Financial instruments (continued)

9.2 *Impairment of financial instruments* (continued)

9.2.2 Credit-impaired financial assets

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

(1) Significant financial difficulty of the issuer or obligor;

(2) A breach of contract by the borrower, such as a default or delinquency in interest or principal payments;

(3) The lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;

(4) It becoming probable that the borrower will enter bankruptcy or other financial reorganizations;

(5) The disappearance of an active market for that financial asset because of financial difficulties of the issuer;

(6) The purchase and derivative of a financial asset at a deep discount that reflects the incurred credit losses.

9.2.3 Recognition of ECL

The Group recognises credit loss credit loss of related financial instruments for trade receivables and contract assets on a collectively basis using a provision matrix. The Group classifies financial instruments into different groups based on shared credit risk characteristics. Shared credit risk characteristics include type of financial instruments, credit risk rating, contractual maturity, etc.

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (continued)

9. Financial instruments (continued)

9.2 Impairment of financial instruments (continued)

9.2.3 Recognition of ECL (continued)

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

(1) For a financial asset, credit loss is the present value of difference between the contractual cash flows receivable and the expected cash flows to be received;

(2) For credit-impaired financial assets other than the purchase or original of credit-impaired financial assets at the balance date, credit loss is difference between the carrying amount of financial assets and the present value of expected future cash flows discounted at original effective interest rate.

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

9.2.4 Reduction in financial assets

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (continued)

9. Financial instruments (continued)

9.3 Transfer of financial assets

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

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

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

(2) For financial assets carried at fair value, the carrying amount of relevant financial liabilities is the carrying amount of financial assets transferred with continuing involvement less fair value of the Group's retained rights (if the Group retains relevant rights upon transfer of financial assets) with addition of fair value of obligations assumed by the Group (if the Group assumes relevant obligations upon transfer of financial assets). Accordingly, the fair value of relevant rights and obligations shall be measured on an individual basis.

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (continued)

9. Financial instruments (continued)

9.3 *Transfer of financial assets* (continued)

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

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

9.4 *Classification and measurement of financial liabilities*

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

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

9.4.1 Financial liabilities at FVTPL

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

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (continued)

9. Financial instruments (continued)

9.4 Classification and measurement of financial liabilities (continued)

9.4.1 Financial liabilities at FVTPL (continued)

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

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

9.4.2 Other financial liabilities

The Group shall classify all financial liabilities as subsequently measured at amortised cost, except for financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies, and gains or losses arising from derecognition or amortisation are recognised in profit or loss for the period. Please refer to Note III.9.1.1.1 for information about the amortised cost.

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (continued)

9. Financial instruments (continued)

9.5 *Derecognition of Financial Liabilities*

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

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

9.6 *Equity instruments*

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

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

9.7 *Offsetting financial assets and financial liabilities*

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (continued)

9. Financial instruments (continued)

9.8 Derivative finance instrument

The Group used derivative financial instruments, such as forward foreign exchange contracts, to hedge its foreign currency risk. Such derivative financial instruments as initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivative are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

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.

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

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale and relevant taxes. The provision for decline in value of raw materials 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.

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 entities 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.

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.

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (continued)

11. Long-term equity investments (continued)

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.

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.

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (continued)

12. Fixed assets (continued)

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

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

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

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 cost

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

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (continued)

14. Borrowing cost (continued)

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

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

(2) Where funds are borrowed for a general purpose, the amount of interest to be capitalised on such borrowings is determined by applying a weighted average interest rate to the weighted average of the excess amounts of accumulated expenditure on the asset over and above the amounts of specific-purpose borrowings.

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (continued)

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 with a fair value that can be measured reliably are recognised separately as intangible assets and measured at fair value.

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

The useful lives of the intangible assets are as follows:

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

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

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

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (continued)

15. Intangible assets (continued)

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

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

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

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (continued)

16. Impairment of assets (continued)

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

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

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

17. Long-term deferred expenses

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

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (continued)

18. 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.

18.1 Short-term benefits

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

18.2 Benefits after demission (defined contribution plan)

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

18.3 Termination benefits

The Group recognises a liability and expenses for termination benefits at the earlier of the following dates: a) when the Group can no longer withdraw the offer of those benefits; and b) when the Group recognises costs for a restructuring and involves the payment of termination costs.

19. Provisions

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

(1) the obligation is a present obligation of the Group;

(2) it is probable that an outflow of economic benefits from the Group will be required to settle the obligation; and

(3) the amount of the obligation can be measured reliably.

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (continued)

19. Provisions (continued)

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

A contingent liability recognised in a business combination 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.

20. Revenue

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

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

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (continued)

20. Revenue (continued)

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

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

The Group adopts the input method to determine performance schedules, namely according to the Group's input into the performance of contractual obligations. When the performance schedule can not be reasonably determined, for incurred costs expected to be made up, the Group recognises income according to the amount of incurred costs until the performance schedule can be reasonably determined.

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (continued)

20. Revenue (continued)

20.1 Sales with quality assurance terms attached

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

20.2 Principal and agent

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

20.3 Customer's contract right failed to exercise

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (continued)

20. Revenue (continued)

20.4 Costs to fulfill a contract

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

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

The Group shall recognised an impairment loss to the extent that the carrying amount of an asset exceeds: (1) the remaining amount of consideration that the Group expects to receive in exchange for the goods or services to which the asset relates; less (2) the estimated costs that relate to providing those goods or services.

The Group shall, after the impairment has been provided, recognised in profit or loss a reversal of some or all of an impairment loss previously recognised when the impairment conditions no longer exist or have improved. The increased carrying amount of the asset shall not exceed the carrying amount that would have been determined if no impairment loss had been recognised previously.

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

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (continued)

21. Government grants

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

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

A government grant related to income is accounted as follows: (a) if the grant is a compensation for related costs or losses to be incurred in subsequent periods, the grant is recognised as deferred income, and recognised in profit or loss or reduced related costs over the periods in which the related costs are recognised; (b) if the grant is a compensation for related expenses or losses already incurred, it is recognised immediately in profit or loss or reduced the related costs of the current period.

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

22. 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 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.

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (continued)

22. Income tax (continued)

For temporary differences at the end of each period 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.

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

(1) where the deferred tax asset arises from a transaction that is not a business combination and, at the time of the transaction, neither the accounting profit nor taxable profit or deductible loss is affected.

(2) in respect of the deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, a deferred tax asset is only recognised to the extent that it is probable that the temporary differences will be reversed in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised in the future.

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (continued)

22. Income tax (continued)

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

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

23. 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.

23.1 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.

23.2 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.

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (continued)

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 equivalent 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 at the end of each reporting period. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group at the measurement date. The fair value of an asset or a liability is measured using the assumptions that market participants 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.

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.

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (continued)

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

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

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

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 approve.

The key assumptions and uncertainties used in accounting estimates

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (continued)

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

26.1 Impairment of financial assets

The Group recognises impairment provision for financial instruments measured at amortised cost, financial instruments at fair value through other comprehensive income, contract assets and trade receivables based on expected credit losses ("ECL").

Judgements and estimates are required in recognising ECL. The difference (if any) between the re-estimated value and the current estimate will impact the carrying amount of above financial instruments in the period in which the estimate is changes.

26.2 Provision for impairment of inventories

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

26.3 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.

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

26.5 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 end of each period. Intangible assets with indefinite useful lives are tested for impairment annually and at other times when such indicator exists. Other non-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.

26.6 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.

26.7 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.

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (continued)

27. Changes in significant accounting policies

27.1 Standards for Revenue

The Group has adopted "Accounting Standards for Business Enterprises No. 14 – Revenue" ("new standards for revenue") revised by the MoF in 2017 since 1 January 2018. The pre-revision standards referred to as ("original standards for revenue"). The new standards for revenue have introduced the 5-step method for recognition and measurement of revenue and added more instructions on specific transactions (or events). See Note III.20 for the accounting policies for recognition and measurement of revenue. The new standards for revenue require the entity to adjust the retained earnings at the beginning of initial adoption (i.e. 1 January 2018) of the new standards for the cumulative affected figures and amounts of other relative items in the financial statements, and not to adjust information in comparable period. At the adoption of new standards for revenue, the Group solely adjusts the cumulative affected figures in contract not yet been completed at the initial adoption date (1 January 2017). For changes in contract incurred before the beginning of adoption of new standards for revenue, the Group will make simplified treatment, namely, the Group will identify the fulfilled and unfulfilled performance obligations, determine transaction price and allocate the transaction price between the fulfilled and unfulfilled performance obligations according to the final arrangement of contract changes.

(1) Besides provision of more widen disclosures of revenue transactions, impacts from the adoption of the new standards for revenue on relevant items of statement of financial position at the end of the current period are as follows:

Item	31 December 2017 (Audited)	Reclassification	Remeasurement	1 January 2018 (Unaudited)
Current assets:				
Inventories	3,498,039,948	(116,489,316)	–	3,381,550,632
Contract assets	–	116,489,316	–	116,489,316
Current liabilities:				
Advances from customers	856,636,427	(856,636,427)	–	–
Contract liabilities	–	856,636,427	–	856,636,427

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (continued)

27. Changes in significant accounting policies (continued)

27.1 Standards for Revenue (continued)

(2) Impacts from the adoption of the new standards for revenue on relevant items of statement of financial position at the beginning of the current period are as follows:

Item	Closing balance under new standards for revenue (Unaudited)	Adjustment	Closing balance under original standards for revenue (Unaudited)
Current assets:			
Inventories	4,096,720,555	3,390,933	4,100,111,488
Contract assets	3,390,933	(3,390,933)	–
Current liabilities:			
Contract liabilities	710,099,393	(710,099,393)	–
Advances from customers	–	710,099,393	710,099,393

27.2 Standards for Financial Instruments

The Group has adopted "Accounting Standards for Business Enterprises No. 22 – Financial Instrument: Recognition and Measurement", "Accounting Standards for Business Enterprises No. 23 – Transfer of Financial Assets", "Accounting Standards for Business Enterprise No. 24 – Hedging Accounting" and "Accounting Standards for Business Enterprises No. 37 – Financial instrument: Presentation" ("new standards for financial instrument"). The standards for financial instrument before revision are referred to as "original standards for financial instrument".

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (continued)

27. Changes in significant accounting policies (continued)

27.2 Standards for Financial Instruments (continued)

For classification and measurement of financial assets, the new standards for financial instrument require that the financial assets should be classified into three categories: "financial assets measured at amortised cost", financial assets at FVTOCI and financial assets at FVTPL based on characteristics of contractual cash flows and business models for the enterprise to manage these assets. The original categories including loans and receivables, held-to-maturity investments and available-for-sale financial asset have been cancelled. Investments in equity instrument are generally categorized into financial assets at FVTPL. The enterprise is also allowed to designate the non-tradable equity instruments as financial assets at FVTOCI, but such designation is non-cancellable, and the cumulative amounts of changes in fair value previously recognised in other comprehensive income shall not be carried forward in profit or loss for the period at disposal of the financial assets.

For impairment of financial assets, the new standards for financial instrument on impairment are applicable to financial assets measured at amortised cost and at FVTOCI, trade receivables and contract assets. The new standards for financial instrument require adoption of expected credit losses model to replace the original credit-impaired model. The new impairment model requires adoption of three-phase model, credit loss allowance is made based on expected credit losses within 12 months or during the whole life according to whether the credit risks of relevant items have been significantly increased since initial recognition. If the trade receivables and contract assets have simplified method, it is allowed to recognise impairment provision for the expected credit losses during the whole life.

Pursuant to the circular issued by the MoF, for domestically- and overseas-listed enterprises and enterprises listed overseas and adopting International Financial Reporting Standards or Accounting Standards of Business Enterprises to prepare financial statements, they implemented the new standards for financial instrument since 1 January 2018. Therefore, the Group has implemented the above new standards for financial instrument since 1 January 2018 and recognised, measured and reported the Group's financial instrument in accordance with the new standards for financial instrument since that day. See Note III. 9 for the changed accounting policies.

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (continued)

27. Changes in significant accounting policies (continued)

27.2 Standards for Financial Instruments (continued)

If the recognition and measurement of financial instrument before 1 January 2018 is inconsistent with the new standards for financial instrument, the Group will make connection and adjustment as required by the new standards. In case of inconsistence between the comparative figures in financial statements in prior period and requirements of the new standards for financial instruments, the Group will not make adjustment. The shortfall between the original carrying amount of the financial instrument and the new carrying amount at the adoption date of the new standards shall be recognised in retained earnings or other comprehensive income at 1 January 2018. Effects on adoption of new standards for financial instrument at 1 January 2018 are as follows:

Summary of effects on initial implementation of new standards for financial instrument since 1 January 2018

			Effect of new standards for financial instruments						
			Reclassification			Remeasurement			
Item	Carrying amount under original standards 31 December 2017 (Audited, restated)	Total effect of new standards for revenue recognition	Transfer from financial assets previously classified as loans and receivables (Note 1)	Transfer from financial assets previously classified as available for sale (Note 2)	Transfer from financial assets previously classified as other current assets (Note 3)	Expected credit losses (Note 4)	Change from amortised cost measurement to fair value measurement (Note 1)	Change from cost measurement to fair value measurement (Note 2)	Carrying amount under new standards for financial instruments 1 January 2018 (Unaudited)
Held-for-trading financial assets	–	–	–	–	1,351,063,562	–	–	–	1,351,063,562
Bills receivable and trade receivables	11,234,254,663	–	(916,717,563)	–	–	–	–	–	10,317,537,100
Available-for-sale financial asset	900,000	–	–	(900,000)	–	–	–	–	–
Other current assets	2,545,606,214	–	916,717,563	–	(1,351,063,562)	–	(15,904,000)	–	2,095,356,215
Other equity instruments investment	–	–	–	900,000	–	–	–	–	900,000
Deferred tax assets	372,796,918	–	–	–	–	–	2,387,000	–	375,183,918
Other comprehensive income	(116,467,835)	–	–	–	–	–	(13,384,000)	–	(129,851,835)
Retained earnings	11,723,779,095	–	–	–	–	–	–	–	11,723,779,095
Non-controlling interests	292,211,792	–	–	–	–	–	(133,000)	–	292,078,792

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (continued)

27. Changes in significant accounting policies (continued)

27.2 Standards for Financial Instruments (continued)

Note 1: Transfer from financial assets previously classified as loans and receivables

In managing the liquidity, the Group discounts or endorses part of the bills receivable and trade receivables before their maturity, and derecognises the discounted or endorsed bills receivable and trade receivables when the Group has transferred substantially all the risks and rewards to relevant counterparty. The Group manages such bills receivable and trade receivables using the business model whose objective is achieved by both collecting contractual cash flows and selling such financial assets. Therefore, at 1 January 2018, bills receivable and trade receivables amounting to RMB794,097,847 and RMB122,619,716 respectively are reclassified to other current assets. The previous measurement of bills receivable and trade receivables at amortised cost was changed to fair value measurement, resulting in decrease of RMB15,904,000 in the carrying amount of other current assets, decrease of RMB13,384,000 in other comprehensive income, increase of RMB2,387,000 in deferred tax assets and decrease of RMB133,000 in non-controlling interests.

Note 2: Transfer from financial assets previously classified as available for sale

Transfer from available-for-sale financial asset to other equity instruments investment

As at 1 January 2018, available-for-sale financial asset of RMB900,000, which is equity instrument investment that is not quoted in active market and of which the fair value can't be measured reliably, was measured at cost in prior period according to the original standards for financial instruments and reclassified to other equity instrument investment under the new standards for financial instruments. Such investment is non-trading equity instrument and is not expected to be disposed in the foreseeable future by the Group. Measuring such equity investment at fair value at 1 January 2018 has no significant impact on the carrying amount of the other equity instrument.

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (continued)

27. Changes in significant accounting policies (continued)

27.2 Standards for Financial Instruments (continued)

Note 3: Transfer from financial assets previously classified as other current assets

As at 1 January 2018, other current assets of RMB1,351,063,562 represent bank financial products with floating income, which used to be measured at fair value in prior period according to the original standard, and reclassified to held-for-trading financial assets under the new standards for financial instruments. Such investments are held-for-trading debt instruments, and are expected to be disposed upon maturity by the Group. Measuring such debt investments at fair value at 1 January 2018 has no material impact on the carrying amount of the held-for-trading financial assets.

Note 4: ECL

As at 1 January 2018, the Group recognises provision for credit loss impairment of contract assets, trade receivables, others classified as financial assets at amortised cost and debt instruments at FVTOCI according to the new standards for financial instruments. Specifically, the effects include:

For contract assets and trade receivables that do not contain significant financing component or for which the financing component in the contract within 1 year is not considered, the Group adopts simple method to measure the expected credit losses according to the new standards for financial instruments, i.e. the provision is assessed at an amount equivalent to the expected loss for its whole life. The remeasurement of expected credit losses has no significant impact on the carrying amount of contract assets and trade receivables.

For other financial assets at amortised cost (mainly include other receivables), the Group adopts three-phase model to measure the expected credit losses according to the new standards for financial instruments. Based on whether the credit risk has increased significantly after the initial recognition of relevant items, the provision for credit loss is assessed according to the expected credit losses for 12 months or its whole life. The remeasurement of expected credit losses has no significant impact on the carrying amount of other financial assets at amortised cost.

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (continued)

27. Changes in significant accounting policies (continued)

27.2 Standards for Financial Instruments (continued)

Note 4: ECL (continued)

For financial assets at FVTOCI (mainly represent the bills receivable and trade receivables of which the objective is to receive the contractual cash flow but also to sell the financial assets), the Group adopts three-phase model to measure the expected credit losses for other debt investments according to the new standards for financial instruments. Based on whether the credit risk has increased significantly after the initial recognition of relevant items, the provision for credit loss is assessed according to the expected credit loss for 12 months or its whole life. The remeasurement of expected credit losses has no significant impact on the carrying amount of financial assets at FVTOCI.

As at 1 January 2018, the reconciliation of the provision for credit losses recognised on the items including financial assets at FVTOCI, contact assets and trade receivables etc. according to the original standards for financial instruments and "Accounting Standards for Business Enterprises No.13 – Contingencies" to the provision for credit losses recognised under the new standards for financial instruments is as follows.

Reconciliation of Provision for Credit Losses at 1 January 2018

Item	Impairment recognised under the original standards for financial instruments (Audited)	Reclassification	Expected impairment for remeasurement	Impairment recognised under the new standards for financial instruments (Unaudited)
Impairment of financial assets				
Bad debt provision for bills receivable and trade receivables	320,904,407	–	–	320,904,407
Bad debt provision for other receivables	10,190,687	–	–	10,190,687
Bad debt provision for long-term receivables	7,020,244	–	–	7,020,244
Total	338,115,338	–	–	338,115,338

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (continued)

27. Changes in significant accounting policies (continued)

27.2 Standards for Financial Instruments (continued)

As at 1 January 2018, the summary of effect of the Group's initial implementation of aforesaid new standards for revenue and financial statements on the Group's assets, liabilities and shareholders' equity is as follows:

Item	31 December 2017 (Audited, restated)	Impacts from adoption of new standards for revenue	Impacts from adoption new standards for financial instruments	1 January 2018 (Unaudited)
Held-for-trading financial assets	N/A	–	1,351,063,562	1,351,063,562
Bills receivable and trade receivables	11,234,254,663	–	(916,717,563)	10,317,537,100
Inventories	3,498,039,948	(116,489,316)	–	3,381,550,632
Contract assets	N/A	116,489,316	–	116,489,316
Other current assets	2,545,606,214	–	(450,249,999)	2,095,356,215
Available-for-sale financial asset	900,000	–	(900,000)	N/A
Other equity instruments investment	N/A	–	900,000	900,000
Deferred tax assets	372,796,918	–	2,387,000	375,183,918
Total amounts of impact on assets	17,651,597,743	–	(13,517,000)	17,638,080,743
Advances from customers	856,636,427	(856,636,427)	–	–
Contract liabilities	–	856,636,427	–	856,636,427
Deferred tax liabilities	70,136,010	–	–	70,136,010
Total amounts of impact on liabilities	926,772,437	–	–	926,772,437
Other comprehensive income	(116,467,835)	–	(13,384,000)	(129,851,835)
Retained earnings	11,723,779,095	–	–	11,723,779,095
Total shareholders' equity attributable to parent company	11,607,311,260	–	(13,384,000)	11,593,927,260
Non-controlling interests	292,211,792	–	(133,000)	292,078,792
Total amounts of impact on shareholders' equity	11,899,523,052	–	(13,517,000)	11,886,006,052

IV. TAXATION

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", Note)	–	VAT on sales is calculated at applicable tax rate and paid after deducting input VAT on purchase
City maintenance and construction surtax	–	It is levied at 7% on the turnover taxes paid
Corporate income tax	–	It is levied at 25% on the taxable profit

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

2. Tax benefits and official approval

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

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

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

V. NOTES TO KEY ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS

1. Cash and bank balances

	30 June 2018 ***(Unaudited)***	31 December 2017 *(Audited)*
Cash	**70,069**	31,278
Cash in bank	**5,731,628,893**	3,639,081,061
Other cash and bank balances	**92,737,891**	168,758,307
	5,824,436,853	3,807,870,646

As at 30 June 2018, the cash and bank balances of RMB35,186,503 (Unaudited)(31 December 2017 (Audited): RMB97,671,955) and RMB57,551,388 (Unaudited) (31 December 2017 (Audited): RMB71,086,352) of the Group were restricted as security deposits for issuance of bank acceptance bills and bank letters of guarantee respectively.

As at 30 June 2018, the cash and bank balances deposited overseas by the Group were equivalent to RMB115,089,090 (Unaudited)(31 December 2017 (Audited): RMB154,503,088).

Interest income earned on current deposits is calculated by using the current deposit interest rate. The deposit periods for short-term deposits vary from 1 day to 3 months depending on the cash requirements of the Group and earn interest at the respective deposit rates. As at 30 June 2018, the cash and bank balances of RMB50,000,000 (Unaudited) (31 December 2017 (Audited):RMB245,000,000) were over three-month fixed deposit with no pledge.

2. Held-for-trading financial assets

	30 June 2018 ***(Unaudited)***
Bank financial products with breakeven and floating income	**1,506,583,288**
Non guaranteed-income bank financial products	**200,023,123**
	1,706,606,411

As at 30 June 2018, the bank financial products held by the Group are with expected yield rates from 2.30% to 4.60%.

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

3. Derivative financial assets

	30 June 2018 *(Unaudited)*	31 December 2017 *(Audited)*
Forward foreign exchange contracts – gains on fair value changes	**2,741,958**	–

As at 30 June 2018, the Group has entered into forward foreign exchange contracts with converting EURO to RMB, which is not yet expired. The contract current is EUR21,450,000, and the period is from 5 July 2018 to 24 December 2018 with the maturity rate of 7.5439 to 7.8075. The Group has entered into another forward foreign exchange contracts with converting Great British pound to RMB, which is not yet expired. The contract amount is GBP4,020,000, and the period is from 31 July 2018 to 7 January 2019 with the maturity rate of 8.7443 to 8.8348 (unaudited). (As at 31 December 2017 (audited), the Group had no forward foreign exchange contract signed but not expired).

4. Bills receivable and trade receivables

	30 June 2018 *(Unaudited)*	31 December 2017 *(Audited)*
Bills receivable	**2,484,620,914**	4,985,366,054
Trade receivables	**7,011,902,182**	6,248,888,609
	9,496,523,096	11,234,254,663

Bills receivable are presented as follows:

	30 June 2018 *(Unaudited)*	31 December 2017 *(Audited)*
Bank acceptance bills	**300,373,824**	1,250,307,087
Commercial acceptance bills	**2,184,247,090**	3,735,058,967
	2,484,620,914	4,985,366,054

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

4. Bills receivable and trade receivables (continued)

Five highest bills receivable are listed as follows:

	30 June 2018 ***(Unaudited)***
CRRC Zhuzhou Locomotive Co., Ltd.	**1,101,658,866**
Guangzhou Locomotive Co., Ltd.	**434,508,548**
Non-related party 1	**229,252,703**
Non-related party 2	**193,226,040**
Non-related party 3	**146,500,000**
	2,105,146,157

	31 December 2017 *(Audited)*
CRRC Zhuzhou Locomotive Co., Ltd.	1,428,158,866
Non-related party 1	1,174,884,184
Guangzhou Locomotive Co., Ltd.	469,508,548
CRRC Qingdao Sifang Co., Ltd.	186,744,000
Non-related party 2	169,639,710
	3,428,935,308

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

4. Bills receivable and trade receivables (continued)

Trade receivables are presented as follows:

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

The aging analysis of trade receivables is as follows:

	30 June 2018 *(Unaudited)*	31 December 2017 *(Audited)*
Within 6 months	**5,021,982,277**	5,323,934,152
6 months to 1 year	**1,717,305,648**	514,990,495
1 to 2 years	**334,446,916**	493,010,877
2 to 3 years	**238,903,894**	171,936,623
Over 3 years	**176,531,553**	141,904,798
	7,489,170,288	6,645,776,945
Less: Provision for bad debt	**410,623,000**	327,924,651
	7,078,547,288	6,317,852,294
Less: Classified as Long-term receivables (Note V.9)	**66,645,106**	68,963,685
	7,011,902,182	6,248,888,609

The movements of provision for bad debt are as follows:

	From 1 January 2018 to 30 June 2018 *(Unaudited)*	2017 *(Audited)*
Opening balance	**327,924,651**	228,632,297
Provision in the current period/year	**92,468,624**	110,675,008
Reversal in the current period/year	**(5,307,058)**	(11,007,564)
Write-off in the current period/year	**(4,450,566)**	(389,381)
Exchange realignment	**(12,651)**	14,291
Closing balance	**410,623,000**	327,924,651

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

4. Bills receivable and trade receivables (continued)

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

	30 June 2018 ***(Unaudited)***
CRRC Qingdao Sifang Co., Ltd.	**1,458,020,630**
Non-related party 1	**427,103,097**
Non-related party 2	**308,067,313**
CRRC Zhuzhou Locomotive Co., Ltd.	**284,975,773**
Non-related party 3	**175,877,591**
	2,654,044,404

	31 December 2017 *(Audited)*
CRRC Qingdao Sifang Co., Ltd.	1,559,226,047
Non-related party 1	901,188,692
Non-related party 2	270,165,476
Non-related party 3	184,616,804
CRRC Dalian Co., Ltd.	156,799,924
	3,071,996,943

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

5. Prepayments

Maturity analysis:

	30 June 2018 *(Unaudited)*	31 December 2017 *(Audited)*
Within 1 year	**376,266,684**	327,843,576
1 to 2 years	**20,590,131**	16,626,498
2 to 3 years	**3,604,459**	4,104,451
Over 3 years	**3,583,437**	3,244,246
	404,044,711	351,818,771

Five highest prepayments are listed as follows:

	30 June 2018 *(Unaudited)*
Non-related party 1	**77,942,784**
Non-related party 2	**59,249,866**
Non-related party 3	**19,502,614**
Non-related party 4	**17,973,792**
Non-related party 5	**12,912,170**
	187,581,226

	31 December 2017 *(Audited)*
Non-related party 1	45,357,549
Non-related party 2	33,108,035
Non-related party 3	29,053,058
Non-related party 4	19,158,820
Non-related party 5	15,764,000
	142,441,462

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

6. Other receivables

Maturity analysis:

	30 June 2018 ***(Unaudited)***	31 December 2017 *(Audited, restated)*
Within 1 year	**91,631,364**	139,093,430
1 to 2 years	**49,814,822**	41,330,978
2 to 3 years	**4,699,678**	1,991,066
Over 3 years	**3,256,923**	2,832,989
	149,402,787	185,248,463
Less: Provision for bad debt	**12,183,216**	10,190,687
	137,219,571	175,057,776

The movements of provision for bad debt are as follows:

	From 1 January 2018 to 30 June 2018 ***(Unaudited)***	2017 *(Audited)*
Opening balance	**10,190,687**	4,000,187
Provision in the current period/year	**1,992,639**	7,326,953
Reversal in the current period/year	**(110)**	(1,136,453)
Closing balance	**12,183,216**	10,190,687

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

6. Other receivables (continued)

Net value of other receivables by nature is as follows:

	30 June 2018 (Unaudited)	31 December 2017 (Audited, restated)
Tender deposit	**56,797,030**	57,413,631
Deposit	**31,654,511**	24,690,822
VAT refund	**7,223,866**	40,265,926
Export rebates receivables	**–**	28,040,200
Others	**41,544,164**	24,647,197
	137,219,571	175,057,776

Five highest other receivables are listed as follows:

	30 June 2018 (Unaudited)
Non-related party 1	**33,894,620**
Non-related party 2	**8,510,000**
Non-related party 3	**3,112,800**
Non-related party 4	**3,000,000**
Non-related party 5	**2,650,000**
	51,167,420

	31 December 2017 (Audited)
Non-related party 1	40,265,926
Non-related party 2	33,894,620
Non-related party 3	13,152,450
Non-related party 4	8,510,000
Non-related party 5	3,112,800
	98,935,796

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

7. Inventories

	30 June 2018 (Unaudited)		
	Gross carrying amount	**Impairment provision**	**Carrying amount**
Raw materials	**1,174,638,065**	**132,660,612**	**1,041,977,453**
Semi-finished products	**520,805,228**	**82,862,190**	**437,943,038**
Work in progress	**856,637,298**	**5,048,475**	**851,588,823**
Finished goods	**1,790,537,119**	**48,532,446**	**1,742,004,673**
Turnover materials	**24,285,198**	**1,078,630**	**23,206,568**
	4,366,902,908	**270,182,353**	**4,096,720,555**

	31 December 2017 (Audited)		
	Gross carrying amount	Impairment provision	Carrying amount
Raw materials	907,031,786	114,819,608	792,212,178
Semi-finished products	404,071,775	80,336,068	323,735,707
Work in progress	853,295,751	3,669,078	849,626,673
Finished goods	1,447,375,171	51,950,697	1,395,424,474
Assets under construction contracts	116,489,316	–	116,489,316
Turnover materials	21,738,730	1,187,130	20,551,600
	3,750,002,529	251,962,581	3,498,039,948

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

	Accumulated cost incurred	Accumulated margin recognised	Amount invoiced
31 December 2017 (Audited)	942,036,329	107,776,793	933,323,806

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

7. Inventories (continued)

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

From 1 January 2018 to 30 June 2018 (Unaudited)

	Opening balance	Provision	Reversal	Write-off	Exchange realignment	Closing balance
Raw materials	114,819,608	23,937,515	(5,248,886)	(1,071,745)	224,120	132,660,612
Semi-finished products	80,336,068	7,680,340	(4,320,006)	(834,212)	–	82,862,190
Work in progress	3,669,078	2,334,161	(1,073,381)	(80,096)	198,713	5,048,475
Finished goods	51,950,697	24,613,460	(27,384,279)	(988,855)	341,423	48,532,446
Turnover materials	1,187,130	10,082	(115,216)	(3,366)	–	1,078,630
	251,962,581	58,575,558	(38,141,768)	(2,978,274)	764,256	270,182,353

2017 (Audited)

	Opening balance	Provision	Reversal and write-off	Exchange realignment	Closing balance
Raw materials	106,595,458	16,945,613	(9,492,995)	771,532	114,819,608
Semi-finished products	97,593,601	13,453,457	(30,710,990)	–	80,336,068
Work in progress	8,788,430	8,189,740	(13,807,956)	498,864	3,669,078
Finished goods	60,918,713	29,235,675	(43,060,912)	4,857,221	51,950,697
Turnover materials	1,097,297	139,133	(49,300)	–	1,187,130
	274,993,499	67,963,618	(97,122,153)	6,127,617	251,962,581

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

8. Other current assets

	30 June 2018 (Unaudited)	31 December 2017 (Audited)
Financial assets at fair value through other comprehensive income	**582,383,091**	–
Guaranteed-income bank financial products (Note)	**300,000,000**	2,351,398,082
Value-added tax retained	**131,720,017**	188,284,575
Other taxes retained	**2,602,600**	5,923,557
	1,016,705,708	2,545,606,214

Note: As at 30 June 2018, the bank financial products held by the Group were with expected yield rates from 2.30% to 4.60% (unaudited) (31 December 2017 (audited): 2.30% to 5.10%), amounting to RMB300,000,000 with breakven and fixed income. These bank financial products will expire in succession before 28 September 2018.

9. Long-term receivables

	30 June 2018 (Unaudited)	31 December 2017 (Audited)
Trade receivables (Note V.4)	**66,645,106**	68,963,685
Less: Long-term receivables due within 1 year	**–**	–
	66,645,106	68,963,685

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

10. Long-term equity investments

From 1 January 2018 to 30 June 2018 (Unaudited)

		Changes for the current period			
	Opening balance	Impact of unrealised profits	Investment income and loss under equity method	Other equity movements (Note)	Closing balance
Non-listed investments					
Equity method					
Joint ventures					
Zhuzhou Shiling Transportation Equipment Co., Ltd ("Shiling")	203,530,474	1,295,076	(4,696,653)	–	200,128,897
Shanghai Shentong CRRC Rail Transit Operation Safety Engineering Technology Research Co., Ltd. ("Shanghai Shentong CRRC")	6,084,780	–	42,663	–	6,127,443
CRRC Wenzhou Electric Equipment Co., Ltd ("Wenzhou Electric")	–	–	17,550	15,670,165	15,687,715
	209,615,254	1,295,076	(4,636,440)	15,670,165	221,944,055
Associates					
Siemens Traction Equipment Ltd., Zhuzhou ("Zhuzhou Siemens")	47,640,792	–	(388,963)	–	47,251,829
Hunan CRRC Wabtec Railway Technology Co., Ltd ("CRRC Wabtec")	12,970,788	–	(2,644,559)	–	10,326,229
	60,611,580	–	(3,033,522)	–	57,578,058
	270,226,834	1,295,076	(7,669,962)	15,670,165	279,522,113

Note: As in 2018, by approval of the extraordinary general meeting, Wenzhou Electric, which was a subsidiary within the Company's original scope, completed capital injection and share expansion. The original non-controlling shareholder increased its investment and the Company lost control over Wenzhou Electric due to the decrease of shareholding ratio from 51% to 50%.

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

10. Long-term equity investments (continued)

2017 (Audited)

	Opening balance	Changes for the current year: Impact of unrealised profit	Investment income and loss under equity method	Cash dividends announced	Exchange realignment	Disposal of the year	Closing balance
Non-listed investments							
Equity method							
Joint ventures							
Shiling	158,267,061	54,859,734	15,403,679	(25,000,000)	–	–	203,530,474
SMD-BORD Limited	754,768	–	128,846	–	28,506	(912,120)	–
SMD Energy Limited	17	–	–	–	1	(18)	–
Shanghai Shentong CRRC	5,547,428	–	537,352	–	–	–	6,084,780
	164,569,274	54,859,734	16,069,877	(25,000,000)	28,507	(912,138)	209,615,254
Associates							
Zhuzhou Siemens	51,871,746	–	(557,331)	(3,673,623)	–	–	47,640,792
CRRC Wabtec	12,187,945	–	782,843	–	–	–	12,970,788
	64,059,691	–	225,512	(3,673,623)	–	–	60,611,580
	228,628,965	54,859,734	16,295,389	(28,673,623)	28,507	(912,138)	270,226,834

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

11. Fixed assets

From 1 January 2018 to 30 June 2018 (Unaudited)

	Buildings	Machinery	Vehicles	Office facilities and others	Total
Cost					
Opening balance	1,759,736,228	2,215,468,045	45,333,615	325,057,473	4,345,595,361
Purchase	375,824	66,207,837	1,276,033	23,956,195	91,815,889
Transferred from construction in progress	9,411,837	79,215,673	–	–	88,627,510
Sale and disposal	(7,455)	(22,849,061)	(474,019)	(6,881,894)	(30,212,429)
Exchange realignment	(2,075,751)	(12,060,182)	2,839	(321,886)	(14,454,980)
Closing balance	1,767,440,683	2,325,982,312	46,138,468	341,809,888	4,481,371,351
Accumulated depreciation					
Opening balance	355,901,828	1,007,453,234	33,634,923	170,904,829	1,567,894,814
Increase	29,337,127	109,815,658	1,781,702	21,085,287	162,019,774
Write-off	(5,292)	(17,820,757)	(190,437)	(2,281,405)	(20,297,891)
Exchange realignment	(390,827)	(7,183,908)	1,398	(133,051)	(7,706,388)
Closing balance	384,842,836	1,092,264,227	35,227,586	189,575,660	1,701,910,309
Impairment provision					
Opening balance	10,513,264	48,433,991	–	710,055	59,657,310
Write-off	–	(698,278)	–	–	(698,278)
Closing balance	10,513,264	47,735,713	–	710,055	58,959,032
Net carrying amount					
Closing balance	1,372,084,583	1,185,982,372	10,910,882	151,524,173	2,720,502,010
Opening balance	1,393,321,136	1,159,580,820	11,698,692	153,442,589	2,718,043,237

Renminbi Yuan

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

11. Fixed assets (continued)

2017 (Audited)

	Buildings	Machinery	Vehicles	Office facilities and others	Total
Cost					
Opening balance	1,750,413,278	2,093,175,289	43,116,698	282,365,516	4,169,070,781
Purchase	2,375,087	44,557,396	3,789,822	56,061,227	106,783,532
Transferred from construction in progress	4,763,352	81,589,145	–	1,136,909	87,489,406
Sale and disposal	(640,158)	(15,519,472)	(1,568,371)	(14,786,503)	(32,514,504)
Exchange realignment	2,824,669	11,665,687	(4,534)	280,324	14,766,146
Closing balance	1,759,736,228	2,215,468,045	45,333,615	325,057,473	4,345,595,361
Accumulated depreciation					
Opening balance	295,980,493	810,308,432	31,154,353	144,826,300	1,282,269,578
Increase	59,956,173	202,947,233	3,970,922	39,796,878	306,671,206
Write-off	(379,009)	(12,667,904)	(1,489,952)	(13,852,771)	(28,389,636)
Exchange realignment	344,171	6,865,473	(400)	134,422	7,343,666
Closing balance	355,901,828	1,007,453,234	33,634,923	170,904,829	1,567,894,814
Impairment provision					
Opening balance	10,513,264	50,193,568	–	792,018	61,498,850
Write-off	–	(1,759,577)	–	(81,963)	(1,841,540)
Closing balance	10,513,264	48,433,991	–	710,055	59,657,310
Net carrying amount					
Closing balance	1,393,321,136	1,159,580,820	11,698,692	153,442,589	2,718,043,237
Opening balance	1,443,919,521	1,232,673,289	11,962,345	136,747,198	2,825,302,353

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

11. Fixed assets (continued)

As at 30 June 2018, no fixed assets (unaudited) (31 December 2017 (audited): Nil) was pledged to secure general banking facilities granted to the Group.

The amount of depreciation provided from 1 January 2018 to 30 June 2018 was RMB162,019,774 (unaudited) (from 1 January 2017 to 30 June 2017 (unaudited, restated): RMB150,924,502). From 1 January 2018 to 30 June 2018, the cost of fixed assets transferred from construction in progress was RMB88,627,510 (unaudited) (from 1 January 2017 to 30 June 2017 (unaudited): RMB45,999,853).

12. Construction in progress

	30 June 2018 ***(Unaudited)***	31 December 2017 *(Audited)*
Semiconductor key lab construction project	**140,971,550**	131,826,777
High temperature ion implantation equipment	**13,404,421**	13,404,421
Laboratory relocation and expansion project	**9,961,349**	7,157,711
Low pressure chemical vapor deposition	**7,105,167**	7,105,167
ICP etching machine	**4,954,139**	4,954,139
Power curve tracer and semi-automatic probe station	**4,451,731**	3,004,741
High temperature anti bias test board	**3,060,259**	–
The system of tail gas treatment	**2,934,198**	2,934,198
The reinforcement of no.2 workshop project	**2,838,296**	1,527,975
PECVDs equipment	**–**	13,241,298
Renovation of logistics warehouse for passenger cars electrical drive system	**–**	6,947,364
Power cycle tester of press pack IGBT	**–**	6,376,617
Auto silver sintering equipment	**–**	5,218,349
Others	**33,742,481**	33,024,680
	223,423,591	236,723,437

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

12. Construction in progress (continued)

From 1 January 2018 to 30 June 2018 (Unaudited)

	Budget	Opening balance	Increase	Transferred to fixed assets	Exchange realignment	Closing balance	Capital resource	Proportion of budget invested
Semiconductor key lab construction project	321,480,000	131,826,777	37,385,727	28,240,954	–	140,971,550	Government grant and self-raised	56%
High temperature ion implantation equipment	13,780,200	13,404,421	–	–	–	13,404,421	Self-raised	97%
Laboratory relocation and expansion project	13,138,000	7,157,711	2,803,638	–	–	9,961,349	Self-raised	76%
Low pressure chemical vapor deposition	11,372,775	7,105,167	–	–	–	7,105,167	Self-raised	62%
ICP etching machine	7,820,784	4,954,139	–	–	–	4,954,139	Self-raised	63%
Power curve tracer and semi-automatic probe station	4,893,776	3,004,741	1,446,990	–	–	4,451,731	Self-raised	91%
High temperature anti bias test board	2,986,010	–	3,060,259	–	–	3,060,259	Self-raised	100%
The system of tail gas treatment	3,213,630	2,934,198	–	–	–	2,934,198	Self-raised	91%
The reinforcement of no.2 workshop project	2,890,000	1,527,975	1,310,321	–	–	2,838,296	Self-raised	98%
PECVDS equipment	13,500,000	13,241,298	146,305	13,387,603	–	–	Government grant	100%
Renovation of logistics warehouse or passenger cars electrical drive system	28,980,000	6,947,364	63,208	7,010,572	–	–	Self-raised	29%
Power cycle tester of press pack IGBT	9,264,189	6,376,617	3,563,442	9,940,059	–	–	Self-raised	100%
Auto silver sintering equipment	5,929,748	5,218,349	579,265	5,797,614	–	–	Self-raised	100%
Others		33,024,680	25,143,393	24,250,708	(174,884)	33,742,481		
		236,723,437	75,502,548	88,627,510	(174,884)	223,423,591		

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

12. Construction in progress (continued)

2017 (Audited)

	Budget	Opening balance	Increase	Transferred to fixed assets	Exchange realignment	Closing balance	Capital resource	Proportion of budget invested
Semiconductor key lab construction project	321,480,000	89,721,848	51,771,596	9,666,667	–	131,826,777	Government grant and self-raised	44%
High temperature ion implantation equipment	13,780,200	–	13,404,421	–	–	13,404,421	Self-raised	97%
PECVDS equipment	13,500,000	13,241,298	–	–	–	13,241,298	Government grant	98%
Laboratory relocation and expansion project	13,138,000	1,844,408	5,313,303	–	–	7,157,711	Self-raised	54%
Low pressure chemical vapor deposition	11,372,775	–	7,105,167	–	–	7,105,167	Self-raised	62%
Renovation of logistics warehouse for passenger cars electrical drive system	28,980,000	5,176,540	3,305,867	1,535,043	–	6,947,364	Self-raised	29%
Power cycle tester of press pack IGBT	9,264,189	–	6,376,617	–	–	6,376,617	Self-raised	69%
Auto silver sintering equipment	5,929,748	–	5,218,349	–	–	5,218,349	Self-raised	88%
ICP etching machine	7,820,784	–	4,954,139	–	–	4,954,139	Self-raised	63%
Power curve tracer and semi-automatic probe station	4,893,776	–	3,004,741	–	–	3,004,741	Self-raised	61%
Semiconductor implantation equipment project	32,000,000	27,814,367	3,159,293	30,973,660	–	–	Government grant	97%
Copper electroplating system	15,426,100	14,595,848	–	14,595,848	–	–	Self-raised	95%
Motor driver lab construction project	21,900,000	10,179,487	–	10,179,487	–	–	Government grant and self-raised	46%
Overhaul and inspection equipments for after-sale service department	7,140,595	7,140,595	–	7,140,595	–	–	Self-raised	100%
Others		22,014,533	28,733,190	13,398,106	137,236	37,486,853		
		191,728,924	132,346,683	87,489,406	137,236	236,723,437		

Note: From 1 January 2018 to 30 June 2018, the Group received special loan for construction in progress. The interest expenses amounting to RMB544,021 (unaudited) (from 1 January 2017 to 30 June 2017 (unaudited): RMB547,026) has been capitalized.

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

13. Intangible assets

From 1 January 2018 to 30 June 2018 (Unaudited)

	Land use rights	Software licenses	Patents, licenses and technical know-how	Trademarks	Backlog orders and service contracts	Total
Cost						
Opening balance	228,976,252	119,617,259	686,030,693	122,908,800	53,553,118	1,211,086,122
Purchase	–	7,102,777	6,363,276	–	–	13,466,053
Exchange realignment	(630,169)	(473,802)	(3,474,802)	(1,737,400)	(757,008)	(7,073,181)
Closing balance	228,346,083	126,246,234	688,919,167	121,171,400	52,796,110	1,217,478,994
Accumulated amortisation						
Opening balance	37,570,589	80,390,424	181,447,502	16,899,960	49,602,480	365,910,955
Increase	2,106,109	4,450,064	39,434,586	3,051,003	3,922,718	52,964,480
Exchange realignment	–	(183,524)	(1,042,440)	(260,610)	(729,088)	(2,215,662)
Closing balance	39,676,698	84,656,964	219,839,648	19,690,353	52,796,110	416,659,773
Impairment provision						
Opening balance	–	506,859	146,037,805	–	–	146,544,664
Closing balance	–	506,859	146,037,805	–	–	146,544,664
Net carrying value						
Closing balance	188,669,385	41,082,411	323,041,714	101,481,047	–	654,274,557
Opening balance	191,405,663	38,719,976	358,545,386	106,008,840	3,950,638	698,630,503

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

13. Intangible assets (continued)

2017 (Audited)

	Land use rights	Software licenses	Patents, licenses and technical know-how	Trademarks	Backlog orders and service contracts	Total
Cost						
Opening balance	228,354,688	109,297,698	559,427,161	119,131,600	51,907,340	1,068,118,487
Purchase	–	9,730,044	573,532	–	–	10,303,576
Transferred from development expenditure	–	–	117,776,278	–	–	117,776,278
Exchange realignment	621,564	589,517	8,253,722	3,777,200	1,645,778	14,887,781
Closing balance	228,976,252	119,617,259	686,030,693	122,908,800	53,553,118	1,211,086,122
Accumulated amortisation						
Opening balance	33,037,955	72,385,852	145,689,633	10,424,015	32,761,190	294,298,645
Increase	4,532,634	7,731,427	34,002,853	6,096,790	15,677,460	68,041,164
Exchange realignment	–	273,145	1,755,016	379,155	1,163,830	3,571,146
Closing balance	37,570,589	80,390,424	181,447,502	16,899,960	49,602,480	365,910,955
Impairment provision						
Opening balance	–	–	138,457,620	–	–	138,457,620
Increase	–	506,859	7,580,185	–	–	8,087,044
Closing balance	–	506,859	146,037,805	–	–	146,544,664
Net carrying amount						
Closing balance	191,405,663	38,719,976	358,545,386	106,008,840	3,950,638	698,630,503
Opening balance	195,316,733	36,911,846	275,279,908	108,707,585	19,146,150	635,362,222

The amount of amortisation from 1 January 2018 to 30 June 2018 was RMB52,964,480 (unaudited) (from 1 January 2017 to 30 June 2017 (unaudited, restated): RMB37,289,295).

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

13. Intangible assets (continued)

As at 30 June 2018, none of certain of the Group's land use rights (unaudited) (31 December 2017 (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.

14. Development expenditure

From 1 January 2018 to 30 June 2018 (Unaudited)

			Decrease		
	Opening balance	Internal development	Recognised as intangible assets	Recognised in profit or loss	Closing balance
Research and development expenses	–	591,930,205	–	591,930,205	–
Development expenditure	113,520,722	16,961,136	–	–	130,481,858
	113,520,722	608,891,341	–	591,930,205	130,481,858

2017 (Audited)

			Decrease		
	Opening balance	Internal development	Recognised as intangible assets	Recognised in profit or loss	Closing balance
Research and development expenses	–	1,357,311,597	–	1,357,311,597	–
Development expenditure	75,271,984	156,025,016	117,776,278	–	113,520,722
	75,271,984	1,513,336,613	117,776,278	1,357,311,597	113,520,722

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

15. Goodwill

From 1 January 2018 to 30 June 2018 (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")	566,003,743	4,875,256	570,878,999	126,563,259	444,315,740
	626,292,234	4,875,256	631,167,490	173,081,217	458,086,273

2017 (Audited)

	Opening balance	Exchange realignment	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	599,873,405	(33,869,662)	566,003,743	125,482,420	440,521,323
	660,161,896	(33,869,662)	626,292,234	172,000,378	454,291,856

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

15. Goodwill (continued)

The movements of impairment of goodwill are as follows:

From 1 January 2018 to 30 June 2018 (Unaudited)

	Opening balance	Exchange realignment	Closing balance
Dynex	**46,517,958**	**–**	**46,517,958**
SMD	**125,482,420**	**1,080,839**	**126,563,259**
	172,000,378	**1,080,839**	**173,081,217**

2017 (Audited)

	Opening balance	Exchange realignment	Closing balance
Dynex	46,517,958	–	46,517,958
SMD	128,469,740	(2,987,320)	125,482,420
	174,987,698	(2,987,320)	172,000,378

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

16. Long-term prepaid expenses

From 1 January 2018 to 30 June 2018 (Unaudited)

	Opening balance	Increase	Amortised for the period	Closing balance
Lease improvement	**12,396,018**	**10,436,897**	**611,662**	**22,221,253**

2017 (Audited)

	Opening balance	Increase	Amortised for the year	Closing balance
Lease improvement	–	12,396,018	–	12,396,018

17. Deferred tax assets/liabilities

Deferred tax assets/liabilities recognised:

	30 June 2018 (Unaudited)		31 December 2017 (Audited)	
	Deductible temporary differences	Deferred tax assets	Deductible temporary differences	Deferred tax assets
Deferred tax assets				
Provision for product quality warranties	**447,717,955**	**67,245,720**	554,613,997	83,409,256
Provision for impairment of assets	**748,583,361**	**116,500,309**	742,356,069	115,279,115
Government grant	**481,058,629**	**74,181,806**	415,450,616	62,722,728
Unrealised profits from internal transactions	**549,416,703**	**82,412,505**	385,382,733	57,807,410
Depreciation differences arising from different depreciation terms in tax laws and accounting	**91,738,870**	**14,668,341**	101,261,956	15,489,917
Deductible losses	**138,239,489**	**27,357,896**	112,088,584	24,155,062
Accrued expenses	**103,338,847**	**13,438,303**	76,229,800	11,434,470
Fair Value through Other Comprehensive Income	**15,904,000**	**2,387,000**	–	–
Others	**15,016,306**	**2,252,446**	16,659,730	2,498,960
	2,591,014,160	**400,444,326**	2,404,043,485	372,796,918

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

17. Deferred tax assets/liabilities (continued)

	30 June 2018 (Unaudited)		31 December 2017 (Audited)	
	Taxable temporary differences	**Deferred tax liabilities**	Taxable temporary differences	Deferred tax liabilities
Deferred tax liabilities				
Fair value adjustments arising from acquisition of subsidiaries	**262,945,350**	**51,344,013**	304,816,564	60,338,929
Depreciation differences arising from different depreciation terms in tax laws and accounting	**30,378,284**	**8,050,245**	36,970,117	9,797,081
	293,323,634	**59,394,258**	341,786,681	70,136,010

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

	30 June 2018 *(Unaudited)*	31 December 2017 *(Audited)*
Deductible losses	**132,081,940**	83,848,007
Deductible temporary differences	**149,908,904**	150,917,332
	281,990,844	234,765,339

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

	30 June 2018 *(Unaudited)*	31 December 2017 *(Audited)*
2018	**15,867,677**	15,867,677
2019	**15,239,616**	15,239,616
2020	**21,541,284**	21,541,284
2021	**12,116,962**	12,116,962
2022	**19,082,468**	19,082,468
2023	**48,233,933**	–
	132,081,940	83,848,007

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

18. Other non-current assets

	30 June 2018 (Unaudited)	31 December 2017 (Audited)
Prepayments for acquisition of land use rights	**42,831,600**	42,831,600
Prepayments for construction in progress	**1,581,648**	165,804
Prepayments for purchase of machinery and equipment	**59,420,640**	47,509,843
	103,833,888	90,507,247

19. Short-term borrowings

	30 June 2018 (Unaudited)	31 December 2017 (Audited)
Trusted loans	**209,496,178**	–
Other loans (Note)	**–**	202,427,360
	209,496,178	202,427,360

As at 30 June 2018, the annual interest rate of the above borrowings was ranging from 2.38% to 7.60% (Unaudited) (31 December 2017 (Audited): 0-2.39%)

Note: As at 31 December 2017,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 loans have been repaid by the end of the reporting period The carrying amounts of such assets as at 31 December 2017 are as follows:

	31 December 2017 (Audited, restated)
Cash and bank balances	57,441,860
Bills receivable and trade receivables	59,602,053
Other receivables	18,339,931
Prepayments	2,569,745
Inventories	57,010,163
Fixed assets	134,571,954
Construction in progress	2,999,931
	332,535,637

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

20. Bills payable and trade payables

	30 June 2018 (Unaudited)	31 December 2017 (Audited)
Bills payable	**1,819,257,201**	2,146,855,799
Trade payables	**3,883,124,467**	3,307,842,915
	5,702,381,668	5,454,698,714

Trade payables are set out as follows:

	30 June 2018 (Unaudited)	31 December 2017 (Audited)
Commercial acceptance bills	**319,166,687**	197,174,627
Bank acceptance bills	**1,500,090,514**	1,949,681,172
	1,819,257,201	2,146,855,799

Trade payables are set out as follows:

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

	30 June 2018 (Unaudited)	31 December 2017 (Audited)
Within 3 months	**2,485,701,255**	2,445,247,153
3 months to 1 year	**1,234,758,196**	674,707,694
1 to 2 years	**187,704,751**	138,390,479
2 to 3 years	**75,423,420**	70,260,336
Over 3 years	**18,912,527**	98,612,935
	4,002,500,149	3,427,218,597
Less: Classified as long-term payables	**119,375,682**	119,375,682
	3,883,124,467	3,307,842,915

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

21. Advances from customers

	30 June 2018 *(Unaudited)*	31 December 2017 *(Audited)*
Within 1 year	–	740,213,075
1 to 2 years	–	101,036,211
2 to 3 years	–	2,527,864
Over 3 years	–	12,859,277
	–	856,636,427

22. Contract liabilities

	30 June 2018 *(Unaudited)*
Within 1 year	**512,494,271**
1 to 2 years	**177,567,291**
2 to 3 years	**7,343,612**
Over 3 years	**12,694,219**
	710,099,393

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

23. Employee benefits payable

From 1 January 2018 to 30 June 2018 (Unaudited)

	Opening balance	Increase	Decrease	Exchange realignment	Closing balance
Short-term benefits	**45,919,263**	**773,996,067**	**651,990,787**	**83,789**	**168,008,332**
Benefits after demission (defined contribution plan)	**1,303,938**	**105,223,989**	**103,576,182**	**15,966**	**2,967,711**
	47,223,201	**879,220,056**	**755,566,969**	**99,755**	**170,976,043**

2017 (Audited)

	Opening balance	Increase	Decrease	Exchange realignment	Closing balance
Short-term benefits	36,204,711	1,501,949,554	1,492,262,786	27,784	45,919,263
Benefits after demission (defined contribution plan)	945,476	187,296,220	186,939,664	1,906	1,303,938
	37,150,187	1,689,245,774	1,679,202,450	29,690	47,223,201

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

23. Employee benefits payable (continued)

Details of short-term benefits are as follows:

From 1 January 2018 to 30 June 2018 (Unaudited)

	Opening balance	Increase	Decrease	Exchange realignment	Closing balance
Salaries, bonuses, allowances and subsidies	2,179,991	611,674,584	497,106,249	61,974	116,810,300
Staff welfare	52,009	26,279,860	24,212,629	1,759	2,120,999
Social Insurance	493,984	53,080,461	52,304,355	–	1,270,090
Including: Basic medical insurance	252,976	29,187,662	28,651,294	–	789,344
Supplementary medical insurance	60,710	15,157,067	15,086,835	–	130,942
Work injury insurance	119,708	6,302,105	6,201,347	–	220,466
Maternity insurance	60,590	2,433,627	2,364,879	–	129,338
Housing fund	75,941	48,839,501	48,174,850	–	740,592
Union fund and employee education fund	41,125,893	19,844,775	14,829,749	–	46,140,919
Others	1,991,445	14,276,886	15,362,955	20,056	925,432
	45,919,263	773,996,067	651,990,787	83,789	168,008,332

2017 (Audited)

	Opening balance	Increase	Decrease	Exchange realignment	Closing balance
Salaries, bonuses, allowances and subsidies	1,778,619	1,186,081,619	1,185,699,259	19,012	2,179,991
Staff welfare	–	63,788,543	63,737,137	603	52,009
Social Insurance	278,680	100,352,490	100,137,186	–	493,984
Including: Basic medical insurance	148,922	54,441,102	54,337,048	–	252,976
Supplementary medical insurance	300	28,732,338	28,671,928	–	60,710
Work injury insurance	75,734	12,773,899	12,729,925	–	119,708
Maternity insurance	53,724	4,405,151	4,398,285	–	60,590
Housing fund	13,675	90,715,138	90,652,872	–	75,941
Union fund and employee education fund	29,846,413	37,664,583	26,385,103	–	41,125,893
Others	4,287,324	23,347,181	25,651,229	8,169	1,991,445
	36,204,711	1,501,949,554	1,492,262,786	27,784	45,919,263

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

23. Employee benefits payable (continued)

Details of defined contribution plan are as follows:

From 1 January 2018 to 30 June 2018 (Unaudited)

	Opening balance	Increase	Decrease	Exchange realignment	Closing balance
Basic pension insurance	1,122,217	80,305,760	78,863,598	15,966	2,580,345
Unemployment insurance	109,064	2,754,526	2,662,283	–	201,307
Annuity	72,657	22,163,703	22,050,301	–	186,059
	1,303,938	105,223,989	103,576,182	15,966	2,967,711

2017 (Audited)

	Opening balance	Increase	Decrease	Exchange realignment	Closing balance
Basic pension insurance	821,681	138,863,643	138,565,013	1,906	1,122,217
Unemployment insurance	116,377	4,877,119	4,884,432	–	109,064
Annuity	7,418	43,555,458	43,490,219	–	72,657
	945,476	187,296,220	186,939,664	1,906	1,303,938

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

24. Taxes payable

	30 June 2018 *(Unaudited)*	31 December 2017 *(Audited)*
Corporate income tax	**150,450,910**	97,335,446
VAT	**48,838,754**	62,516,744
City maintenance and construction and education surcharge	**8,498,436**	9,529,046
Individual income tax	**2,412,362**	38,963,752
Others	**5,174,337**	5,852,493
	215,374,799	214,197,481

25. Other payables

Maturity analysis:

	30 June 2018 *(Unaudited)*	31 December 2017 *(Audited, restated)*
Within 1 year	**725,982,451**	245,253,534
1 to 2 years	**37,673,169**	128,751,441
2 to 3 years	**55,565,479**	20,036,954
Over 3 years	**163,743,175**	162,275,063
	982,964,274	556,316,992

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

25. Other payables (continued)

The analysis of other payables by nature is as follows:

	30 June 2018 *(Unaudited)*	31 December 2017 *(Audited, restated)*
Dividends payable (Note)	**538,604,487**	2,860,000
Interests payable	**19,379**	829,611
Other payables	**444,340,408**	552,627,381
	982,964,274	556,316,992

Note: Pursuant to the board of directors' meeting held on 26 March 2018, 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 8 June 2018. As at 30 June 2018, 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 general meeting held on 11 June 2018, Baoji Times, a subsidiary of the Company, proposed to distribute cash dividends of RMB12,780,000 to China Railway Baoji Machinery Co., Ltd. As at 30 June 2018, the company has distributed cash dividends of RMB6,000,000. As at the approval date of the financial statements, the Company has fulfilled distributed the cash dividends.

Pursuant to the general meeting held on 30 June 2017, Qingdao Electric, a subsidiary of the Company, proposed to distribute cash dividends of RMB1,976,000 to CRRC Qingdao Sifang Co., Ltd. and RMB884,000 to the third-party shareholder. As at the approval date of the financial statements, the Company has not fulfilled distributed the cash dividends.

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

26. Current portion of non-current liabilities

	30 June 2018 (Unaudited)	31 December 2017 (Audited, restated)
Long-term borrowings due within one year (Note V.27)	**5,000,000**	2,579,207
Provisions due within one year (Note V.28)	**186,344,078**	220,405,849
Deferred income due within one year (Note V.29)	**137,016,026**	68,805,337
	328,360,104	291,790,393

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

	30 June 2018 (Unaudited)	31 December 2017 (Audited)
Trusted loans	**5,000,000**	2,500,000
Mortgage loans	**–**	79,207
	5,000,000	2,579,207

27. Long-term borrowings

	30 June 2018 (Unaudited)	31 December 2017 (Audited)
Trusted loans	**118,021,934**	100,188,000
Mortgage loans	**–**	79,207
Other loans (Note V.19)	**–**	1,739,028
	118,021,934	102,006,235
Less: Long-term borrowings due within one year (Notes V.26)	**5,000,000**	2,579,207
	113,021,934	99,427,028

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

27. Long-term borrowings (continued)

Maturity analysis:

	30 June 2018 *(Unaudited)*	31 December 2017 *(Audited)*
Due within 1 year	**5,000,000**	2,579,207
Due within 1 to 2 years	**22,833,934**	6,739,028
Due within 2 to 5 years	**15,000,000**	15,000,000
Due more than 5 years	**75,188,000**	77,688,000
	118,021,934	102,006,235

As at 30 June 2018, the annual interest rate of the above borrowings were 0-4.00% (unaudited) (31 December 2017 (audited): 0-4.92%).

28. Provisions

From 1 January 2018 to 30 June 2018 (Unaudited)

	Opening balance	Increase	Decrease	Exchange realignment	Closing balance
Provision for product quality warranties	554,613,997	125,459,566	232,371,070	15,462	447,717,955
Less: Provisions due within one year (Note V.26)	220,405,849				186,344,078
	334,208,148				261,373,877

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

28. Provisions (continued)

2017 (Audited)

	Opening balance	Increase	Decrease	Exchange realignment	Closing balance
Provision for product quality warranties	602,284,995	403,479,611	451,376,620	226,011	554,613,997
Less: Provisions due within one year (Note V.26)	262,822,271				220,405,849
	339,462,724				334,208,148

29. Deferred income

	30 June 2018 ***(Unaudited)***	31 December 2017 *(Audited)*
Government grant related to assets	**366,073,902**	334,724,871
Government grant related to income	**114,984,727**	80,725,745
	481,058,629	415,450,616
Less: Classified as current liabilities	**137,016,026**	68,805,337
Government grant classified as non-current liabilities	**344,042,603**	346,645,279

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

29. Deferred income (continued)

Liabilities relevant to government grants as at 30 June 2018 are listed as follows: (Unaudited)

	Opening balance	Increase	Recognised as other income	Closing balance	Related to asset/income
(Power electronics) integrated manufacturing technology R&D and industrialization of SIC based power electronic devices	73,536,200	–	–	73,536,200	Asset
The revamping of high voltage and low voltage IGBT chip module production line	50,000,000	–	–	50,000,000	Asset
Construction of R&D and trial-manufacture center of IGBT for electric vehicles	50,000,000	–	–	50,000,000	Asset
8-inch IGBT intelligent manufacturing and digital factory construction item	–	42,000,000	–	42,000,000	Asset
Research on key technologies of high speed maglev transportation	15,800,000	23,870,000	–	39,670,000	Income
8 MW golden sun demonstration project	32,675,000	–	(5,445,833)	27,229,167	Asset
Industrial foundation fortification project-production of IGBT module for alternative fuel automobiles	23,340,000	–	–	23,340,000	Asset
Maotangao staff dorm building construction project	19,068,636	–	(227,458)	18,841,178	Asset
SiC-based power electronic devices lab & fab construction project (SIC base industrial construction project fund)	17,000,000	–	–	17,000,000	Asset
R&D, industrialization of 6-inch SiC wafer and application in high power IGBT	12,000,000	–	–	12,000,000	Asset
Basic construction compensation	8,586,848	–	(103,457)	8,483,391	Asset
1MW photo voltaic power generation system construction project	4,591,667	–	(950,000)	3,641,667	Asset
Industrialization of 200KM EMU AC drive & network control system and ATP control device	4,591,667	–	(950,000)	3,641,667	Asset
(Power electronics) research for power electronic devices & built for production line	4,800,000	–	–	4,800,000	Asset
Construction of intelligent manufacturing works for core components of rolling stock (Manufacturing center)	5,000,000	–	–	5,000,000	Asset
Hunan governmental earmark on the development of mobile internet industry in 2016	5,000,000	–	–	5,000,000	Asset
Test platforms of power electronics devices & electric drive systems	1,187,500	–	(125,000)	1,062,500	Asset
Others	88,273,098	15,958,981	(8,419,220)	95,812,859	Asset/income
	415,450,616	81,828,981	(16,220,968)	481,058,629	

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

29. Deferred income (continued)

Liabilities relevant to government grants as at 31 December 2017 are listed as follows: (Audited)

	Opening balance	Increase	Recognised as non-operating income	Other changes	Closing balance	Related to asset/income
(Power electronics) integrated manufacturing technology R&D and industrialization of SIC based power electronic devices	68,604,000	5,150,000	–	(217,800)	73,536,200	Asset
The revamping of high voltage and low voltage IGBT chip module production line	50,000,000	–	–	–	50,000,000	Asset
Automotive IGBT R&D and trial production capabilities construction item	–	50,000,000	–	–	50,000,000	Asset
8 MW golden sun demonstration project	43,566,667	–	(10,891,667)	–	32,675,000	Asset
Industrial foundation fortification project-production of IGBT module for alternative fuel automobiles	23,340,000	–	–	–	23,340,000	Asset
Maotangao staff dorm building construction project	19,523,554	–	(454,918)	–	19,068,636	Asset
SiC-based power electronic devices lab & fab construction project (SIC base industrial construction project fund)	17,000,000	–	–	–	17,000,000	Asset
Research on key technologies of high speed maglev transportation	–	15,800,000	–	–	15,800,000	Income
R&D, industrialization of 6-inch SiC wafer and application in high power IGBT	10,000,000	2,000,000	–	–	12,000,000	Asset
Basic construction compensation	8,793,760	–	(206,912)	–	8,586,848	Asset
Construction of intelligent manufacturing works for core components of rolling stock	5,000,000	–	–	–	5,000,000	Asset
Hunan governmental earmark on the development of mobile internet industry in 2016	5,000,000	–	–	–	5,000,000	Asset
(Power electronics) research for power electronic devices & built for production line	5,200,000	–	(400,000)	–	4,800,000	Asset
Photovoltaic power generation comprehensive test system construction project	6,491,667	–	(1,900,000)	–	4,591,667	Asset
Industrialization of 200KM EMU AC drive & network control system and ATP control device	6,491,667	–	(1,900,000)	–	4,591,667	Asset
Test platforms of power electronics devices & electric drive systems	23,872,083	–	(250,000)	(22,434,583)	1,187,500	Asset
High voltage chip packaging and module technology development and industrialization for high speed train application	14,540,000	–	(14,540,000)	–	–	Income
Others	61,718,993	34,079,245	(6,167,640)	(1,357,500)	88,273,098	Asset/income
	369,142,391	107,029,245	(36,711,137)	(24,009,883)	415,450,616	

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

30. Retained earnings

	From 1 January 2018 to 30 June 2018 ***(Unaudited)***	2017 *(Audited)*
Retained earnings at the end of last year	**11,723,779,095**	9,944,778,161
Add: Business combination involving entities under common control (Note 1)	**–**	(33,347,219)
Retained earnings at the beginning of the year/period	**11,723,779,095**	9,911,430,942
Add: Net profit attributable to shareholders of the Parent	**1,040,257,544**	2,523,471,085
Less: Appropriation to statutory surplus reserve	**157,665,296**	182,158,445
Dividends distribution (Note 2)	**528,964,487**	528,964,487
Other decreases (Note 3)	**9,347,986**	–
Retained earnings at the end of the year/period	**12,068,058,870**	11,723,779,095

Note 1: In 2017, as the change in scope of consolidation due to business combination involving entities under common control, the retained earnings at the beginning of the year decreased by RMB33,347,219.

Note 2: The 2017 scheme of profit distribution of the Company has been reviewed and approved in the 2017 Annual General Meeting held on 8 June 2018, pursuant to which a final dividend of RMB0.45 (including tax) was paid on each of the 1,175,476,637 shares in issue, amounting to a total cash dividend of RMB528,964,487 (unaudited).

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 (audited).

The board of directors do not recommend the payment of an interim dividend (from 1 January 2017 to 30 June 2017: Nil).

Note 3: On May 2018, the company merged Times Equipment, which was its original subsidiary, and inherited the assets, claims, obligations and personnel, etc. After the merger, its retained earnings will be transferred to the company's surplus reserve.

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 revenue from construction contracts, the value of services rendered, and the total rental income received.

Revenue is stated as follows:

	From 1 January 2018 to 30 June 2018 *(Unaudited)*	From 1 January 2017 to 30 June 2017 *(Unaudited)*
Revenue from principal operations	**6,282,066,246**	6,352,874,952
Other operating income	**38,397,174**	163,538,141
	6,320,463,420	6,516,413,093

Cost of sales is stated as follows:

	From 1 January 2018 to 30 June 2018 *(Unaudited)*	From 1 January 2017 to 30 June 2017 *(Unaudited)*
Cost of sales from principal operations	**3,872,883,844**	3,858,469,926
Other operating costs	**14,924,532**	118,310,271
	3,887,808,376	3,976,780,197

Details of revenue are listed as follows:

	From 1 January 2018 to 30 June 2018 *(Unaudited)*	From 1 January 2017 to 30 June 2017 *(Unaudited)*
Revenue from sale of goods and materials	**5,577,855,675**	5,828,382,777
Maintenance income	**472,973,844**	430,289,776
Revenue from construction contracts	**233,900,144**	215,581,755
Technical service income	**23,026,721**	33,881,076
Other revenue	**12,707,036**	8,277,709
	6,320,463,420	6,516,413,093

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

32. Finance costs

	From 1 January 2018 to 30 June 2018 *(Unaudited)*	From 1 January 2017 to 30 June 2017 *(Unaudited, restated)*
Interest expenses	**4,886,493**	2,318,698
Less: Capitalised interests	**544,021**	547,026
Interest income	**(34,036,633)**	(16,575,367)
Exchange losses	**8,501,721**	1,167,742
Others	**4,305,115**	5,496,126
	(16,887,325)	(8,139,827)

33. Asset impairment losses

	From 1 January 2018 to 30 June 2018 *(Unaudited)*	From 1 January 2017 to 30 June 2017 *(Unaudited, restated)*
Impairment loss of inventories	**20,433,790**	40,954,983
Bad debt loss	**–**	110,099,773
Impairment loss of intangible assets	**–**	6,519,993
	20,433,790	157,574,749

34. Credit impairment losses

	From 1 January 2018 to 30 June 2018 *(Unaudited)*
Bad debt loss	**89,154,095**

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

35. Other income

	From 1 January 2018 to 30 June 2018 *(Unaudited)*	From 1 January 2017 to 30 June 2017 *(Unaudited)*
Refunds of VAT	**106,979,729**	103,070,469
Technology project fund	**16,181,748**	–
Refunds of other tax	**2,499,042**	–
Government rewards	**1,320,032**	–
	126,980,551	103,070,469

36. Investment income

	From 1 January 2018 to 30 June 2018 *(Unaudited)*	From 1 January 2017 to 30 June 2017 *(Unaudited)*
Income from non-listed investments:		
Long-term equity investments income and loss under the equity method	**(7,669,962)**	16,645,679
Bank financial products income	**15,886,268**	15,376,438
Forward foreign exchange contracts income	**–**	3,899,318
	8,216,306	35,921,435

37. Gains/(losses) on fair value changes

	From 1 January 2018 to 30 June 2018 *(Unaudited)*	From 1 January 2017 to 30 June 2017 *(Unaudited)*
Derivative finance instrument		
Forward foreign exchange contracts – Gains on fair value changes (Note V.3)	**2,741,958**	6,135,766

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

38. Gains/(losses) on disposal of non-current assets

	From 1 January 2018 to 30 June 2018 *(Unaudited)*	From 1 January 2017 to 30 June 2017 *(Unaudited, restated)*
Gains on disposal of non-current assets	**1,732,615**	13,480
Losses on disposal of non-current assets	**(197,410)**	(65,645)
	1,535,205	(52,165)

39. Non-operating income

	From 1 January 2018 to 30 June 2018 *(Unaudited)*	From 1 January 2017 to 30 June 2017 *(Unaudited, restated)*
Penalty income and default compensation income	**1,450,081**	430,069
Government grants non-related to daily activities	**39,220**	15,121,442
Unsettled payment	**–**	441,677
Others	**1,166,244**	1,590,443
	2,655,545	17,583,631

40. Non-operating expenses

	From 1 January 2018 to 30 June 2018 *(Unaudited)*	From 1 January 2017 to 30 June 2017 *(Unaudited, restated)*
Losses on penalties and compensation	**635,896**	2,312,062
Others	**148,227**	1,485,655
	784,123	3,797,717

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

41. Expenses by nature

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

	From 1 January 2018 to 30 June 2018 ***(Unaudited)***	From 1 January 2017 to 30 June 2017 *(Unaudited, restated)*
Consumption of raw materials and semi-finished products	**4,007,916,050**	3,379,906,685
Inventory movements of finished goods and work in progress	**(346,503,495)**	(144,332,939)
Staff costs	**879,220,056**	705,811,226
Depreciation	**162,019,774**	150,924,502
Amortisation of intangible assets	**52,964,480**	37,289,295
Amortisation of long-term prepaid expenses	**611,662**	–
Provision for product quality warranties	**125,459,566**	123,692,950

42. Income tax expense

	From 1 January 2018 to 30 June 2018 ***(Unaudited)***	From 1 January 2017 to 30 June 2017 *(Unaudited)*
Current income tax expense		
– Mainland China	**206,955,986**	205,947,865
– Other countries and regions	**(6,951,060)**	(6,350,421)
	200,004,926	199,597,444
Deferred tax expense	**(27,455,182)**	(25,159,230)
	172,549,744	174,438,214

For the six months ended 30 June 2018

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

42. Income tax expense (continued)

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

	From 1 January 2018 to 30 June 2018 *(Unaudited)*	From 1 January 2017 to 30 June 2017 *(Unaudited, restated)*
Total profit	**1,227,941,574**	1,314,707,105
Income tax expense at statutory tax rate of 25% (Note)	**306,985,394**	328,676,776
Effect of different income tax rates for overseas entities	**3,799,176**	901,847
Effect of preferential tax rate applicable to the Company and its certain subsidiaries	**(144,475,085)**	(153,987,453)
Profits and losses attributable to associates and joint ventures	**1,108,255**	(2,477,635)
Income not subject to tax	**(2,714,726)**	(8,187,921)
Income tax benefits on research and development expenses	**(21,402,840)**	(29,176,960)
Expenses not deductible for tax	**19,659,266**	15,227,626
Deductible temporary differences not recognised	**4,533,477**	16,334,127
Deductible losses not recognised	**8,350,376**	1,176,576
Others	**(3,293,549)**	5,951,231
Tax expense at the Group's effective tax rate	**172,549,744**	174,438,214

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.

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

43. Earnings per share

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

The calculation of basic earnings per share is as follows:

	From 1 January 2018 to 30 June 2018 *(Unaudited)*	From 1 January 2017 to 30 June 2017 *(Unaudited, restated)*
Earnings		
Net profit for the period attributable to ordinary shareholders of the Company	**1,040,257,544**	1,120,692,618
Shares		
Weighted average number of ordinary shares in issue of the Company	**1,175,476,637**	1,175,476,637
Basic earnings per share (yuan/share)	**0.88**	0.95
Diluted earnings per share (yuan/share)	**N/A**	N/A

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

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

44. Supplementary information to the statement of cash flows

(1) Supplementary information to the statement of cash flows

	From 1 January 2018 to 30 June 2018 *(Unaudited)*	From 1 January 2017 to 30 June 2017 *(Unaudited, restated)*
Adjustment of net profit to cash flows from operating activities		
Net profit	**1,055,391,830**	1,140,268,891
Add: Asset impairment losses	**20,433,790**	157,574,749
Credit impairment losses	**89,154,095**	–
Depreciation of fixed assets	**162,019,774**	150,924,502
Amortisation of intangible assets	**52,964,480**	37,289,295
Accrued special reserve	**4,115,818**	6,971,194
Amortisation of long-term deferred expenses	**611,662**	–
Losses/(gains) on disposal of fixed assets, intangible assets and other long-term assets	**(1,535,205)**	52,165
Finance costs	**4,342,472**	1,771,672
Investment income	**(8,216,306)**	(35,921,435)
Gains on fair value changes	**(2,741,958)**	(6,135,766)
Increase in deferred tax assets	**(16,713,430)**	(19,561,086)
Decrease in deferred tax liabilities	**(10,741,752)**	(2,637,364)
Increase in inventories	**(619,878,653)**	(609,794,641)
Decrease/(increase) in operating receivables	**1,216,698,917**	(714,416,066)
Increase in operating payables	**182,432,666**	270,375,029
Net cash flows from operating activities	**2,128,338,200**	376,761,139

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

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

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

Movement in cash and cash equivalents:

	From 1 January 2018 to 30 June 2018 *(Unaudited)*	2017 *(Audited)*
Closing balance of cash	**5,681,698,962**	3,422,194,522
Less: Opening balance of cash	**3,422,194,522**	3,065,846,850
Net change of cash and cash equivalents	**2,259,504,440**	356,347,672

(2) *Cash and cash equivalents*

	30 June 2018 *(Unaudited)*	31 December 2017 *(Audited)*
Cash		
Including: Cash on hand	**70,069**	31,278
Bank deposits on demand	**4,911,628,893**	3,240,682,932
Deposits due within 3 months	**770,000,000**	181,480,312
Closing balance of cash and cash equivalents	**5,681,698,962**	3,422,194,522

45. Assets with restrictions on title

		30 June 2018 *(Unaudited)*	31 December 2017 *(Audited)*
Pledged assets			
Cash and bank balances	Note 1	**92,737,891**	168,758,307
Other receivables	Note 2	**1,250,000**	–
		93,987,891	168,758,307

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

45. Assets with restrictions on title (continued)

Note 1: As at 30 June 2018, the cash and bank balances of RMB35,186,503 (unaudited) (31 December 2017 (audited): RMB97,671,955) is used as security deposits by the Group for bank acceptance bills. The cash and bank balances of RMB57,551,388 (unaudited) (31 December 2017 (audited): RMB71,086,352) is used as security deposits by the Group for letters of guarantee from bank.

Note 2: As at 30 June 2018, RMB1,250,000 (unaudited) (31 December 2017 (audited): Nil) was used as security deposits by the Group for forward foreign exchange contracts.

VI. CHANGES IN SCOPE OF CONSOLIDATION

1. The cancellation of subsidiaries

In May 2018, Zhuzhou CRRC Times Equipment Technology Co., Ltd. ("Times Equipment"), a wholly-owned subsidiary of the Company, was merged by the Company. The related industrial and administrative registration is finished on 15 May 2018.

2. Loss control of a subsidiary

The Group originally held 51% share of Wenzhou Electric. The third-party non-controlling shareholders who originally held 49% of the shares increased their capital in April 2018. After the capital injection, the shareholding ratio reached 50%.In May 2018, according to the joint venture agreement between the Company and the original non-controlling shareholders, Wenzhou Electric has re-elected the board of directors, and the Company no longer has control over Wenzhou Electric. The change of industrial and commercial registration was completed on 24 May 2018. Since 24 May 2018, the Group will no longer include Wenzhou Electric in the scope of consolidation.

3. Business combinations involving entities under common control

In August 2017, the Company acquired 68% share of Shanghai CNR Yongdian Electronic Technology Co., Ltd. ("Shanghai Yongdian") by cash consideration of RMB10,356,300. Shanghai Yongdian is a subsidiary of CRRC Financial and Securities Investment Co., Ltd., the wholly-owned subsidiary of the ultimate holding party (CRRC Group). The both parties were controlled by CRRC Group before and after the combination, and that control was not temporary, therefore the business combination was involving entities under common control. In accordance with the equity transfer agreement, since 68% share of Shanghai Yongdian was transferred to the Company by CRRC Financial and Securities Investment Co., Ltd. on 2 August 2017, the Company completed the business combination under common control of Shanghai Yongdian. 2 August 2017 is determined to be the date of acquisition. On the acquisition date, the Company paid RMB4,873,500 to the non-controlling shareholders to obtain 32% share of Shanghai Yongdian. After completion of the above transactions, the Company holds 100% share of Shanghai Yongdian.

VII. INTERESTS IN OTHER ENTITIES

1. Interests in subsidiaries

Particulars of subsidiaries of the Company are as follows:

Names of companies	Place of registration/ Principal place of business	Registered capital	Nature of business	Proportion of shareholding Direct	Proportion of shareholding Indirect	Proportion of votes
By newly established or invested						
Ningbo Times	Ningbo, Zhejiang	RMB148,826,200	Manufacturing	100%	–	100%
Times Electronics	Zhuzhou, Hunan	RMB80,000,000	Manufacturing	100%	–	100%
Shenyang Times	Shenyang, Liaoning	RMB56,000,000	Manufacturing	100%	–	100%
Baoji Times	Baoji, Shaanxi	RMB281,655,300	Manufacturing	85.8%	–	85.8%
Kunming CRRC Times Electric Equipment Co., Ltd ("Kunming Electric")	Kunming, Yunnan	RMB55,000,000	Manufacturing	100%	–	100%
Hangzhou CRRC Times Electric Equipment Co., Ltd. ("Hangzhou Electric")	Hangzhou, Zhejiang	RMB75,000,000	Manufacturing	60%	–	60%
Guangzhou CRRC Times Electric Technology Co., Ltd. ("Guangzhou Times")	Guangzhou, Guangdong	RMB30,000,000	Manufacturing	60%	–	60%
CRRC Times Electric (Hong Kong) Co., Ltd. ("HK Electric")	Hong Kong	HKD426,952,000	Investment holding	100%	–	100%
Ningbo CRRC Times Electrical Equipment Co., Ltd. ("Ningbo Electric")	Ningbo, Zhejiang	RMB10,000,000	Manufacturing	100%	–	100%
Chengdu CRRC Times Electric Technology Co., Ltd. ("Chengdu Electric")	Chengdu, Sichuan	RMB30,000,000	Manufacturing	100%	–	100%
Qingdao Electric	Qingdao, Shandong	RMB100,000,000	Manufacturing	45%	–	45%
Shanghai CRRC Rail Transit Technology Co., Ltd. ("Shanghai CRRC Rail Transit")	Shanghai	RMB50,000,000	Manufacturing	51%	–	51%
Times Software	Zhuzhou, Hunan	RMB100,000,000	Software service	100%	–	100%
Times Signal & Communication	Changsha, Hunan	RMB229,000,000	Manufacturing	100%	–	100%
Lanzhou CRRC Times Rail Transit Technology Co., Ltd. ("Lanzhou Times")	Lanzhou, Gansu	RMB50,000,000	Manufacturing	51%	–	51%
Specialist Machine Developments (Shanghai) Co., Ltd. ("Shanghai SMD")	Shanghai	RMB30,000,000	Manufacturing	100%	–	100%
CRRC Times Electric Australia Pty. Ltd. ("Times Australia")	Australia	AUD290,000	Trading	100%	–	100%
CRRC Times Electric USA, LLC ("Times USA")	USA	USD430,000	Trading	100%	–	100%
CRRC Times Electric Brasil Ltda. ("Times Brasil")	Brazil	USD741,820	Trading	99%	1%	100%

VII. INTERESTS IN OTHER ENTITIES (continued)

1. Interests in subsidiaries (continued)

Names of companies	Place of registration/ Principal place of business	Registered capital	Nature of business	Proportion of shareholding Direct	Proportion of shareholding Indirect	Proportion of votes
By business combination not involving entities under common control						
Dynex	Canada	CAD37,096,192	Investment holding	75%	–	75%
Dynex Semiconductor Limited ("Dynex Semiconductor")	United Kingdom	GBP15,000,000	Manufacturing	–	75%	75%
SMD	United Kingdom	GBP44,049,014	Investment holding	–	100%	100%
Soil Machine Dynamics Limited	United Kingdom	GBP100	Manufacturing	–	100%	100%
SMD Offshore Support Limited	United Kingdom	GBP2	Trading	–	100%	100%
Soil Machine Dynamics USA LLC	USA	USD0	Trading	–	100%	100%
SMD Robotics Limited	United Kingdom	GBP1	Trading	–	100%	100%
Soil Machine Dynamics Singapore Pte. Ltd.	Singapore	SGD1	Manufacturing	–	100%	100%
SMD do Brasil Ltd.	Brazil	BRL100	Trading	–	100%	100%
By business combination involving entities under common control						
ZNERCC	Zhuzhou, Hunan	RMB273,000,000	Manufacturing	100%	–	100%
Shanghai Yongdian	Shanghai	RMB60,000,000	Manufacturing	100%	–	100%

Subsidiaries with significant non-controlling interests are as follows:

From 1 January 2018 to 30 June 2018 (Unaudited)

	Proportion in non-controlling interests	Profits attributable to non-controlling shareholders	Dividends paid to non-controlling shareholders	Accumulated non-controlling interests
Baoji Times	**14.2%**	**8,431,971**	**(12,780,000)**	**75,801,476**

VII. INTERESTS IN OTHER ENTITIES (continued)

1. Interests in subsidiaries (continued)

Subsidiaries with significant non-controlling interests are as follows:

2017 (Audited)

	Proportion in non-controlling interests	Profits attributable to non-controlling shareholders	Dividends paid to non-controlling shareholders	Accumulated non-controlling interests
Baoji Times	14.2%	24,956,709	(3,152,206)	80,163,568

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
30 June 2018 (Unaudited)	
Current assets	**1,885,520,575**
Non-current assets	**169,718,462**
Total assets	**2,055,239,037**
Current liabilities	**1,516,425,826**
Non-current liabilities	**5,000,000**
Total liabilities	**1,521,425,826**
From 1 January 2018 to 30 June 2018 (Unaudited)	
Revenue	**1,147,818,587**
Net profit	**59,380,079**
Total comprehensive income	**59,380,079**
Net cash flows from operating activities	**230,924,961**

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 2017 (Audited)	
Current assets	2,645,897,298
Non-current assets	165,873,529
Total assets	2,811,770,827
Current liabilities	2,242,238,660
Non-current liabilities	5,000,000
Total liabilities	2,247,238,660
2017 (Audited)	
Revenue	2,633,544,021
Net profit	175,751,471
Total comprehensive income	175,751,471
Net cash flows used in operating activities	(26,482,696)

2. Interests in joint ventures and associates

	Place of registration/ Principal place of business	Nature of business	Registered capital	Proportion of shareholding Direct	Proportion of shareholding Indirect	Accounting method
Joint ventures						
Shiling	Zhuzhou, Hunan	Manufacturing	USD14,000,000	50%	–	Equity method
Shanghai Shentong CRRC	Shanghai	Service industry	RMB10,000,000	50%	–	Equity method
Wenzhou Electric	Wenzhou, Zhejiang	R&D and technical Manufacturing	RMB30,600,000	50%	–	Equity method
Associates						
Zhuzhou Siemens	Zhuzhou, Hunan	Manufacturing	RMB128,989,000	30%	–	Equity method
CRRC Wabtec	Changsha, Hunan	Manufacturing	RMB32,500,000	50%	–	Equity method

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

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 2018 (Unaudited)	31 December 2017 (Audited)
Current assets	**471,810,956**	538,964,601
Including: Cash and bank balances	**340,660,285**	357,220,394
Non-current assets	**56,491,122**	57,056,595
Total assets	**528,302,078**	596,021,196
Current liabilities	**107,617,942**	165,943,755
Non-current liabilities	**–**	–
Total liabilities	**107,617,942**	165,943,755
Net assets	**420,684,136**	430,077,441
Net assets portion based on shareholding	**210,342,068**	215,038,721
Less: Unrealised profit of downstream trading	**8,823,941**	10,119,017
Carrying amount of investment	**200,128,897**	203,530,474

	From 1 January 2018 to 30 June 2018 (Unaudited)	From 1 January 2017 to 30 June 2017 (Unaudited)
Revenue	**64,347,758**	555,787,692
Income tax expense	**233,858**	11,084,876
Net profit (loss)	**(9,393,306)**	32,622,358
Total comprehensive income	**(9,393,306)**	32,622,358
Dividends received	**–**	–

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

	From 1 January 2018 to 30 June 2018 (Unaudited)	From 1 January 2017 to 30 June 2017 (Unaudited)
Total carrying amount of investment	**79,393,216**	67,050,556
Total amounts based on shareholding		
Net profit (loss)	**(2,973,309)**	334,500
Total comprehensive income	**(2,973,309)**	334,500

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 2018 (Unaudited)

Financial assets

	Financial assets at amortisation cost	Financial assets at FVTPL	Financial assets at FVTOCI	Total
Cash and bank balances	5,824,436,853	–	–	5,824,436,853
Held-for-trading financial assets	–	1,706,606,411	–	1,706,606,411
Derivative financial assets	–	2,741,958	–	2,741,958
Bills receivable and trade receivables	9,496,523,096	–	–	9,496,523,096
Other receivables	137,219,571	–	–	137,219,571
Other current assets	300,000,000	–	582,383,091	882,383,091
Other equity instrument investment	–	–	900,000	900,000
Long-term receivables	66,645,106	–	–	66,645,106
	15,824,824,626	1,709,348,369	583,283,091	18,117,456,086

Financial liabilities

	Other financial liabilities
Short-term borrowings	209,496,178
Bills payable and trade payables	5,702,381,668
Other payables	982,964,274
Long-term borrowings (including long-term borrowings due within one year)	118,021,934
Long-term payables	119,375,682
	7,132,239,736

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 2017 (Audited, restated)

Financial assets

	Loans and receivables	Available-for-sale financial asset	Total
Cash and bank balances	3,807,870,646	–	3,807,870,646
Bills receivable and trade receivables	11,234,254,663	–	11,234,254,663
Other receivables	175,057,776	–	175,057,776
Other current assets	2,351,398,082	–	2,351,398,082
Available-for-sale financial asset	–	900,000	900,000
Long-term receivables	68,963,685	–	68,963,685
	17,637,544,852	900,000	17,638,444,852

Financial liabilities

	Other financial liabilities
Short-term borrowings	202,427,360
Bills payable and trade payables	5,454,698,714
Other payables	556,316,992
Long-term borrowings (including long-term borrowings due within one year)	102,006,235
Long-term payables	119,375,682
	6,434,824,983

VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS (continued)

1. Classification of financial instruments (continued)

Transferred financial assets that are not derecognised in their entirety

As at 30 June 2018, the Group endorsed commercial acceptance bills (the "Endorsed Bills") with a carrying amount of RMB153,783,836 (unaudited) (31 December 2017 (audited): RMB197,323,488) 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 trade payables.

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

As at 30 June 2018, the Group endorsed bank acceptance bills (the "Derecognised Bills") to certain of its suppliers in order to settle the trade payables due to such suppliers with a carrying amount of RMB178,643,114 (unaudited) (31 December 2017 (audited): RMB348,296,635).The Derecognised Bills had a maturity of one to eleven months at the end of the reporting period. In accordance with the Law of Negotiable Instruments in the PRC, the holders of the Derecognised 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 derecognised.

From 1 January 2018 to 30 June 2018, 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 year.

VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS (continued)

2. 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 year, the Group implements the policy of not conducting derivative instrument speculating transactions.

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

Credit risk

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

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

The major customers of the Group are CRRC Corporation Limited and its subsidiaries as well as other state-owned enterprises and institutions in the railway transportation industry. Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed by customer. As at 30 June 2018, the Group had certain concentrations of credit risk as 20.6% (unaudited) (31 December 2017 (audited): 23.5%) and 37.5% (unaudited) (31 December 2017 (audited): 46.2%) of the Group's trade receivables (including long-term receivables) were due from the Group's largest customer and the five largest customers, respectively.

VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS (continued)

2. Financial instruments and their risks (continued)

Credit risk (continued)

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

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

The above-mentioned expected average loss rate is based on historical actual bad debt rate and takes current conditions and forecasts of future economic conditions into consideration. From 1 January 2018 to 30 June 2018, the Group's assessment methods and major assumptions have not changed.

Liquidity risk

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

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

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

VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS (continued)

2. Financial instruments and their risks (continued)

Liquidity risk (continued)

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

As at 30 June 2018 (Unaudited)

	Within 1 year	1 – 2 years	Over 2 years	Total
Short-term borrowings	212,076,301	–	–	212,076,301
Bills payable and trade payables	5,702,381,668	–	–	5,702,381,668
Other payables	982,964,274	–	–	982,964,274
Long-term borrowings (including long-term borrowings due within one year)	5,031,050	22,920,641	99,788,595	127,740,286
Long-term payables	–	83,575,825	35,799,857	119,375,682
	6,902,453,293	106,496,466	135,588,452	7,144,538,211

As at 31 December 2017 (Audited, restated)

	Within 1 year	1 – 2 years	Over 2 years	Total
Short-term borrowings	202,427,360	–	–	202,427,360
Bills payable and trade payables	5,454,698,714	–	–	5,454,698,714
Other payables	556,316,992	–	–	556,316,992
Long-term borrowings (including long-term borrowings due within one year)	3,665,135	7,794,059	99,859,934	111,319,128
Long-term payables	–	83,575,825	35,799,857	119,375,682
	6,217,108,201	91,369,884	135,659,791	6,444,137,876

VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS (continued)

2. Financial instruments and their risks (continued)

Market risk

Foreign currency risk

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

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, GBP and EURO, 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 analysis are omitted here.

As at 30 June 2018 (Unaudited)

	Increase/ (decrease) in exchange rate	Increase/ (decrease) in net profit	Increase/ (decrease) in other comprehensive income after tax	Increase/ (decrease) in shareholders' equity
JPY				
If RMB strengthens against JPY	+10%	9,968,273	–	9,968,273
If RMB weakens against JPY	-10%	(9,968,273)	–	(9,968,273)
USD				
If RMB strengthens against USD	+10%	(6,538,579)	(924,810)	(7,463,389)
If RMB weakens against USD	-10%	6,538,579	924,810	7,463,389
GBP				
If RMB strengthens against GBP	+10%	(14,861,866)	5,845,313	(9,016,553)
If RMB weakens against GBP	-10%	14,861,866	(5,845,313)	9,016,553

VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS (continued)

2. Financial instruments and their risks (continued)

Market risk (continued)

Foreign currency risk (continued)

As at 31 December 2017 (Audited)

	Increase/ (decrease) in exchange rate	Increase/ (decrease) in net profit	Increase/ (decrease) in other comprehensive income after tax	Increase/ (decrease) in shareholders' equity
JPY				
If RMB strengthens against JPY	+10%	19,559,503	–	19,559,503
If RMB weakens against JPY	-10%	(19,559,503)	–	(19,559,503)
USD				
If RMB strengthens against USD	+10%	(7,794,700)	(626,399)	(8,421,099)
If RMB weakens against USD	-10%	7,794,700	626,399	8,421,099
GBP				
If RMB strengthens against GBP	+10%	(33,448)	10,945,150	10,911,702
If RMB weakens against GBP	-10%	33,448	(10,945,150)	(10,911,702)
EUR				
If RMB strengthens against EUR	+10%	(2,251,807)	(742,115)	(2,993,922)
If RMB weakens against EUR	-10%	2,251,807	742,115	2,993,922

VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS (continued)

3. Capital management

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

The Group manages its capital structure and makes adjustment to it in light of changes in economic conditions and the risk characteristics of underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is no subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital from 1 January to 30 June 2018 and 2017.

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, contract liabilities, 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 the end of each period were as follows:

	30 June 2018 *(Unaudited)*	31 December 2017 *(Audited, restated)*
Short-term borrowings	**209,496,178**	202,427,360
Bills payable and trade payables	**5,702,381,668**	5,454,698,714
Advances from customers	**–**	856,636,427
Contract liabilities	**710,099,393**	–
Employee benefits payable	**170,976,043**	47,223,201
Taxes payable (excluding income tax payable)	**64,923,889**	116,862,035
Other payables	**982,964,274**	556,316,992
Long-term borrowings (including due within one year)	**118,021,934**	102,006,235
Long-term payables	**119,375,682**	119,375,682
Less: Cash and cash equivalents	**5,681,698,962**	3,422,194,522
Net debt	**2,396,540,099**	4,033,352,124
Equity attributable to the shareholders of the Parent	**18,255,618,524**	17,764,353,968
Capital and net debt	**20,652,158,623**	21,797,706,092
Gearing ratio	**11.60%**	18.50%

IX. FAIR VALUE

1. Assets and liabilities measured at fair value

As at 30 June 2018 (Unaudited)

	Inputs used in financial instruments measured at fair value			
	Quoted prices in active markets (Level 1)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
Financial assets at fair value through profit or loss				
– Forward foreign exchange contract	–	2,741,958	–	2,741,958
– Held-for-trading financial assets	–	1,706,606,411	–	1,706,606,411
Financial assets at fair value through other comprehensive income				
– Other current assets	–	582,383,091	–	582,383,091
– Other equity instruments Investment	–	–	900,000	900,000

As at 31 December 2017 (Audited)

	Inputs used in financial instruments measured at fair value			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Financial assets at fair value through profit or loss	–	1,350,000,000	–	1,350,000,000

IX. FAIR VALUE (continued)

2. Assets and liabilities disclosed at fair value

As at 30 June 2018 (Unaudited)

	Inputs used in financial instruments measured at fair value			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Long-term receivables	–	66,645,106	–	66,645,106
Long-term borrowings	–	113,021,934	–	113,021,934
Long-term payables	–	119,375,682	–	119,375,682

As at 31 December 2017 (Audited)

	Inputs used in financial instruments measured at fair value			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Long-term receivables	–	68,963,685	–	68,963,685
Long-term borrowings	–	99,427,028	–	99,427,028
Long-term payables	–	119,375,682	–	119,375,682

IX. FAIR VALUE (continued)

3. Fair value evaluation

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 2018 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 accordance with the fair value. As at 30 June 2018, 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.

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	Manufacturing	8,340,710,000	50.16%	50.16%

The controlling shareholder of the parent is CRRC Corporation Limited.

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

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
Beijing CSR Electric Motor Sales Co., Ltd.	Corporation controlled by the ultimate holding party
Beijing Tianlu Longxiang Rail Transit Equipment Co., Ltd.	Corporation controlled by the ultimate holding party
Beijing CRRC CED Railway Electric Tech. Co., Ltd.	Corporation controlled by the ultimate holding party
Cangzhou CRRC ZELC Railway Equipment & Service Co., Ltd.	Corporation controlled by the ultimate holding party
Changzhou Ruitai Engineering Machinery Co., Ltd.	Corporation controlled by the ultimate holding party
CRRC Changzhou Tech-mark Industrial Co., Ltd.	Corporation controlled by the ultimate holding party
Chengdu CRRC Electric Co., Ltd.	Corporation controlled by the ultimate holding party
Dalian CRRC Electrical Technology Co., Ltd.	Corporation controlled by the ultimate holding party
Dalian CRRC Ruitong Technology Development Co., Ltd.	Corporation controlled by the ultimate holding party

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (continued)

4. Other related parties (continued)

Name of the companies	Related party relationships
Dalian CRRC Zelong Machinery Co., Ltd.	Corporation controlled by the ultimate holding party
Foshan CRRC Sifang Railway Vehicles Co., Ltd.	Corporation controlled by the ultimate holding party
Guangzhou CRRC Junfa Electrical Co., Ltd.	Corporation controlled by the ultimate holding party
CRRC Hangzhou Co., Ltd.	Corporation controlled by the ultimate holding party
Hefei CRRC Rolling Stock Co., Ltd.	Corporation controlled by the ultimate holding party
Henan CRRC Heavy Equipment Co., Ltd.	Corporation controlled by the ultimate holding party
Hunan CRRC Times Electric Vehicle Co., Ltd. (The controller has became from the parent company to the ultimate holding party since 2017)	Corporation controlled by the ultimate holding party
Meishan CRRC Fastener Science & Technology Co., Ltd.	Corporation controlled by the ultimate holding party
Meishan CRRC Brake Technology Co., Ltd.	Corporation controlled by the ultimate holding party
Nanjing CRRC Puzhen Rapid Transit 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
Ningbo Jiangbei Gofront Herong Electric Co., Ltd.	Corporation controlled by the ultimate holding party
Ningbo CRRC New Energy Technology 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
Bombardier Sifang (Qingdao) Transportation Co., Ltd.	Corporation controlled by the ultimate holding party
Qingdao CRRC Sifang Sales Co., Ltd.	Corporation controlled by the ultimate holding party
Quanzhou CRRC Tangshan Railway Vehicle Co., Ltd.	Corporation controlled by the ultimate holding party
Shanghai Alstom Transport Co., Ltd.	Corporation controlled by the ultimate holding party

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (continued)

4. Other related parties (continued)

Name of the companies	Related party relationships
Shijiazhuang King Transportation Equipment Co., Ltd.	Corporation controlled by the ultimate holding party
Shijiazhuang CRRC Railway Vehicles Equipment Co., Ltd.	Corporation controlled by the ultimate holding party
Suzhou CRRC Rolling Stock Co., Ltd.	Corporation controlled by the ultimate holding party
CRRC Tianjin JL Equipment Co., Ltd.	Corporation controlled by the ultimate holding party
Tianjin CRRC Sifang Co., Ltd.	Corporation controlled by the ultimate holding party
Wuxi CRRC Times Intelligent Equipment Co., Ltd.	Corporation controlled by the ultimate holding party
Wuhan CRRC Changke Railway Vehicles Co., Ltd.	Corporation controlled by the ultimate holding party
Xi'an CRRC Yongdian Electric Co., Ltd.	Corporation controlled by the ultimate holding party
CRRC Xi'an YongeJieTong Electric Co., Ltd.	Corporation controlled by the ultimate holding party
Changchun CRRC Railway Vehicles Co., Ltd.	Corporation controlled by the ultimate holding party
Zhejiang CRRC Electric Vehicles Co., Ltd.	Corporation controlled by the ultimate holding party
CRRC Erqi Co., Ltd.	Corporation controlled by the ultimate holding party
CRRC Finance Co., Ltd. (Formerly named China CNR Finance Co., Ltd.)	Corporation controlled by the ultimate holding party
CRRC Chengdu 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
CRRC Dalian Co., Ltd.	Corporation controlled by the ultimate holding party
CRRC Dalian Institute Co., Ltd.	Corporation controlled by the ultimate holding party
CRRC Datong Co., Ltd.	Corporation controlled by the ultimate holding party
CRRC Industry Research Institute Co., Ltd.	Corporation controlled by the ultimate holding party
CRRC Guangdong Co., Ltd.	Corporation controlled by the ultimate holding party

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (continued)

4. Other related parties (continued)

Name of the companies	Related party relationships
CRRC Lanzhou Co., Ltd.	Corporation controlled by the ultimate holding party
CRRC Luoyang Co., Ltd.	Corporation controlled by the ultimate holding party
CRRC Nanjing Puzhen Co., Ltd.	Corporation controlled by the ultimate holding party
CRRC Qishuyan Institute Co., Ltd	Corporation controlled by the ultimate holding party
CRRC Qishuyan 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 Qingdao Sifang Co., Ltd.	Corporation controlled by the ultimate holding party
CRRC Shandong Co., Ltd.	Corporation controlled by the ultimate holding party
CRRC Shijiazhuang Co.,Ltd.	Corporation controlled by the ultimate holding party
CRRC Sifang Co., Ltd.	Corporation controlled by the ultimate holding party
CRRC Taiyuan Co., Ltd.	Corporation controlled by the ultimate holding party
CRRC Tangshan Co., Ltd.	Corporation controlled by the ultimate holding party
CRRC Logistics Co., Ltd.	Corporation controlled by the ultimate holding party
CRRC Xi'an Co., Ltd.	Corporation controlled by the ultimate holding party
CRRC Yongji Electric Co., Ltd.	Corporation controlled by the ultimate holding party
CRRC Changchun Railway Vehicles Co., Ltd.	Corporation controlled by the ultimate holding party
CRRC Yangtze Co., Ltd.	Corporation controlled by the ultimate holding party
CRRC Yangtze Tongling Co., Ltd.	Corporation controlled by the ultimate holding party
CRRC Zhuzhou Electric Co., Ltd.	Corporation controlled by the ultimate holding party
CRRC Zhuzhou Locomotive Co., Ltd.	Corporation controlled by the ultimate holding party

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Renminbi Yuan

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (continued)

4. Other related parties (continued)

Name of the companies	Related party relationships
CRRC Ziyang Co., Ltd.	Corporation controlled by the ultimate holding party
Chongqing CRRC Construction Engrg Co., Ltd.	Corporation controlled by the ultimate holding party
Chongqing CRRC Changke Railway Vehicles Co., Ltd.	Corporation controlled by the ultimate holding party
Zhuzhou CRRC Special Equipment Technology Co., Ltd.	Corporation controlled by the ultimate holding party
Zhuzhou CRRC Logistics Co., Ltd.	Corporation controlled by the ultimate holding party
CRRC Ziyang Transmission Co., Ltd.	Corporation controlled by the ultimate holding party
Ziyang CRRC Electric Locomotive Co., Ltd.	Corporation controlled by the ultimate holding party
Ziyang CRRC Electrical Technology Co., Ltd.	Corporation controlled by the ultimate holding party
CRRC Investment & Leasing Co., Ltd.	Corporation controlled by the ultimate holding party
Shandong CRRC Huateng Environmental Protection Technology Co., Ltd.	Corporation controlled by the ultimate holding party
Jiangsu CRRC Motor Co., Ltd.	Corporation controlled by the ultimate holding party
CRRC Environmental & Technology Co., Ltd.	Corporation controlled by the ultimate holding party
CRRC Zhuzhou Electric Locomotive Industrial Management Co., Ltd.	Corporation controlled by the ultimate holding party
CRRC Guiyang Vehicle Co., Ltd.	Corporation controlled by the ultimate holding party
CRRC Hong Kong Capital Management Co., Ltd.	Corporation controlled by the ultimate holding party
Beijing North Gofront Science Business Co., Ltd.	Associate of the ultimate holding group
Guangzhou Locomotive Co., Ltd.	Associate of the ultimate holding group
Tianjin Electric Locomotive Co., Ltd.	Associate of the ultimate holding group
Changzhou Ruiyang Transmission Technology Co., Ltd.	A joint venture of the ultimate holding group
Dalian Toshiba Electric Equipment Co., Ltd.	A joint venture of the ultimate holding group

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (continued)

4. Other related parties (continued)

Name of the companies	Related party relationships
Qingdao Faiveley SRI Rail Brake 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
Shentong CSR (Shanghai) Railway Vehicles Maintenance Co., Ltd.	A joint venture of the ultimate holding group
Zhuzhou CRRC times Hi-tech Investment & Trusting Co., Ltd.	A joint venture of the ultimate holding group
Zhuzhou jiufang casting co. Ltd	A joint venture of the ultimate holding group
CRRC Beijing Heavy Industry and Mechanics Co., Ltd.	Corporation controlled by the parent company
Hunan CRRC Special Electric Equipment Co., Ltd	Corporation controlled by the parent company
Qingdao CRRC Huaxuan Water 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
Xiangyang China Railway Hongji Engineering Co., Ltd.	Corporation controlled by the parent company
CRCC Zhuzhou Traction Electrical Equipment Test & Certification Co., Ltd.	Corporation controlled by the parent company
Zhuzhou Times Electric Insulation Co., Ltd.	Corporation controlled by the parent company
Zhuzhou Times Rubber and Plastics Components Development Co., Ltd.	Corporation controlled by the parent company
Zhuzhou Times Material International Trade Co., Ltd.	Corporation controlled by the parent company
Zhuzhou Times New Material Technology Co., Ltd.	Corporation controlled by the parent company
Zhuzhou CRRC Electromechanical Technology 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

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (continued)

5. Major transactions between the Group and its related parties

(1) *Sales of goods to related parties*

	From 1 January 2018 to 30 June 2018 *(Unaudited)*	From 1 January 2017 to 30 June 2017 *(Unaudited)*
Corporations controlled by the ultimate holding party	**2,020,655,574**	2,075,409,179
Joint ventures of the ultimate holding group	**3,144,073**	198,291
Associates of the ultimate holding group	**27,034,914**	2,521,632
Parent company	**2,045,147**	6,667,255
Corporations controlled by the parent company	**39,094,092**	75,979,694
Associates of the company	**–**	215,493,016
	2,091,973,800	2,376,269,067

(2) *Purchases of goods from related parties*

	From 1 January 2018 to 30 June 2018 *(Unaudited)*	From 1 January 2017 to 30 June 2017 *(Unaudited)*
Corporations controlled by the ultimate holding party	**338,604,982**	364,345,343
Corporations controlled by the parent company	**233,868,937**	186,694,874
Associates of the Company	**48,633,775**	822,879
Joint ventures of the ultimate holding group	**14,651,727**	10,041,807
Joint ventures of the Company	**531,538**	302,337,271
Parent company	**3,334**	3,334
	636,294,293	864,245,508

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (continued)

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

(3) Sales of electricity to related parties

	From 1 January 2018 to 30 June 2018 *(Unaudited)*	From 1 January 2017 to 30 June 2017 *(Unaudited)*
Corporations controlled by the ultimate holding party	**209,424**	39,095
Corporations controlled by the parent company	**57,698**	730,095
Associates of the Company	**12,625**	5,348
Parent company	**–**	249,477
	279,747	1,024,015

(4) Purchases of electricity from related party

	From 1 January 2018 to 30 June 2018 *(Unaudited)*	From 1 January 2017 to 30 June 2017 *(Unaudited)*
Corporations controlled by the ultimate holding party	**50,708**	74,611

(5) Related party leases

As lessor

	From 1 January 2018 to 30 June 2018 *(Unaudited)*	From 1 January 2017 to 30 June 2017 *(Unaudited)*
Corporations controlled by the parent company	**3,052,497**	1,779,152
Parent company	**1,546,289**	1,408,992
	4,598,786	3,188,144

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (continued)

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

(5) *Related party leases* (continued)

As lessee

	From 1 January 2018 to 30 June 2018 *(Unaudited)*	From 1 January 2017 to 30 June 2017 *(Unaudited)*
Corporations controlled by the ultimate holding party	**1,463,474**	–
Corporations controlled by the parent company	**981,084**	–
Parent company	**487,229**	451,725
Associates of the parent company	**–**	395,373
	2,931,787	847,098

(6) *Technical service income from related parties*

	From 1 January 2018 to 30 June 2018 *(Unaudited)*	From 1 January 2017 to 30 June 2017 *(Unaudited)*
Corporations controlled by the ultimate holding party	**8,053,774**	3,019,710

(7) *Maintenance services provided to related parties*

	From 1 January 2018 to 30 June 2018 *(Unaudited)*	From 1 January 2017 to 30 June 2017 *(Unaudited)*
Corporations controlled by the ultimate holding party	**212,594,512**	250,083,522
Associates of the ultimate holding group	**24,756,062**	53,151,043
Joint ventures of the ultimate holding group	**–**	166,154
Corporations controlled by the parent company	**–**	3,806
	237,350,574	303,404,525

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (continued)

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

(8) Technical service fees paid to related parties

	From 1 January 2018 to 30 June 2018 (Unaudited)	From 1 January 2017 to 30 June 2017 (Unaudited)
Parent company	**65,985,000**	97,405,661
Corporations controlled by the parent company	**1,191,420**	1,887,786
Joint ventures of the Company	**215,000**	–
Corporations controlled by the ultimate holding party	**–**	3,207,547
	67,391,420	102,500,994

(9) Interest income form cash and bank balances

	From 1 January 2018 to 30 June 2018 (Unaudited)	From 1 January 2017 to 30 June 2017 (Unaudited)
Corporations controlled by the ultimate holding party	**2,051,281**	1,979,743

(10) Interest expenses to borrowings

	From 1 January 2018 to 30 June 2018 (Unaudited)	From 1 January 2017 to 30 June 2017 (Unaudited)
Shareholders of the parent company	**544,021**	547,026

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (continued)

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

(11) *Remuneration of key management*

	From 1 January 2018 to 30 June 2018 *(Unaudited)*	From 1 January 2017 to 30 June 2017 *(Unaudited)*
Remuneration of key management	**3,670,187**	3,791,172

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

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

The material commitments signed between the Group and the respective related parties which are not required to be presented in the financial statements as at the end of each period are as follows:

Sales of goods to related parties

	For the second half of 2018 *(Unaudited)*
Corporations controlled by the ultimate holding party	**735,512,554**
Associates of the ultimate holding group	**280,000**
	735,792,554

Purchases of goods from related parties

	For the second half of 2018 *(Unaudited)*
Corporations controlled by the ultimate holding party	**156,698,503**
Corporations controlled by the parent company	**93,215,055**
Joint ventures of the ultimate holding group	**7,137,094**
	257,050,652

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (continued)

6. Amounts due from and due to related parties

	30 June 2018 *(Unaudited)*	31 December 2017 *(Audited)*
Trade receivables (including long-term receivables):		
Corporations controlled by the ultimate holding party	**2,603,450,752**	2,336,948,688
Corporations controlled by the parent company	**94,612,001**	53,650,068
Associates of the ultimate holding group	**32,323,208**	19,766,532
Parent company	**18,553,222**	13,134,471
Joint ventures of the Company	**16,995,321**	79,511,007
Associates of the Company	**9,734,640**	–
Joint ventures of the ultimate holding group	**964,281**	455,424
Shareholders of the parent company	**500,000**	–
	2,777,133,425	2,503,466,190

	30 June 2018 *(Unaudited)*	31 December 2017 *(Audited)*
Bills receivable:		
Corporations controlled by the ultimate holding party	**1,309,552,066**	2,014,822,608
Associates of the ultimate holding group	**434,508,548**	469,508,548
Corporations controlled by the parent company	**25,365,160**	93,316,160
Parent company	**200,000**	4,000,000
	1,769,625,774	2,581,647,316

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (continued)

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

	30 June 2018 *(Unaudited)*	31 December 2017 *(Audited)*
Prepayments:		
Corporations controlled by the ultimate holding party	**604,339**	1,447,267
Corporations controlled by the parent company	**–**	11,310,236
	604,339	12,757,503

	30 June 2018 *(Unaudited)*	31 December 2017 *(Audited)*
Other receivables:		
Parent company	**1,010,692**	146,197
Corporations controlled by the ultimate holding party	**699,300**	518,000
Associates of the Company	**65,653**	324,073
Corporations controlled by the parent company	**–**	49,416
	1,775,645	1,037,686

	30 June 2018 *(Unaudited)*	31 December 2017 *(Audited)*
Deposit of cash and bank balances:		
Corporations controlled by the ultimate holding party (Note)	**694,889,639**	684,147,228

Note: As at 30 June 2018, the Company's deposit with CRRC Finance Co., Ltd. is amounted to RMB694,889,639 (unaudited) (31 December 2017 (audited): RMB684,147,228).

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.

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (continued)

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

	30 June 2018 (Unaudited)	31 December 2017 (Audited)
Trade payables:		
Corporations controlled by the ultimate holding party	**342,326,005**	424,615,188
Corporations controlled by the parent company	**183,614,670**	97,639,255
Joint ventures of the Company	**34,296,700**	15,238,023
Joint ventures of the ultimate holding group	**21,052,946**	36,191,552
Associates of the Company	**103,687**	9,430,000
Parent company	**–**	171,525
	581,394,008	583,285,543

	30 June 2018 (Unaudited)	31 December 2017 (Audited)
Bills payable:		
Corporations controlled by the ultimate holding party	**172,385,787**	191,876,333
Corporations controlled by the parent company	**100,287,366**	178,394,630
Joint ventures of the ultimate holding group	**22,700,000**	–
Joint ventures of the Company	**–**	10,000,000
	295,373,153	380,270,963

	30 June 2018 (Unaudited)	31 December 2017 (Audited)
Contract liabilities:		
Corporations controlled by the ultimate holding party	**8,589,847**	–
Corporations controlled by the parent company	**100**	–
	8,589,947	–

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (continued)

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

	30 June 2018 ***(Unaudited)***	31 December 2017 *(Audited)*
Advances from customers:		
Corporations controlled by the ultimate holding party	**–**	13,489,678
Corporations controlled by the parent company	**–**	40,564
Associates of the ultimate holding group	**–**	63,790
	–	13,594,032

	30 June 2018 ***(Unaudited)***	31 December 2017 *(Audited)*
Interests payable:		
Shareholders of the parent company	**479**	66,603

	30 June 2018 ***(Unaudited)***	31 December 2017 *(Audited)*
Dividends payable:		
Parent company	**265,313,565**	–
Corporations controlled by the ultimate holding party	**12,831,488**	–
	278,145,053	–

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (continued)

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

	30 June 2018 *(Unaudited)*	31 December 2017 *(Audited)*
Other payables:		
Parent company	**258,448,833**	267,561,892
Corporations controlled by the ultimate holding party	**2,764,650**	2,098,853
Ultimate holding party	**2,700,000**	2,700,000
Corporations controlled by the parent company	**939,034**	3,153,278
Shareholders of the parent company	**500,000**	–
	265,352,517	275,514,023

	30 June 2018 *(Unaudited)*	31 December 2017 *(Audited)*
Current portion of non-current liabilities:		
Shareholders of the parent company	**5,000,000**	2,500,000

	30 June 2018 *(Unaudited)*	31 December 2017 *(Audited)*
Long-term borrowings:		
Shareholders of the parent company	**95,188,000**	97,688,000

From 1 January 2018 to 30 June 2018, goods and service provided amounting to RMB2,243,867,109 (unaudited) (from 1 January 2017 to 30 June 2017 (unaudited): RMB2,464,180,576) and purchases of goods and service amounting to RMB587,128,980 (unaudited) (from 1 January 2017 to 30 June 2017 (unaudited): RMB561,085,358) in related parties between the Group and the parent company and corporations controlled by the parent company, ultimate holding party and corporations controlled by the ultimate holding party, joint ventures of the ultimate holding party, the ultimate holding party and associates with above 30% share held by the ultimate holding party, constituted connected transactions or continuing connected transactions under the provisions of Chapter 14A of the Hong Kong Listing Rules. The underlying agreement is the product and supporting service mutual supplying framework agreement signed between the Company and CRRC Group (along with its subsidiaries excluding the Group) on 28 March 2016.

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (continued)

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

From 1 January 2018 to 30 June 2018, goods and service provided amounting to RMB4,808,184 (unaudited) (from 1 January 2017 to 30 June 2017 (unaudited): RMB6,998,291) and purchases of goods and service amounting to RMB8,811 (unaudited) (from 1 January 2017 to 30 June 2017 (unaudited): Nil) in the above related parties transactions between the Group (other than Qingdao Electric) and Qingdao Electric, also constituted connected transactions or continuing connected transactions under the provisions of Chapter 14A of the Hong Kong Listing Rules. The underlying agreement is the product and supporting service mutual supplying framework agreement signed between the Company and Qingdao Electric (along with its subsidiaries) on 22 December 2016.

China Railway Baoji Machinery Co., Ltd ("China Railway Baoji") is the indirect wholly-owned subsidiary of China Railway Group Limited ("China Railway"). From 1 January 2018 to 30 June 2018, goods and service provided amounting to RMB1,931,375 (unaudited) and purchases of goods and service amounting to RMB4,241,036 (unaudited) transactions between the Group and China Railway (along with its subsidiaries), also constituted connected transactions or continuing connected transactions under the provisions of Chapter 14A of the Hong Kong Listing Rules. The underlying agreement is the product and supporting service mutual supplying framework agreement signed between the Company and China Railway (along with its subsidiaries) on 12 January 2017.

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 deposits are interest-bearing, unsecured and have no fixed terms of repayment, and long-term borrowings are interest-bearing, unsecured and have fixed terms of repayment. Other amounts due from and due to related parties are non-interest-bearing and unsecured. In particular, the repayment period of trading amounts is subjected to the provisions of the trading terms, and non-trading amounts have no fixed repayment periods.

XI. COMMITMENTS AND CONTINGENCIES

1. Commitments

	30 June 2018 ***(Unaudited)***	31 December 2017 *(Audited)*
Contracted but not provided for		
Capital commitments	**102,615,358**	186,529,276

2. Contingencies

The Group had no contingencies which should be disclosed.

XII. POST BALANCE SHEET EVENTS

As at 30 June 2018, the Group had no 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

	From 1 January 2018 to 30 June 2018 ***(Unaudited)***	From 1 January 2017 to 30 June 2017 *(Unaudited)*
Railway transportation equipment and relevant products and services	**6,320,463,420**	6,516,413,093

Geographical information

Revenue from external customers

	From 1 January 2018 to 30 June 2018 ***(Unaudited)***	From 1 January 2017 to 30 June 2017 *(Unaudited)*
Mainland China	**5,968,641,335**	6,220,643,083
Other countries and regions	**351,822,085**	295,770,010
	6,320,463,420	6,516,413,093

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

XIII. OTHER SIGNIFICANT EVENTS (continued)

1. Segment reporting (continued)

Other information (continued)

Total non-current assets

	30 June 2018 *(Unaudited)*	31 December 2017 *(Audited)*
Mainland China	**3,652,522,653**	3,650,462,635
Other countries and regions	**939,822,890**	943,877,219
	4,592,345,543	4,594,339,854

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

Information of major customers

From 1 January 2018 to 30 June 2018, the Group's operating revenue (which accounted for more than 10% of the Group's total revenue) of RMB1,306,972,868 (unaudited) was derived from sales to a single customer (including sales to a group of entities which are known to be under the control of that customer) (from 1 January 2017 to 30 June 2017 (unaudited): RMB2,473,386,840 from a single customer).

2. Operating lease

As lessor

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

	30 June 2018 *(Unaudited)*	31 December 2017 *(Audited)*
Within 1 year, inclusive	**17,985,017**	6,434,244
1 to 2 years, inclusive	**10,344,444**	4,452,327
2 to 3 years, inclusive	**4,105,080**	3,989,788
Over 3 years	**11,880,000**	11,747,732
	44,314,541	26,624,091

XIII. OTHER SIGNIFICANT EVENTS (continued)

2. Operating lease (continued)

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 2018 *(Unaudited)*	31 December 2017 *(Audited)*
Within 1 year, inclusive	**20,338,908**	21,904,367
1 to 2 years, inclusive	**8,887,204**	9,796,020
2 to 3 years, inclusive	**4,971,392**	6,539,143
Over 3 years	**14,465,794**	23,282,875
	48,663,298	61,522,405

3. Others financial information

	30 June 2018 *(Unaudited)*		31 December 2017 *(Audited)*	
	Group	**Company**	Group	Company
Net current assets	**14,384,641,337**	**12,505,815,753**	13,989,357,450	11,531,377,764
Total assets less current liabilities	**19,442,589,312**	**18,621,278,993**	19,026,357,907	17,566,846,287

4. Comparative information

As stated in Note VI.3, the Group completed the business combination under common control of Shanghai yongdian in August 2017. Therefore, the comparative information in the consolidated financial statements of the Group was also restated to include the financial position, financial performance and cash flows of the acquire, to conform the presentation and accounting treatment for the current period.

XIV. NOTES TO THE FINANCIAL STATEMENTS

1. Bills receivable and trade receivables

	30 June 2018 (Unaudited)	31 December 2017 (Audited)
Bills receivable	**2,461,257,472**	4,234,190,968
Trade receivables	**6,141,420,711**	5,086,590,574
	8,602,678,183	9,320,781,542

Bills receivable are listed as follows:

	30 June 2018 (Unaudited)	31 December 2017 (Audited)
Bank acceptance bills	**247,493,112**	697,558,177
Commercial acceptance bills	**2,213,764,360**	3,536,632,791
	2,461,257,472	4,234,190,968

Five highest bills receivable are as follows:

	30 June 2018 (Unaudited)
CRRC Zhuzhou Locomotive Co., Ltd.	**1,101,658,866**
Guangzhou Locomotive Co., Ltd.	**434,508,548**
Non-related party 1	**229,252,703**
Non-related party 2	**192,670,000**
Non-related party 3	**146,500,000**
	2,104,590,117

XIV. NOTES TO THE FINANCIAL STATEMENTS (continued)

1. Bills receivable and trade receivables (continued)

Five highest bills receivable are as follows: (continued)

	31 December 2017 (Audited)
CRRC Zhuzhou Locomotive Co., Ltd.	1,426,957,866
Non-related party 1	1,163,884,184
Guangzhou Locomotive Co., Ltd.	469,508,548
CRRC Qingdao Sifang Co., Ltd.	179,000,000
CRRC Qishuyan Locomotive Co., Ltd.	104,068,822
	3,343,419,420

Trade receivables are as follows:

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

Maturity analysis of trade receivables is as follows:

	30 June 2018 (Unaudited)	31 December 2017 (Audited)
Within 6 months	**4,041,594,466**	4,482,494,405
6 months to 1 year	**1,805,041,516**	334,575,052
1 to 2 years	**360,457,072**	322,119,712
2 to 3 years	**120,204,636**	32,519,094
Over 3 years	**41,490,477**	30,975,265
	6,368,788,167	5,202,683,528
Less: Provision for bad debt	**212,273,950**	112,281,522
	6,156,514,217	5,090,402,006
Less: Classified as long-term receivables (Note XIV.3)	**15,093,506**	3,811,432
	6,141,420,711	5,086,590,574

XIV. NOTES TO THE FINANCIAL STATEMENTS (continued)

1. Bills receivable and trade receivables (continued)

The movements of provision for bad debt are as follows:

	From 1 January 2018 to 30 June 2018 *(Unaudited)*	2017 *(Audited)*
Opening balance	**112,281,522**	116,295,954
Provision in the current period/year	**86,745,481**	4,694,585
Increase by merger in the current period/year	**13,246,947**	–
Reversal in the current period/year	**–**	(8,520,350)
Write-off in the current period/year	**–**	(188,667)
Closing balance	**212,273,950**	112,281,522

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

	30 June 2018 *(Unaudited)*
CRRC Qingdao Sifang Co., Ltd.	**1,430,324,097**
Non-related party 1	**427,103,097**
Times Signal & Communication	**409,169,577**
Non-related party 2	**308,067,313**
CRRC Zhuzhou Locomotive Co., Ltd.	**275,003,119**
	2,849,667,203

XIV. NOTES TO THE FINANCIAL STATEMENTS (continued)

1. Bills receivable and trade receivables (continued)

	31 December 2017 *(Audited)*
CRRC Qingdao Sifang Co., Ltd.	1,508,482,056
Times Signal & Communication	348,074,590
Non-related party 1	270,165,476
ZNERCC	204,415,599
Non-related party 2	184,616,804
	2,515,754,525

2. Other receivables

Maturity analysis of other receivables is as follows:

	30 June 2018 ***(Unaudited)***	31 December 2017 *(Audited, restated)*
Within 1 year	**573,513,166**	801,042,467
1 to 2 years	**49,309,217**	39,505,546
2 to 3 years	**3,763,708**	1,075,908
Over 3 years	**1,592,171**	1,150,212
	628,178,262	842,774,133
Less: Provision for bad debt	**10,283,006**	8,433,273
	617,895,256	834,340,860

The movements of provision for bad debt are as follows:

	From 1 January 2018 to 30 June 2018 ***(Unaudited)***	2017 *(Audited)*
Opening balance	**8,433,273**	2,603,152
Accrual in the current period/year	**1,849,733**	6,966,574
Reversal in the current period/year	**–**	(1,136,453)
Closing balance	**10,283,006**	8,433,273

XIV. NOTES TO THE FINANCIAL STATEMENTS (continued)

2. Other receivables (continued)

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

	30 June 2018 (Unaudited)	31 December 2017 (Audited, restated)
Dividends receivable	**120,760,000**	18,740,000
Interests receivable	**46,950,738**	33,741,275
Receivables from subsidiaries	**367,032,598**	711,144,457
Tender deposit	**42,239,901**	53,880,870
Deposit	**29,148,527**	–
Others	**11,763,492**	16,834,258
	617,895,256	834,340,860

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

	30 June 2018 (Unaudited)
Ningbo Electric (including dividends receivable RMB3,000,000)	**100,600,000**
Ningbo Times (including dividends receivable RMB38,200,000)	**94,061,123**
HK Electric (including interests receivable RMB46,950,738)	**90,858,363**
Baoji Times (including dividends receivable RMB77,220,000)	**77,220,000**
Times Signal & Communication	**69,290,376**
	432,029,862

	31 December 2017 (Audited, restated)
Baoji Times	363,291,287
Ningbo Electric (including dividends receivable RMB2,000,000)	99,600,000
Times Signal & Communication	97,386,620
HK Electric (including interests receivable RMB33,741,275)	78,954,155
Ningbo Times (including dividends receivable RMB14,400,000)	69,182,562
	708,414,624

XIV. NOTES TO THE FINANCIAL STATEMENTS (continued)

3. Long-term receivables

	30 June 2018 *(Unaudited)*	31 December 2017 *(Audited)*
Receivables from subsidiaries	**868,393,000**	860,977,000
Trade receivables (Note XIV.1)	**15,093,506**	3,811,432
Less: Long-term receivables due within one year	**–**	–
	883,486,506	864,788,432

4. Long-term equity investments

	30 June 2018 *(Unaudited)*	31 December 2017 *(Audited)*
Long-term equity investments using equity method	**279,522,113**	270,226,834
Long-term equity investments using cost method	**2,051,847,024**	2,066,708,181
	2,331,369,137	2,336,935,015
Less: Impairment of long-term equity investments	**178,169,001**	178,169,001
	2,153,200,136	2,158,766,014

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

	From 1 January 2018 to 30 June 2018 *(Unaudited)*	2017 *(Audited)*
Opening balance	**178,169,001**	178,169,001
Provision in the current period/year	**–**	–
Closing balance	**178,169,001**	178,169,001

For the six months ended 30 June 2018

Renminbi Yuan

XIV. NOTES TO THE FINANCIAL STATEMENTS (continued)

4. Long-term equity investments (continued)

Long-term equity investments using equity method

From 1 January 2018 to 30 June 2018 (Unaudited)

		Current period movements			
	Opening balance	Impact of unrealised profits	Investment income under equity method	Other equity changes (Note)	Closing balance
Non-listed investments					
Equity method					
Joint ventures					
Shiling	203,530,474	1,295,076	(4,696,653)	–	200,128,897
Shanghai Shentong CRRC	6,084,780	–	42,663	–	6,127,443
Wenzhou Electric (Note V.10)	–	–	17,550	15,670,165	15,687,715
	209,615,254	1,295,076	(4,636,440)	15,670,165	221,944,055
Associates					
Zhuzhou Siemens	47,640,792	–	(388,963)	–	47,251,829
CRRC Wabtec	12,970,788	–	(2,644,559)	–	10,326,229
	60,611,580	–	(3,033,522)	–	57,578,058
	270,226,834	1,295,076	(7,669,962)	15,670,165	279,522,113

XIV. NOTES TO THE FINANCIAL STATEMENTS (continued)

4. Long-term equity investments (continued)

Long-term equity investments using equity method (continued)

2017 (Audited)

		Current year movements			
	Opening balance	Impact of unrealised profits	Investment income under equity method	Cash dividends announced	Closing balance
Non-listed investments					
Equity method					
Joint ventures					
Shiling	158,267,061	54,859,734	15,403,679	(25,000,000)	203,530,474
Shanghai Shentong CRRC	5,547,428	–	537,352	–	6,084,780
	163,814,489	54,859,734	15,941,031	(25,000,000)	209,615,254
Associates					
Zhuzhou Siemens	51,871,746	–	(557,331)	(3,673,623)	47,640,792
CRRC Wabtec	12,187,945	–	782,843	–	12,970,788
	64,059,691	–	225,512	(3,673,623)	60,611,580
	227,874,180	54,859,734	16,166,543	(28,673,623)	270,226,834

XIV. NOTES TO THE FINANCIAL STATEMENTS (continued)

4. Long-term equity investments (continued)

Long-term equity investments using cost method

From 1 January 2018 to 30 June 2018 (Unaudited)

	Opening balance	Changes for the current period	Closing balance
Non-listed investments			
Times Electronics	182,977,618	–	182,977,618
Ningbo Times	133,507,255	–	133,507,255
Times USA	3,187,516	–	3,187,516
Times Equipment	99,561,157	(99,561,157)	–
Shenyang Times	56,000,000	–	56,000,000
Baoji Times	260,000,000	–	260,000,000
Kunming Electric	55,000,000	–	55,000,000
Hangzhou Electric	33,000,000	–	33,000,000
Guangzhou Times	18,000,000	–	18,000,000
HK Electric	352,308,400	–	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 Rail Transit	25,500,000	–	25,500,000
Times Signal & Communication	129,000,000	100,000,000	229,000,000
Lanzhou Times	25,500,000	–	25,500,000
ZNERCC	280,654,981	–	280,654,981
Shanghai SMD	30,000,000	–	30,000,000
Shanghai Yongdian	9,794,810	–	9,794,810
Chengdu Electric	30,000,000	–	30,000,000
	1,850,168,453	(14,861,157)	1,835,307,296
Listed investments			
Dynex	216,539,728	–	216,539,728
	2,066,708,181	(14,861,157)	2,051,847,024
Less: Impairment of long-term Investments	178,169,001	–	178,169,001
	1,888,539,180	(14,861,157)	1,873,678,023

XIV. NOTES TO THE FINANCIAL STATEMENTS (continued)

4. Long-term equity investments (continued)

Long-term equity investments using cost method (continued)

2017 (Audited)

	Opening balance	Changes for the current year	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 Rail Transit	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
Chengdu Electric	–	30,000,000	30,000,000
Shanghai Yongdian	–	9,794,810	9,794,810
	1,780,373,643	69,794,810	1,850,168,453
Listed investments			
Dynex	216,539,728	–	216,539,728
	1,996,913,371	69,794,810	2,066,708,181
Less: Impairment of long-term investments	178,169,001	–	178,169,001
	1,818,744,370	69,794,810	1,888,539,180

XIV. NOTES TO THE FINANCIAL STATEMENTS (continued)

5. Revenue and cost of sales

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

Revenue is stated as follows:

	From 1 January 2018 to 30 June 2018 *(Unaudited)*	From 1 January 2017 to 30 June 2017 *(Unaudited)*
Revenue from principal operations	**4,364,390,547**	4,404,394,500
Other operating income	**1,494,775**	138,903,042
	4,365,885,322	4,543,297,542

Cost of sales is stated as follows:

	From 1 January 2018 to 30 June 2018 *(Unaudited)*	From 1 January 2017 to 30 June 2017 *(Unaudited)*
Cost of sales from principal operations	**3,099,573,083**	2,915,656,858
Other operating costs	**1,042,518**	112,968,008
	3,100,615,601	3,028,624,866

Details of revenue are listed as follows:

	From 1 January 2018 to 30 June 2018 *(Unaudited)*	From 1 January 2017 to 30 June 2017 *(Unaudited)*
Revenue from sales of goods and materials	**4,074,327,889**	4,161,287,228
Maintenance income	**268,165,422**	347,411,054
Technical service income	**15,891,691**	27,191,522
Other revenue	**7,500,320**	7,407,738
	4,365,885,322	4,543,297,542

XIV. NOTES TO THE FINANCIAL STATEMENTS (continued)

6. Investment income

	From 1 January 2018 to 30 June 2018 *(Unaudited)*	From 1 January 2017 to 30 June 2017 *(Unaudited)*
Income from non-listed investments:		
Long-term equity investment income under the cost method	**1,114,646,600**	474,935,082
Long-term equity investment income under the equity method	**(6,374,886)**	25,341,506
Gains on forward foreign exchange contracts	**–**	3,899,318
Bank financial products income	**15,604,672**	15,376,438
	1,123,876,386	519,552,344

7. Supplementary information to the statement of cash flows

(1) Supplementary information to the statement of cash flows

	From 1 January 2018 to 30 June 2018 *(Unaudited)*	From 1 January 2017 to 30 June 2017 *(Unaudited)*
Adjustment of net profit to cash flows from operating activities:		
Net profit	**1,576,652,957**	1,127,344,534
Add: Asset impairment losses	**21,137,278**	125,611,886
Credit impairment losses	**88,595,214**	–
Depreciation of fixed assets	**119,375,811**	112,497,584
Amortisation of intangible assets	**27,740,694**	12,694,222
Accrued special reserve	**2,233,642**	2,906,342
Losses/(gains) on disposal of fixed assets, intangible assets and other long-term assets	**(1,732,615)**	53,771
Gains on fair value changes	**(2,741,958)**	(6,135,766)
Financial expenses	**(6,586,998)**	–
Investment income	**(1,123,876,386)**	(519,552,344)
Increase in deferred tax assets	**(29,612,439)**	(13,014,382)
Increase in inventories	**(809,534,655)**	(711,118,738)
Decrease/(increase) in operating receivables	**725,541,242**	(203,396,381)
Increase/(decrease) in operating payables	**(47,124,961)**	7,550,572
Net cash flows from/(used in) operating activities	**540,066,826**	(64,558,700)

XIV. NOTES TO THE FINANCIAL STATEMENTS (continued)

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

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

Movement in cash and cash equivalents:

	From 1 January 2018 to 30 June 2018 *(Unaudited)*	2017 *(Audited)*
Closing balance of cash	**4,072,074,442**	2,064,146,853
Less: Opening balance of cash	**2,064,146,853**	2,082,511,996
Net change of cash and cash equivalents	**2,007,927,589**	(18,365,143)

(2) *Cash and cash equivalents*

	30 June 2018 *(Unaudited)*	31 December 2017 *(Audited)*
Cash		
Including: Cash on hand	**–**	–
Bank deposits on demand	**3,322,074,442**	1,964,146,853
Deposits due within 3 months	**750,000,000**	100,000,000
Closing balance of cash and cash equivalents	**4,072,074,442**	2,064,146,853

XIV. NOTES TO THE FINANCIAL STATEMENTS (continued)

8. Major transactions between the Company and its related parties

(1) *Sales of goods to related parties*

	From 1 January 2018 to 30 June 2018 ***(Unaudited)***	From 1 January 2017 to 30 June 2017 *(Unaudited)*
Subsidiaries	**373,650,025**	365,728,840
Corporations controlled by the ultimate holding party	**1,907,060,152**	1,912,891,600
Associates of the ultimate holding group	**25,564,676**	1,384,615
Corporations controlled by the parent company	**290,446**	42,900,134
Joint ventures of the Company	**–**	215,493,016
Parent company	**–**	956,818
	2,306,565,299	2,539,355,023

(2) *Purchases of goods from related parties*

	From 1 January 2018 to 30 June 2018 ***(Unaudited)***	From 1 January 2017 to 30 June 2017 *(Unaudited)*
Subsidiaries	**990,545,040**	844,879,417
Corporations controlled by the ultimate holding party	**264,528,882**	241,388,364
Corporations controlled by the parent company	**167,935,040**	116,004,102
Associates of the Company	**48,633,775**	822,879
Joint ventures of the ultimate holding group	**14,651,727**	10,041,807
Joint ventures of the Company	**531,538**	302,337,271
Parent company	**3,334**	3,334
	1,486,829,336	1,515,477,174

XIV. NOTES TO THE FINANCIAL STATEMENTS (continued)

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

(3) Sales of electricity to related parties

	From 1 January 2018 to 30 June 2018 *(Unaudited)*	From 1 January 2017 to 30 June 2017 *(Unaudited)*
Subsidiaries	**416,040**	476,592
Corporations controlled by the ultimate holding party	**209,424**	39,095
Associates of the Company	**12,625**	5,348
Corporations controlled by the parent company	**57,698**	730,095
Parent company	**–**	249,477
	695,787	1,500,607

(4) Purchases of electricity from related parties

	From 1 January 2018 to 30 June 2018 *(Unaudited)*	From 1 January 2017 to 30 June 2017 *(Unaudited)*
Corporations controlled by the ultimate holding party	**50,708**	74,611

(5) Related party leases

As lessor

	From 1 January 2018 to 30 June 2018 *(Unaudited)*	From 1 January 2017 to 30 June 2017 *(Unaudited)*
Subsidiaries	**1,418,007**	1,340,101
Corporations controlled by the parent company	**3,052,497**	1,779,152
Parent company	**1,546,289**	1,408,992
	6,016,793	4,528,245

XIV. NOTES TO THE FINANCIAL STATEMENTS (continued)

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

(5) *Related party leases* (continued)

As lessee

	From 1 January 2018 to 30 June 2018 *(Unaudited)*	From 1 January 2017 to 30 June 2017 *(Unaudited)*
Corporations controlled by the parent company	**981,084**	–
Parent company	**487,229**	451,725
Corporations controlled by the ultimate holding party	**458,066**	–
Associates of the parent company	**–**	395,373
	1,926,379	847,098

(6) *Technical service income from related parties*

	From 1 January 2018 to 30 June 2018 *(Unaudited)*	From 1 January 2017 to 30 June 2017 *(Unaudited)*
Subsidiaries	**–**	12,574,359
Corporations controlled by the ultimate holding party	**8,053,774**	3,019,710
	8,053,774	15,594,069

(7) *Maintenance services provided to related parties*

	From 1 January 2018 to 30 June 2018 *(Unaudited)*	From 1 January 2017 to 30 June 2017 *(Unaudited)*
Corporations controlled by the ultimate holding party	**212,594,512**	249,846,022
Associates of the ultimate holding group	**24,756,062**	53,151,043
Corporations controlled by the parent company	**–**	3,806
	237,350,574	303,000,871

XIV. NOTES TO THE FINANCIAL STATEMENTS (continued)

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

(8) Technical service fees paid to related parties

	From 1 January 2018 to 30 June 2018 *(Unaudited)*	From 1 January 2017 to 30 June 2017 *(Unaudited)*
Subsidiaries	**–**	3,692,849
Parent company	**65,985,000**	97,405,661
Corporations controlled by the parent company	**1,191,420**	1,887,786
Joint ventures of the Company	**215,000**	–
	67,391,420	102,986,296

(9) Fund lending to related parities

From 1 January 2018 to 30 June 2018 (Unaudited)

	Borrowed amount	Interest rate	Start date	Expiry date
Subsidiaries	**30,000,000**	**4.35%**	**21 May 2018**	**17 May 2019**

From 1 January 2017 to 30 June 2017 (Unaudited)

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

(10) Interest income from cash and bank balances

	From 1 January 2018 to 30 June 2018 *(Unaudited)*	From 1 January 2017 to 30 June 2017 *(Unaudited)*
Subsidiaries	**16,259,671**	18,752,791
Corporations controlled by the ultimate holding party	**2,051,281**	1,979,736
	18,310,952	20,732,527

XIV. NOTES TO THE FINANCIAL STATEMENTS (continued)

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

(11) Interest expenses to borrowings

	From 1 January 2018 to 30 June 2018 *(Unaudited)*	From 1 January 2017 to 30 June 2017 *(Unaudited)*
Shareholders of the parent company	**544,021**	547,026

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

(12) Guarantee provided to related parities

From 1 January 2018 to 30 June 2018 (Unaudited)

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

From 1 January 2017 to 30 June 2017 (Unaudited)

	Guaranteed amount	Starting date	Expiry date	Fulfilled or not
Subsidiary	100,862,738	18 April 2017	18 April 2018	No
Subsidiary	40,000,000	1 May 2017	1 March 2018	No
	140,862,738			

XIV. NOTES TO THE FINANCIAL STATEMENTS (continued)

9. Amounts due from and due to related parties

	30 June 2018 *(Unaudited)*	31 December 2017 *(Audited)*
Trade receivables (including long-term receivables):		
Subsidiaries	**1,052,824,371**	1,893,116,517
Corporations controlled by the ultimate holding party	**2,526,275,245**	2,145,932,170
Associates of the ultimate holding group	**30,317,044**	16,617,867
Joint ventures of the Company	**16,995,321**	79,511,007
Corporations controlled by the parent company	**11,091,388**	8,559,324
Associates of the Company	**9,734,640**	–
Shareholders of the parent company	**500,000**	–
Parent company	**481,458**	3,535,266
Joint ventures of the ultimate holding group	**62,055**	62,112
	3,648,281,522	4,147,334,263

	30 June 2018 *(Unaudited)*	31 December 2017 *(Audited)*
Bills receivable:		
Subsidiaries	**60,542,700**	42,845,600
Corporations controlled by the ultimate holding party	**1,305,114,066**	1,919,691,597
Associates of the ultimate holding group	**434,508,548**	469,508,548
Parent company	**200,000**	–
Corporations controlled by the parent company	**–**	200,000
	1,800,365,314	2,432,245,745

XIV. NOTES TO THE FINANCIAL STATEMENTS (continued)

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

	30 June 2018 *(Unaudited)*	31 December 2017 *(Audited)*
Prepayments:		
Subsidiaries	**6,026,644**	28,456,029
Corporations controlled by the ultimate holding party	**582,527**	120,433
	6,609,171	28,576,462

	30 June 2018 *(Unaudited)*	31 December 2017 *(Audited)*
Other receivables:		
Subsidiaries	**367,032,598**	711,144,457
Parent company	**1,010,692**	106,884
Corporations controlled by the ultimate holding party	**478,300**	450,950
Associates of the Company	**65,653**	324,073
Corporations controlled by the parent company	**–**	49,415
	368,587,243	712,075,779

	30 June 2018 *(Unaudited)*	31 December 2017 *(Audited)*
Dividends receivable:		
Subsidiaries	**120,760,000**	18,740,000

XIV. NOTES TO THE FINANCIAL STATEMENTS (continued)

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

	30 June 2018 *(Unaudited)*	31 December 2017 *(Audited)*
Interests receivable:		
Subsidiaries	**46,950,738**	33,741,275

	30 June 2018 *(Unaudited)*	31 December 2017 *(Audited)*
Cash and bank deposits:		
Corporation controlled by the ultimate holding party (Note)	**694,889,639**	673,385,383

Note: As at 30 June 2018, the Company's deposit with CRRC Finance Co., Ltd. is amounted to RMB694,889,639 (unaudited) (31 December 2017 (audited): RMB673,385,383).

As at 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.

XIV. NOTES TO THE FINANCIAL STATEMENTS (continued)

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

	30 June 2018 *(Unaudited)*	31 December 2017 *(Audited)*
Trade payables:		
Subsidiaries	**1,180,825,816**	1,630,139,211
Corporations controlled by the ultimate holding party	**258,341,133**	276,322,961
Corporations controlled by the parent company	**161,390,824**	75,039,406
Joint ventures of the Company	**34,296,700**	15,238,023
Joint ventures of the ultimate holding group	**21,052,946**	36,191,552
Associates of the Company	**103,687**	9,430,000
Parent company	**–**	171,525
	1,656,011,106	2,042,532,678

	30 June 2018 *(Unaudited)*	31 December 2017 *(Audited)*
Bills payable:		
Corporations controlled by the ultimate holding party	**172,285,787**	107,673,413
Corporations controlled by the parent company	**99,734,266**	92,000,000
Joint ventures of the ultimate holding group	**22,700,000**	–
Joint ventures of the Company	**–**	10,000,000
	294,720,053	209,673,413

XIV. NOTES TO THE FINANCIAL STATEMENTS (continued)

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

	30 June 2018 *(Unaudited)*	31 December 2017 *(Audited)*
Contract liabilities:		
Subsidiaries	**5,370,000**	–
Corporations controlled by the ultimate holding party	**8,589,847**	–
Corporations controlled by the parent company	**100**	–
	13,959,947	–

	30 June 2018 *(Unaudited)*	31 December 2017 *(Audited)*
Advances from customers:		
Corporations controlled by the ultimate holding party	**–**	3,878,247
Corporations controlled by the parent company	**–**	40,564
Associates of the ultimate holding group	**–**	63,790
	–	3,982,601

	30 June 2018 *(Unaudited)*	31 December 2017 *(Audited)*
Interests payable:		
Shareholders of the parent company	**479**	66,603

XIV. NOTES TO THE FINANCIAL STATEMENTS (continued)

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

	30 June 2018 (Unaudited)	31 December 2017 (Audited)
Dividends payable:		
Parent company	**265,313,565**	–
Corporations controlled by the ultimate holding party	**8,721,346**	–
	274,034,911	–

	30 June 2018 (Unaudited)	31 December 2017 (Audited)
Other payables:		
Subsidiaries	**5,418,890**	96,175,360
Parent company	**258,448,833**	265,675,100
Corporations controlled by the parent company	**939,034**	2,610,137
Corporations controlled by the ultimate holding party	**877,857**	1,390,000
Shareholders of the parent company	**500,000**	–
	266,184,614	365,850,597

	30 June 2018 (Unaudited)	31 December 2017 (Audited)
Current portion of non-current liabilities:		
Shareholders of the parent company	**5,000,000**	2,500,000

XIV. NOTES TO THE FINANCIAL STATEMENTS (continued)

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

	30 June 2018 ***(Unaudited)***	31 December 2017 *(Audited)*
Long-term borrowings:		
Shareholders of the parent company	**95,188,000**	97,688,000

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

Management Discussion and Analysis

The following discussion and analysis should be read in conjunction with the unaudited interim consolidated financial statements of the Group and the notes related thereon set out in this interim report. The Group has implemented certain new standards prepared by the Ministry of Finance since 1 January 2018 and the impact of the implementation of the new standards on the Group is detailed in Note III.27 to the Financial Statements.

REVENUE

	For the six months ended 30 June	
	2018	2017
	(RMB million)	*(RMB million)*
Locomotives	**744.7**	856.1
Electric Multiple Units	**1,393.1**	1,567.4
Metropolitan rail transportation equipment	**1,641.9**	1,274.8
Railway maintenance machineries related products	**1,301.8**	1,394.8
Signal & communication products	**230.9**	236.7
Key electric part and component products	**622.8**	701.1
Marine engineering products and others	**385.3**	485.5
Total revenue	**6,320.5**	6,516.4

The Group's revenue decreased by RMB195.9 million or 3.0% from RMB6,516.4 million for the six months ended 30 June 2017 to RMB6,320.5 million for the six months ended 30 June 2018.

In the first half of 2018, except for the revenue from metropolitan rail transportation equipment of the Group, other product series recorded slight decline at various levels, of which, the decline level of Electric Multiple Units was greater than that of other products, representing a decrease of RMB174.3 million as compared to the same period of last year. Metropolitan rail transportation equipment increased by RMB367.1 million, which was mainly due to the delivery of Wuhan Metro Line 7, Zhengzhou Metro Line 5 and other products.

COST OF SALES

The Group's cost of sales decreased by RMB89.0 million from RMB3,976.8 million for the six months ended 30 June 2017 to RMB3,887.8 million for the six months ended 30 June 2018. 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

The Group's gross profit decreased by RMB106.9 million from RMB2,539.6 million for the six months ended 30 June 2017 to RMB2,432.7 million for the six months ended 30 June 2018. The Group's gross profit margin decreased from 39.0% for the six months ended 30 June 2017 to 38.5% for the six months ended 30 June 2018. 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 RMB19.6 million from RMB297.0 million for the six months ended 30 June 2017 to RMB316.6 million for the six months ended 30 June 2018. The increase in selling expenses was due to the fact that the Group made greater efforts in market development in the first half of 2018.

ADMINISTRATIVE EXPENSES

The Group's administrative expenses increased by RMB15.0 million from RMB281.4 million for the six months ended 30 June 2017 (Restated) to RMB296.4 million for the six months ended 30 June 2018. The increase in administrative expenses was due to the increase in fixed management costs.

RESEARCH AND DEVELOPMENT EXPENSES

The Group's research and development expenses decreased by RMB8.9 million from RMB600.8 million for the six months ended 30 June 2017 (Restated) to RMB591.9 million for the six months ended 30 June 2018. The decrease in research and development expenses was due to the fact that the Group transferred the research and development expenses of RMB17.0 million qualified for capitalization to the development expenditure for the six months ended 30 June 2018.

FINANCE COSTS

The Group's finance costs decreased by RMB8.8 million from negative RMB8.1 million for the six months ended 30 June 2017 (Restated) to negative RMB16.9 million for the six months ended 30 June 2018. The decrease in finance costs was mainly due to the increase in interest income.

ASSET IMPAIRMENT LOSSES

The Group's asset impairment losses decreased by RMB137.2 million from RMB157.6 million for the six months ended 30 June 2017 (Restated) to RMB20.4 million for the six months ended 30 June 2018. The decrease in asset impairment losses was mainly due to the fact that the Group included the bad debt provision of RMB89.2 million provided for receivables in the first half of 2018 into the credit impairment losses in accordance with the relevant requirements of the Accounting Standards for Business Enterprises (details are set out in Note III.27 of the financial statements).

CREDIT IMPAIRMENT LOSSES

The Group's credit impairment losses for the six months ended 30 June 2018 were RMB89.2 million, which represented the Group's provision for bad debts for receivables with signs of impairment.

OTHER INCOME

The Group's other income increased by RMB23.9 million from RMB103.1 million for the six months ended 30 June 2017 to RMB127.0 million for the six months ended 30 June 2018. Other income is mainly due to the tax refunds received by the Group in relation to daily activities.

INVESTMENT INCOME

The Group's investment income decreased by RMB27.7 million from RMB35.9 million for the six months ended 30 June 2017 to RMB8.2 million for the six months ended 30 June 2018. The decrease in investment income was due to the decrease in investment income of the Group's associates and joint ventures.

GAIN ON FAIR VALUE CHANGES

The Group's gain on fair value changes decreased by RMB3.4 million from RMB6.1 million for the six months ended 30 June 2017 to RMB2.7 million for the six months ended 30 June 2018.

GAINS (LOSSES) ON DISPOSAL OF ASSETS

The Group's gains (losses) on disposal of assets increased by RMB1.6 million from negative RMB0.1 million for the six months ended 30 June 2017 to RMB1.5 million for the six months ended 30 June 2018.

NON-OPERATING INCOME

The Group's non-operating income decreased by RMB14.9 million from RMB17.6 million for the six months ended 30 June 2017 to RMB2.7 million for the six months ended 30 June 2018.

NON-OPERATING EXPENSES

The Group's non-operating expenses decreased by RMB3.0 million from RMB3.8 million for the six months ended 30 June 2017 (Restated) to RMB0.8 million for the six months ended 30 June 2018.

TOTAL PROFIT

The Group's total profit decreased by RMB86.8 million from RMB1,314.7 million for the six months ended 30 June 2017 (Restated) to RMB1,227.9 million for the six months ended 30 June 2018. The decrease in total profit was mainly due to the decrease in operating income. The Group's sales profit margins for the six months ended 30 June 2017 (Restated) and for the six months ended 30 June 2018 were 20.2% and 19.4%, respectively.

INCOME TAX EXPENSE

The Group's income tax expense decreased by RMB1.9 million from RMB174.4 million for the six months ended 30 June 2017 to RMB172.5 million for the six months ended 30 June 2018.

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

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

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

The effective income tax rates of the Group for the six months ended 30 June 2017 (Restated) and six months ended 30 June 2018 were 13.3% and 14.0%, respectively.

NET PROFIT ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT

Net profit attributable to shareholders of the Parent decreased by RMB80.4 million from RMB1,120.7 million for the six months ended 30 June 2017 (Restated) to RMB1,040.3 million for the six months ended 30 June 2018. The Group's sales net profit margins for the six months ended 30 June 2017 (Restated) and for the six months ended 30 June 2018 were 17.2% and 16.5%, respectively.

NON-CONTROLLING INTERESTS

Non-controlling interests decreased by RMB4.5 million from RMB19.6 million for the six months ended 30 June 2017 (Restated) to RMB15.1 million for the six months ended 30 June 2018. The decrease in non-controlling interests was mainly due to the decrease in net profit incurred by the Group's non-wholly owned subsidiaries during the first half of 2018 as compared to the same period of last year.

EARNINGS PER SHARE

Earnings per share decreased by RMB0.07 from RMB0.95 for the six months ended 30 June 2017 (Restated) to RMB0.88 for the six months ended 30 June 2018.

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 2018, the net cash and cash equivalents of the Group increased by RMB2,259.5 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 2018.

Net cash inflow from operating activities

The Group's net cash inflow from operating activities increased by RMB1,751.5 million from RMB376.8 million for the six months ended 30 June 2017 (Restated) to RMB2,128.3 million for the six months ended 30 June 2018, which was mainly due to the increase in the cash received from sale of goods or 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 2018, the Group's net cash inflow from investing activities was approximately RMB118.6 million, which principally included the cash received from disposal or returns of investments of RMB3,250.0 million, the cash paid for acquisition of investments of RMB2,900.0 million, and the cash paid for acquisition of fixed assets, intangible assets and other long-term assets of RMB221.0 million.

Net cash inflow from financial activities

For the six months ended 30 June 2018, the Group's net cash inflow from financial activities was approximately RMB14.0 million, which was mainly due to the cash received from the borrowing of RMB39.1 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:

	30 June 2018 *(Unaudited)* *(RMB million)*	31 December 2017 *(Audited)* *(RMB million)*
Contracted but not provided for capital commitments	**102.6**	186.5

INDEBTEDNESS

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

	30 June 2018 *(Unaudited)* *(RMB million)*	31 December 2017 *(Audited)* *(RMB million)*
Short-term borrowings	**209.5**	202.4
Long-term borrowings (inclusive of long-term borrowings due within one year)	**118.0**	102.0
Total	**327.5**	304.4

The Group's borrowings were mainly fixed rate loans.

Maturity analysis:

	30 June 2018 *(Unaudited)* *(RMB million)*	31 December 2017 *(Audited)* *(RMB million)*
Due within 1 year	**214.5**	205.0
Due within 1 to 2 years	**22.8**	6.7
Due within 2 to 5 years	**15.0**	15.0
Due over 5 years	**75.2**	77.7
	327.5	304.4

As at 30 June 2018, the annual interest rate of the above borrowings was 0-7.60% (31 December 2017: 0-4.92%).

INDEBTEDNESS (continued)

Pursuant to the relevant borrowing agreements, the loans amounted to RMB90.0 million on 31 December 2017 were entitled to priority to be repaid with certain assets if the Group is incapable of repayment. The carrying amounts of such assets as at 31 December 2017 were RMB332.5 million. The loans have been repaid by the end of the reporting period.

PLEDGE

The Group has no fixed assets (31 December 2017: Nil) for the pledge of bank borrowings as at 30 June 2018.

The Group has no land use rights (31 December 2017: Nil) for pledge of bank borrowings as at 30 June 2018.

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 2018 and in 2017.

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 and trade payables, advances from customers, contract liability, employee benefits 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 18.5% (Restated) as at 31 December 2017 and 11.6% as at 30 June 2018.

CANCELLATION OF SUBSIDIARIES

In May 2018, Times Equipment, a wholly-owned subsidiary of the Company, was merged by the Parent Company. The related industrial and administrative registration is finished on 15 May 2018.

NON-CONTROLLING SHAREHOLDERS INCREASE CAPITAL AND LOSE CONTROL

The Group originally held 51% share of Wenzhou Electric. During the year, the third-party non-controlling shareholders who originally held 49% of the shares increased their capital in April 2018. After the capital increase, the shareholding ratio reached 50%.In May 2018, according to the joint venture agreement between the Company and the original non-controlling shareholders, Wenzhou Electric has re-elected the board of directors, and the Company no longer has control over Wenzhou Electric. The change of industrial and commercial registration was completed on 24 May 2018. Since 24 May 2018, the Group will no longer include Wenzhou Electric in the scope of consolidation.

BUSINESS COMBINATIONS INVOLVING ENTITIES UNDER COMMON CONTROL

In August 2017, the Group acquired 68% of equity interest in Shanghai Yongdian by cash consideration of RMB10.4 million. Shanghai Yongdian is a subsidiary of CRRC Financial and Securities Investment Co., Ltd., the wholly-owned subsidiary of CRRC Group, which is the ultimate holding party of the Company. Both parties were and are controlled by CRRC Group 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 68% of equity interest in Shanghai Yongdian was transferred to the Group by CRRC Financial and Securities Investment Co., Ltd. on 2 August 2017, the Group has completed the business combination under common control of Shanghai Yongdian. The date of acquisition was determined to be 2 August 2017. On the acquisition date, the Group paid RMB4.9 million to the minority shareholders to obtain 32% equity interest in Shanghai Yongdian. After completion of the above transactions, the Group holds 100% of equity interest in Shanghai Yongdian. Details of this acquisition are set out in Note VI.3 to the financial statements.

CONTINGENT LIABILITIES

The Group did not have any material contingent liabilities as at 30 June 2018, 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 Note VIII.2 to the financial statements.

FOREIGN CURRENCY RISK

The businesses of the Group are principally located in Mainland 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

1. CORPORATE GOVERNANCE

- **Corporate governance**

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

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

  Mr. Zhang Xinning, a non-executive Director, and Ms. Liu Chunru, an independent non-executive Director, had not attended the 2017 Annual General Meeting held on 8 June 2018 due to their other important commitments which constituted a deviation from the requirement of code provision A.6.7.

- **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, the Company confirmed that all Directors have complied with the required standards set out in the Model Code during the Reporting Period.

- **Board of Directors**

  The Board currently consists of ten Directors, among whom Mr. Li Donglin is the Chairman of the Board and an executive Director; Mr. Yang Shouyi is the Vice Chairman 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. Gao Feng are independent non-executive Directors.

  On 25 March 2018, Mr. Ouyang Minggao resigned as an independent non-executive Director, a member of the strategy committee and a member of the audit committee of the Company.

  On 12 July 2018, due to the adjustment in work allocation, Mr. Ding Rongjun resigned as the Chairman of the Board, an executive Director, the chairman and a member of the strategy committee, the chairman and a member of the nomination committee and one of the authorized representatives of the Company for the purpose of Rule 3.05 of the Listing Rules.

  On 12 July 2018, Mr. Li Donglin was redesignated as the Chairman of the Board and was appointed as the chairman of the strategy committee, the chairman and a member of the nomination committee and one of the authorized representatives of the Company for the purpose of Rule 3.05 of the Listing Rules.

  On 12 July 2018, Mr. Yang Shou Yi was appointed as the Vice Chairman of the Board and an executive Director, the chairman and a member of the risk control committee and a member of the strategy committee of the Company.

- **Board of Directors** (continued)

  On 17 August 2018, Mr. Gao Feng was appointed as an independent non-executive Director, a member of the strategy committee and a member of the audit committee of the Company.

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

- **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, the Company hopes to search for a suitable candidate to fill the vacancy as soon as possible.

- **Audit Committee**

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

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

  The Company's audit committee discussed the accounting principles adopted by the Group with the management, and has reviewed the Group's unaudited financial statements for the six months ended 30 June 2018 prepared in accordance the PRC Accounting Standards and was satisfied that the unaudited financial statements complied with applicable accounting standards, the relevant regulatory and legal requirements and that adequate disclosure had been made.

2. INTERNAL SUPERVISION

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

2. INTERNAL SUPERVISION (continued)

During the Reporting Period, the Company's internal control system was proved to be stable and reliable and continued to deepen the risk management work as follows: focused on audit of the Company's system process for implementation, supervised the system process to ensure implementation work is carried out properly, initiated the implementation of the rectifications to the problems identified in the previous year audit, continued to follow up to ensure that the rectification of internal control deficiencies is carried out properly; implemented research on strategic risks of the Company's major industries, initiated audits on the risk management of sales contracts and maintained effective operation of internal monitoring. The Company is able to withstand changes in business and external environment in terms of financial, operational and risk management to safeguard the Company's asset security and shareholders' interests.

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

As at 30 June 2018, 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.

4. STRUCTURE OF SHARE CAPITAL

The Company's share capital structure as at 30 June 2018 was as follows:

Shareholder	Type	Number of shares	Approximate % of the issued share capital as at 30 June 2018
CRRC ZELRI	Domestic share	589,585,699	50.16%
CRRC Zhuzhou	Domestic share	10,000,000	0.85%
CRRC Investment & Leasing	Domestic share	9,380,769	0.80%
CRCCE	Domestic share	9,800,000	0.83%
Beijing Maohuan Rail Transit Industry Investment Management Partnership (Limited Partnership)	Domestic share	9,380,769	0.80%
Shares in public circulation (Note)	H Share	547,329,400	46.56%
Total		1,175,476,637	100%

Note: 6,519,200 H shares of which is held by CRRC's wholly-owned subsidiary, CRRC Hong Kong Capital Management Co., Limited.

5. 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 2018 were as follows:

Name of substantial shareholder	Number of shares held	Capacity	Approximate % of Domestic Share Share capital	Approximate % of H share Share capital	Approximate % of issued share capital
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%
	6,519,200 (Long position)	Interest in controlled entity	–	1.19%	0.55%
CRRC Group (Note 2)	608,966,468 (Long position)	Interest in controlled entity	96.95%	–	51.81%
	6,519,200 (Long position)	Interest in controlled entity	–	1.19%	0.55%
Schroders Plc	56,151,573 (Long position)	Investment manager	–	10.26%	4.78%
Citigroup Inc.	40,166,726 (Long position)	Interest in controlled entity	–	7.33%	3.42%
	3,243,943 (Short position)	Interest in controlled entity	–	0.59%	0.28%
	31,126,386 (lending pool shares)	Approved Lending agent	–	5.68%	2.73%
FIL Limited	33,026,300 (Long position)	Interest in controlled entity	–	6.03%	2.81%
Invesco Hong Kong Limited	27,552,500 (Long position)	Investment manager	–	5.03%	2.34%

5. SUBSTANTIAL SHAREHOLDERS (continued)

Notes:

(1) CRRC is interested in 100% of the registered capital of CRRC ZELRI, CRRC Zhuzhou and CRRC Investment & Leasing. Accordingly, CRRC is deemed under the SFO to be interested in the shares held by each of CRRC ZELRI, CRRC Zhuzhou and CRRC Investment & Leasing. CRRC is interested in 6,519,200 H shares through CRRC Hong Kong Capital Management Co., Limited, a wholly-owned subsidiary of CRRC.

(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.

6. PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

7. DISTRIBUTION OF DIVIDENDS

(1) Distribution plan and implementation of 2017 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 2017 to all shareholders whose names appeared on the register of members of the Company on 19 June 2018. 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) 2018 Interim profit distribution plan

The Board did not recommend the distribution of an interim dividend for the six months ended 30 June 2018.

8. CONNECTED TRANSACTIONS

During the Reporting Period, the Company has strictly complied with the relevant requirements in respect of connected transactions or continuing connected transactions under Chapter 14A of the Listing Rules, and has established a set of mechanism to protect non-controlling shareholders' interests. The auditor of the Company has provided quarterly reports to independent non-executive Directors on transactions conducted between the Group and CRRC Group. 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 the terms of such transactions (including the aforesaid mutual supply transactions 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)) would be disclosed to shareholders by way of announcements.

8. CONNECTED TRANSACTIONS (continued)

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

9. EMPLOYEES AND TRAINING

As at 30 June 2018, the Company had 7,654 full-time employees. Total employment expenses for the six months ended 30 June 2018 was approximately RMB879.22 million. The Group's remuneration policy for its employees takes into account the level of responsibilities, work performance, qualifications and competence of the individual employees. The Group offers salary increments and bonuses to employees with outstanding performance. The bonus scheme is discretionary and is determined by the Directors with reference to the performance of the employees and the Group's operation results.

The Company approved the share appreciation rights scheme (the "Scheme") at the annual general meeting of 2012, and approved an aggregate of approximately 9,868,000 units of share appreciation rights ("SARs") to a total of up to 262 eligible recipients, subject to the satisfaction of the granting conditions. During the Reporting Period, no SARs were granted by the Company to the eligible recipients under the Scheme.

During the Reporting Period, in terms of inviting external teachers to provide internal training, the Company planned and organized the training of new cadres, selection and training of the fifth-term reserve management talents, advanced training of technical management backbones, and classified training of internationalized talents (including English, professional courses, etc.). In terms of internal training, the Company planned and organized the induction training of new employees, mid-term training of new employees, and a series of "Learn with Fun" (樂學課堂) courses, thereby enhancing the professional quality and job ability of the employees.

Basic Corporate Information

1	Official name in Chinese	株洲中車時代電氣股份有限公司
	Official name in English	Zhuzhou CRRC Times Electric Co., Ltd.
2	Authorised representatives	Li Donglin Tang Tuong Hock, Gabriel
3	Company secretary	Tang Tuong Hock, Gabriel
	Secretary of the Board	Yan Wu
	Registered office	Times Road, Shifeng District, Zhuzhou, Hunan Province, PRC, 412001
	Telephone	+86 731 2849 8028
	Facsimile	+86 731 2849 3447
	Website	www.tec.crrczic.cc
	Principal place of business in Hong Kong	Unit 1106, 11th Floor, Jubilee Centre, 18 Fenwick Street, Wanchai, Hong Kong
4	Listing information	H Share The Stock Exchange of Hong Kong Limited Stock Code: 3898 Stock Name: CRRC Times Elec
5	H share registrar	Computershare Hong Kong Investor Services Limited 17M Floor, Hopewell Centre 183 Queen's Road East Wanchai, Hong Kong
6	Legal advisers	MinterEllison LLP Grandall Law Firm (Hangzhou)
7	Auditor	Deloitte Touche Tohmatsu Certified Public Accountants LLP 30/F Bund Center 222 Yan An Road East Huangpu District Shanghai 200002, PRC

Glossary

"AGM" or "Annual General Meeting"	The annual general meeting for year 2017 of the Company held on Friday, 8 June 2018
"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, which was merged by Times Signal & Communication, another wholly-owned subsidiary of the Company in June 2017
"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 Hong Kong Stock Exchange (stock code: 3898)
"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 (stock code: 1766), respectively. CRRC holds the entire equity interest in the Parent Company

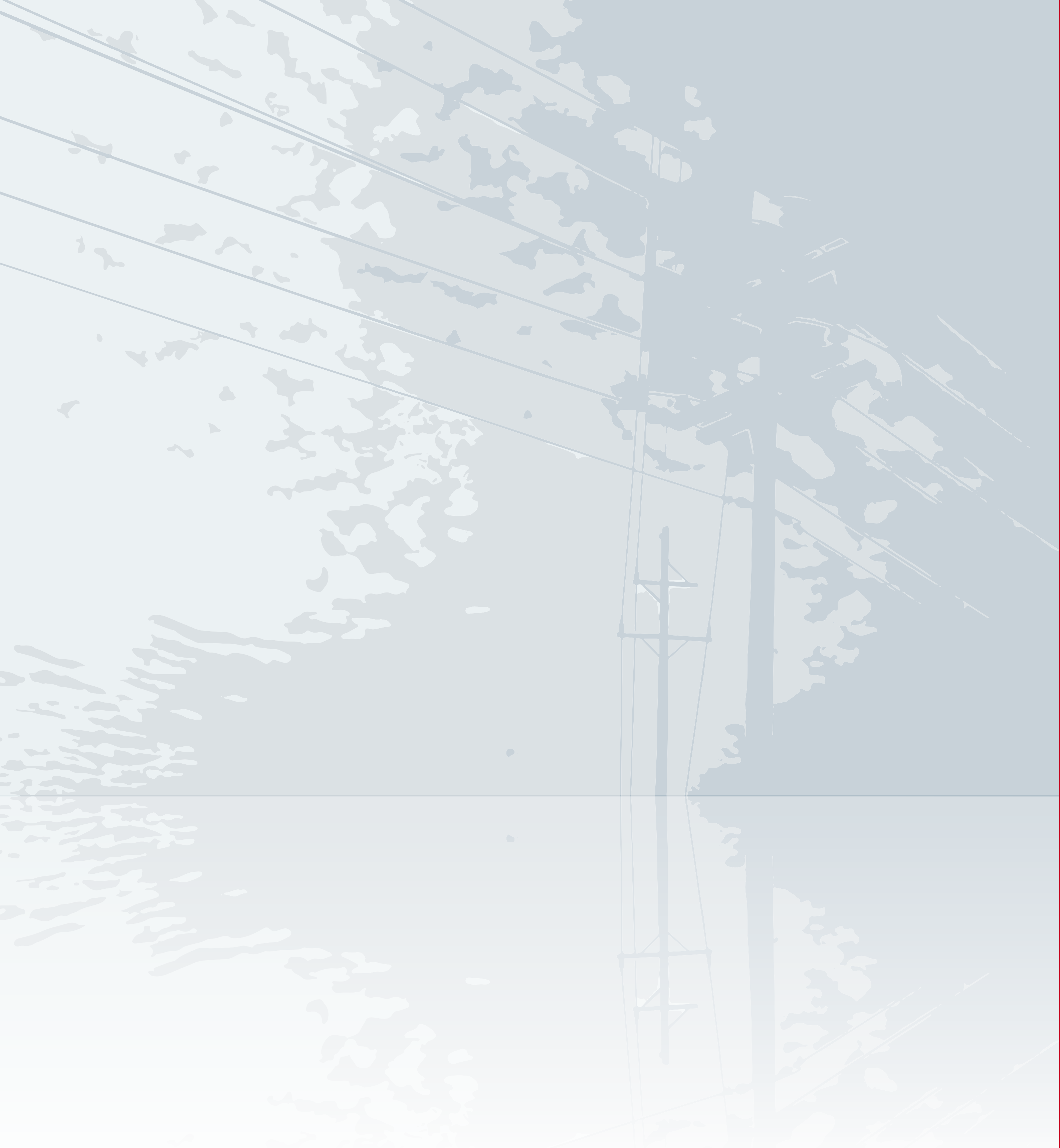
"CRRC Finance"	中車財務有限公司 (CRRC Finance Co., Ltd.), known as 中國北車集團財務有限公司 (China CNR Finance Co., Ltd.) before 18 January 2017, a company established under the laws of the PRC with limited liability
"CRRCG"	CRRC Group and its subsidiaries
"CRRC Group"	中國中車集團有限公司 (CRRC Group), a Chinese state-owned company, 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
"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 Industrial Management Co., Ltd. (formerly known as 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
"Shanghai SMD"	上海中車艾森迪海洋裝備有限公司 (Specialist Machine Developments (Shanghai) Co., Ltd.), a wholly-owned subsidiary of the Company
"Shanghai Yongdian"	上海北車永電電子科技有限公司 (Shanghai CNR Yongdian Electronic Technology Co., Ltd.), a wholly-owned subsidiary of the Company
"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"	株洲時菱交通設備有限公司 (Zhuzhou Shiling Transportation Equipment Co., Ltd.), held as to 50% by the Company, as to 40% by Mitsubishi Electric Corporation and as to 10% by Mitsubishi Electric (China) Ltd.
"SMD"	Specialist Machine Developments (SMD) Limited, a private limited company incorporated in England and Wales, 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 2018
"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 the Company is directly and indirectly interested in 100% of the shares of Times Brasil

"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, which was absorbed and merged by the parent company in May 2018
"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 company in which the Company holds 50% 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.