



**2021**  
**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:

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

# Summary of Results

The Board is pleased to announce the unaudited consolidated operating results of the Group for the six months ended 30 June 2021, 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 2021 amounted to RMB5,298,119,555 (for the six months ended 30 June 2020: RMB5,570,059,638), representing a decrease by 4.88% over the same period of last year. Total profit amounted to RMB801,311,568 (for the six months ended 30 June 2020: RMB842,456,376), representing a decrease by 4.88% over the same period of last year. Net profit attributable to shareholders of the Parent Company amounted to RMB695,234,768 (for the six months ended 30 June 2020: RMB688,150,248), representing an increase by 1.03% over the same period of last year. Basic earnings per share amounted to RMB0.59 (for the six months ended 30 June 2020: RMB0.59), remained the same as compared to the same period of last year.

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

# Business Review and Outlook

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

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

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

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

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

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

# Review Report

De Shi Bao (Yue) Zi (21) No. R00048

TO ALL SHAREHOLDERS OF ZHUZHOU CRRC TIMES ELECTRIC CO., LTD.:

We have reviewed the financial statements of Zhuzhou CRRC Times Electric Co., Ltd. ("CRRC Times Electric"), which comprise the consolidated and Company's balance sheets as at 30 June 2021, and the consolidated and Company's income statements, the consolidated and Company's cash flow statements and the consolidated and Company's statements of changes in shareholders' equity for the six months ended 30 June 2021, and the notes to the financial statements. The preparation of these financial statements is the responsibility of the management of CRRC Times Electric, while we are responsible for the issue of review report on the financial statements based on our review work.

We conducted our review in accordance with the Review Standard for Chinese Certified Public Accountants No.2101 – Review of Financial Statements. The Standard requires us to plan and implement review work, and obtain certain assurance on whether the financial statements are free from material misstatement. The review is limited to inquiry of the personnel associated with the Company and implementation of the analytical procedure on the financial information, providing an assurance lower than that of the audit. We have not conducted an audit, thus do not express an audit opinion thereon.

Based on our review, nothing has come to our attention that causes us to believe that the financial statements are not prepared, in accordance with the Accounting Standards for Business Enterprises, or do not present fairly, in all material respects, the consolidated and the Company's financial positions of CRRC Times Electric as at 30 June 2021 and the consolidated and the Company's results of operations and cash flows for the six months ended 30 June 2021.

Deloitte Touche Tohmatsu Certified  
Public Accountants LLP  
Shanghai, China

Chinese Certified Public Accountant: Peng Jinyong

Chinese Certified Public Accountant: Ye Xiangjia

9 August 2021

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

# Consolidated Statement of Financial Position

At 30 June 2021

Renminbi Yuan

Item	Note	30 June 2021 <i>(Unaudited)</i>	31 December 2020 <i>(Audited)</i>
<b>Current Assets</b>			
Cash and bank balances	(V)1	4,538,588,483	5,128,885,997
Held-for-trading financial assets	(V)2	2,601,212,210	3,732,327,307
Bills receivable	(V)3	2,372,654,777	2,460,737,156
Trade receivables	(V)4	9,321,203,467	7,936,895,209
Trade receivables financing	(V)5	1,562,855,135	1,443,941,055
Prepayments	(V)6	234,682,965	358,912,908
Other receivables	(V)7	190,013,845	162,774,728
Inventories	(V)8	5,484,433,293	4,258,490,200
Contract assets	(V)9	253,278,195	301,335,105
Other current assets	(V)10	568,780,522	641,182,827
<b>Total Current Assets</b>		<b>27,127,702,892</b>	<b>26,425,482,492</b>
<b>Non-current Assets</b>			
Long-term equity investments	(V)11	561,396,336	550,805,565
Other equity instrument investments	(V)12	92,832,300	92,832,300
Fixed assets	(V)13	2,597,564,725	2,751,142,435
Construction in progress	(V)14	2,111,754,033	1,644,012,744
Right-of-use assets	(V)15	95,912,386	80,331,083
Intangible assets	(V)16	741,548,484	803,773,005
Development expenditure	(V)17	327,068,663	308,376,123
Goodwill	(V)18	244,289,363	246,921,172
Long-term prepaid expenses	(V)19	45,140,792	46,038,198
Deferred tax assets	(V)20	532,267,221	484,378,231
Other non-current assets	(V)21	376,303,846	431,627,910
<b>Total Non-current Assets</b>		<b>7,726,078,149</b>	<b>7,440,238,766</b>
<b>TOTAL ASSETS</b>		<b>34,853,781,041</b>	<b>33,865,721,258</b>

# Consolidated Statement of Financial Position

At 30 June 2021

Renminbi Yuan

Item	Note	30 June 2021 <i>(Unaudited)</i>	31 December 2020 <i>(Audited)</i>
<b>Current Liabilities</b>			
Short-term borrowings	(V)22	<b>289,363,421</b>	278,246,822
Bills payable	(V)23	<b>1,479,104,011</b>	1,767,905,098
Trade payables	(V)24	<b>4,363,025,398</b>	3,611,924,434
Contract liabilities	(V)25	<b>530,369,530</b>	692,579,809
Employee benefits payable	(V)26	<b>236,336,867</b>	117,663,008
Taxes payable	(V)27	<b>108,613,069</b>	165,498,903
Other payables	(V)28	<b>638,555,274</b>	643,771,172
Non-current liabilities due within one year	(V)29	<b>523,376,410</b>	516,727,113
Other current liabilities	(V)30	<b>65,506,596</b>	83,024,481
<b>Total Current Liabilities</b>		<b>8,234,250,576</b>	7,877,340,840
<b>Non-current Liabilities</b>			
Long-term borrowings	(V)31	<b>80,188,000</b>	82,688,000
Lease liabilities	(V)32	<b>59,849,488</b>	56,662,111
Long-term payables	(V)33	<b>553,417</b>	10,215,068
Provisions	(V)34	<b>530,359,980</b>	548,592,302
Deferred income	(V)35	<b>904,735,239</b>	963,716,803
Deferred tax liabilities	(V)20	<b>37,414,329</b>	40,780,758
Other non-current liabilities		<b>45,218,203</b>	26,134,972
<b>Total Non-current Liabilities</b>		<b>1,658,318,656</b>	1,728,790,014
<b>TOTAL LIABILITIES</b>		<b>9,892,569,232</b>	9,606,130,854

# Consolidated Statement of Financial Position

At 30 June 2021

Renminbi Yuan

Item	Note	30 June 2021 <i>(Unaudited)</i>	31 December 2020 <i>(Audited)</i>
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	(V)36	1,175,476,637	1,175,476,637
Capital reserve	(V)37	3,321,880,949	3,321,880,949
Other comprehensive income	(V)38	(157,906,565)	(152,338,731)
Special reserve	(V)39	30,566,530	25,247,257
Surplus reserve	(V)40	2,325,644,999	2,325,644,999
Retained earnings	(V)41	<u>17,851,791,818</u>	<u>17,156,557,050</u>
<b>Total equity attributable to shareholders of the Parent</b>		<u>24,547,454,368</u>	<u>23,852,468,161</u>
<b>Non-controlling interests</b>		<u>413,757,441</u>	<u>407,122,243</u>
<b>Total shareholders' equity</b>		<u>24,961,211,809</u>	<u>24,259,590,404</u>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<u>34,853,781,041</u>	<u>33,865,721,258</u>

The accompanying notes form part of the financial statements.

The financial statements on pages 5 to 19 were signed by the following:

Legal Representative  
**Li Donglin**

Chief Financial Officer  
**Liu Zehua**

Head of Accounting Department  
**Sun Shan**



# Company Statement of Financial Position

At 30 June 2021

Renminbi Yuan

Item	Note	30 June 2021 <i>(Unaudited)</i>	31 December 2020 <i>(Audited)</i>
<b>Current Assets</b>			
Cash and bank balances	(XIV)1	3,069,907,778	3,285,589,102
Held-for-trading financial assets		2,601,212,210	3,732,327,307
Bills receivable	(XIV)2	2,290,484,753	2,292,803,807
Trade receivables	(XIV)3	7,687,339,591	6,041,080,638
Trade receivables financing	(XIV)4	1,296,872,076	1,161,363,269
Prepayments	(XIV)5	125,323,235	252,076,711
Other receivables	(XIV)6	1,110,050,466	504,335,796
Inventories	(XIV)7	3,615,355,844	2,819,283,803
Contract assets	(XIV)8	80,299,642	82,933,795
Non-current assets due within one year		566,639,582	565,596,704
Other current assets	(XIV)9	444,843,450	542,463,868
<b>Total Current Assets</b>		<b>22,888,328,627</b>	<b>21,279,854,800</b>
<b>Non-current Assets</b>			
Long-term equity investments	(XIV)10	5,645,820,277	5,573,966,557
Other equity instrument investments		92,832,300	92,832,300
Fixed assets	(XIV)11	813,340,967	850,816,973
Construction in progress		1,995,875,374	1,605,136,735
Right-of-use assets		38,420,741	27,088,691
Intangible assets	(XIV)12	303,182,779	343,594,952
Development expenditure		171,120,362	165,588,354
Long-term prepaid expenses		8,176,667	7,697,056
Deferred tax assets	(XIV)13	284,194,237	298,394,825
Other non-current assets		213,517,712	334,786,636
<b>Total Non-current Assets</b>		<b>9,566,481,416</b>	<b>9,299,903,079</b>
<b>TOTAL ASSETS</b>		<b>32,454,810,043</b>	<b>30,579,757,879</b>

# Company Statement of Financial Position

At 30 June 2021

Renminbi Yuan

Item	Note	30 June 2021 <i>(Unaudited)</i>	31 December 2020 <i>(Audited)</i>
<b>Current Liabilities</b>			
Bills payable	(XIV)14	955,241,763	1,058,293,574
Trade payables	(XIV)15	4,576,980,890	4,348,635,303
Contract liabilities	(XIV)16	425,242,431	577,105,249
Employee benefits payable		117,394,012	63,313,611
Taxes payable	(XIV)17	16,536,996	34,874,316
Other payables	(XIV)18	920,468,153	554,109,964
Non-current liabilities due within one year		340,211,721	343,034,221
Other current liabilities		54,911,798	74,228,162
<b>Total Current Liabilities</b>		<b>7,406,987,764</b>	<b>7,053,594,400</b>
<b>Non-current Liabilities</b>			
Long-term borrowings	(XIV)19	80,188,000	82,688,000
Lease liabilities		29,376,926	27,115,782
Long-term payables		553,417	10,215,068
Provisions	(XIV)20	484,753,080	497,551,352
Deferred income	(XIV)21	428,572,895	532,953,320
Other non-current liabilities		28,136,346	26,134,972
<b>Total Non-current Liabilities</b>		<b>1,051,580,664</b>	<b>1,176,658,494</b>
<b>TOTAL LIABILITIES</b>		<b>8,458,568,428</b>	<b>8,230,252,894</b>
<b>SHAREHOLDERS' EQUITY</b>			
Share capital		1,175,476,637	1,175,476,637
Capital reserve		3,371,446,430	3,371,446,430
Other comprehensive income		(28,408,867)	(26,098,194)
Special reserve		4,296,322	4,296,322
Surplus reserve		2,325,644,999	2,325,644,999
Retained earnings		17,147,786,094	15,498,738,791
<b>Total shareholders' equity</b>		<b>23,996,241,615</b>	<b>22,349,504,985</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>32,454,810,043</b>	<b>30,579,757,879</b>

The accompanying notes form part of the financial statements.

Legal Representative  
**Li Donglin**

Chief Financial Officer  
**Liu Zehua**

Head of Accounting Department  
**Sun Shan**

# Consolidated Statement of Profit and Loss and Other Comprehensive Income

For the six months ended 30 June 2021

Renminbi Yuan

Item	Note	For the six months ended 30 June 2021 (Unaudited)	For the six months ended 30 June 2020 (Unaudited)
I. Revenue	(V)42	<b>5,298,119,555</b>	5,570,059,638
Less: Cost of sales	(V)42	<b>3,300,418,281</b>	3,424,346,947
Tax and surcharges	(V)43	<b>32,563,123</b>	34,297,862
Selling expenses	(V)44	<b>405,676,870</b>	360,252,467
Administrative expenses	(V)45	<b>288,880,216</b>	272,523,718
Research and development expenses	(V)46	<b>640,930,972</b>	605,241,313
Finance costs	(V)47	<b>(17,484,209)</b>	5,006,384
Including: Interest expenses	(V)47	<b>6,001,132</b>	7,300,109
Interest income	(V)47	<b>28,126,762</b>	19,623,334
Add: Other income	(V)48	<b>219,467,419</b>	151,628,980
Investment income (loss)	(V)49	<b>31,580,149</b>	55,902,036
Including: share of gains (losses) of associates and joint ventures		<b>(11,154,070)</b>	(8,117,432)
Gains (losses) on derecognition of financial assets at amortized cost		<b>(101,331)</b>	-
Gains from fair value changes	(V)50	<b>8,884,903</b>	10,588,918
Credit impairment gains (losses)	(V)51	<b>(37,023,176)</b>	(75,217,281)
Asset impairment gains (losses)	(V)52	<b>(76,743,393)</b>	(198,098,342)
Gains (losses) on disposal of assets	(V)53	<b>(200,180)</b>	2,063,538
II. Operating profit		<b>793,100,024</b>	815,258,796
Add: Non-operating income	(V)54	<b>8,353,116</b>	28,083,300
Less: Non-operating expenses	(V)55	<b>141,572</b>	885,720
III. Total profit		<b>801,311,568</b>	842,456,376
Less: Income tax expense	(V)56	<b>98,338,894</b>	157,667,774
IV. Net profit		<b>702,972,674</b>	684,788,602
(I) Net profit classified by business continuity:			
1. Net profit from continuing operations		<b>702,972,674</b>	684,788,602
2. Net profit from discontinued operations		<b>-</b>	-
(II) Net profit classified by ownership:			
1. Net profit attributable to shareholders of the Parent		<b>695,234,768</b>	688,150,248
2. Net profit attributable to non-controlling interests		<b>7,737,906</b>	(3,361,646)

# Consolidated Statement of Profit and Loss and Other Comprehensive Income

For the six months ended 30 June 2021

Renminbi Yuan

Item	Note	For the six months ended 30 June 2021 <i>(Unaudited)</i>	For the six months ended 30 June 2020 <i>(Unaudited)</i>
V. Other comprehensive income, net of tax		<b>(5,714,855)</b>	23,797,384
Other comprehensive income attributable to shareholders of the Parent, net of tax		<b>(5,567,834)</b>	24,160,622
(I) Other comprehensive income that will not be reclassified to profit or loss		<u>—</u>	<u>—</u>
(II) Other comprehensive income that may be reclassified to profit or loss		<b>(5,567,834)</b>	24,160,622
1. Changes in fair value of other debt investments	(V)38	<b>(3,201,774)</b>	35,225,164
2. Translation differences of financial statements denominated in foreign currencies	(V)38	<b>(2,366,060)</b>	<u>(11,064,542)</u>
Other comprehensive income attributable to non-controlling interests, net of tax		<b>(147,021)</b>	<u>(363,238)</u>
VI. Total comprehensive income		<b><u>697,257,819</u></b>	<u>708,585,986</u>
Total comprehensive income attributable to shareholders of the Parent		<b><u>689,666,934</u></b>	<u>712,310,870</u>
Total comprehensive income attributable to non-controlling interests		<b><u>7,590,885</u></b>	<u>(3,724,884)</u>
VII. Earnings per share			
Basic earnings per share		<b><u>0.59</u></b>	<u>0.59</u>

The accompanying notes form part of the financial statements.

Legal Representative  
**Li Donglin**

Chief Financial Officer  
**Liu Zehua**

Head of Accounting Department  
**Sun Shan**

# Company Statement of Profit and Loss and Other Comprehensive Income

For the six months ended 30 June 2021

Renminbi Yuan

Item	Note	For the six months ended 30 June 2021 <i>(Unaudited)</i>	For the six months ended 30 June 2020 <i>(Unaudited)</i>
I. Revenue	(XIV)22	<b>4,215,874,386</b>	4,235,886,194
Less: Cost of sales	(XIV)22	<b>3,099,409,683</b>	3,000,290,891
Tax and surcharges	(XIV)23	<b>7,581,802</b>	7,820,940
Selling expenses	(XIV)24	<b>281,825,706</b>	245,412,395
Administrative expenses	(XIV)25	<b>129,144,686</b>	103,162,973
Research and development expenses	(XIV)26	<b>319,925,205</b>	304,231,177
Finance costs	(XIV)27	<b>(17,147,510)</b>	(21,641,818)
Including: Interest expenses		<b>2,968,678</b>	1,637,654
Interest income		<b>30,905,150</b>	22,440,130
Add: Other income	(XIV)28	<b>28,767,836</b>	28,145,286
Investment income (loss)	(XIV)29	<b>1,362,863,596</b>	1,599,254,730
Including: share of gains (losses) of associates and joint ventures		<b>(18,963)</b>	812,381
Gains from fair value changes		<b>8,884,903</b>	10,588,918
Credit impairment gains (losses)	(XIV)30	<b>(32,241,991)</b>	(56,202,296)
Asset impairment gains (losses)	(XIV)31	<b>(65,038,290)</b>	(174,291,028)
Gains (losses) on disposal of assets		<b>11,217</b>	29,342
II. Operating profit		<b>1,698,382,085</b>	2,004,134,588
Add: Non-operating income	(XIV)32	<b>1,830,891</b>	12,312,997
Less: Non-operating expenses	(XIV)33	<b>3,632</b>	41,839
III. Total profit		<b>1,700,209,344</b>	2,016,405,746
Less: Income tax expense	(XIV)34	<b>51,162,041</b>	81,935,174

# Company Statement of Profit and Loss and Other Comprehensive Income

For the six months ended 30 June 2021

Renminbi Yuan

Item	Note	For the six months ended 30 June 2021 <i>(Unaudited)</i>	For the six months ended 30 June 2020 <i>(Unaudited)</i>
IV. Net profit		<b><u>1,649,047,303</u></b>	<u>1,934,470,572</u>
1. Net profit from continuing operations		<b>1,649,047,303</b>	1,934,470,572
2. Net profit from discontinued operations		<u>–</u>	<u>–</u>
V. Other comprehensive income, net of tax		<b>(2,310,673)</b>	30,077,246
(I) Other comprehensive income that will not be reclassified to profit or loss		<u>–</u>	<u>–</u>
(II) Other comprehensive income that may be reclassified to profit or loss		<b>(2,310,673)</b>	30,077,246
1. Changes in fair value of other debt investments		<b>(2,487,455)</b>	30,742,745
2. Translation differences of financial statements denominated in foreign currencies		<b>176,782</b>	(665,499)
VI. Total comprehensive income		<b><u>1,646,736,630</u></b>	<u>1,964,547,818</u>

The accompanying notes form part of the financial statements.

Legal Representative  
**Li Donglin**

Chief Financial Officer  
**Liu Zehua**

Head of Accounting Department  
**Sun Shan**

# Consolidated Statement of Cash Flows

For the six months ended 30 June 2021

Renminbi Yuan

Item	Note	For the six months ended 30 June 2021 <i>(Unaudited)</i>	For the six months ended 30 June 2020 <i>(Unaudited)</i>
<b>I. Cash Flows from Operating Activities:</b>			
Cash receipts from the sales of goods and rendering of services		4,700,808,197	6,714,022,881
Receipts of tax refunds		68,597,906	84,122,346
Other cash receipts relating to operating activities	(V)57(1)	160,586,640	106,362,207
<b>Sub-total of cash inflows from operating activities</b>		<b>4,929,992,743</b>	6,904,507,434
Cash payments for goods purchased and services received		4,409,950,264	4,972,025,175
Cash payments to and on behalf of employees		880,693,690	840,673,421
Payments of various types of taxes		284,916,174	386,444,676
Other cash payments relating to operating activities	(V)57(2)	1,488,121,140	602,029,947
<b>Sub-total of cash outflows from operating activities</b>		<b>7,063,681,268</b>	6,801,173,219
<b>Net Cash Flow from Operating Activities</b>	(V)58(1)	<b>(2,133,688,525)</b>	103,334,215
<b>II. Cash Flows from Investing Activities:</b>			
Cash receipts from disposals and recovery of investments		8,400,000,000	10,890,000,000
Cash receipts from investment income		42,734,219	69,779,705
Net cash receipts from disposals of fixed assets, intangible assets and other long-term assets		298,177	3,490,606
<b>Sub-total of cash inflows from investing activities</b>		<b>8,443,032,396</b>	10,963,270,311
Cash payments to acquire or construct fixed assets, intangible assets and other long-term assets		430,017,133	686,706,753
Cash payments to acquire investments		7,283,000,000	9,129,117,550
<b>Sub-total of cash outflows from investing activities</b>		<b>7,713,017,133</b>	9,815,824,303
<b>Net Cash Flow from Investing Activities</b>		<b>730,015,263</b>	1,147,446,008

# Consolidated Statement of Cash Flows

For the six months ended 30 June 2021

Renminbi Yuan

Item	Note	For the six months ended 30 June 2021 (Unaudited)	For the six months ended 30 June 2020 (Unaudited)
<b>III. Cash Flows from Financing Activities:</b>			
Cash receipts from borrowings		37,454,805	91,806,458
Cash receipts from capital contributions		400,000	–
Including: cash receipts from capital contributions from non-controlling shareholders of subsidiaries		400,000	–
<b>Sub-total of cash inflows from financing activities</b>		<b>37,854,805</b>	91,806,458
Cash repayments of borrowings		28,365,641	6,176,814
Cash payments for distribution of dividends or profits or settlement of interest expenses		6,970,003	8,579,600
Including: payments for distribution of dividends or profits to non-controlling shareholders of subsidiaries		2,303,000	–
Other cash payments relating to financing activities	(V)57(3)	40,270,067	16,333,464
<b>Sub-total of cash outflows from financing activities</b>		<b>75,605,711</b>	31,089,878
<b>Net Cash Flow from Financing Activities</b>		<b>(37,750,906)</b>	60,716,580
<b>IV. Effect of Foreign Exchange Rate Changes on Cash and Cash Equivalents</b>			
		(1,893,126)	7,907,395
<b>V. Net Increase (Decrease) in Cash and Cash Equivalents</b>			
		(1,443,317,294)	1,319,404,198
Add: Opening balance of cash and cash equivalents		4,783,889,538	4,244,080,658
<b>VI. Closing Balance of Cash and Cash Equivalents</b>	(V)58(3)	<b>3,340,572,244</b>	5,563,484,856

The accompanying notes form part of the financial statements.

Legal Representative  
**Li Donglin**

Chief Financial Officer  
**Liu Zehua**

Head of Accounting Department  
**Sun Shan**



# Company Statement of Cash Flows

For the six months ended 30 June 2021

Renminbi Yuan

Item	Note	For the six months ended 30 June 2021 <i>(Unaudited)</i>	For the six months ended 30 June 2020 <i>(Unaudited)</i>
<b>I. Cash Flows from Operating Activities:</b>			
Cash receipts from the sales of goods and rendering of services		2,926,051,646	5,408,306,810
Receipts of tax refunds		14,560,540	913,661
Other cash receipts relating to operating activities		104,440,573	58,208,608
<b>Sub-total of cash inflows from operating activities</b>		<b>3,045,052,759</b>	<b>5,467,429,079</b>
Cash payments for goods purchased and services received		4,136,213,178	5,547,155,096
Cash payments to and on behalf of employees		398,695,832	389,510,430
Payments of various types of taxes		116,347,457	52,354,934
Other cash payments relating to operating activities		1,214,718,935	413,019,925
<b>Sub-total of cash outflows from operating activities</b>		<b>5,865,975,402</b>	<b>6,402,040,385</b>
<b>Net Cash Flow from Operating Activities</b>	(XIV)35(1)	<b>(2,820,922,643)</b>	<b>(934,611,306)</b>
<b>II. Cash Flows from Investing Activities:</b>			
Cash receipts from disposals and recovery of investments		8,400,000,000	10,892,400,000
Cash receipts from investment income		1,350,682,559	1,592,619,116
Net cash receipts from disposals of fixed assets, intangible assets and other long-term assets		129,555	11,998,657
Other cash receipts relating to investing activities		—	143,653,692
<b>Sub-total of cash inflows from investing activities</b>		<b>9,750,812,114</b>	<b>12,640,671,465</b>
Cash payments to acquire or construct fixed assets, intangible assets and other long-term assets		424,600,271	635,768,757
Cash payments to acquire investments		7,348,968,089	9,579,881,052
Other cash payments relating to investing activities		485,000,000	—
<b>Sub-total of cash outflows from investing activities</b>		<b>8,258,568,360</b>	<b>10,215,649,809</b>
<b>Net Cash Flow from Investing Activities</b>		<b>1,492,243,754</b>	<b>2,425,021,656</b>

# Company Statement of Cash Flows

For the six months ended 30 June 2021

Renminbi Yuan

Item	Note	For the six months ended 30 June 2021 <i>(Unaudited)</i>	For the six months ended 30 June 2020 <i>(Unaudited)</i>
<b>III. Cash Flows from Financing Activities:</b>			
Cash receipts from borrowings		<u>300,000,000</u>	<u>2,500,000</u>
<b>Sub-total of cash inflows from financing activities</b>		<u>300,000,000</u>	<u>2,500,000</u>
Cash repayments of borrowings		<b>3,149,013</b>	5,000,000
Cash payments for distribution of dividends or profits or settlement of interest expenses		<b>2,227,092</b>	2,389,115
Other cash payments relating to financing activities		<u>29,733,204</u>	<u>3,908,006</u>
<b>Sub-total of cash outflows from financing activities</b>		<u>35,109,309</u>	<u>11,297,121</u>
<b>Net Cash Flow from Financing Activities</b>		<u>264,890,691</u>	<u>(8,797,121)</u>
<b>IV. Effect of Foreign Exchange Rate Changes on Cash and Cash Equivalents</b>		<b>(1,893,126)</b>	(1,902,112)
<b>V. Net Increase (Decrease) in Cash and Cash Equivalents</b>		<b>(1,065,681,324)</b>	1,479,711,117
Add: Opening balance of cash and cash equivalents	(XIV)35(2)	<u>3,005,589,102</u>	<u>2,452,789,205</u>
<b>VI. Closing Balance of Cash and Cash Equivalents</b>	(XIV)35(3)	<u><b>1,939,907,778</b></u>	<u><b>3,932,500,322</b></u>

The accompanying notes form part of the financial statements.

Legal Representative  
**Li Donglin**

Chief Financial Officer  
**Liu Zehua**

Head of Accounting Department  
**Sun Shan**

# Consolidated Statement of Changes in Equity

For the six months ended 30 June 2021

Renminbi Yuan

		For the six months ended 30 June 2021 (Unaudited)								
		Attributable to shareholders of the Parent							Non-controlling interests	Total shareholders' equity
Item	Note	Share capital	Capital reserve	Other comprehensive income	Special reserve	Surplus reserve	Retained earnings	Sub-total		
I.	At 31 December 2020	1,175,476,637	3,321,880,949	(152,338,731)	25,247,257	2,325,644,999	17,156,557,050	23,852,468,161	407,122,243	24,259,590,404
II.	At 1 January 2021	1,175,476,637	3,321,880,949	(152,338,731)	25,247,257	2,325,644,999	17,156,557,050	23,852,468,161	407,122,243	24,259,590,404
III.	Movements during the period	-	-	(5,567,834)	5,319,273	-	695,234,768	694,986,207	6,635,198	701,621,405
(I)	Total comprehensive income	-	-	(5,567,834)	-	-	695,234,768	689,666,934	7,590,885	697,257,819
(II)	Shareholders' contribution and reduction in capital	-	-	-	-	-	-	-	400,000	400,000
1.	Contribution by ordinary shareholders	-	-	-	-	-	-	-	400,000	400,000
(III)	Profit distribution	-	-	-	-	-	-	-	(2,303,000)	(2,303,000)
1.	Transfer to surplus reserve	-	-	-	-	-	-	-	-	-
2.	Distributions to shareholders	-	-	-	-	-	-	-	(2,303,000)	(2,303,000)
(IV)	Special reserve	-	-	-	5,319,273	-	-	5,319,273	947,313	6,266,586
1.	Transfer to special reserve	-	-	-	26,799,465	-	-	26,799,465	1,420,969	28,220,434
2.	Amount utilized	-	-	-	(21,480,192)	-	-	(21,480,192)	(473,656)	(21,953,848)
IV.	At 30 June 2021	1,175,476,637	3,321,880,949	(157,906,565)	30,566,530	2,325,644,999	17,851,791,818	24,547,454,368	413,757,441	24,961,211,809

		For the six months ended 30 June 2020 (Unaudited)								
		Attributable to shareholders of the Parent							Non-controlling interests	Total shareholders' equity
Item	Note	Share capital	Capital reserve	Other comprehensive income	Special reserve	Surplus reserve	Retained earnings	Sub-total		
I.	At 31 December 2019	1,175,476,637	3,321,880,949	(140,316,129)	17,509,972	2,072,158,058	15,463,553,872	21,910,263,359	286,015,798	22,196,279,157
II.	At 1 January 2020	1,175,476,637	3,321,880,949	(140,316,129)	17,509,972	2,072,158,058	15,463,553,872	21,910,263,359	286,015,798	22,196,279,157
III.	Movements during the period	-	-	24,160,622	7,669,031	-	159,185,761	191,015,414	(3,511,290)	187,504,124
(I)	Total comprehensive income	-	-	24,160,622	-	-	688,150,248	712,310,870	(3,724,884)	708,585,986
(II)	Profit distribution	-	-	-	-	-	(528,964,487)	(528,964,487)	(1,174,530)	(530,139,017)
1.	Transfer to surplus reserve	-	-	-	-	-	-	-	-	-
2.	Distributions to shareholders	-	-	-	-	-	(528,964,487)	(528,964,487)	(1,174,530)	(530,139,017)
(III)	Special reserve	-	-	-	7,669,031	-	-	7,669,031	1,388,124	9,057,155
1.	Transfer to special reserve	-	-	-	22,318,141	-	-	22,318,141	1,678,154	23,996,295
2.	Amount utilized	-	-	-	(14,649,110)	-	-	(14,649,110)	(290,030)	(14,939,140)
IV.	At 30 June 2020	1,175,476,637	3,321,880,949	(116,155,507)	25,179,003	2,072,158,058	15,622,739,633	22,101,278,773	282,504,508	22,383,783,281

The accompanying notes form part of the financial statements.

Legal Representative  
**Li Donglin**

Chief Financial Officer  
**Liu Zehua**

Head of Accounting Department  
**Sun Shan**

# Company Statement of Changes in Equity

For the six months ended 30 June 2021

Renminbi Yuan

Item	Note	For the six months ended 30 June 2021 (Unaudited)						Total shareholders' equity
		Share capital	Capital reserve	Other comprehensive income	Special reserve	Surplus reserve	Retained earnings	
I.	At 31 December 2020	1,175,476,637	3,371,446,430	(26,098,194)	4,296,322	2,325,644,999	15,498,738,791	22,349,504,985
II.	At 1 January 2021	1,175,476,637	3,371,446,430	(26,098,194)	4,296,322	2,325,644,999	15,498,738,791	22,349,504,985
III.	Movements during the period	-	-	(2,310,673)	-	-	1,649,047,303	1,646,736,630
	(I) Total comprehensive income	-	-	(2,310,673)	-	-	1,649,047,303	1,646,736,630
	(II) Special reserves	-	-	-	-	-	-	-
	1. Transfer to special reserve	-	-	-	11,848,537	-	-	11,848,537
	2. Amount utilized	-	-	-	(11,848,537)	-	-	(11,848,537)
IV.	At 30 June 2021	1,175,476,637	3,371,446,430	(28,408,867)	4,296,322	2,325,644,999	17,147,786,094	23,996,241,615

Item	Note	For the six months ended 30 June 2020 (Unaudited)						Total shareholders' equity
		Share capital	Capital reserve	Other comprehensive income	Special reserve	Surplus reserve	Retained earnings	
I.	At 31 December 2019	1,175,476,637	3,371,446,430	(41,975,605)	4,296,322	2,072,158,058	13,746,320,807	20,327,722,649
II.	At 1 January 2020	1,175,476,637	3,371,446,430	(41,975,605)	4,296,322	2,072,158,058	13,746,320,807	20,327,722,649
III.	Movements during the period	-	-	30,077,246	1,124,063	-	1,405,506,085	1,436,707,394
	(I) Total comprehensive income	-	-	30,077,246	-	-	1,934,470,572	1,964,547,818
	(II) Profit distribution	-	-	-	-	-	(528,964,487)	(528,964,487)
	1. Distributions to shareholders	-	-	-	-	-	(528,964,487)	(528,964,487)
	(III) Special reserve	-	-	-	1,124,063	-	-	1,124,063
	1. Transfer to special reserve	-	-	-	12,668,495	-	-	12,668,495
	2. Amount utilized	-	-	-	(11,544,432)	-	-	(11,544,432)
IV.	At 30 June 2020	1,175,476,637	3,371,446,430	(11,898,359)	5,420,385	2,072,158,058	15,151,826,892	21,764,430,043

The accompanying notes form part of the financial statements.

Legal Representative  
**Li Donglin**

Chief Financial Officer  
**Liu Zehua**

Head of Accounting Department  
**Sun Shan**

# Notes to the Financial Statements

For the six months ended 30 June 2021

Renminbi Yuan

## (I) BASIC INFORMATION ABOUT THE COMPANY

### 1. General

Zhuzhou CRRC Times Electric Co., Ltd. (formerly named “Zhuzhou CSR Times Electric Co., Ltd.”) (the “Company”), is a joint stock limited company registered in Hunan Province, the People’s Republic of China (the “PRC”). It was jointly established by CRRC Zhuzhou Institute Co., Ltd. (formerly named “CSR Zhuzhou Electric Locomotive Research Institute Co., Ltd.”, hereinafter referred to as “CRRC ZELRI”), CRRC Changzhou Industrial Management Co., Ltd. (formerly named “CRRC Changzhou Qishuyan Locomotive & Rolling Stock Works”), CRRC Zhuzhou Locomotive Co., Ltd. (formerly named “CSR Zhuzhou Electric Locomotive Co., Ltd.”), CRRC Investment & Leasing Co., Ltd. (formerly named “CSR Investment & Leasing Co., Ltd.”) and CRRC High-Tech Equipment Co., Ltd. (formerly named “China Railway Large Maintenance Machinery Co., Ltd. Kunming”) at the date of 26 September 2005.

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

In December 2006, the Company issued 414,644,000 H Shares (including H shares issued via the exercise of the over-allotment option) with a nominal value of RMB1 each through the Hong Kong Stock Exchange. The issue price was HKD5.3 per share. The total proceeds before deducting issuing expenses amounted to HKD2,197,613,000 (equivalent to approximately RMB2,209,968,000). These H shares were listed and traded on the Main Board of the Hong Kong Stock Exchange in December 2006. In October 2013, the Company issued 91,221,000 H Shares with a nominal value of RMB1 each through the Hong Kong Stock Exchange. The issue price was HKD25 per share. The total proceeds before deducting issuing expenses amounted to HKD2,280,525,000 (equivalent to approximately RMB1,803,872,470). These H shares were listed and traded on the Main Board of the Hong Kong Stock Exchange in October 2013. Consequently upon the issue of the H Shares, the registered capital and share capital of the Company was increased to RMB1,175,476,637.

### 2. Scope of the consolidated financial statements

The consolidated and the Company’s financial statements have been approved by the board of directors of the Company on 9 August 2021.

For details of the scope of the consolidated financial statements for the Reporting Period, please refer to Note (VI) “Change in the Scope of Consolidation”.

# Notes to the Financial Statements

For the six months ended 30 June 2021

Renminbi Yuan

## (II) BASIS OF PREPARATION OF FINANCIAL STATEMENTS

### Basis of preparation

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

### Going concern

The Group assessed its ability to continue as a going concern for the 12 months from 30 June 2021 and did not notice any events or circumstances that may cast significant doubt upon its ability to continue as a going concern. Therefore, the financial statements have been prepared on a going concern basis.

### Basis of accounting and principle of measurement

The Group has adopted the accrual basis of accounting. Except for certain financial instruments which are measured at fair value, the Group adopts the historical cost as the principle of measurement in the financial statements. Where assets are impaired, provisions for asset impairment are made in accordance with relevant requirements.

Where the historical cost is adopted as the measurement basis, assets are recorded at the amount of cash or cash equivalents paid or the fair value of the consideration given to acquire them at the time of their acquisition. Liabilities are recorded at the amount of receipts or assets received or the contractual amounts for assuming the present obligation, or, at the amounts of cash and cash equivalents expected to be paid to settle the liabilities in the normal course of business.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurements date, regardless of whether that price is directly observable or estimated using valuation technique. Fair value measurement and disclosure in the financial statements are determined according to the above basis.

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

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

# Notes to the Financial Statements

For the six months ended 30 June 2021

Renminbi Yuan

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

### Basis of accounting and principle of measurement (continued)

Fair value measurements are categorized into Level 1, 2 or 3 based on degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

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

## (III) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

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

The financial statements of the Company have been prepared in accordance with ASBE, and present truly and completely, the consolidated and Company’s financial position as of 30 June 2021, and the consolidated and Company’s operating results and cash flows for the period from 1 January to 30 June 2021.

### 2. Accounting period

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

### 3. Operating cycle

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

### 4. Functional currency

Renminbi (“RMB”) is the currency of the primary economic environment in which the Company and its domestic subsidiaries operate. Therefore, the Company and its domestic subsidiaries choose RMB as their functional currency. The Company’s foreign subsidiaries determine their functional currencies on the basis of the primary economic environment in which they operate. The Group adopts RMB to prepare its financial statements.

# Notes to the Financial Statements

For the six months ended 30 June 2021

Renminbi Yuan

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

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

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

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

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

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

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

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

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

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

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



# Notes to the Financial Statements

For the six months ended 30 June 2021

Renminbi Yuan

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

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

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

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

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

### 6. Preparation of consolidated financial statements

The scope of consolidation in the consolidated financial statements is determined on the basis of control. Control is the power over the investee, exposures or rights to variable returns from its involvement with the investee, and the ability to use its power over the investee to affect the amount of the investor's returns. If changes of related facts and situations lead to changes of related elements of control, the Group will conduct reassessment.

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

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

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

# Notes to the Financial Statements

For the six months ended 30 June 2021

Renminbi Yuan

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

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

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

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

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

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

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

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

When the Group loses control over a subsidiary due to disposal of certain equity interest or other reasons, any retained interest is re-measured at its fair value at the date when control is lost. The difference between (i) the aggregate of the consideration received on disposal and the fair value of any retained interest and (ii) the share of the former subsidiary's net assets cumulatively calculated from the acquisition date according to the original proportion of ownership interest is recognised as investment income in the period in which control is lost and offset against goodwill. Other comprehensive income associated with investment in the former subsidiary is reclassified to investment income in the period in which control is lost.

# Notes to the Financial Statements

For the six months ended 30 June 2021

Renminbi Yuan

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

### 7. Classification of joint arrangements

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

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

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

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

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

#### 9.1 Transactions denominated in foreign currencies

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

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

# Notes to the Financial Statements

For the six months ended 30 June 2021

Renminbi Yuan

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

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

#### 9.1 Transactions denominated in foreign currencies (continued)

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

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

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

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

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

# Notes to the Financial Statements

For the six months ended 30 June 2021

Renminbi Yuan

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

### 10. Financial instruments

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

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

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

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

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

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

# Notes to the Financial Statements

For the six months ended 30 June 2021

Renminbi Yuan

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

### 10. Financial instruments (continued)

#### 10.1 Classification, recognition and measurement of financial assets

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

If contractual terms of the financial asset give rights on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, and the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows, such asset is classified into financial asset measured at amortized cost. Such type of financial assets mainly comprise cash and bank balances, bills receivable, trade receivables, other receivables, debt investments, and long-term receivables, etc.

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

Upon initial recognition, the Group irrevocably designates non-held-for-trading equity instrument investments except contingent considerations recognised in the business combination not under the same control as financial assets at FVTOCI based on individual financial assets. Such type of financial assets are presented as other equity instrument investments.

# Notes to the Financial Statements

For the six months ended 30 June 2021

Renminbi Yuan

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

### 10. Financial instruments (continued)

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

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

- It has been acquired principally for the purpose of selling in the near term.
- Relevant financial assets are part of the identifiable financial instrument combination under centralized management upon initial recognition and there is objective evidence indicating that recently there exists a short-term profit model.
- Relevant financial assets are derivatives, excluding derivatives following the definition of financial guarantee contracts as well as derivatives designated as effective hedging instruments.

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

- Financial assets that are unqualified for the classification as at amortized cost and at FVTOCI are classified as at FVTPL.
- Upon initial recognition, to eradicate or significantly reduce accounting mismatches, the Group can irrevocably designate financial assets as at fair value through profit or loss.

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

# Notes to the Financial Statements

For the six months ended 30 June 2021

Renminbi Yuan

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

### 10. Financial instruments (continued)

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

##### 10.1.1 Financial assets measured at amortized cost

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

The Group recognises interest income for financial assets measured at amortized cost using the effective interest method. The Group determines the interest income by multiplying the gross carrying amount of financial assets by effective rate except the following situations:

- For purchased or original credit-impaired financial assets, the Group recognises their interest income based on amortized cost and credit-adjusted effective interest rate of such financial assets since initial recognition.
- For purchased or original financial assets without credit impairment but subsequently becoming credit impaired, the Group subsequently recognises their interest income based on amortized costs and effective interest rate of such financial assets. If there exists no credit impairment due to improvement in credit risk of the financial instruments subsequently and the improvement is relevant to an event incurred subsequent to the application of above provisions, the Group recognises interest income based on applying effective interest rate to carrying amount of the financial assets.



# Notes to the Financial Statements

For the six months ended 30 June 2021

Renminbi Yuan

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

### 10. Financial instruments (continued)

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

##### 10.1.2 Financial assets at FVTOCI

For financial assets classified as financial assets at FVTOCI, except that gains or losses on impairment, interest income calculated by using effective interest rate and exchange gains or losses are recognised in profit or loss for the period, fair value changes in the above financial assets are included in other comprehensive income. The amount of the financial assets included into profit or loss of each period shall be regarded as equal as the amount measured at amortized cost through profit or loss over each period. Upon derecognition of the financial assets, cumulative gains or losses previously recognised in other comprehensive income are transferred and reclassified into profit or loss for the period.

For non-held-for-trading equity investment designated as financial assets at FVTOCI, fair value changes are recognised in other comprehensive income. Upon derecognition of the financial asset, cumulative gains or losses previously recognised in other comprehensive income are transferred and included in retained earnings. During the period for which the Group holds the investments in the non-held-for-trading equity instruments, dividend income is recognised and included in profit or loss for the period when the Group's right to collect dividend has been established; it is probable that economic benefits associated with dividend will flow to the Group; and the amount of dividend can be reliably measured.

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

Financial assets at FVTPL is measured subsequently at fair value, with gains or losses arising from changes in the fair value and dividend and interest income relevant to the financial assets are recorded to profit or loss for the period.

# Notes to the Financial Statements

For the six months ended 30 June 2021

Renminbi Yuan

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

### 10. Financial instruments (continued)

#### 10.2 Impairment of financial instruments

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

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

For other financial instruments, except for the purchased or originated credit-impaired financial assets, at each balance sheet date, the Group assesses changes in credit risk of relevant financial instruments since initial recognition. If the credit risk of the above financial instruments has increased significantly since initial recognition, the Group measures loss allowance based on the amount of full lifetime; if credit risk of the financial instrument has not increased significantly since initial recognition, the Group 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 balance sheet.

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

# Notes to the Financial Statements

For the six months ended 30 June 2021

Renminbi Yuan

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

### 10. Financial instruments (continued)

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

##### 10.2.1 Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the balance sheet date with the risk of a default occurring on the financial instrument as at the date of initial recognition based on available reasonable and supportable forward-looking information.

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

- (1) Significant changes in internal price indicators as a result of a change in credit risk;
- (2) If the existing financial instruments are derived into or issued as new financial instruments at the end of each period, whether interest rates or other terms of the above financial instruments have changed significantly (including harsher contractual terms, increase in collaterals or higher yield rate etc.);
- (3) Whether external credit rating of the financial instrument has actually changed significantly or is expected to change significantly;
- (4) Whether expected detrimental changes in business, financial and economic conditions of the borrower which will affect borrower's ability to perform repayment obligation have changed significantly;
- (5) Whether the actual or expected operating results of the borrower have changed significantly;
- (6) Whether credit risk of other financial instruments issued by the same borrower has increased significantly;
- (7) Whether supervisory, economic or technical environment for the borrower has significant detrimental changes;
- (8) Whether the economic motive that will lower the borrower's repayment based on contractual stipulation has changed significantly;
- (9) Whether the borrower's expected performance and repayment activities have changed significantly.

# Notes to the Financial Statements

For the six months ended 30 June 2021

Renminbi Yuan

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

### 10. Financial instruments (continued)

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

##### 10.2.1 Significant increase in credit risk (continued)

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

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

##### 10.2.2 Credit-impaired financial assets

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

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

# Notes to the Financial Statements

For the six months ended 30 June 2021

Renminbi Yuan

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

### 10. Financial instruments (continued)

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

##### 10.2.2 Credit-impaired financial assets (continued)

Based on the Group's internal credit risk management, if internal suggestions or external information indicate that the debtors of the financial instruments cannot make the full repayments to creditors including the Group (without considering guarantee obtained by the Group), the Group then considers it as an event of default.

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

##### 10.2.3 Recognition of expected credit losses

Except that the Group recognises credit loss for trade receivables, contract assets, other receivables, bills receivable and operating lease receivables that are individually significant or credit-impaired on an individual asset basis, the Group recognised credit loss for relevant financial instruments on a collective basis using a provision matrix. The Group classifies financial instruments into different groups based on shared risk characteristics. Shared credit risk characteristics include type of financial instruments, type of debtors, industry of debtors, initial recognition date, and contract collection term etc.

The Group classifies its trade receivables and contract assets into different groups that includes central state-owned enterprises, local state-owned enterprises, China State Railway Group Co.,Ltd. and its subsidiaries, and other enterprises based on their credit risk characteristics. For the grouped trade receivables and contract assets, the Group takes consideration of the aging analysis, historical loss and other factors, and properly adjusts the lifetime expected credit losses rate in respect of the future economic condition and other factors so as to calculate the expected credit losses by default risk exposures and lifetime expected credit losses rate.

# Notes to the Financial Statements

For the six months ended 30 June 2021

Renminbi Yuan

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

### 10. Financial instruments (continued)

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

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

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

- For a financial asset, credit loss is the present value of difference between the contractual cash flow receivable and the expected cash flows to be received.
- For an operating lease receivable, credit loss is the present value of difference between the contractual cash flow receivable and the expected cash flows to be received.
- For a financial guarantee contract, credit loss is the present value of the difference between the expected payment made by the Group for the credit loss incurred to the contract holder and the amount that the Group expects to collect from such contract holder, debtor or other parties.
- For credit-impaired financial assets other than the purchased or originally credit-impaired financial assets at the balance date, credit loss is difference between the carrying amount of financial assets and the present value of expected future cash flows discounted at original effective interest rate.

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

##### 10.2.4 Reduction in financial assets

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

# Notes to the Financial Statements

For the six months ended 30 June 2021

Renminbi Yuan

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

### 10. Financial instruments (continued)

#### 10.3 Transfer of financial assets

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

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

- For transferred financial assets carried at amortized cost, the carrying amount of relevant liabilities is the carrying amount of financial assets transferred with continuing involvement less amortized cost of the Group's retained rights (if the Group retains relevant rights upon transfer of financial assets) with addition of amortized cost of obligations assumed by the Group (if the Group assumes relevant obligations upon transfer of financial assets). Relevant liabilities are not designated as financial liabilities at fair value through profit or loss.
- For financial assets carried at fair value, the carrying amount of relevant financial liabilities is the carrying amount of financial assets transferred with continuing involvement less fair value of the Group's retained rights (if the Group retains relevant rights upon transfer of financial assets) with addition of fair value of obligations assumed by the Group (if the Group assumes relevant obligations upon transfer of financial assets). Accordingly, the fair value of relevant rights and obligations shall be measured on an individual basis.

For a transfer of a financial asset in its entirety that satisfies the derecognition criteria, the difference between the carrying amount of the financial asset transferred and the sum of the consideration received from the transfer and any cumulative gain or loss that has been recognised in other comprehensive income, is recognised in profit or loss. While regarding non-trading equity instrument investments designated as at FVTOCI, cumulative gains or losses previously recognised in other comprehensive income are transferred and included in retained profits.

# Notes to the Financial Statements

For the six months ended 30 June 2021

Renminbi Yuan

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

### 10. Financial instruments (continued)

#### 10.3 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 value of those parts at the date of transfer. The difference between the carrying amount allocated to the part derecognised on the date of derecognition and 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. While regarding non-trading equity instrument investments designated as at FVTOCI, cumulative gains or losses previously recognised in other comprehensive income are transferred and included in retained profits.

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

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

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

##### 10.4.1 Classification, recognition and measurement of financial liabilities

On initial recognition, financial liabilities are classified into financial liabilities at fair value through profit or loss and other financial liabilities. All of the Group's financial liabilities are other financial liabilities.



# Notes to the Financial Statements

For the six months ended 30 June 2021

Renminbi Yuan

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

### 10. Financial instruments (continued)

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

##### 10.4.1 Classification, recognition and measurement of financial liabilities (continued)

###### 10.4.1.1 Other financial liabilities

The Group classifies all financial liabilities as subsequently measured at amortized cost, except for financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies and financial guarantee contracts, and gains or losses arising from derecognition or amortization are recognised in profit or loss for the period.

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

###### 10.4.1.2 Financial guarantee contracts

A financial guarantee contract is a contract by the issuer which is required to compensate specific amount to the contract holder who suffers from losses when the specific debtor cannot repay the debts in accordance with the initial or revised debt instrument terms upon maturity of debts. Financial guarantee contracts that are not designated as financial liabilities at fair value through profit or loss, or are for the financial liabilities arising as the transfer of financial assets that do not meet the derecognition condition or arising from continuous involvement of transferred financial assets, are measured at the higher of the loss provision after initial recognition and balance of amount recognised initially less the accumulated amortization amount determined on the basis of the Revenue Standards.

# Notes to the Financial Statements

For the six months ended 30 June 2021

Renminbi Yuan

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

### 10. Financial instruments (continued)

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

##### 10.4.2 Derecognition of financial liabilities

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

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

##### 10.4.3 Equity instruments

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

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

#### 10.5 Derivative instruments

The derivative instruments of the Group include forward exchange contract, etc. The derivative instruments are measured initially at fair value on the relevant contractual signing date, and measured subsequently at fair value. At the end of the Reporting Period, the derivative financial instruments at a positive fair value are presented in derivative financial assets, and those at a negative fair value are presented in derivative financial liabilities.

# Notes to the Financial Statements

For the six months ended 30 June 2021

Renminbi Yuan

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

### 10. Financial instruments (continued)

#### 10.6 Offsetting financial assets and financial liabilities

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

### 11. Receivables financing

Bills receivable and trade receivables classified as at FVTOCI with a period of one year (inclusive) since obtaining are presented as receivables financing; those with a period of over one year since obtaining are presented as other debt investments. For the relevant accounting policies, see Note (III)10.1, Note (III)10.2 and Note (III)10.3.

### 12. Inventories

#### 12.1 Categories of inventories

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

#### 12.2 Valuation method of inventories upon delivery

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

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

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

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

# Notes to the Financial Statements

For the six months ended 30 June 2021

Renminbi Yuan

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

### 12. Inventories (continued)

#### 12.3 Basis for determining net realizable value of inventories (continued)

The provision for decline in values of raw materials, semi-finished products, work-in-progress, finished goods, and turnover materials are made on an individual basis. For items of inventories relating to a product line that are produced and marketed in the same geographical area, have the same or similar end uses or purposes, and cannot be practicably evaluated separately from other items in that product line, provision for decline in value is determined on an aggregate basis.

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

#### 12.4 Inventory count system

The perpetual inventory system is maintained for stock system.

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

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

### 13. Contract assets

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

Contract assets refer to the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer when that right is conditioned on something other than the passage of time. The Group's unconditional (i.e., depending on the passage of time only) right to receive consideration from the customer is separately presented as receivables.

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

For the determination and accounting methods of expected credit loss of contract assets, see Note (III) "10.2 Impairment of financial instruments" for details.

# Notes to the Financial Statements

For the six months ended 30 June 2021

Renminbi Yuan

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

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

Non-current assets and disposal groups are classified as held for sale category when the Group recovers the book value through a sale (including an exchange of non-monetary assets that has commercial substance) rather than continuing use.

Non-current assets or disposal groups classified as held for sale are required to satisfy the following conditions: (1) the asset or disposal group is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such asset or disposal group; (2) the sale is highly probable, i.e. the Group has made a resolution about selling plan and obtained a confirmed purchase commitment and the sale is expected to be completed within one year.

The Group measures the non-current assets or disposal groups classified as held for sale at the lower of their carrying amount and fair value less costs to sell. Where the carrying amount is higher than the net amount of fair value less costs to sell, the carrying amount should be reduced to the net amount of fair value less costs to sell, and such reduction is recognised in impairment loss of assets and included in profit or loss for the period. Meanwhile, provision for impairment of held-for-sale assets are made. When there is increase in the net amount of fair value of non-current assets held for sale less costs to sell at the balance sheet date, the original deduction should be reversed in impairment loss of assets recognised after the classification of held-for-sale category, and the reverse amount is include in profit or loss for the period.

Non-current assets classified as held-for-sale or disposal groups are not depreciated or amortized, interest and other costs of liabilities of disposal group classified as held for sale continue to be recognised.

All or part of equity investments in an associate or joint venture are classified as held-for-sale assets. For the part that is classified as held-for-sale, it is no longer accounted for using the equity method since the date of the classification.

# Notes to the Financial Statements

For the six months ended 30 June 2021

Renminbi Yuan

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

### 15. Long-term equity investments

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

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

#### 15.2 *Determination of initial investment cost*

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

For a long-term equity investment acquired through business combination not involving enterprises under common control, the investment cost of the long-term equity investment is the cost of acquisition at the date of combination.

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

# Notes to the Financial Statements

For the six months ended 30 June 2021

Renminbi Yuan

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

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

#### 15.2 Determination of initial investment cost (continued)

Long-term equity investment acquired otherwise than through a business combination is initially measured at its cost. When the entity is able to exercise significant influence or joint control (but not control) over an investee due to additional investment, the cost of long-term equity investments is the sum of the fair value of previously-held equity investments determined in accordance with Accounting Standard for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments and the additional investment cost.

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

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

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

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

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

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

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

# Notes to the Financial Statements

For the six months ended 30 June 2021

Renminbi Yuan

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

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

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

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

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

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



# Notes to the Financial Statements

For the six months ended 30 June 2021

Renminbi Yuan

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

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

#### 15.4 Disposal of long-term equity investments

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

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

# Notes to the Financial Statements

For the six months ended 30 June 2021

Renminbi Yuan

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

### 16. Fixed assets

#### 16.1 Recognition criteria

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

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

#### 16.2 Depreciation method

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

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

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

# Notes to the Financial Statements

For the six months ended 30 June 2021

Renminbi Yuan

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

### 16. Fixed assets (continued)

#### 16.3 Other descriptions

If a fixed asset is upon disposal or no future economic benefits are expected to be generated from its use or disposal, the fixed asset is derecognised. When a fixed asset is sold, transferred, retired or damaged, the amount of any proceeds on disposal of the asset net of the carrying amount and related taxes is recognised in profit or loss for the period.

The Group reviews the useful life and estimated net residual value of a fixed asset and the depreciation method applied at least once at each financial year-end, and account for any change as a change in an accounting estimate.

### 17. Construction in progress

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

### 18. Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying asset are capitalized when expenditures for such asset and borrowing costs are incurred and activities relating to the acquisition, construction or production of the asset that are necessary to prepare the asset for its intended use or sale have commenced. Capitalization of borrowing costs ceases when the qualifying asset being acquired, constructed or produced becomes ready for its intended use or sale. Capitalization of borrowing costs is suspended during periods in which the acquisition, construction or production of a qualifying asset is suspended abnormally and when the suspension is for a continuous period of more than 3 months. Capitalization is suspended until the acquisition, construction or production of the asset is resumed. Other borrowing costs are recognised as an expense in the period in which they are incurred.

Where funds are borrowed under a specific-purpose borrowing, the amount of interest to be capitalized is the actual interest expense incurred on that borrowing for the period less any bank interest earned from depositing the borrowed funds before being used on the asset or any investment income on the temporary investment of those funds. Where funds are borrowed under general-purpose borrowings, the Group determines the amount of interest to be capitalized on such borrowings by applying a capitalization rate to the weighted average of the excess of cumulative expenditures on the asset over the amounts of specific-purpose borrowings. The capitalization rate is the weighted average of the interest rates applicable to the general-purpose borrowings.

# Notes to the Financial Statements

For the six months ended 30 June 2021

Renminbi Yuan

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

### 19. Intangible asset

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

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

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

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

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

#### 19.2 Research and development expenditure

The Group classifies the expenditure on an internal research and development project into expenditure on the research phase and expenditure on the development phase.

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

# Notes to the Financial Statements

For the six months ended 30 June 2021

Renminbi Yuan

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

### 19. Intangible asset (continued)

#### 19.2 Research and development expenditure (continued)

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

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

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

# Notes to the Financial Statements

For the six months ended 30 June 2021

Renminbi Yuan

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

### 20. Impairment of long-term assets

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

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

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

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

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

Except for impairment losses related to contract costs, once the impairment losses are recognised for above assets, they will not be reversed in any subsequent period. The Group shall, after the asset impairment related to contract costs has been provided, recognised in profit or loss a reversal of some or all of an impairment loss previously recognised when the impairment conditions no longer exist or have improved. The increased carrying amount of the asset shall not exceed the carrying amount that would have been determined if no impairment loss had been recognised previously.

# Notes to the Financial Statements

For the six months ended 30 June 2021

Renminbi Yuan

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

### 21. Long-term prepaid expenses

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

### 22. Contract liabilities

Contract liabilities refer to the Group's obligation to transfer goods or services to a customer for which the Group has received consideration from the customer. Contract assets and contract liabilities under the same contract are presented at net amount.

### 23. Employee benefits

Employee benefits are all forms of considerations given by the Group in exchange for services rendered by employees or for the termination of employment. Employee benefits include short-term benefits, post-employment benefits, termination benefits and other long-term employee benefits.

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

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

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

# Notes to the Financial Statements

For the six months ended 30 June 2021

Renminbi Yuan

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

### 23. Employee benefits (continued)

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

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

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

#### 23.3 Accounting treatment of termination benefits

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

### 24. Provisions

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

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



# Notes to the Financial Statements

For the six months ended 30 June 2021

Renminbi Yuan

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

### 25. Revenue

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

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

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

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

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

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

# Notes to the Financial Statements

For the six months ended 30 June 2021

Renminbi Yuan

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

### 25. Revenue (continued)

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

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

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

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

When the Group collects amounts of sold goods or services in advance from the customer, the Group will firstly recognise the amounts as liabilities and then transfer to revenue until satisfying relevant performance obligations. When the receipts in advance is non-refundable and the customer may give up all or part of contract right, and the Group is expected to be entitled to obtain amounts associated with contract rights given up by the customer, the above amounts shall be proportionally 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 require the Group to satisfy remaining performance obligations.

# Notes to the Financial Statements

For the six months ended 30 June 2021

Renminbi Yuan

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

### 25. Revenue (continued)

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

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

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

(2) *Revenue from rendering of maintenance service*

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

(3) *Revenue from construction contracts*

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

#### 25.3 Costs of obtaining the contract

If the incremental costs (costs that will not occur if no contract obtained) incurred for obtaining the contract are expected to be recovered, the Group recognises it as an asset. The asset mentioned above shall be amortized on a basis that is consistent with the transfer to the customer of the goods or services to which the asset relates and recognised in profit or loss for the period. If the amortization period of the asset does not exceed one year, it is recognised in profit or loss for the period in which it occurs. Other expenses incurred by the Group for obtaining the contract are recognised in profit or loss for the period in which it occurs.

#### 25.4 Costs to fulfil a contract

If the costs incurred in fulfilling a contract are not within the scope of other standard other than standards on revenue, the Group recognises an asset from the costs incurred to fulfil a contract only if those costs meet all of the following criteria: 1) the costs relate directly to a contract or to an anticipated contract that the Group can specifically identify; 2) the costs generate or enhance resources of the entity that will be used in satisfying performance obligations in the future; and 3) the costs are expected to be recovered. The asset mentioned above shall be amortized on a basis that is consistent with the transfer to the customer of the goods or services to which the asset relates and recognised in profit or loss for the period.

# Notes to the Financial Statements

For the six months ended 30 June 2021

Renminbi Yuan

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

### 26. Government grants

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

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

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

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

A government grant related to an asset is recognised as deferred income and included in profit or loss over the useful life of the related asset on an average distribution basis. Where the relevant asset is sold, transferred, scrapped or damaged prior to the end of its useful life, the related undistributed deferred income is transferred to the profit or loss of the disposal period.

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

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

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

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

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

# Notes to the Financial Statements

For the six months ended 30 June 2021

Renminbi Yuan

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

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

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

#### 27.1 Current income tax

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

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

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

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

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

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

# Notes to the Financial Statements

For the six months ended 30 June 2021

Renminbi Yuan

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

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

#### 27.2 *Deferred tax assets and deferred tax liabilities* (continued)

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

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

#### 27.3 *Income tax offsetting*

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

When the Group has a legal right to settle current tax assets and liabilities on a net basis, and deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax assets and liabilities on a net basis or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be reversed, deferred tax assets and deferred tax liabilities are offset and presented on a net basis.

# Notes to the Financial Statements

For the six months ended 30 June 2021

Renminbi Yuan

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

### 28. Leases

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

At inception of the contracts, the Group assesses whether the contract is, or contains, a lease. Unless the terms and conditions of the contract are changed, the Group does not reassess whether a contract is, or contains, a lease.

#### **28.1 The Group as a Lessee**

##### *28.1.1 Separating components of a lease*

For a contract that contains lease and non-lease components, the Group allocate the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease components and the aggregate stand-alone price of the non-lease components.

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

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

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

# Notes to the Financial Statements

For the six months ended 30 June 2021

Renminbi Yuan

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

### 28. Leases (continued)

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

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

Right-of-use assets are depreciated based on depreciation provisions in Accounting Standards for Business Enterprises No. 4 – Fixed Assets. If the Group is reasonably certain, that the lease will transfer ownership of the underlying asset to the Group by the end of the lease term, the right-of-use assets is depreciated from the commencement date to the end of the useful life of the underlying asset. Otherwise, the right-of-use assets is depreciated from the commencement date to the earlier of the end of the useful life of the right-of-use assets or the end of the lease term.

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

##### 28.1.3 Lease liabilities

Except for short-term leases and leases for which the underlying asset is of low value, at the commencement date of the lease, the Group measures the lease liabilities at the present value of the lease payments that are not paid at that date. The Group determines the present value of the lease payments using the interest rate implicit in the lease as the discount rate. If the interest rate implicit in the lease cannot be readily determined, the lessee shall use the lessee's incremental borrowing rate.

The lease payments comprise the following payments by the Group for the right to use the underlying asset during the lease term, including:

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



# Notes to the Financial Statements

For the six months ended 30 June 2021

Renminbi Yuan

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

### 28. Leases (continued)

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

##### 28.1.3 Lease liabilities (continued)

Variable lease payments that depend on an index or a rate, are initially measured using the index or rate as at the commencement date. Variable lease payments not included in the measurement of the lease liabilities, are recognised in profit or loss or in the cost of relevant assets for the period when they are incurred.

After the commencement date of the lease, interest on the lease liabilities in each period during the lease term is calculated by a constant periodic rate of interest on the remaining balance of the lease liabilities, and recognised in profit or loss or relevant asset cost.

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

- (1) Where there is a change in the lease term, or in the assessment of an option to purchase the underlying asset, the Group re-measures the lease liabilities, on the basis of the revised lease term and the revised discount rate;
- (2) Where there is a change in the amounts expected to be payable under a residual value guarantee, or in future lease payments resulting from a change in an index or a rate used to determine those payments, the Group re-measures the lease liabilities, on the basis of the revised lease payments and the unchanged discount rate. If the change of lease payment arises from the change of variable interest rate, the revised discount rate shall be used to calculate the present value.

# Notes to the Financial Statements

For the six months ended 30 June 2021

Renminbi Yuan

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

### 28. Leases (continued)

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

##### 28.1.4 Short-term leases and leases for which the underlying asset is of low value

The Group elects not to recognise right-of-use assets or lease liabilities for short-term leases and leases for which the underlying asset is of low value, including leasing of buildings, machinery, vehicles, office facilities and others. A short-term lease is a lease that, at the commencement date, has a lease term of 12 months or less and has no options to purchase. A lease for which the underlying asset is of low value is that, the value of the underlying asset is low when it is new. For short-term leases and leases for which the underlying asset is of low value, the Group recognises the lease payments associated with those leases as an expense or cost of relevant asset on a straight-line basis over the lease term.

##### 28.1.5 Lease modifications

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

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

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

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

# Notes to the Financial Statements

For the six months ended 30 June 2021

Renminbi Yuan

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

### 28. Leases (continued)

#### 28.2 The Group as a Lessor

##### 28.2.1 Separating components of a lease

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

##### 28.2.2 Classification of leases

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

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

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

##### 28.2.3 Lease modifications

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

### 29. Production safety expenses

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

# Notes to the Financial Statements

For the six months ended 30 June 2021

Renminbi Yuan

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

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

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

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

#### 30.1 Critical judgements in applying accounting policies

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

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

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

# Notes to the Financial Statements

For the six months ended 30 June 2021

Renminbi Yuan

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

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

#### 30.2 The key assumptions and uncertainties used in accounting estimates

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

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

The Group recognises impairment provision for contract assets and trade receivables based on expected credit losses. The Group divides the above items into different portfolios based on the common risk characteristics, and employs impairment matrix on the basis of portfolios to determine the credit loss of related items. If there is an evidence proving that the value of trade receivables or contract assets has been recovered, and the recovery is related to the matter subsequent to the determination of the loss objectively, the impairment loss originally recognised shall be reversed. As at 30 June 2021, the Group has re-evaluated the historically observable overdue ratio and considered the changes in forward-looking information to calculate the expected credit losses through default risk exposures and lifetime expected credit loss rate.

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

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

##### 30.2.3 Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires a calculation of the present value of the future expected cash flows from the asset groups or sets of asset groups in which the goodwill is included and an estimate of the expected future cash flow from the asset groups or sets of asset groups, and also chooses an appropriate discount rate which reflects the time value of currency and particular risk of assets in the present market.

# Notes to the Financial Statements

For the six months ended 30 June 2021

Renminbi Yuan

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

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

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

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

The Group assesses whether there are any indicators of impairment for all non-current assets other than financial assets and goodwill at each balance sheet date. Other non-current assets other than financial assets and goodwill are tested for impairment when there are indicators that the carrying amounts may not be recoverable. When the carrying amount of an asset or asset group is higher than its recoverable amount (i.e., the higher of its fair value less costs to sell and the present value of the future cash flows expected to be derived from it), it is indicated that such asset or asset group is impaired. When calculating the present value of expected future cash flows, management shall estimate the expected future cash flows from the asset or asset group and choose an appropriate discount rate in order to calculate the present value of those cash flows.

##### 30.2.5 Deferred tax assets

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, such as the expected actual profitability condition of the enterprise running under deficit and the actual tax rate in the expected reversed years based upon the likely timing and level of future taxable profit.

##### 30.2.6 Provision for warranties

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

# Notes to the Financial Statements

For the six months ended 30 June 2021

Renminbi Yuan

## (IV) TAXATION

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

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

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

### 2. Tax incentive

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

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

# Notes to the Financial Statements

For the six months ended 30 June 2021

Renminbi Yuan

## (IV) TAXATION (continued)

### 2. Tax incentive (continued)

#### 2.2 Enterprise income tax

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

In accordance with the provisions of Article 28 under the Enterprise Income Tax Law of the People's Republic of China, high-tech enterprises that require government support are subject to a reduced enterprise income tax rate of 15%. The Company and its subsidiaries, namely CRRC Times Electronics, Baoji CRRC Times Engineering Machinery Co., Ltd. ("Baoji CRRC Times"), Ningbo CRRC Times and CRRC National Centre of Converters, obtained the high-tech enterprise certificates approved by the corresponding tax authorities in 2020, and were subject to a reduced enterprise income tax rate of 15% in 2020 and for the period from 1 January to 30 June 2021.

The Company's subsidiaries, Shenyang CRRC Times Transportation Technology Co., Ltd. ("Shenyang CRRC Times"), Qingdao CRRC Electric, and Specialist Machine Developments (Shanghai) Co., Ltd. ("Shanghai CRRC SMD"), obtained the high-tech enterprise certificates approved by the corresponding tax authorities in 2019, and were subject to a reduced enterprise income tax rate of 15% in 2020 and for the period from 1 January to 30 June 2021.

In accordance with the Notice of the Ministry of Finance and the State Taxation Administration on Enterprise Income Tax Policies for Further Encouraging the Development of Software and Integrated Circuit Industries (Cai Shui [2012] No. 27), CRRC Times Software, a subsidiary of the Company, obtained the high-tech enterprise certificate approved by the corresponding tax authority in 2019 and was subject to a reduced rate of 15% for enterprise income tax in 2020 and for the period from 1 January to 30 June 2021.

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

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



# Notes to the Financial Statements

For the six months ended 30 June 2021

Renminbi Yuan

## (IV) TAXATION (continued)

### 2. Tax incentive (continued)

#### 2.2 **Enterprise income tax** (continued)

In accordance with the Notice of the Ministry of Finance, the General Administration of Customs and the State Taxation Administration on Tax Policy Issues concerning Further Implementing the Western China Development Strategy (Cai Shui [2011] No. 58), and the Announcement of the Ministry of Finance, the State Taxation Administration and the National Development and Reform Commission on Continuing the Enterprise Income Tax Policies for the Large-Scale Development of Western China (Cai Shui [2020] No. 23), Baoji CRRC Times is in compliance with the relevant provisions of the preferential enterprise income tax policy for the Western China Development and subject to the rate of 15% for enterprise income tax in 2020 and for the period from 1 January to 30 June 2021. Chongqing CRRC Times Electric Technology Co., Ltd. (“Chongqing CRRC Electric”) is in compliance with the relevant provisions of the preferential enterprise income tax policy for the Western China Development and subject to the rate of 15% for enterprise income tax for the period from 1 January to 30 June 2021.

In accordance with the Notice of the Ministry of Finance and the State Taxation Administration on the Enterprise Income Tax Policies for Further Encouraging the Development of the Software Industry and the Integrated Circuit Industry (Cai Shui [2012] No. 27), the Notice of the Ministry of Finance, the State Taxation Administration, the National Development and Reform Commission and the Ministry of Industry and Information Technology on Issues concerning Preferential Enterprise Income Tax Policies for the Software and Integrated Circuit Industries (Cai Shui [2016] No. 49), the Notice of the Ministry of Finance, the State Administration of Taxation, the National Development and Reform Commission and the Ministry of Industry and Information Technology on Issues concerning Enterprise Income Tax Policies for Integrated Circuit Production Enterprises (Cai Shui [2018] No. 27), and the Reply of Hunan Provincial Development and Reform Commission on the Verification of Recordation Information of Income Tax Preferential Policies for Key Integrated Circuit Design and Key Software Enterprises, Zhuzhou CRRC Times Semiconductor Co., Ltd. (“CRRC Times Semiconductor”), a subsidiary of the Company, has been entitled to the policy of “five-year exemption and five-year half payment” for enterprise income tax since 2019, and therefore, it is exempted from enterprise income tax in 2020 and for the period from 1 January to 30 June 2021.

# Notes to the Financial Statements

For the six months ended 30 June 2021

Renminbi Yuan

## (IV) TAXATION (continued)

### 2. Tax incentive (continued)

#### 2.2 Enterprise income tax (continued)

In accordance with the Enterprise Income Tax Law of the People's Republic of China, the Notice of the Ministry of Finance, the State Taxation Administration and the Ministry of Science and Technology on Improving the Policies for the Weighted Pre-tax Deduction of Research and Development Expenses (Cai Shui [2015] No. 119), the Notice on Raising the Proportion of Weighted Pre-tax Deduction of the Research and Development Expenses of Small – and Medium-Sized Scientific and Technological Enterprises (Cai Shui [2017] No. 34), and the Notice by the Ministry of Finance, the State Taxation Administration and the Ministry of Science and Technology of Raising the Proportion of Weighted Pre-tax Deduction of Research and Development Expenses (Cai Shui [2018] No. 99), for the Company and its subsidiaries, namely CRRC Times Electronics, Baoji CRRC Times, Ningbo CRRC Times, Ningbo CRRC Electric, Shenyang CRRC Times, Qingdao CRRC Electric, CRRC Times Software, Hunan CRRC Signal, CRRC National Centre of Converters, Shanghai CRRC SMD and CRRC Times Semiconductor, the R&D expenses actually incurred by the enterprise in the course of its R&D activities, an extra 75% of the amount of R&D expenses actually incurred is deductible before tax payment, in addition to the deduction of actual expenses as prescribed, in 2020 and in the six months ended 30 June 2021, provided that the said expenses are not converted into intangible asset and included in the current profits and losses; if the said expenses have been converted into intangible asset, such expenses may be amortized at the rate of 175% of the costs of the intangible assets before tax payment in 2020 and in the six months ended 30 June 2021.

In accordance with the Notice of the Ministry of Finance and the State Administration of Taxation on Implementing the Inclusive Tax Deduction and Exemption Policies for Micro and Small Enterprises (Cai Shui [2019] No. 13), Chengdu CRRC Times Electric Technology Co., Ltd. ("Chengdu CRRC Electric"), a subsidiary of the Company, is qualified to be recognised as a small low-profit enterprise in 2020 and in the six months ended 30 June 2021, and is subject to a tax rate of 20% for the enterprise income tax.

# Notes to the Financial Statements

For the six months ended 30 June 2021

Renminbi Yuan

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

### 1. Cash and bank balances

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

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

Item	30 June 2021 (Unaudited)
Security deposits for bank acceptance bills	12,800,000
Security deposits	5,216,239
Total	18,016,239

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

Item	30 June 2021 (Unaudited)
Time deposits with more than three months	1,180,000,000

# Notes to the Financial Statements

For the six months ended 30 June 2021

Renminbi Yuan

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

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

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

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

Item	30 June 2021 (Unaudited)	31 December 2020 (Audited)
Financial assets classified as at FVTPL	2,601,212,210	3,732,327,307
Including: Structural deposits	2,601,212,210	3,732,327,307

As at 30 June 2021, the Group had bank financial products and structural deposits with expected yield rates per annum ranging from 1.29% to 5.22%.

### 3. Bills receivable

#### (1) Category of bills receivable

Item	30 June 2021 (Unaudited)	31 December 2020 (Audited)
Bank acceptance bills	142,425,155	255,597,271
Commercial acceptance bills	2,249,309,054	2,226,100,772
Total	2,391,734,209	2,481,698,043
Less: Provision for credit loss	19,079,432	20,960,887
Carrying amount	2,372,654,777	2,460,737,156

# Notes to the Financial Statements

For the six months ended 30 June 2021

Renminbi Yuan

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

### 3. Bills receivable (continued)

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

As at 30 June 2021, the Group had no bills receivable pledged.

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

Item	30 June 2021 (Unaudited)
Commercial acceptance bills	<u>700,000</u>

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

##### Bank acceptance bills

As at 30 June 2021 and 31 December 2020, the Group considered that the credit rating of the acceptance bank was relatively high and there was no significant credit risk. Therefore, no provision for losses was made.

##### Commercial acceptance bills

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

# Notes to the Financial Statements

For the six months ended 30 June 2021

Renminbi Yuan

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

### 3. Bills receivable (continued)

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

Commercial acceptance bills (continued)

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

30 June 2021 (Unaudited)

Credit impairment has not occurred	Expected average loss rate	Gross carrying amount	Provision for credit loss	Carrying amount
Category I	1.70%	925,361,662	15,716,103	909,645,559
Category II	–	–	–	–
Category III	0.11%	1,197,337,688	1,350,833	1,195,986,855
Category IV	1.59%	126,609,704	2,012,496	124,597,208
Total		<u>2,249,309,054</u>	<u>19,079,432</u>	<u>2,230,229,622</u>

31 December 2020 (Audited)

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

# Notes to the Financial Statements

For the six months ended 30 June 2021

Renminbi Yuan

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

### 3. Bills receivable (continued)

#### (5) Provision for credit loss of bills receivable

1 January 2021 (Audited)	Provision for credit loss			30 June 2021 (Unaudited)
	Provision	Recovery or reversal	Write-off	
20,960,887	6,157,757	(8,039,212)	-	<b>19,079,432</b>

(6) For the six months ended 30 June 2021, the Group had no bills receivable that are actually written-off.

(7) As at 30 June 2021, balances of bills receivable for which are receivable from related parties of the Group are detailed in Note (X)6.

### 4. Trade receivables

#### (1) Disclosed by aging:

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

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

# Notes to the Financial Statements

For the six months ended 30 June 2021

Renminbi Yuan

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

### 4. Trade receivables (continued)

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

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

  

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



# Notes to the Financial Statements

For the six months ended 30 June 2021

Renminbi Yuan

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

### 4. Trade receivables (continued)

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

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

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

# Notes to the Financial Statements

For the six months ended 30 June 2021

Renminbi Yuan

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

### 4. Trade receivables (continued)

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

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

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

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

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

# Notes to the Financial Statements

For the six months ended 30 June 2021

Renminbi Yuan

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

### 4. Trade receivables (continued)

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

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

Provision assessed collectively by category: Category I

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

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

# Notes to the Financial Statements

For the six months ended 30 June 2021

Renminbi Yuan

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

### 4. Trade receivables (continued)

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

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

Provision assessed collectively by category: Category II

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

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

# Notes to the Financial Statements

For the six months ended 30 June 2021

Renminbi Yuan

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

### 4. Trade receivables (continued)

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

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

Provision assessed collectively by category: Category III

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

Item	31 December 2020 (Audited)			
	Expected average loss rate (%)	Gross carrying amount	Provision for credit loss	Carrying amount
Within 6 months	0.79	883,650,882	6,985,535	876,665,347
6 months to 1 year	3.36	184,657,351	6,205,167	178,452,184
1 to 2 years	6.41	12,021,214	770,962	11,250,252
2 to 3 years	50.96	111,836	56,990	54,846
Total		<u>1,080,441,283</u>	<u>14,018,654</u>	<u>1,066,422,629</u>

# Notes to the Financial Statements

For the six months ended 30 June 2021

Renminbi Yuan

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

### 4. Trade receivables (continued)

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

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

Provision assessed collectively by category: Category IV

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

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

# Notes to the Financial Statements

For the six months ended 30 June 2021

Renminbi Yuan

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

### 4. Trade receivables (continued)

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

Item	Lifetime expected credit losses (Not credit-impaired)	Lifetime expected credit losses (Credit-impaired)	Total
1 January 2021 (Audited)	208,574,000	134,603,260	343,177,260
Transferred to credit-impaired losses	(20,612,140)	20,612,140	-
Provision (Reversal) for the period	82,167,456	(44,712,521)	37,454,935
Foreign exchange translation	(190,346)	7,587	(182,759)
30 June 2021 (Unaudited)	<b>269,938,970</b>	<b>110,510,466</b>	<b>380,449,436</b>

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

#### (5) Top five trade receivables at the end of the period categorized by arrears are as follows:

Name of the entity	Gross carrying amount	Provision for credit loss	Proportion to the total trade receivables (%)
CRRC Qingdao Sifang Co., Ltd.	1,719,315,614	60,434,120	17.72
CRRC Zhuzhou Locomotive Co., Ltd.	637,269,823	17,320,618	6.57
Chongqing Rail Transit (Group) Co., Ltd.	581,517,414	42,665,632	5.99
Hangzhou Metro Group Co., Ltd.	304,506,746	10,948,649	3.14
Ningbo Rail Transit Group Co., Ltd.	199,525,223	9,674,794	2.06
Total	<b>3,442,134,820</b>	<b>141,043,813</b>	<b>35.48</b>

# Notes to the Financial Statements

For the six months ended 30 June 2021

Renminbi Yuan

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

### 4. Trade receivables (continued)

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

For the six months ended 30 June 2021, the Group's trade receivables derecognised due to factoring was RMB2,937,008.

### 5. Trade receivables financing

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

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

#### (1) Fair value measurement

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



# Notes to the Financial Statements

For the six months ended 30 June 2021

Renminbi Yuan

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

### 5. Trade receivables financing (continued)

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

Item	30 June 2021 (Unaudited)		31 December 2020 (Audited)	
	Derecognised amount	Non-derecognised amount	Derecognised amount	Non-derecognised amount
Commercial acceptance bills	–	41,145,489	–	36,203,116
Bank acceptance bills	355,801,440	65,220,341	247,743,856	69,235,222
Total	<u>355,801,440</u>	<u>106,365,830</u>	<u>247,743,856</u>	<u>105,438,338</u>

### 6. Prepayments

#### (1) Aging analysis of prepayments is as follows:

Aging	30 June 2021 (Unaudited)		31 December 2020 (Audited)	
	Carrying amount	Proportion (%)	Carrying amount	Proportion (%)
Within 1 year	196,665,742	83.80	334,607,492	93.23
1 to 2 years	18,018,199	7.68	9,210,423	2.57
2 to 3 years	8,430,013	3.59	6,254,367	1.74
Over 3 years	11,569,011	4.93	8,840,626	2.46
Total	<u>234,682,965</u>	<u>100.00</u>	<u>358,912,908</u>	<u>100.00</u>

# Notes to the Financial Statements

For the six months ended 30 June 2021

Renminbi Yuan

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

### 6. Prepayments (continued)

#### (1) Aging analysis of prepayments is as follows: (continued)

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

Name of the entity	Gross carrying amount	Aging
Shanghai Xineng Electromechanical Equipment Technology Co., Ltd.	7,176,840	1 to 3 years
Ningbo Jinjian Rail Transit Technology Co., Ltd.	5,756,148	1 to 3 years
State Grid Zhuzhou Power Supply Company	2,214,494	1 to 3 years
Foshan Nanhai Hangao Rail Transit Equipment Co., Ltd.	1,847,196	1 to 2 years
Nanjing Philor Automatic Door Manufacturing Co., Ltd.	1,827,561	1 to 2 years
Total	<u>18,822,239</u>	

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

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

Name of the entity	Gross carrying amount	Proportion to the total closing balance of prepayments (%)
Shanghai Electric Machinery Co., Ltd.	12,921,854	5.51
State Grid Huitongjincai (Beijing) Information Technology Co., Ltd.	9,518,350	4.06
HFZT (HK) Co., Ltd.	9,097,573	3.88
Shanghai Xineng Electromechanical Equipment Technology Co., Ltd.	8,427,241	3.59
Xuzhou XCMG Mining Machinery Co. Ltd.	8,100,300	3.45
Total	<u>48,065,318</u>	<u>20.49</u>

# Notes to the Financial Statements

For the six months ended 30 June 2021

Renminbi Yuan

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

### 7. Other receivables

#### (1) Details of items

Item	30 June 2021 (Unaudited)	31 December 2020 (Audited)
Other receivables	190,013,845	162,774,728
Total	190,013,845	162,774,728

#### (2) Other receivables disclosed by aging

Aging	30 June 2021 (Unaudited)	31 December 2020 (Audited)
Within 1 year	141,661,187	115,882,064
1 to 2 years	8,323,367	9,105,815
2 to 3 years	7,992,107	8,920,157
Over 3 years	35,157,173	30,536,985
Total	193,133,834	164,445,021
Less: Provision for credit loss	3,119,989	1,670,293
Carrying amount	190,013,845	162,774,728

# Notes to the Financial Statements

For the six months ended 30 June 2021

Renminbi Yuan

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

### 7. Other receivables (continued)

#### (3) Other receivables categorized by nature

Item	30 June 2021 (Unaudited)	31 December 2020 (Audited)
Deposit	105,013,559	92,026,663
Income tax refund receivable	31,922,920	32,033,545
Others	56,197,355	40,384,813
Total	193,133,834	164,445,021

#### (4) Provision for credit loss of other receivables is as follows:

1 January 2021 (Audited)	Provision for credit loss			30 June 2021 (Unaudited)
	Provision	Recovery or reversal	Write-off	
1,670,293	2,123,674	(673,978)	-	3,119,989

# Notes to the Financial Statements

For the six months ended 30 June 2021

Renminbi Yuan

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

### 7. Other receivables (continued)

(5) **Top five other receivables at the end of the reporting period grouped by arrears are as follows:**

Name of the entity	Nature	Closing balance	Proportion to the total closing balance of other receivables (%)	Closing balance of provision for credit loss
Chongqing Rail Transit (Group) Co., Ltd.	Deposit	33,894,620	17.55	1,230,630
Baoji Chencang District People's Government	Deposit	30,000,000	15.53	–
HM Revenue and Customs	Tax refund receivable	22,155,731	11.47	–
Changsha County Tax Service, Hunan Provincial Tax Service, State Taxation Administration	Tax refund receivable	6,177,477	3.20	–
Xuzhou Weiyunxi Commercial and Trading Co., Ltd.	Deposit	3,761,763	1.95	75,235
Total		<u>95,989,591</u>	<u>49.70</u>	<u>1,305,865</u>

(6) **Trade receivables related to government grants**

30 June 2021

Name of the organization	Name of government grants project	Closing balance	Aging	Expected time and amount of receipt and its basis
HM Revenue and Customs	R&D expenditure credit	<b>22,155,731</b>	<b>Within 1 year</b>	It is expected to receive a tax refund of RMB22,155,731 in 2021 based on the R&D expense credit policy.
Changsha County Tax Service, Hunan Provincial Tax Service, State Taxation Administration	The refund-upon-collection policy in VAT	<b>6,177,477</b>	<b>Within 1 year</b>	It is expected to receive a tax refund of RMB6,177,477 in 2021 based on the refund-upon-collection policy for Software Products.

# Notes to the Financial Statements

For the six months ended 30 June 2021

Renminbi Yuan

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

### 8. Inventories

#### (1) Category of inventories

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

Item	31 December 2020 (Audited)		
	Gross carrying amount	Provision for decline in value	Carrying amount
Raw materials	1,152,038,170	160,893,693	991,144,477
Semi-finished products/ Work-in-progress	1,423,700,306	36,643,368	1,387,056,938
Finished goods	1,871,709,771	20,823,233	1,850,886,538
Turnover materials	30,843,434	1,441,187	29,402,247
Total	<u>4,478,291,681</u>	<u>219,801,481</u>	<u>4,258,490,200</u>

# Notes to the Financial Statements

For the six months ended 30 June 2021

Renminbi Yuan

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

### 8. Inventories (continued)

#### (2) Provision for decline in value of inventories is as follows:

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

### 9. Contract assets

#### (1) Details of contract assets

Item	30 June 2021 (Unaudited)		
	Gross carrying amount	Provision for credit loss	Carrying amount
Quality guarantee deposit	448,973,135	12,157,427	436,815,708
Construction service contract assets	47,733,891	-	47,733,891
Total	496,707,026	12,157,427	484,549,599
Less: Contract assets included in other non-current assets (Note (V).21)	236,515,669	5,244,265	231,271,404
Net amount	<u>260,191,357</u>	<u>6,913,162</u>	<u>253,278,195</u>

# Notes to the Financial Statements

For the six months ended 30 June 2021

Renminbi Yuan

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

### 9. Contract assets (continued)

#### (1) Details of contract assets (continued)

Item	31 December 2020 (Audited)		
	Gross carrying amount	Provision for credit loss	Carrying amount
Quality guarantee deposit	433,964,231	9,451,601	424,512,630
Construction service contract assets	58,145,940	—	58,145,940
Total	492,110,171	9,451,601	482,658,570
Less: Contract assets included in other non-current assets (Note (V).21)	186,646,188	5,322,723	181,323,465
Net amount	<u>305,463,983</u>	<u>4,128,878</u>	<u>301,335,105</u>

The above quality guarantee deposit mainly include quality guarantee deposits related to sales contracts, construction contracts and maintenance service contracts. The Group's construction contracts related to the construction of some offshore products such as deep-sea robots are recognised as revenue according to the performance progress, and the portion of the consideration in excess of the settlement processed by the customer is recognised as contract assets, because it has not yet reached the condition to receive the contractual consideration as agreed in the contract. When the Group obtains this unconditional right to receive the consideration, the contract assets will be transferred to trade receivables.



# Notes to the Financial Statements

For the six months ended 30 June 2021

Renminbi Yuan

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

### 9. Contract assets (continued)

#### (2) Provision for credit loss of contract assets is as follows:

1 January 2021 (Audited)	Provision	Foreign exchange translation	30 June 2021 (Unaudited)
9,451,601	2,713,947	(8,121)	<b>12,157,427</b>

At 30 June 2021 and 31 December 2020, the Group has no credit-impaired contract assets.

Category	30 June 2021 (Unaudited)				31 December 2020 (Audited)			
	Gross carrying amount	Provision for credit loss		Carrying amount	Gross carrying amount	Provision for credit loss		Carrying amount
		Amount	Proportion of provision (%)			Amount	Proportion of provision (%)	
Collective: assessment								
Category I	61,534,456	1,216,007	1.98	60,318,449	63,518,926	1,170,260	1.84	62,348,666
Category II	126,703,256	2,953,099	2.33	123,750,157	139,529,650	2,822,438	2.02	136,707,212
Category III	147,957,166	910,695	0.62	147,046,471	108,846,000	628,179	0.58	108,217,821
Category IV	160,512,148	7,077,626	4.41	153,434,522	180,215,595	4,830,724	2.68	175,384,871
Total	<b>496,707,026</b>	<b>12,157,427</b>		<b>484,549,599</b>	492,110,171	9,451,601		482,658,570

### 10. Other current assets

Item	30 June 2021 (Unaudited)	31 December 2020 (Audited)
Deductible value-added tax	557,888,200	625,772,961
Other taxes retained	10,892,322	15,409,866
Total	<b>568,780,522</b>	641,182,827

# Notes to the Financial Statements

For the six months ended 30 June 2021

Renminbi Yuan

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

### 11. Long-term equity investments

Name of investees	1 January 2021 (Audited)	Changes for the period			30 June 2021 (Unaudited)	Impairment provision at 30 June 2021
		Investment for the period	Investment profit or loss recognised under equity method	Foreign exchange translation		
<i>Non-listed investments</i>						
<b>Joint ventures</b>						
Zhuzhou Shiling Transportation Equipment Co., Ltd. ("Shiling")	186,163,918	-	1,933,867	-	<b>188,097,785</b>	-
LANP Electrical Co., Ltd. ("LANP Electrical")	16,620,801	-	(243,195)	-	<b>16,377,606</b>	-
Shanghai Shentong CRRC Rail Transit Operation Safety Engineering Technology Research Co., Ltd. ("Shanghai Shentong CRRC")	6,506,016	-	614,709	-	<b>7,120,725</b>	-
Zhengzhou Times Transportation Electrical Equipment Co., Ltd. ("Zhengzhou Times")	8,146,591	-	(2,690,763)	-	<b>5,455,828</b>	-
Sub-total	<u>217,437,326</u>	<u>-</u>	<u>(385,382)</u>	<u>-</u>	<b><u>217,051,944</u></b>	<u>-</u>
<b>Associates</b>						
Wuxi CRRC Hofer Powertrain Co., Ltd. ("CRRC Hofer")	117,952,387	-	(10,172,434)	(1,255,159)	<b>106,524,794</b>	-
Siemens Traction Equipment Ltd., Zhuzhou ("Zhuzhou Siemens")	46,010,196	-	140,028	-	<b>46,150,224</b>	-
Hunan Guoxin Semiconductor Technology Co., Ltd. ("Guoxin Technology")	50,068,270	-	(331,428)	-	<b>49,736,842</b>	-
Hunan Times Wabtec Transit Transport & equipment Co., Ltd. ("Times Wabtec")	9,672,000	-	495,789	-	<b>10,167,789</b>	-
Zhixin Semiconductor Co., Ltd. ("Zhixin Semiconductor")	94,480,136	-	(962,673)	-	<b>93,517,463</b>	-
India CRRC Rail Transit Vehicles Limited ("India CRRC")	15,185,250	-	62,030	-	<b>15,247,280</b>	-
Wuxi Times Intelligent Transportation Research Institute Co., Ltd. ("Wuxi Times") (Note)	-	23,000,000	-	-	<b>23,000,000</b>	-
Sub-total	<u>333,368,239</u>	<u>23,000,000</u>	<u>(10,768,688)</u>	<u>(1,255,159)</u>	<b><u>344,344,392</u></b>	<u>-</u>
Total	<u>550,805,565</u>	<u>23,000,000</u>	<u>(11,154,070)</u>	<u>(1,255,159)</u>	<b><u>561,396,336</u></b>	<u>-</u>

# Notes to the Financial Statements

For the six months ended 30 June 2021

Renminbi Yuan

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

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

Note: In January 2021, the Group, Wuxi Metro Group Co., Ltd. and China Railway Siyuan Survey and Design Group Co., Ltd. jointly founded Wuxi Times, the Group contributed RMB23,000,000 and occupied 46% of shareholding. Wuxi Times' board of directors comprises five directors, including 2 directors appointed by the Group, indicating that the Group has significant influence over Wuxi Times. Therefore, it is accounted for as an associate.

### 12. Other equity instrument investments

Item	30 June 2021 (Unaudited)	31 December 2020 (Audited)
Xicheng CRRC (Wuxi) Urban Transit Transport Engineering Co., Ltd. ("Xicheng CRRC")	60,432,300	60,432,300
CRRC Environmental & Technology Co., Ltd. ("CRRC Environmental")	30,000,000	30,000,000
Guochuang Energy Internet Innovation Center (Guangdong) Co., Ltd. ("Guochuang Energy")	2,400,000	2,400,000
Total	92,832,300	92,832,300

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

The Group does not hold the above investments for the purpose of selling them in the near future for short-term returns but for a strategic purpose of holding them for a long term. Therefore, the Group designates them as financial assets at fair value through other comprehensive income.

# Notes to the Financial Statements

For the six months ended 30 June 2021

Renminbi Yuan

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

### 13. Fixed assets

#### (1) Details of fixed assets

Item	Buildings	Machinery	Vehicles	Office facilities and others	Total
I. Cost					
1. 1 January 2021 (Audited)	1,919,672,606	2,887,529,369	44,017,434	496,588,216	5,347,807,625
2. Increase					
(1) Purchase	1,487,812	15,979,885	196,914	16,486,677	34,151,288
(2) Transferred from construction in progress (Note (V)14)	-	1,111,862	-	-	1,111,862
3. Disposal or written-offs	-	(471,551)	(1,243,857)	(857,000)	(2,572,408)
4. Foreign exchange translation	6,228,785	650,327	463,741	(4,732,197)	2,610,656
5. 30 June 2021 (Unaudited)	<u>1,927,389,203</u>	<u>2,904,799,892</u>	<u>43,434,232</u>	<u>507,485,696</u>	<u>5,383,109,023</u>
II. Accumulated depreciation					
1. 1 January 2021 (Audited)	540,735,848	1,674,930,318	38,307,274	287,506,165	2,541,479,605
2. Provision	31,210,524	119,911,567	2,170,599	34,714,078	188,006,768
3. Disposal or written-offs	-	(198,170)	(1,190,590)	(685,291)	(2,074,051)
4. Foreign exchange translation	4,578,664	708,885	23,524	(2,364,682)	2,946,391
5. 30 June 2021 (Unaudited)	<u>576,525,036</u>	<u>1,795,352,600</u>	<u>39,310,807</u>	<u>319,170,270</u>	<u>2,730,358,713</u>
III. Impairment provision					
1. 1 January 2021 (Audited)	10,513,264	44,665,742	-	6,579	55,185,585
2. 30 June 2021 (Unaudited)	<u>10,513,264</u>	<u>44,665,742</u>	<u>-</u>	<u>6,579</u>	<u>55,185,585</u>
IV. Carrying amount					
1. 30 June 2021 (Unaudited)	<u>1,340,350,903</u>	<u>1,064,781,550</u>	<u>4,123,425</u>	<u>188,308,847</u>	<u>2,597,564,725</u>
2. 1 January 2021 (Audited)	<u>1,368,423,494</u>	<u>1,167,933,309</u>	<u>5,710,160</u>	<u>209,075,472</u>	<u>2,751,142,435</u>

# Notes to the Financial Statements

For the six months ended 30 June 2021

Renminbi Yuan

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

### 13. Fixed assets (continued)

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

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

Item	Carrying amount at 30 June 2021 <i>(Unaudited)</i>
Buildings	<b>52,432,358</b>

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

# Notes to the Financial Statements

For the six months ended 30 June 2021

Renminbi Yuan

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

### 14. Construction in progress

#### (1) Details of construction in progress:

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

# Notes to the Financial Statements

For the six months ended 30 June 2021

Renminbi Yuan

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

### 14. Construction in progress (continued)

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

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

# Notes to the Financial Statements

For the six months ended 30 June 2021

Renminbi Yuan

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

### 15. Right-of-use assets

Item	Land use rights (Note)	Buildings	Machinery	Vehicles	Office facilities and others	Total
<b>I. Cost</b>						
1 January 2021 (Audited)	14,458,883	128,415,751	12,173,521	11,430,565	1,718,283	168,197,003
Newly added lease	-	43,393,747	161,047	1,571,806	-	45,126,600
Expired lease contracts	-	(28,482,332)	-	(92,981)	(294,816)	(28,870,129)
Foreign exchange translation	141,423	1,377,087	113,282	107,951	14,084	1,753,827
30 June 2021 (Unaudited)	14,600,306	144,704,253	12,447,850	13,017,341	1,437,551	186,207,301
<b>II. Accumulated depreciation</b>						
1 January 2021 (Audited)	2,724,814	75,404,449	3,186,629	5,244,408	1,305,620	87,865,920
Provision for the period	708,638	24,846,070	3,007,766	1,600,798	258,938	30,422,210
Expired lease contracts	-	(28,482,332)	-	(92,981)	(294,816)	(28,870,129)
Foreign exchange translation	35,055	706,089	77,018	45,192	13,560	876,914
30 June 2021 (Unaudited)	3,468,507	72,474,276	6,271,413	6,797,417	1,283,302	90,294,915
<b>III. Carrying amount</b>						
1. 30 June 2021 (Unaudited)	11,131,799	72,229,977	6,176,437	6,219,924	154,249	95,912,386
2. 1 January 2021 (Audited)	11,734,069	53,011,302	8,986,892	6,186,157	412,663	80,331,083

Note: Land use rights are industrial land use rights rented by Specialist Machine Developments Limited ("UK CRRC SMD"), a subsidiary of the Group, from unrelated parties in 2019. The lease period is from 10 June 2019 to 9 June 2029, and the total rent not discounted is approximately RMB20,374,258.

The Group leases a number of assets, including land use rights, buildings, machinery, vehicles, office facilities and others, with a lease term of 1-10 years.

For the six months ended 30 June 2021, the Group's simplified short-term lease expenses included in the current profit or loss was RMB5,819,919.

For the six months ended 30 June 2021, the Group's cash outflows incurred related to lease was RMB46,089,986.



# Notes to the Financial Statements

For the six months ended 30 June 2021

Renminbi Yuan

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

### 16. Intangible assets

Item	Land use rights	Software licenses	Patents, licenses and technical know-how	Trademarks	Backlog orders and service contracts	Total
I. Cost						
1. 1 January 2021 (Audited)	229,257,489	184,132,474	1,026,147,751	124,333,611	52,935,664	1,616,806,989
2. Increase						
(1) Purchase	-	4,834,104	-	-	-	4,834,104
3. Foreign exchange translation	-	323,106	1,422,233	712,912	303,525	2,761,776
4. 30 June 2021 (Unaudited)	229,257,489	189,289,684	1,027,569,984	125,046,523	53,239,189	1,624,402,869
II. Accumulated amortization						
1. 1 January 2021 (Audited)	50,392,339	135,515,037	381,349,799	46,296,481	52,935,664	666,489,320
2. Provision	2,172,590	14,586,800	48,523,096	3,141,012	-	68,423,498
3. Foreign exchange translation	-	195,131	598,328	299,919	303,525	1,396,903
4. 30 June 2021 (Unaudited)	52,564,929	150,296,968	430,471,223	49,737,412	53,239,189	736,309,721
III. Impairment provision						
1. 1 January 2021 (Audited)	-	506,859	146,037,805	-	-	146,544,664
2. 30 June 2021 (Unaudited)	-	506,859	146,037,805	-	-	146,544,664
IV. Carrying amount						
1. 30 June 2021 (Unaudited)	176,692,560	38,485,857	451,060,956	75,309,111	-	741,548,484
2. 1 January 2021 (Audited)	178,865,150	48,110,578	498,760,147	78,037,130	-	803,773,005

As at 30 June 2021, the Group has no land use rights pledged for secured bank borrowings. The land use rights used by the Group are related to the land located in Mainland China and are held under a term of 40-50 years.

Proportion of the Group's intangible assets formed through internal research and development to the cost of intangible assets is 22.18% as at 30 June 2021.

# Notes to the Financial Statements

For the six months ended 30 June 2021

Renminbi Yuan

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

### 17. Development expenditure

Item	1 January 2021 (Audited)	Internal R&D expenditure	Decrease in the period		30 June 2021 (Unaudited)
			Recognised as intangible assets	Transferred to profit or loss	
Research expenses	–	640,930,972	–	640,930,972	–
Development expenditure	308,376,123	18,692,540	–	–	<b>327,068,663</b>
Total	<u>308,376,123</u>	<u>659,623,512</u>	<u>–</u>	<u>640,930,972</u>	<b><u>327,068,663</u></b>

### 18. Goodwill

Item	Dynex Power Inc. ("Canada Dynex")	Ningbo CRRC Times	CRRC Times Electronics	UK CRRC SMD	Total
I. Carrying amount:					
1. 1 January 2020 (Audited)	<b>46,517,958</b>	<b>437,432</b>	<b>13,333,101</b>	<b>569,863,321</b>	<b>630,151,812</b>
Foreign exchange translation	–	–	–	(6,432,630)	(6,432,630)
2. 30 June 2021 (Unaudited)	<u>46,517,958</u>	<u>437,432</u>	<u>13,333,101</u>	<u>563,430,691</u>	<u>623,719,182</u>
II. Impairment provision					
1. 1 January 2020 (Audited)	<b>46,517,958</b>	–	–	<b>336,712,682</b>	<b>383,230,640</b>
Foreign exchange translation	–	–	–	(3,800,821)	(3,800,821)
2. 30 June 2021 (Unaudited)	<u>46,517,958</u>	–	–	<u>332,911,861</u>	<u>379,429,819</u>
III. Net carrying amount					
30 June 2021 (Unaudited)	<u>–</u>	<u>437,432</u>	<u>13,333,101</u>	<u>233,150,639</u>	<u>246,921,172</u>
1 January 2020 (Audited)	<u>–</u>	<u>437,432</u>	<u>13,333,101</u>	<u>230,518,830</u>	<u>244,289,363</u>

# Notes to the Financial Statements

For the six months ended 30 June 2021

Renminbi Yuan

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

### 19. Long-term prepaid expenses

Item	1 January 2021 (Audited)	Increase in the period	Amortized in the period	30 June 2021 (Unaudited)
Leasehold improvement	46,038,198	1,755,106	2,652,512	<b>45,140,792</b>

### 20. Deferred tax assets/liabilities

#### (1) Deferred tax assets before offsetting

Item	30 June 2021 (Unaudited)		31 December 2020 (Audited)	
	Deductible temporary differences	Deferred tax assets	Deductible temporary differences	Deferred tax assets
Provision for product quality warranties	932,780,849	138,864,745	950,454,435	142,171,572
Provision for credit loss	400,514,138	58,430,045	365,501,152	54,081,894
Provision for impairment of assets	332,104,531	44,422,542	252,566,307	33,569,498
Government grants	903,035,239	73,305,494	951,888,602	87,958,406
Unrealized profits from internal transactions	701,866,510	105,279,976	575,446,953	86,317,043
Book-tax difference regarding the period of depreciation/amortization	16,077,225	2,654,108	61,750,769	9,891,455
Deductible losses	528,454,025	82,917,014	313,348,817	49,493,347
Accrued expenses	59,744,322	8,961,648	66,312,458	9,972,481
Unpaid employee benefits accrued	69,808,516	10,471,277	20,045,000	3,006,750
Changes in fair value of financial assets at fair value through other comprehensive income	39,377,821	6,196,616	35,042,161	5,209,751
Others	5,091,706	763,756	13,368,538	2,706,034
Total	<b>3,988,854,882</b>	<b>532,267,221</b>	<b>3,605,725,192</b>	<b>484,378,231</b>

# Notes to the Financial Statements

For the six months ended 30 June 2021

Renminbi Yuan

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

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

#### (2) Deferred tax liabilities before offsetting

Item	30 June 2021 (Unaudited)		31 December 2020 (Audited)	
	Taxable temporary differences	Deferred tax liabilities	Taxable temporary differences	Deferred tax liabilities
Asset valuation appreciation	168,838,587	32,079,331	186,627,727	35,459,268
Book-tax difference regarding the period of depreciation	20,127,407	5,334,998	20,076,385	5,321,490
Total	<u>188,965,994</u>	<u>37,414,329</u>	<u>206,704,112</u>	<u>40,780,758</u>

#### (3) Deferred tax assets and deferred tax liabilities disclosed at net amount after offsetting

Item	30 June 2021 (Unaudited)		31 December 2020 (Audited)	
	Offset amount of deferred tax assets and liabilities	Deferred tax assets/liabilities after offsetting	Offset amount of deferred tax assets and liabilities	Deferred tax assets/liabilities after offsetting
Deferred tax assets	–	532,267,221	–	484,378,231
Deferred tax liabilities	–	<u>37,414,329</u>	–	<u>40,780,758</u>

# Notes to the Financial Statements

For the six months ended 30 June 2021

Renminbi Yuan

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

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

#### (4) Details of unrecognised deferred tax assets

Item	30 June 2021 (Unaudited)	31 December 2020 (Audited)
Deductible loss	212,077,014	221,847,312
Deductible temporary differences	138,081,113	134,982,291
Total	350,158,127	356,829,603

#### (5) Deductible losses of unrecognised deferred tax assets will expire in the following years:

Item	30 June 2021 (Unaudited)	31 December 2020 (Audited)
2021	11,973,364	12,017,907
2022	11,913,401	11,913,401
2026	2,907,678	–
2029	8,750,182	8,750,182
2030	22,316,948	50,261,658
2031	1,535,716	–
Non-fixed term (Note)	152,679,725	138,904,164
Total	212,077,014	221,847,312

Note: There is no fixed term for carry-over of deductible losses generated by Canada Dynex, a subsidiary of the Group, as well as UK CRRC SMD, a subsidiary of CRRC Times Electric (Hong Kong) Co., Ltd. (Hereinafter referred to as “HK CRRC Times Electric”), which is a subsidiary of the Group.

# Notes to the Financial Statements

For the six months ended 30 June 2021

Renminbi Yuan

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

### 21. Other non-current assets

Item	30 June 2021 (Unaudited)	31 December 2020 (Audited)
Prepayments for acquisition of land use rights	42,831,600	42,831,600
Prepayments for purchase of machinery and equipment	102,200,842	207,472,845
Contract assets	231,271,404	181,323,465
Total	<b>376,303,846</b>	<b>431,627,910</b>

### 22. Short-term borrowings

Item	30 June 2021 (Unaudited)	31 December 2020 (Audited)
Credit loans	<b>289,363,421</b>	<b>278,246,822</b>

### 23. Bills payable

Item	30 June 2021 (Unaudited)	31 December 2020 (Audited)
Commercial acceptance bills	73,500,000	73,025,426
Bank acceptance bills	1,405,604,011	1,694,879,672
Total	<b>1,479,104,011</b>	<b>1,767,905,098</b>

# Notes to the Financial Statements

For the six months ended 30 June 2021

Renminbi Yuan

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

### 24. Trade payables

#### (1) Trade payables are set out as follows:

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

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

#### (2) Disclosed by aging:

Aging	30 June 2021 (Unaudited)	31 December 2021 (Audited)
Within 3 months	3,256,381,698	3,093,019,736
3 months to 1 year	593,301,031	173,642,131
1 to 2 years	213,026,485	135,315,626
2 to 3 years	91,167,446	51,052,964
Over 3 years	209,148,738	158,893,977
Total	4,363,025,398	3,611,924,434

#### (3) Significant trade payables with the aging over 1 year:

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

# Notes to the Financial Statements

For the six months ended 30 June 2021

Renminbi Yuan

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

### 25. Contract liabilities

#### (1) Details of contract liabilities

Item	30 June 2021 (Unaudited)	31 December 2020 (Audited)
Related to sales contract	<b>530,369,530</b>	692,579,809

For part of the Group's sales contracts, the time point at which goods are transferred and accepted is later than the time point at which customers make payments, which results in contractual liabilities related to the sales contracts. Related revenue will be recognised upon the completion of the transfer of the Group's relevant goods/performance obligations.

#### (2) Significant changes in balance of contract liabilities

Item	Amount
1 January 2021 (Audited)	<b>692,579,809</b>
Contract liabilities included in the opening balance that are recognised as revenue	
(1) Related to prepayments in respect of sales contract	<b>(637,629,882)</b>
Increase for the receipt of cash (excluding amount that are recognised as revenue for the period)	
(1) Related to prepayments in respect of sales contract	<b>475,419,603</b>
30 June 2021 (Unaudited)	<b>530,369,530</b>



# Notes to the Financial Statements

For the six months ended 30 June 2021

Renminbi Yuan

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

### 26. Employee benefits payable

#### (1) Details of employee benefits payable

Item	1 January 2021 (Audited)	Increase in the period	Decrease in the period	Foreign exchange translation	30 June 2021 (Unaudited)
I. Short-term benefits	111,544,064	871,927,631	756,179,644	16,562	<b>227,308,613</b>
II. Post-employment benefits (defined contribution plan)	6,118,944	126,994,314	124,514,046	429,042	<b>9,028,254</b>
Total	<u>117,663,008</u>	<u>998,921,945</u>	<u>880,693,690</u>	<u>445,604</u>	<u><b>236,336,867</b></u>

#### (2) Details of short-term benefits

Item	1 January 2021 (Audited)	Increase in the period	Decrease in the period	Foreign exchange translation	30 June 2021 (Unaudited)
I. Salaries, bonuses, allowances and subsidies	21,841,375	665,212,458	567,412,140	16,562	<b>119,658,255</b>
II. Staff welfare	-	24,847,494	21,464,627	-	<b>3,382,867</b>
III. Social Insurance	1,107,309	75,839,351	69,124,076	-	<b>7,822,584</b>
Including: Basic medical insurance	621,482	46,485,981	42,058,272	-	<b>5,049,191</b>
Supplementary medical insurance	-	23,625,985	21,843,306	-	<b>1,782,679</b>
Work injury insurance	461,826	5,155,750	5,222,498	-	<b>395,078</b>
Maternity insurance	24,001	571,635	-	-	<b>595,636</b>
IV. Housing fund	279,290	62,068,184	58,708,846	-	<b>3,638,628</b>
V. Union fund and employee education fund	87,940,652	24,794,830	21,544,131	-	<b>91,191,351</b>
VI. Others	375,438	19,165,314	17,925,824	-	<b>1,614,928</b>
Total	<u>111,544,064</u>	<u>871,927,631</u>	<u>756,179,644</u>	<u>16,562</u>	<u><b>227,308,613</b></u>

# Notes to the Financial Statements

For the six months ended 30 June 2021

Renminbi Yuan

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

### 26. Employee benefits payable (continued)

#### (3) Defined contribution plan

Item	1 January 2021 (Audited)	Increase in the period	Decrease in the period	Foreign exchange translation	30 June 2021 (Unaudited)
I. Basic pension insurance	6,019,304	92,962,701	91,358,306	429,042	<b>8,052,741</b>
II. Unemployment insurance	99,640	4,014,265	3,358,938	-	<b>754,967</b>
III. Annuity	-	30,017,348	29,796,802	-	<b>220,546</b>
Total	<u>6,118,944</u>	<u>126,994,314</u>	<u>124,514,046</u>	<u>429,042</u>	<u><b>9,028,254</b></u>

### 27. Taxes payable

Item	30 June 2021 (Unaudited)	31 December 2020 (Audited)
Enterprise income tax	<b>67,242,611</b>	66,066,440
VAT	<b>29,309,326</b>	59,814,897
City maintenance and construction tax and education surcharges	<b>4,415,015</b>	6,994,995
Individual income tax	<b>3,955,440</b>	28,308,321
Others	<b>3,690,677</b>	4,314,250
Total	<u><b>108,613,069</b></u>	<u>165,498,903</u>

# Notes to the Financial Statements

For the six months ended 30 June 2021

Renminbi Yuan

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

### 28. Other payables

The analysis of other payables by nature is as follows:

Item	30 June 2021 (Unaudited)	31 December 2020 (Audited)
Dividends payable	7,425,000	7,425,000
Other payables	631,130,274	636,346,172
Total	638,555,274	643,771,172

#### (1) Other payables

*Details of other payables by nature*

Item	30 June 2021 (Unaudited)	31 December 2020 (Audited)
Amounts due to related parties	436,287,946	290,066,482
Deposits and pledges	142,001,833	242,919,677
Recovery of factoring	9,853,683	56,900,381
Withholding social insurance	5,181,803	22,631,334
Others	37,805,009	23,828,298
Total	631,130,274	636,346,172

# Notes to the Financial Statements

For the six months ended 30 June 2021

Renminbi Yuan

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

### 28. Other payables (continued)

#### (1) Other payables (continued)

Significant other payables with the aging over 1 year

Name of the entity	Closing balance	Reasons for not repaid or carried forward
CRRC ZELRI	273,491,252	Payments are not due
Micro-Power Scientific (H.K.) CO., Ltd.	7,378,752	Payments are not due
CREA Collaudi Elettronici Automatizzati S.r.l	6,596,143	Payments are not due
Zhejiang Chuangjia Electrical Co., Ltd.	5,873,752	Payments are not due
Beijing Sanmo Technology Co., Ltd.	5,700,000	Payments are not due
Total	299,039,899	

### 29. Non-current liabilities due within one year

Item	30 June 2021 (Unaudited)	31 December 2020 (Audited)
Lease liabilities due within one year (Note V. 32)	35,965,216	29,225,642
Provisions due within one year (Note V. 34)	407,512,575	406,953,839
Long-term borrowings due within one year (Note V. 31)	79,898,619	80,547,632
Total	523,376,410	516,727,113

# Notes to the Financial Statements

For the six months ended 30 June 2021

Renminbi Yuan

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

### 30. Other current liabilities

Item	30 June 2021 (Unaudited)	31 December 2020 (Audited)
VAT for sales of goods collected in advance	65,506,596	83,024,481

### 31. Long-term borrowings

Item	30 June 2021 (Unaudited)	31 December 2020 (Audited)
Credit loans	160,086,619	163,235,632
Less: Long-term borrowings due within one year (Note V. 29)	79,898,619	80,547,632
Net amount	80,188,000	82,688,000

(1) Interest rate of the above borrowings are as follows:

Item	For the six months ended 30 June 2021 (Unaudited)
Variable interest rate per annum	0.28%-0.44%
Fixed interest rate per annum	1.08%

# Notes to the Financial Statements

For the six months ended 30 June 2021

Renminbi Yuan

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

### 32. Lease liabilities

Item	<b>30 June 2021 (Unaudited)</b>	31 December 2020 (Audited)
Long-term lease liabilities	<b>95,814,704</b>	85,887,753
Less: Lease liabilities classified as non-current liabilities due within one year (Note V. 29)	<b>35,965,216</b>	29,225,642
Net amount	<b>59,849,488</b>	56,662,111

### 33. Long-term payables

#### (1) The analysis of long-term payables by nature

Item	<b>30 June 2021 (Unaudited)</b>	31 December 2020 (Audited)
Quality warranties	<b>553,417</b>	10,215,068

# Notes to the Financial Statements

For the six months ended 30 June 2021

Renminbi Yuan

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

### 34. Provisions

Item	1 January 2021 (Audited)	Increase in the period	Decrease in the period	Foreign exchange translation	30 June 2021 (Unaudited)
Provision for product quality warranties	950,454,435	224,855,339	242,529,609	684	<b>932,780,849</b>
Provision for repair of equipment under custody	<u>5,091,706</u>	—	—	—	<u>5,091,706</u>
Total	955,546,141	<u>224,855,339</u>	<u>242,529,609</u>	<u>684</u>	<b>937,872,555</b>
Less: Provisions due within one year (Note V. 29)	<u>406,953,839</u>				<b>407,512,575</b>
Net amount	<u>548,592,302</u>				<b>530,359,980</b>

### 35. Deferred income

Item	30 June 2021 (Unaudited)	31 December 2020 (Audited)
Government grants related to assets	<b>265,087,443</b>	240,321,291
Government grants related to income	<b>639,647,796</b>	<u>723,395,512</u>
Total	<b>904,735,239</b>	<u>963,716,803</u>

# Notes to the Financial Statements

For the six months ended 30 June 2021

Renminbi Yuan

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

### 35. Deferred income (continued)

Items related to government grants:

Item	1 January 2021 (Audited)	Increase in the period	Recognised as other income	Other changes	30 June 2021 (Unaudited)	Related to asset/ income
Automobile component project	334,729,591	-	(95,062,832)	-	<b>239,666,759</b>	Income
Fiscal allotment for IGBT Phase II Information industry technological upgrading (The revamping of high voltage and low voltage IGBT chip module production line)	50,000,000	-	-	-	<b>50,000,000</b>	Asset
Construction of R&D and trial-manufacturing center of IGBT for electric vehicles	50,000,000	-	-	-	<b>50,000,000</b>	Asset
Research on key technologies of high speed maglev transportation	41,870,000	-	-	-	<b>41,870,000</b>	Income
8-inch IGBT intelligent manufacturing and digital factory construction item	37,916,667	45,000,000	(3,500,000)	-	<b>79,416,667</b>	Asset
Industrial foundation fortification project-production of IGBT module for alternative fuel automobiles	23,340,000	-	-	-	<b>23,340,000</b>	Asset
Maotangao public rental housing construction project	17,703,883	-	(227,458)	-	<b>17,476,425</b>	Asset
SIC single crystal material R & D and industrialization project	13,984,454	-	(2,223,116)	-	<b>11,761,338</b>	Asset
Research and development of power transmission and control system	12,285,000	-	-	-	<b>12,285,000</b>	Income
SIC base industrial construction project fund	10,649,213	-	(1,395,398)	-	<b>9,253,815</b>	Asset
Refund of land subsidy	7,966,112	-	(103,456)	-	<b>7,862,656</b>	Asset
High-speed railway system security technology	7,457,300	-	-	-	<b>7,457,300</b>	Income
Hunan governmental earmark on the development of the second batch of mobile internet industry in 2016	5,000,000	-	-	-	<b>5,000,000</b>	Asset



# Notes to the Financial Statements

For the six months ended 30 June 2021

Renminbi Yuan

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

### 35. Deferred income (continued)

Items related to government grants: (continued)

Item	1 January 2021 <i>(Audited)</i>	Increase in the period	Recognised as other income	Other changes	30 June 2021 <i>(Unaudited)</i>	Related to asset/ income
Virtual co-phase flexible power supply technology	4,890,000	-	-	-	<b>4,890,000</b>	Income
Development and application of PCU power element for new generation high-speed train	4,700,000	-	-	-	<b>4,700,000</b>	Income
Semiconductor three-line construction infrastructure subsidies	3,600,000	-	(200,000)	-	<b>3,400,000</b>	Asset
Construction of intelligent manufacturing works for core components of rolling stock (Manufacturing center)	3,263,889	-	(416,667)	-	<b>2,847,222</b>	Asset
Industrial support fund	3,216,040	-	(39,220)	-	<b>3,176,820</b>	Asset
Others	331,144,654	20,293,118	(21,106,535)	-	<b>330,331,237</b>	Asset/Income
Total	<u>963,716,803</u>	<u>65,293,118</u>	<u>(124,274,682)</u>	<u>-</u>	<u><b>904,735,239</b></u>	

### 36. Share capital

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

# Notes to the Financial Statements

For the six months ended 30 June 2021

Renminbi Yuan

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

### 37. Capital reserve

Item	1 January 2021 (Audited)	Increase in the period	Decrease in the period	30 June 2021 (Unaudited)
Share capital premium	3,321,880,949	—	—	<b>3,321,880,949</b>

### 38. Other comprehensive income

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

# Notes to the Financial Statements

For the six months ended 30 June 2021

Renminbi Yuan

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

### 39. Special reserve

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

### 40. Surplus reserve

Item	1 January 2021 (Audited)	Increase in the period	Decrease in the period	30 June 2021 (Unaudited)
Statutory surplus reserve	<u>2,325,644,999</u>	<u>–</u>	<u>–</u>	<u>2,325,644,999</u>

Note: According to the Company Law and the Company's articles of association, the Company is required to transfer 10% of its net profit to the statutory surplus reserve. After statutory surplus reserve is accrued, discretionary surplus reserve can be accrued accordingly, which can be used to make up for the annual losses of previous years or increase equity upon approval.

### 41. Retained earnings

Item	Amount
Retained earnings at the beginning of the period (Audited)	17,156,557,050
Add: Net profit attributable to shareholders of the parent company	695,234,768
Less: Appropriation to statutory surplus reserve (Note V.40)	–
Common stock dividends payable	–
Retained earnings at the end of the period (Unaudited)	<u>17,851,791,818</u>

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

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

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

# Notes to the Financial Statements

For the six months ended 30 June 2021

Renminbi Yuan

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

### 42. Revenue and cost of sales

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

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

#### (2) Presentation of revenue and cost of sales by business type is as follows:

Item	For the six months ended 30 June 2021 (Unaudited)		For the six months ended 30 June 2020 (Unaudited)	
	Revenue	Cost of sales	Revenue	Cost of sales
Rail Transit equipment business	4,396,106,410	2,568,705,951	4,775,898,098	2,780,984,267
Emerging equipment business	776,628,094	625,861,598	684,236,303	540,864,149
Others	125,385,051	105,850,732	109,925,237	102,498,531
Total	<u>5,298,119,555</u>	<u>3,300,418,281</u>	<u>5,570,059,638</u>	<u>3,424,346,947</u>

# Notes to the Financial Statements

For the six months ended 30 June 2021

Renminbi Yuan

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

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

#### (3) Revenue from contracts

<b>By geographic areas of sales</b>	<b>For the six months ended 30 June 2021 (Unaudited)</b>	<b>For the six months ended 30 June 2020 (Unaudited)</b>
Mainland China	<b>5,011,795,724</b>	5,232,162,751
Other countries and regions	<b>286,323,831</b>	337,896,887
Total	<b>5,298,119,555</b>	5,570,059,638

#### (4) Description of performance obligations

##### *Sales of goods and materials*

The Group mainly sells rail transit equipment and components, which are mainly delivered using land transportation. The Company recognises revenue upon receipts and acceptance of the goods by the customer.

Advances from customer before delivery of rail transit equipment and components are recognised as contract liabilities in the consolidated financial statements. There is no significant financing component and right of return during the course of sales of rail transit equipment and components.

##### *Revenue from maintenance service*

The Group mainly repairs and maintains rail transit equipment and components. According to the service contract, the maintenance service is subject to customer's acceptance upon delivery, and the Company is entitled to collect the payment upon acceptance by the customer. As the customer can't simultaneously receive and consume the economic benefits provided by the Company's performance as the Company performs; and can't control the service during the Company's performance either; and during the contract period, the Company can't collect the payment in respect of the part of obligations completed up to date, therefore, the maintenance service represent the performance obligation performed at a point in time, and the Company recognises revenue from maintenance service upon acceptance by customer.

# Notes to the Financial Statements

For the six months ended 30 June 2021

Renminbi Yuan

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

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

#### (4) Description of performance obligations (continued)

##### Revenue from construction contracts

The Group's revenue from construction contract mainly arises from production of marine engineering products such as deep-water robot. The Group mainly adopts marine transportation. As the products of the Group have irreplaceable uses, and the Group has the right to ask for payment for the cumulative part that has been completed so far during the entire contract period, the Group recognises revenue from construction contracts according to the progress of performance as a performance obligation to be performed in a certain period of time. The Group uses the input method to determine the progress of performance.

The sales course of marine engineering products has no significant financing component and right of return.

### 43. Taxes and surcharges

Item	For the six months ended 30 June 2021 (Unaudited)	For the six months ended 30 June 2020 (Unaudited)
City maintenance and construction tax	9,216,708	10,994,590
Education surcharges	6,646,377	8,605,120
Others	16,700,038	14,698,152
Total	32,563,123	34,297,862

# Notes to the Financial Statements

For the six months ended 30 June 2021

Renminbi Yuan

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

### 44. Selling expenses

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

# Notes to the Financial Statements

For the six months ended 30 June 2021

Renminbi Yuan

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

### 45. Administrative expenses

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



# Notes to the Financial Statements

For the six months ended 30 June 2021

Renminbi Yuan

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

### 46. R&D Expenses

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

### 47. Finance costs

Item	For the six months ended 30 June 2021 <i>(Unaudited)</i>	For the six months ended 30 June 2020 <i>(Unaudited)</i>
Interest expenses of borrowings	3,430,067	4,729,773
Interest expenses of lease liabilities	2,686,422	2,675,297
Less: Capitalised interest expenses	115,357	104,961
Interest income	(28,126,762)	(19,623,334)
Net exchange losses (gains)	(282,584)	9,236,310
Financial institution charges	5,342,179	6,141,250
Others	(418,174)	1,952,049
Total	<u>(17,484,209)</u>	<u>5,006,384</u>

# Notes to the Financial Statements

For the six months ended 30 June 2021

Renminbi Yuan

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

### 48. Other income

Item	<b>For the six months ended 30 June 2021 (Unaudited)</b>	For the six months ended 30 June 2020 (Unaudited)
Refunds of VAT	<b>68,597,906</b>	84,048,920
Technology project fund	<b>133,263,795</b>	36,813,200
Government rewards	<b>17,605,718</b>	30,766,860
Total	<b><u>219,467,419</u></b>	<u>151,628,980</u>

### 49. Investment income (losses)

Item	<b>For the six months ended 30 June 2021 (Unaudited)</b>	For the six months ended 30 June 2020 (Unaudited)
Gain (Losses) from long-term equity investments under the equity method	<b>(11,154,070)</b>	(8,117,432)
Gains on disposals of held-for-trading financial assets	<b>42,835,550</b>	64,019,468
Gains (Losses) on derecognition of financial assets at amortized cost	<b>(101,331)</b>	-
Total	<b><u>31,580,149</u></b>	<u>55,902,036</u>

# Notes to the Financial Statements

For the six months ended 30 June 2021

Renminbi Yuan

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

### 50. Gains from fair value changes

Item	For the six months ended 30 June 2021 <i>(Unaudited)</i>	For the six months ended 30 June 2020 <i>(Unaudited)</i>
Held-for-trading financial assets	<b>8,884,903</b>	10,588,918
Total	<b><u>8,884,903</u></b>	<b><u>10,588,918</u></b>

### 51. Credit impairment gains (losses)

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

# Notes to the Financial Statements

For the six months ended 30 June 2021

Renminbi Yuan

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

### 52. Assets impairment gains (losses)

Item	For the six months ended 30 June 2021 <i>(Unaudited)</i>	For the six months ended 30 June 2020 <i>(Unaudited)</i>
Impairment gains (losses) of inventories	(74,029,446)	(43,374,342)
Impairment gains (losses) of contract assets	(894,201)	–
Impairment gains (losses) of contract assets in other non-current assets	(1,819,746)	–
Impairment gains (losses) of goodwill	–	(154,724,000)
Total	(76,743,393)	(198,098,342)

### 53. Gains (losses) on disposal of assets

Item	For the six months ended 30 June 2021 <i>(Unaudited)</i>	For the six months ended 30 June 2020 <i>(Unaudited)</i>
Gains (losses) on disposal of fixed assets	(200,180)	2,063,538
Total	(200,180)	2,063,538

# Notes to the Financial Statements

For the six months ended 30 June 2021

Renminbi Yuan

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

### 54. Non-operating income

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

### 55. Non-operating expenses

Item	For the six months ended 30 June 2021 (Unaudited)		For the six months ended 30 June 2020 (Unaudited)	
	Amount	Amount included in non-recurring profit or loss	Amount	Amount included in non-recurring profit or loss
Losses on penalties and compensation	87,655	87,655	8,679	8,679
Others	53,917	53,917	877,041	877,041
Total	<u>141,572</u>	<u>141,572</u>	<u>885,720</u>	<u>885,720</u>

# Notes to the Financial Statements

For the six months ended 30 June 2021

Renminbi Yuan

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

### 56. Income tax expense

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

# Notes to the Financial Statements

For the six months ended 30 June 2021

Renminbi Yuan

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

### 56. Income tax expense (continued)

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

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

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

# Notes to the Financial Statements

For the six months ended 30 June 2021

Renminbi Yuan

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

### 57. Items in the statement of cash flows

#### (1) Cash received relating to other operating activities

Item	For the six months ended 30 June 2021 <i>(Unaudited)</i>	For the six months ended 30 June 2020 <i>(Unaudited)</i>
Government grants	91,887,949	30,599,768
Interest income	28,126,762	19,623,334
Others	40,571,929	56,139,105
Total	<u>160,586,640</u>	<u>106,362,207</u>

#### (2) Cash paid relating to other operating activities

Item	For the six months ended 30 June 2021 <i>(Unaudited)</i>	For the six months ended 30 June 2020 <i>(Unaudited)</i>
Payments for selling expenses, administrative expenses and R&D expenses	609,530,300	580,787,109
Bank charges	5,342,179	6,141,250
Payments for accounts	11,082,073	9,260,953
Increase in restricted cash and bank balances	3,019,780	20,194
Increase in time deposits with more than three months	850,000,000	-
Others	9,146,808	5,820,441
Total	<u>1,488,121,140</u>	<u>602,029,947</u>



# Notes to the Financial Statements

For the six months ended 30 June 2021

Renminbi Yuan

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

### 57. Items in the statement of cash flows (continued)

#### (3) Cash paid relating to other financing activities

Item	For the six months ended 30 June 2021 <i>(Unaudited)</i>	For the six months ended 30 June 2020 <i>(Unaudited)</i>
Expenses of lease liabilities	<u>40,270,067</u>	<u>16,333,464</u>
Total	<u><u>40,270,067</u></u>	<u><u>16,333,464</u></u>

# Notes to the Financial Statements

For the six months ended 30 June 2021

Renminbi Yuan

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

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

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

Item	For the six months ended 30 June 2021 <i>(Unaudited)</i>	For the six months ended 30 June 2020 <i>(Unaudited)</i>
Reconciliation of net profit to cash flows from operating activities:		
Net profit	<b>702,972,674</b>	684,788,602
Add: Asset impairment losses	<b>76,743,393</b>	198,098,342
Credit impairment losses	<b>37,023,176</b>	75,217,281
Depreciation of fixed assets	<b>188,006,768</b>	204,174,839
Amortization of intangible assets	<b>68,423,498</b>	56,827,399
Depreciation of right-of-use assets	<b>30,422,210</b>	20,453,895
Increase in special reserves	<b>5,319,273</b>	9,057,155
Amortization of long-term prepaid expenses	<b>2,652,512</b>	3,037,834
Losses (gains) on disposal of fixed assets	<b>200,180</b>	(2,063,538)
Finance costs	<b>2,789,937</b>	8,069,004
Investment loss (income)	<b>(31,580,149)</b>	(55,902,036)
Losses (gains) on fair value changes	<b>(8,884,903)</b>	(10,588,918)
Decrease (increase) in deferred tax assets	<b>(46,902,125)</b>	(32,069,301)
Increase (decrease) in deferred tax liabilities	<b>(3,557,459)</b>	(5,822,149)
Decrease (increase) in inventories	<b>(1,294,978,828)</b>	(1,797,444,406)
Decrease (increase) in operating receivables	<b>(1,397,511,396)</b>	782,294,854
Increase (decrease) in operating payables	<b>(464,827,286)</b>	(34,794,642)
Net cash flows from operating activities	<b><u>(2,133,688,525)</u></b>	<u>103,334,215</u>

# Notes to the Financial Statements

For the six months ended 30 June 2021

Renminbi Yuan

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

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

#### (2) Net movement in cash and cash equivalents

Item	For the six months ended 30 June 2021 <i>(Unaudited)</i>	For the six months ended 30 June 2020 <i>(Unaudited)</i>
Closing balance of cash	3,340,572,244	5,563,484,856
Less: Opening balance of cash	<u>4,783,889,538</u>	<u>4,244,080,658</u>
Net increase (decrease) in cash and cash equivalents	<u><u>(1,443,317,294)</u></u>	<u><u>1,319,404,198</u></u>

#### (3) Cash and cash equivalents

Item	30 June 2021 <i>(Unaudited)</i>	30 June 2020 <i>(Unaudited)</i>
Cash on hand	30,993	32,221
Bank deposits on demand	<u>3,340,541,251</u>	<u>5,563,452,635</u>
Closing balance of cash and cash equivalents	<u><u>3,340,572,244</u></u>	<u><u>5,563,484,856</u></u>

### 59. Assets with restrictions on ownership or use right

Item	30 June 2021 <i>(Unaudited)</i>
Pledged cash and bank balances	18,016,239
Bills receivable endorsed or discounted but not yet due at the balance sheet date	<u>106,365,830</u>
Total	<u><u>124,382,069</u></u>

# Notes to the Financial Statements

For the six months ended 30 June 2021

Renminbi Yuan

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

### 60. Foreign currency monetary items

Item	Foreign currency balance at 30 June 2021 <i>(Unaudited)</i>	Exchange rate	Equivalent to RMB at 30 June 2021 <i>(Unaudited)</i>
Cash and bank balances			<b>68,136,522</b>
Including: USD	<b>3,064,419</b>	<b>6.46</b>	<b>19,796,452</b>
EUR	<b>2,158,903</b>	<b>7.69</b>	<b>16,593,760</b>
JPY	<b>16,922,892</b>	<b>0.06</b>	<b>988,297</b>
HKD	<b>1,354,154</b>	<b>0.83</b>	<b>1,126,792</b>
GBP	<b>3,009,205</b>	<b>8.93</b>	<b>26,862,091</b>
Others	–	–	<b>2,769,130</b>
Trade receivables			<b>64,763,096</b>
Including: USD	<b>5,922,047.38</b>	<b>6.46</b>	<b>38,257,018</b>
EUR	<b>1,868,287.98</b>	<b>7.69</b>	<b>14,360,035</b>
GBP	<b>1,357,636</b>	<b>8.93</b>	<b>12,138,620</b>
Others	–	–	<b>7,423</b>
Trade payables			<b>75,793,128</b>
Including: USD	<b>1,668,765</b>	<b>6.46</b>	<b>10,780,389</b>
EUR	<b>7,273,859</b>	<b>7.69</b>	<b>55,908,338</b>
JPY	<b>18,676,690</b>	<b>0.06</b>	<b>1,090,719</b>
GBP	<b>253,107</b>	<b>8.93</b>	<b>2,263,033</b>
CHF	<b>799,255</b>	<b>7.01</b>	<b>5,605,493</b>
Others	–	–	<b>145,156</b>
Other payables			<b>25,286,691</b>
Including: USD	<b>574,917</b>	<b>6.46</b>	<b>3,714,021</b>
EUR	<b>2,391,428</b>	<b>7.69</b>	<b>18,380,991</b>
GBP	<b>40,864</b>	<b>8.93</b>	<b>364,956</b>
CHF	<b>44,000</b>	<b>7.01</b>	<b>308,590</b>
Others			<b>2,518,133</b>

# Notes to the Financial Statements

For the six months ended 30 June 2021

Renminbi Yuan

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

### 61. Government grants

Item	Related to asset/ income	Presenting item	For the six months ended 30 June 2021 <i>(Unaudited)</i>	For the six months ended 30 June 2020 <i>(Unaudited)</i>
Refunds of VAT	Related to income	Other income	<b>68,597,906</b>	84,048,920
Government rewards	Related to income	Other income	<b>17,605,718</b>	19,592,559
Technology project fund	Related to asset/income	Deferred income	<b>74,282,231</b>	11,007,209
Total			<b><u>160,485,855</u></b>	<u>114,648,688</u>
Including: Government grants recognised in profit or loss for the period			<b><u>86,203,624</u></b>	<u>103,641,479</u>

# Notes to the Financial Statements

For the six months ended 30 June 2021

Renminbi Yuan

## (VI) CHANGES IN THE SCOPE OF CONSOLIDATION

### 1. Establishment of new subsidiaries

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

## (VII) INTERESTS IN OTHER ENTITIES

### 1. Interests in subsidiaries

#### (1) Composition of the Group

Names of the subsidiary	Place of registration/ Principal place of business	Registered capital	Nature of business	Proportion of shareholding		Acquisition means
				Direct	Indirect	
Ningbo CRRC Times	Ningbo, Zhejiang	RMB148,826,200	Manufacturing	100%	-	Incorporation
CRRC Times Electronics	Zhuzhou, Hunan	RMB80,000,000	Manufacturing	100%	-	Incorporation
Shenyang CRRC Times	Shenyang, Liaoning	RMB56,000,000	Manufacturing	100%	-	Incorporation
CRRC Times Semiconductor	Zhuzhou, Hunan	RMB2,700,000,000	Manufacturing	100%	-	Incorporation
Baoji CRRC Times	Baoji, Shanxi	RMB406,136,600	Manufacturing	90.15%	-	Incorporation
Taiyuan CRRC Times	Taiyuan, Shanxi	RMB307,620,400	Manufacturing	-	55%	Incorporation
Kunming CRRC Times Electric Equipment Co., Ltd. ("Kunming CRRC Electric")	Kunming, Yunnan	RMB55,000,000	Manufacturing	100%	-	Incorporation
Hangzhou CRRC Times Electric Equipment Co., Ltd. ("Hangzhou CRRC Electric")	Hangzhou, Zhejiang	RMB75,000,000	Manufacturing	60%	-	Incorporation
Guangzhou CRRC Times Electric Technology Co., Ltd. ("Guangzhou CRRC Electric")	Guangzhou, Guangdong	RMB30,000,000	Manufacturing	60%	-	Incorporation
HK CRRC Times Electric	Hong Kong	HKD856,952,000	Investment holding	100%	-	Incorporation
Ningbo CRRC Electric	Ningbo, Zhejiang	RMB110,000,000	Manufacturing	100%	-	Incorporation
Chengdu CRRC Electric	Chengdu, Sichuan	RMB30,000,000	Manufacturing	100%	-	Incorporation
Qingdao CRRC Electric (Note 1)	Qingdao, Shandong	RMB100,000,000	Manufacturing	45%	-	Incorporation
Shanghai CRRC Rail Transit Technology Co., Ltd. ("Shanghai CRRC Rail Transit")	Shanghai	RMB50,000,000	Manufacturing	51%	-	Incorporation
CRRC Times Software	Zhuzhou, Hunan	RMB100,000,000	Software service	100%	-	Incorporation
Hunan CRRC Signal	Changsha, Hunan	RMB229,000,000	Manufacturing	100%	-	Incorporation

# Notes to the Financial Statements

For the six months ended 30 June 2021

Renminbi Yuan

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

### 1. Interests in subsidiaries (continued)

#### (1) Composition of the Group (continued)

Names of the subsidiary	Place of registration/ Principal place of business	Registered capital	Nature of business	Proportion of shareholding		Acquisition means
				Direct	Indirect	
Lanzhou CRRC Times Rail Transit Technology Co., Ltd. ("Lanzhou Times")	Lanzhou, Gansu	RMB50,000,000	Manufacturing	51%	-	Incorporation
Shanghai CRRC SMD	Shanghai	RMB70,000,000	Manufacturing	100%	-	Incorporation
CRRC Times Electric Australia Pty.Ltd. ("Australia CRRC Times Electric")	Australia	AUD290,000	Trading	100%	-	Incorporation
CRRC Times Electric USA,LLC ("USA CRRC Times Electric")	USA	USD430,000	Trading	100%	-	Incorporation
CRRC Times Electric Brasil Ltda. ("Brasil CRRC Times Electric")	Brazil	BRL1,320,000	Trading	99%	1%	Incorporation
Chongqing CRRC Electric (Note 2)	Chongqing	RMB150,000,000	Manufacturing	60%	-	Incorporation
Canada Dynex	Canada	CAD37,096,192	Investment holding	100%	-	By business combination not involving entities under common control
Dynex Semiconductor Limited	United Kingdom	GBP15,000,000	Manufacturing	-	100%	
UK CRRC SMD	United Kingdom	GBP44,049,014	Investment holding	-	100%	
Soil Machine Dynamics Limited ("Soil Machine")	United Kingdom	GBP938,950	Manufacturing	-	100%	
UK CRRC SMD Offshore Support Limited	United Kingdom	GBP2	Trading	-	100%	
Soil Machine Dynamics USA LLC	USA	USD0	Trading	-	100%	
UK CRRC SMD Robotics Limited	United Kingdom	GBP1	Trading	-	100%	
Soil Machine Dynamics Singapore Pte. Ltd.	Singapore	SGD1	Manufacturing	-	100%	
UK CRRC SMD do Brasil Ltd.	Brazil	BRL100	Trading	-	100%	
CRRC National Centre of Converters	Zhuzhou, Hunan	RMB273,000,000	Manufacturing	100%	-	By business combination involving entities under common control
Shanghai Yongdian Electronic Technology Co., Ltd. ("Shanghai Yongdian")	Shanghai	RMB60,000,000	Manufacturing	100%	-	

# Notes to the Financial Statements

For the six months ended 30 June 2021

Renminbi Yuan

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

### 1. Interests in subsidiaries (continued)

#### (1) Composition of the Group (continued)

Note 1: Management of the Group considers that the Group has control over Qingdao CRRC Electric though it only has less than half of the voting rights.

Note 2: In March 2021, the Company set up Chongqing CRRC Times Electric Technology Co., Ltd. ("Chongqing CRRC Electric") with Chongqing Rail Transit Industry Investment Co., Ltd. The share capital of Chongqing CRRC Electric is RMB150.00 million. Since the Company holds 60% equity interest in Chongqing CRRC Electric and has over half voting seats of its board, the Company is able to control Chongqing CRRC Electric.

#### (2) Significant non-wholly owned subsidiaries

##### Baoji CRRC Times

Item	Proportion in non-controlling interests	Profit (Loss) attributable to non-controlling shareholders	Dividends paid to non-controlling shareholders	Closing balance of non-controlling interests
For the six months ended 30 June 2021	9.85%	(4,009,993)	–	81,565,177
For the six months ended 30 June 2020	9.85%	626,594	–	84,189,550



# Notes to the Financial Statements

For the six months ended 30 June 2021

Renminbi Yuan

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

### 1. Interests in subsidiaries (continued)

#### (2) Significant non-wholly owned subsidiaries (continued)

##### Baoji CRRC Times (Consolidated)

Item	30 June 2021 (Unaudited)	30 June 2020 (Unaudited)
Current assets	2,678,517,326	2,721,971,020
Non-current assets	452,781,657	253,617,285
Total assets	<u>3,131,298,983</u>	<u>2,975,588,305</u>
Current liabilities	2,177,803,632	2,117,620,079
Non-current liabilities	4,132,448	9,414,933
Total liabilities	<u>2,181,936,080</u>	<u>2,127,035,012</u>
Total shareholders' equity	<u>949,362,903</u>	<u>848,553,293</u>
Total equity attributable to shareholders of the Parent	<u>836,132,194</u>	<u>854,716,242</u>
Non-controlling interests	<u>113,230,709</u>	<u>(6,162,949)</u>
	<b>For the six months ended 30 June 2021 (Unaudited)</b>	<b>For the six months ended 30 June 2020 (Unaudited)</b>
Revenue	297,239,909	806,966,760
Net profit (loss)	(48,054,327)	(16,673,050)
Including: Net profit (loss) attributable to shareholders of the Parent	(40,316,421)	(6,823,186)
Net profit attributable to non-controlling interests	(7,737,906)	(9,849,864)
Total comprehensive income	(48,576,976)	(18,307,163)
Including: Comprehensive income attributable to shareholders of the Parent	(41,112,602)	(7,934,412)
Comprehensive income attributable to non-controlling interests	(7,464,374)	(10,372,751)
Net cash flows from operating activities	<u>(506,828,401)</u>	<u>(217,772,247)</u>

# Notes to the Financial Statements

For the six months ended 30 June 2021

Renminbi Yuan

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

### 2. Interests in associates or joint ventures

#### (1) Joint ventures and associates

Name of associate/ joint venture	Principal place of business/Place of registration	Nature of business	Proportion of shareholding		Accounting method
			Direct	Indirect	
<b>Joint ventures</b>					
Shiling	Zhuzhou, Hunan	Manufacturing	50%	–	Equity method
LANP Electrical	Wenzhou, Zhejiang	Manufacturing	50%	–	Equity method
Shanghai Shentong CRRC	Shanghai	R&D and Technical Service Industry	50%	–	Equity method
Zhengzhou Times	Zhengzhou, Henan	Manufacturing	50%	–	Equity method
<b>Associates</b>					
CRRC Hofer	Wuxi, Jiangsu	Manufacturing	–	49%	Equity method
Zhuzhou Siemens	Zhuzhou, Hunan	Manufacturing	30%	–	Equity method
Guoxin Technology	Zhuzhou, Hunan	Manufacturing	25%	–	Equity method
Times Wabtec	Changsha, Hunan	Manufacturing	50%	–	Equity method
Zhixin Semiconductor	Wuhan, Hubei	Manufacturing	–	47%	Equity method
India CRRC	India	Manufacturing	15%	–	Equity method
Wuxi Times	Wuxi, Jiangsu	R&D and Technical Service Industry	46%	–	Equity method
Foshan Zhongshi intelligent transportation Technology Co., Ltd (Foshan Zhongshi) (Note)	Foshan, Guangdong	R&D and Technical Service Industry	40%	–	Equity method

Note: In June 2021, the Group, Foshan Fotie Investment And Development Co., Ltd. and Zhuzhou Times Wealth Investment Center (limited partnership) jointly invested to establish Foshan Zhongshi, with the Group contributing RMB32,000,000 and holding 40% of the shares. The board of directors of Foshan Zhongshi is composed of 5 directors, and the Group has appointed 2 directors, who has a significant influence on Foshan Zhongshi, so the accounting is based on the joint venture investment. As of June 30, 2021, the Group has not actually contributed capital.

# Notes to the Financial Statements

For the six months ended 30 June 2021

Renminbi Yuan

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

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

#### (2) Main financial information of significant joint ventures

##### Shiling

Item	<b>30 June 2021 and for the six months ended 30 June 2021 (Unaudited)</b>	30 June 2020 and for the six months ended 30 June 2020 (Unaudited)
Current assets	<b>368,372,643</b>	453,325,752
Including: cash and cash equivalents	<b>316,886,682</b>	283,488,440
Non-current assets	<b>39,098,954</b>	48,389,309
Total assets	<b>407,471,597</b>	501,715,061
Current liabilities	<b>31,276,027</b>	74,727,546
Total liabilities	<b>31,276,027</b>	74,727,546
Net assets	<b>376,195,570</b>	426,987,515
Net assets portion based on shareholding	<b>188,097,785</b>	211,048,917
Adjustments	–	–
– Unrealised profit of downstream trading	–	–
Carrying amount of investment	<b>188,097,785</b>	211,048,917
Revenue	<b>23,381,268</b>	308,184,930
Income tax expense	–	–
Net profit	<b>3,867,734</b>	4,769,998
Total comprehensive income	<b>3,867,734</b>	4,769,998

# Notes to the Financial Statements

For the six months ended 30 June 2021

Renminbi Yuan

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

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

#### (3) Financial information of joint ventures and associates that are individually insignificant to the Group:

Item	30 June 2021 and for the six months ended 30 June 2021 (Unaudited)	30 June 2020 and for the six months ended 30 June 2020 (Unaudited)
Joint ventures:		
Total carrying amount of investment	<b>28,954,159</b>	22,363,201
Total amounts based on shareholding		
Net profit (loss)	<b>(2,319,249)</b>	(916)
Total comprehensive income	<b><u>(2,319,249)</u></b>	<b><u>(916)</u></b>
Associates:		
Total carrying amount of investment	<b>344,344,392</b>	326,926,421
Total amounts based on shareholding		
Net profit (loss)	<b>(10,768,688)</b>	(10,501,515)
Total comprehensive income	<b><u>(12,023,847)</u></b>	<b><u>(7,771,923)</u></b>

# Notes to the Financial Statements

For the six months ended 30 June 2021

Renminbi Yuan

## (VIII) RISK RELATED TO FINANCIAL INSTRUMENTS

### 1. Classification of financial instruments

The Group's principal financial instruments comprise cash and bank balances, held-for-trading financial assets, bills receivable, trade receivables, receivable financing, other receivables, other equity instrument investments, bills payable, trade payables, other payables, borrowings, long-term payables and lease liabilities, etc. As at 30 June 2021, details of these financial instruments held by the Group are disclosed in Note (V). The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. Management of the Group manages and monitors these exposures to ensure the risks are monitored at a certain level.

Item	30 June 2021 (Unaudited)
<b>Financial assets</b>	
<i>At FVTPL</i>	
Held-for-trading financial assets	2,601,212,210
<i>At FVTOCI</i>	
Receivables financing	1,562,855,135
Other equity instrument investments	92,832,300
<i>At amortised cost</i>	
Cash and bank balances	4,538,588,483
Bills receivable	2,372,654,777
Trade receivables	9,321,203,467
Other receivables	161,210,914
<b>Financial liabilities</b>	
<i>At amortised cost</i>	
Short-term borrowings	289,363,421
Bills payable	1,479,104,011
trade payables	4,363,025,398
Other payables	638,555,274
Long-term borrowings (including long-term borrowings due within one year)	160,086,619
Lease liabilities (including lease liabilities due within one year)	95,814,704
Long-term payables	553,417

# Notes to the Financial Statements

For the six months ended 30 June 2021

Renminbi Yuan

## (VIII) RISK RELATED TO FINANCIAL INSTRUMENTS (continued)

### 2. Financial instruments and their risks

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

#### (1) Credit risk

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

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

The credit risk on cash and bank balances is limited because they are deposited with banks with high credit ratings.

The major customers of the Group are subsidiaries of CRRC Corporation Limited as well as other state-owned enterprises and institutions in the railway transportation industry. Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. The Group has a specific credit concentration risk. As at 30 June 2021 and 31 December 2020, the Group had certain concentrations of credit risk as 17.72% and 18.98% of the Group's trade receivables were due from the Group's largest customer, and 27.46% and 24.11% of the Group's trade receivables were due from the five largest customers.

Principles for assessing whether the credit risk has increased significantly since the initial recognition, basis for determining the credit impairment of financial assets, the method to assessing expected credit risk and the direct write down policy are listed in Note (III)10.2.

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

The above-mentioned expected average loss rate is based on historically actual bad debt rate and takes current conditions and forecasts of future economic conditions into consideration.

The Group reviews the recoverable amount of the financial assets at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the management of the Group considers that the Group's credit risk is significantly reduced.

# Notes to the Financial Statements

For the six months ended 30 June 2021

Renminbi Yuan

## (VIII) RISK RELATED TO FINANCIAL INSTRUMENTS (continued)

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

#### (2) Liquidity risk

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

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

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

The maturity profile of the Group's financial liabilities based on the contractual undiscounted payments is as follows:

Item	Within 1 year	1-2 years	Over 2 years	Total	Carrying amount
Short-term borrowings	289,677,025	-	-	289,677,025	289,363,421
Bills payable	1,479,104,011	-	-	1,479,104,011	1,479,104,011
trade payables	4,363,025,398	-	-	4,363,025,398	4,363,025,398
Other payables	638,555,274	-	-	638,555,274	638,555,274
Long-term borrowings (including long-term borrowings due within one year)	80,764,649	5,871,347	79,016,395	165,652,391	160,086,619
Lease liabilities (including lease liabilities due within one year)	39,113,067	30,992,940	49,141,403	119,247,410	95,814,704
Long-term payables	-	553,417	-	553,417	553,417
Total	<u>6,890,239,424</u>	<u>37,417,704</u>	<u>128,157,798</u>	<u>7,055,814,926</u>	<u>7,026,502,844</u>

# Notes to the Financial Statements

For the six months ended 30 June 2021

Renminbi Yuan

## (VIII) RISK RELATED TO FINANCIAL INSTRUMENTS (continued)

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

#### (3) Market risk

##### *Foreign currency risk*

Several of the Group's subsidiaries have purchases and sales denominated in JPY, USD, GBP, EUR and HKD, while the Group's other principal activities are denominated and settled in RMB. Currency risk arising from the assets and liabilities denominated in foreign currencies may have impact on the Group's performance. As at the end of the Reporting Period, the balances of the Group's assets and liabilities are as follows:

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



# Notes to the Financial Statements

For the six months ended 30 June 2021

Renminbi Yuan

## (VIII) RISK RELATED TO FINANCIAL INSTRUMENTS (continued)

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

#### (3) Market risk (continued)

30 June 2021 (unaudited)

	Base point Increase/ (decrease) in exchange rate	Effect on profit Increase/ (decrease) in profit
JPY		
If RMB strengthens against JPY	+10%	8,706
If RMB weakens against JPY	-10%	(8,706)
USD		
If RMB strengthens against USD	+10%	(3,702,520)
If RMB weakens against USD	-10%	3,702,520
GBP		
If RMB strengthens against GBP	+10%	(3,091,681)
If RMB weakens against GBP	-10%	3,091,681
EUR		
If RMB strengthens against EUR	+10%	2,918,460
If RMB weakens against EUR	-10%	(2,918,460)
HKD		
If RMB strengthens against HKD	+10%	(95,777)
If RMB weakens against HKD	-10%	95,777

#### 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 ratio in order to support its business and maximize shareholders' value.

# Notes to the Financial Statements

For the six months ended 30 June 2021

Renminbi Yuan

## (VIII) RISK RELATED TO FINANCIAL INSTRUMENTS (continued)

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

#### (3) Market risk (continued)

##### Capital management (continued)

The Group manages its capital structure and makes adjustment to it in light of changes in economic conditions and the risk characteristics of underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital for the six months ended 30 June 2021.

The Group monitors capital using a gearing ratio, which is net debt divided by the adjusted capital plus net debt. The Group's policy is to maintain the gearing ratio no more than 30%. Net debt includes all borrowings, bills payable, trade payables, employee benefits payable, other taxes payable excluding enterprise income tax payable, other payables, lease liabilities and long-term payables, less cash and cash equivalents. Capital includes equity attributable to shareholders of the Parent. The gearing ratio as at the balance sheet date was as follows:

Item	30 June 2021 (Unaudited)
Short-term borrowings	289,363,421
Bills payable	1,479,104,011
Trade payables	4,363,025,398
Employee benefits payable	236,336,867
Taxes payable (excluding enterprise income tax payable)	41,370,458
Other payables	638,555,274
Long-term borrowings (including amounts due within one year)	160,086,619
Lease liabilities (including amounts due within one year)	95,814,704
Long-term payables	553,417
Less: Cash and cash equivalents	<u>3,340,572,244</u>
Net debt	3,963,637,925
Equity attributable to the shareholders of the Parent	<u>24,547,454,368</u>
Capital and net debt	<u><u>28,511,092,293</u></u>
Gearing ratio	<u>13.90%</u>

# Notes to the Financial Statements

For the six months ended 30 June 2021

Renminbi Yuan

## (VIII) RISK RELATED TO FINANCIAL INSTRUMENTS (continued)

### 3. Transfer of financial assets

The bank acceptance bills or commercial acceptance bills that the Group has endorsed to suppliers for the settlement of trade payables are as follows:

Item	30 June 2021 <i>(Unaudited)</i>	31 December 2020 <i>(Audited)</i>
Transferred financial assets that are not derecognised in their entirety	<b>106,365,830</b>	105,438,338
Transferred financial assets that are derecognised in their entirety with continuing involvement	<b>355,801,440</b>	247,743,856
Total	<b><u>462,167,270</u></b>	<b><u>353,182,194</u></b>

For the bank acceptance bills or commercial acceptance bills that have been transferred but not derecognised in their entirety, in the opinion of the management, the Group has retained the substantial risks and rewards, which include default risks relating to such bills receivable. Accordingly, it continued to recognise the full carrying amounts of the settled trade payables.

The bank acceptance bills or commercial acceptance bills having been derecognised that meet certain criteria have maturities ranging from three to twelve months and have transferred substantially all of the substantial risks and rewards, therefore, the specific bank acceptance bills were derecognised.

The trade receivables the Group derecognised due to factoring of trade receivables are as follows:

Item	For the six months ended 30 June 2021 <i>(Unaudited)</i>
Factoring of trade receivables	<b><u>2,937,008</u></b>

The Group views that the trade receivables have transferred substantially all of the substantial risks and rewards associated with the ownership, therefore, the trade receivables were derecognised.

# Notes to the Financial Statements

For the six months ended 30 June 2021

Renminbi Yuan

## (IX) FAIR VALUE

### 1. Closing fair value of assets and liabilities measured at fair value

Item	Fair value at 30 June 2021 (Unaudited)			
	Level 1	Level 2	Level 3	Total
I. Continuous fair value measurement				
(I) Financial assets at FVTPL				
1. Held-for-trading financial assets	-	2,601,212,210	-	2,601,212,210
(II) Receivables financing	-	1,562,855,135	-	1,562,855,135
(III) Other equity instrument investments	-	-	92,832,300	92,832,300

### 2. Valuation techniques and qualitative and quantitative information of key parameters adopted for continuous level 2 fair value measurement items

Fair value measurement of held-for-trading financial assets and receivables financing is determined based on the method of discounted cash flow analysis. The future cash flows are estimated based on the projected returns to reflect the counterparty's credit risk at discount rate.

### 3. Valuation techniques and qualitative and quantitative information of key parameters adopted for continuous level 3 fair value measurement items

Fair value measurement of other equity instrument investments is determined based on the method of discounted cash flow analysis, with unobservable input as weighted average cost of capital and long-term income growth rate.

### 4. There are no transfers among Level 1, Level 2 and Level 3 for the fair value measurements of the Group's financial assets in the Reporting Period.

### 5. Fair values of financial assets and financial liabilities that are not measured at fair value

The Group's financial assets and financial liabilities at amortized cost are detailed in Note (VIII) 1. The fair values of long-term borrowings and long-term payables are determined using the method of discounted cash flow analysis, with market yields on other financial instruments with similar contractual terms, credit risk and remaining maturity as the discount rate. As at 30 June 2021 and 31 December 2020, the carrying amounts of financial assets and financial liabilities at amortized cost in the financial statements approximate their fair values.

# Notes to the Financial Statements

For the six months ended 30 June 2021

Renminbi Yuan

## (X) RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

### 1. Particulars of the intermediate controlling shareholder of the Company

Name of the intermediate controlling shareholder	Place of Registration	Nature of business	Registered capital	Proportion of shareholding	Proportion of votes
CRRC ZELRI	Zhuzhou, Hunan	R&D, manufacturing and sales of rail transportation products and equipment	RMB8,446,840,000	50.16%	50.16%

CRRC ZELRI and the companies it holds are collectively referred to as “the CRRC ZELRI Group”.

The intermediate controlling party of the Company’s parent is CRRC Corporation Limited, which is hereinafter referred to as “the controlling shareholder of the parent”.

The ultimate holding party of the Company is CRRC Group, which is an enterprise directly under the central government and directly administered by the State-owned Assets Supervision and Administration Commission of the State Council. The ultimate holding party and the companies it holds are collectively referred to as “the ultimate holding party group”.

### 2. Particulars of subsidiaries of the Company

For details of the subsidiaries of the Company, please refer to Note (VII)1.

### 3. Particulars of joint ventures and associates of the Company

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

# Notes to the Financial Statements

For the six months ended 30 June 2021

Renminbi Yuan

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

### 4. Particulars of other related parties

#### (1) Corporations controlled by the CRRC ZELRI

Names of other related parties	Relationship between other related party and the Company
Zhuzhou Times Rubber and Plastics Components Development Co., Ltd.	Corporation controlled by the CRRC ZELRI
Zhuzhou CRRC Electromechanical Technology Co., Ltd.	Corporation controlled by the CRRC ZELRI
CRRC-AVC Thermal Technologies (Zhuzhou) Co., Ltd.	Corporation controlled by the CRRC ZELRI
CRRC Beijing Heavy Industry and Mechanics Co., Ltd.	Corporation controlled by the CRRC ZELRI
Xiangyang CRRC Electric Machinery Co., Ltd.	Corporation controlled by the CRRC ZELRI
Zhuzhou Times RUIWEI Anti-vibration Equipment Limited	Corporation controlled by the CRRC ZELRI
Zhuzhou Times New Material Technology Co., Ltd.	Corporation controlled by the CRRC ZELRI
Boge Rubber & Plastics (Zhuzhou) Co., Ltd.	Corporation controlled by the CRRC ZELRI
Hunan Electric Car Special Equipment Co., Ltd.	Corporation controlled by the CRRC ZELRI
Hunan CRRC Zhixing Technology Co., Ltd.	Corporation controlled by the CRRC ZELRI
Shanghai CRRC Hange Shipping and Marine Engineering Co., Ltd.	Corporation controlled by the CRRC ZELRI
Zhuzhou Times Fiber Pioneer Material Technology Co., Ltd.	Corporation controlled by the CRRC ZELRI
Qingdao CRRC Huaxuan Water Co., Ltd.	Corporation controlled by the CRRC ZELRI
Delkor Rail Pty Ltd.	Corporation controlled by the CRRC ZELRI
CRRC Zhuzhou Traction Electrical Equipment Test & Certification Co., Ltd.	Corporation controlled by the CRRC ZELRI

# Notes to the Financial Statements

For the six months ended 30 June 2021

Renminbi Yuan

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

### 4. Particulars of other related parties (continued)

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

Names of other related parties	Relationship between other related party and the Company
CRRC (Hong Kong) Co., Ltd.	Corporation controlled by the ultimate holding party other than the CRRC ZELRI Group
CRRC Changchun Railway Vehicles Co., Ltd.	Corporation controlled by the ultimate holding party other than the CRRC ZELRI Group
Australia CRRC Ziyang Co., Ltd.	Corporation controlled by the ultimate holding party other than the CRRC ZELRI Group
Ningbo Jiangbei Gofront Herong Electric Co., Ltd.	Corporation controlled by the ultimate holding party other than the CRRC ZELRI Group
Qingdao Sri Technology Co., Ltd.	Corporation controlled by the ultimate holding party other than the CRRC ZELRI Group
Xi'an CRRC Yongdian Electric Co., Ltd.	Corporation controlled by the ultimate holding party other than the CRRC ZELRI Group
CRRC Luoyang Co., Ltd.	Corporation controlled by the ultimate holding party other than the CRRC ZELRI Group
CRRC Qingdao Sifang Co., Ltd.	Corporation controlled by the ultimate holding party other than the CRRC ZELRI Group
CRRC Times Electric Vehicle Co., Ltd.	Corporation controlled by the ultimate holding party other than the CRRC ZELRI Group
Ziyang CRRC Electrical Technology Co., Ltd.	Corporation controlled by the ultimate holding party other than the CRRC ZELRI Group
Changzhou Ruitai Engineering Machinery Co., Ltd.	Corporation controlled by the ultimate holding party other than the CRRC ZELRI Group
CRRC Changzhou Tech-mark Industrial Co., Ltd.	Corporation controlled by the ultimate holding party other than the CRRC ZELRI Group
Hunan CRRC Environmental Engineering Co., Ltd.	Corporation controlled by the ultimate holding party other than the CRRC ZELRI Group
Meishan CRRC Brake Technology Co., Ltd.	Corporation controlled by the ultimate holding party other than the CRRC ZELRI Group

# Notes to the Financial Statements

For the six months ended 30 June 2021

Renminbi Yuan

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

### 4. Particulars of other related parties (continued)

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

Names of other related parties	Relationship between other related party and the Company
Shijiazhuang King Transportation Equipment Co., Ltd.	Corporation controlled by the ultimate holding party other than the CRRZ ZELRI Group
CRRZ Tianjin JL Equipment Co., Ltd.	Corporation controlled by the ultimate holding party other than the CRRZ ZELRI Group
CRRZ Dalian Institute Co., Ltd.	Corporation controlled by the ultimate holding party other than the CRRZ ZELRI Group
CRRZ Qishuyan Co., Ltd.	Corporation controlled by the ultimate holding party other than the CRRZ ZELRI Group
CRRZ Qingdao Sifang Rolling Stock Research Institute Co., Ltd.	Corporation controlled by the ultimate holding party other than the CRRZ ZELRI Group
CRRZ Shandong Co., Ltd.	Corporation controlled by the ultimate holding party other than the CRRZ ZELRI Group
CRRZ Sifang Co., Ltd.	Corporation controlled by the ultimate holding party other than the CRRZ ZELRI Group
CRRZ Taiyuan Co., Ltd.	Corporation controlled by the ultimate holding party other than the CRRZ ZELRI Group
CRRZ Logistics Co., Ltd.	Corporation controlled by the ultimate holding party other than the CRRZ ZELRI Group
CRRZ Zhuzhou Locomotive Co., Ltd.	Corporation controlled by the ultimate holding party other than the CRRZ ZELRI Group
Zhuzhou CRRZ Special Equipment Technology Co., Ltd.	Corporation controlled by the ultimate holding party other than the CRRZ ZELRI Group
Beijing CRRZ CED Railway Electric Tech. Co., Ltd.	Corporation controlled by the ultimate holding party other than the CRRZ ZELRI Group
CRRZ Zhuzhou Vehicle Co., Ltd.	Corporation controlled by the ultimate holding party other than the CRRZ ZELRI Group
CRRZ Zhuzhou Electric Co., Ltd.	Corporation controlled by the ultimate holding party other than the CRRZ ZELRI Group



# Notes to the Financial Statements

For the six months ended 30 June 2021

Renminbi Yuan

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

### 4. Particulars of other related parties (continued)

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

Names of other related parties	Relationship between other related party and the Company
CRRC ZELC Verkehrstechnik GmbH Co.,Ltd.	Corporation controlled by the ultimate holding party other than the CRRC ZELRI Group
Cangzhou CRRC ZELC Railway Equipment & Service Co., Ltd.	Corporation controlled by the ultimate holding party other than the CRRC ZELRI Group
Changzhou CRRC GE Diesel Engine Co.,Ltd.	Corporation controlled by the ultimate holding party other than the CRRC ZELRI Group
Foshan CRRC Sifang Railway Vehicles Co., Ltd.	Corporation controlled by the ultimate holding party other than the CRRC ZELRI Group
CRRC Hangzhou Co., Ltd.	Corporation controlled by the ultimate holding party other than the CRRC ZELRI Group
Kunming CRRC Urban Rail Transit Equipment Co., Ltd.	Corporation controlled by the ultimate holding party other than the CRRC ZELRI Group
Meishan CRRC Fastener Science & Technology Co., Ltd.	Corporation controlled by the ultimate holding party other than the CRRC ZELRI Group
Nanjing CRRC Puzhen Rapid Transit Vehicles Co., Ltd.	Corporation controlled by the ultimate holding party other than the CRRC ZELRI Group
Nanjing CRRC Puzhen Haitai Brake Equipment Co., Ltd.	Corporation controlled by the ultimate holding party other than the CRRC ZELRI Group
Nanjing CRRC Logistics Service Co., Ltd.	Corporation controlled by the ultimate holding party other than the CRRC ZELRI Group
Bombardier Sifang (Qingdao) Transportation Co., Ltd.	Corporation controlled by the ultimate holding party other than the CRRC ZELRI Group
Qingdao CRRC Sifang Rail Transit Equipment Technology Co., Ltd.	Corporation controlled by the ultimate holding party other than the CRRC ZELRI Group

# Notes to the Financial Statements

For the six months ended 30 June 2021

Renminbi Yuan

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

### 4. Particulars of other related parties (continued)

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

Names of other related parties	Relationship between other related party and the Company
Quanzhou CRRC Tangshan Co.,Ltd.	Corporation controlled by the ultimate holding party other than the CRRC ZELRI Group
ShangHai CRRC Ro-Intelligent System Co., Ltd.	Corporation controlled by the ultimate holding party other than the CRRC ZELRI Group
Shijiazhuang CRRC Railway Vehicles Equipment Co., Ltd.	Corporation controlled by the ultimate holding party other than the CRRC ZELRI Group
Suzhou CRRC Rolling Stock Co., Ltd.	Corporation controlled by the ultimate holding party other than the CRRC ZELRI Group
Wuhan CRRC Sifang Maintenance Center Ltd.	Corporation controlled by the ultimate holding party other than the CRRC ZELRI Group
Wuhan CRRC Changke Railway Vehicles Co., Ltd.	Corporation controlled by the ultimate holding party other than the CRRC ZELRI Group
Changchun CRRC Railway Vehicles Co., Ltd.	Corporation controlled by the ultimate holding party other than the CRRC ZELRI Group
Zhengzhou CRRC Sifang Rail Vehicle Co., Ltd.	Corporation controlled by the ultimate holding party other than the CRRC ZELRI Group
CRRC Chengdu Co., Ltd.	Corporation controlled by the ultimate holding party other than the CRRC ZELRI Group
CRRC Dalian Electric Traction Research and Development Center Co., Ltd.	Corporation controlled by the ultimate holding party other than the CRRC ZELRI Group
CRRC Dalian Co., Ltd.	Corporation controlled by the ultimate holding party other than the CRRC ZELRI Group
CRRC Datong Co., Ltd.	Corporation controlled by the ultimate holding party other than the CRRC ZELRI Group
CRRC Guangdong Co., Ltd.	Corporation controlled by the ultimate holding party other than the CRRC ZELRI Group

# Notes to the Financial Statements

For the six months ended 30 June 2021

Renminbi Yuan

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

### 4. Particulars of other related parties (continued)

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

Names of other related parties	Relationship between other related party and the Company
CRRC Nanjing Puzhen Co., Ltd.	Corporation controlled by the ultimate holding party other than the CRRC ZELRI Group
CRRC Qishuyan Institute Co., Ltd.	Corporation controlled by the ultimate holding party other than the CRRC ZELRI Group
CRRC Tangshan Co., Ltd.	Corporation controlled by the ultimate holding party other than the CRRC ZELRI Group
CRRC Xi'an Co., Ltd.	Corporation controlled by the ultimate holding party other than the CRRC ZELRI Group
CRRC Yongji Electric Co., Ltd.	Corporation controlled by the ultimate holding party other than the CRRC ZELRI Group
CRRC Yangtze Co., Ltd.	Corporation controlled by the ultimate holding party other than the CRRC ZELRI Group
CRRC Ziyang Co., Ltd.	Corporation controlled by the ultimate holding party other than the CRRC ZELRI Group
Chongqing CRRC Construction Engrg Co., Ltd.	Corporation controlled by the ultimate holding party other than the CRRC ZELRI Group
Chongqing CRRC Changke Railway Vehicles Co., Ltd.	Corporation controlled by the ultimate holding party other than the CRRC ZELRI Group
Ziyang CRRC Electric Locomotive Co., Ltd.	Corporation controlled by the ultimate holding party other than the CRRC ZELRI Group
CRRC Wind Power (Shandong) Co., Ltd.	Corporation controlled by the ultimate holding party other than the CRRC ZELRI Group
CRRC Yangtze Tongling Co., Ltd.	Corporation controlled by the ultimate holding party other than the CRRC ZELRI Group
CRRC Lanzhou Co., Ltd.	Corporation controlled by the ultimate holding party other than the CRRC ZELRI Group

# Notes to the Financial Statements

For the six months ended 30 June 2021

Renminbi Yuan

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

### 4. Particulars of other related parties (continued)

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

Names of other related parties	Relationship between other related party and the Company
CRRZ Massachusetts Co., Ltd.	Corporation controlled by the ultimate holding party other than the CRRZ ZELRI Group
Changde CRRZ New Energy Vehicle Co., Ltd.	Corporation controlled by the ultimate holding party other than the CRRZ ZELRI Group
Chengdu CRRZ Electric Co., Ltd.	Corporation controlled by the ultimate holding party other than the CRRZ ZELRI Group
Shandong CRRZ Huateng Environmental Protection Technology Co., Ltd.	Corporation controlled by the ultimate holding party other than the CRRZ ZELRI Group
Shanghai Alstom Transport Co., Ltd.	Corporation controlled by the ultimate holding party other than the CRRZ ZELRI Group
CRRZ Yongji Electric Co., Ltd.	Corporation controlled by the ultimate holding party other than the CRRZ ZELRI Group
Chongqing CRRZ Sifang Rolling Stock Institute Technology Co., Ltd.	Corporation controlled by the ultimate holding party other than the CRRZ ZELRI Group
Century Huayang Environmental Engineering Co., Ltd.	Corporation controlled by the ultimate holding party other than the CRRZ ZELRI Group
CRRZ Sifang Railway Vehicles (Chengdu) Co., Ltd.	Corporation controlled by the ultimate holding party other than the CRRZ ZELRI Group
CRRZ Qingdao Sifang Vehicle logistics Co., Ltd.	Corporation controlled by the ultimate holding party other than the CRRZ ZELRI Group
Tianjin CRRZ Sifang Co., Ltd.	Corporation controlled by the ultimate holding party other than the CRRZ ZELRI Group
CRRZ Industry Research Institute Co., Ltd.	Corporation controlled by the ultimate holding party other than the CRRZ ZELRI Group

# Notes to the Financial Statements

For the six months ended 30 June 2021

Renminbi Yuan

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

### 4. Particulars of other related parties (continued)

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

Names of other related parties	Relationship between other related party and the Company
Taiyuan CRRC Rail Transit Equipment Co., Ltd.	Corporation controlled by the ultimate holding party other than the CRRC ZELRI Group
CRRC Erqi Co., Ltd.	Corporation controlled by the ultimate holding party other than the CRRC ZELRI Group
CRRC Wuhan Railway Equipment Co., Ltd.	Corporation controlled by the ultimate holding party other than the CRRC ZELRI Group
CRRC Finance Co., Ltd.	Corporation controlled by the ultimate holding party other than the CRRC ZELRI Group
Australia CRRC Changke Rail Transit Equipment Co., Ltd.	Corporation controlled by the ultimate holding party other than the CRRC ZELRI Group
Zhejiang CRRC Electric Vehicles Co., Ltd.	Corporation controlled by the ultimate holding party other than the CRRC ZELRI Group
CRRC Xi'an Yongdianjietong Electric Co., Ltd.	Corporation controlled by the ultimate holding party other than the CRRC ZELRI Group
Beijing CRRC Changke Erqi Rail Transit Equipment Co., Ltd.	Corporation controlled by the ultimate holding party other than the CRRC ZELRI Group
Changzhou CRRC Diesel Parts Co., Ltd.	Corporation controlled by the ultimate holding party other than the CRRC ZELRI Group
Dalian CRRC Mechanical and Electrical Engineering Co., Ltd.	Corporation controlled by the ultimate holding party other than the CRRC ZELRI Group
Dalian CRRC Zelong Machinery Co., Ltd.	Corporation controlled by the ultimate holding party other than the CRRC ZELRI Group
Guangzhou CRRC Rail Transit Equipment Co., Ltd.	Corporation controlled by the ultimate holding party other than the CRRC ZELRI Group
Jiangxi CRRC Changke Railway Vehicle Co., Ltd.	Corporation controlled by the ultimate holding party other than the CRRC ZELRI Group

# Notes to the Financial Statements

For the six months ended 30 June 2021

Renminbi Yuan

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

### 4. Particulars of other related parties (continued)

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

Names of other related parties	Relationship between other related party and the Company
Tianjin CRRZ Tangshan Railway Vehicle Co., Ltd.	Corporation controlled by the ultimate holding party other than the CRRZ ZELRI Group
CRRZ Changzhou Co., Ltd.	Corporation controlled by the ultimate holding party other than the CRRZ ZELRI Group
CRRZ Harbin Vehicle Co., Ltd.	Corporation controlled by the ultimate holding party other than the CRRZ ZELRI Group
CRRZ Harbin Industrial Co., Ltd.	Corporation controlled by the ultimate holding party other than the CRRZ ZELRI Group
CRRZ Environmental & Technology Co., Ltd.	Corporation controlled by the ultimate holding party other than the CRRZ ZELRI Group
Zhuzhou CRRZ Logistics Co., Ltd.	Corporation controlled by the ultimate holding party other than the CRRZ ZELRI Group
CRRZ Zhuzhou Locomotive Industrial Management Co., Ltd.	Corporation controlled by the ultimate holding party other than the CRRZ ZELRI Group
CRRZ Nanjing Puzhen Industrial Management Co., Ltd.	Corporation controlled by the ultimate holding party other than the CRRZ ZELRI Group
CRRZ Luoyang Industrial Management Co., Ltd.	Corporation controlled by the ultimate holding party other than the CRRZ ZELRI Group

# Notes to the Financial Statements

For the six months ended 30 June 2021

Renminbi Yuan

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

### 4. Particulars of other related parties (continued)

#### (3) Associates of the ultimate holding group other than the CRRC ZELRI Group

Names of other related parties	Relationship between other related party and the Company
Jinan-Qingdao High-speed Railway Co., Ltd.	An associate of the ultimate holding group other than the CRRC ZELRI Group
Guangzhou Locomotive Co., Ltd.	An associate of the ultimate holding group other than the CRRC ZELRI Group
Tianjin Electric Locomotive Co., Ltd.	An associate of the ultimate holding group other than the CRRC ZELRI Group
Zhuzhou Jiufang Casting Co., Ltd.	An associate of the ultimate holding group other than the CRRC ZELRI Group
Beijing Er'qi Changtie Transportation Co., Ltd.	An associate of the ultimate holding group other than the CRRC ZELRI Group
Taiyuan Locomotive Lukai Yunye Co., Ltd.	An associate of the ultimate holding group other than the CRRC ZELRI Group
Taiyuan Shenghao Construction Installation Engineering Co., Ltd.	An associate of the ultimate holding group other than the CRRC ZELRI Group
Beijing North Gofront Rail Transit Technology Co., Ltd.	An associate of the ultimate holding group other than the CRRC ZELRI Group
Taiyuan Tieliang Business and Economics Co., Ltd.	An associate of the ultimate holding group other than the CRRC ZELRI Group
Guangzhou CRRC Junfa Electrical Co., Ltd.	An associate of the ultimate holding group other than the CRRC ZELRI Group
Zhuzhou Guochuang Railway Technology Co., Ltd.	An associate of the ultimate holding group other than the CRRC ZELRI Group
Ziyang Zhonggong Locomotive Transmission Co., Ltd.	An associate of the ultimate holding group other than the CRRC ZELRI Group

# Notes to the Financial Statements

For the six months ended 30 June 2021

Renminbi Yuan

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

### 4. Particulars of other related parties (continued)

#### (4) Joint ventures of the ultimate holding group other than the CRRC ZELRI Group

Names of other related parties	Relationship between other related party and the Company
Shenyang Westinghouse Brake Technology Co., Ltd.	A joint venture of the ultimate holding group other than the CRRC ZELRI Group
Changzhou Ruiyang Transmission Technology Co., Ltd.	A joint venture of the ultimate holding group other than the CRRC ZELRI Group
Shenzhen CRRC Railway Vehicles Co., Ltd.	A joint venture of the ultimate holding group other than the CRRC ZELRI Group
Changchun Bombardier Railway Vehicles Co., Ltd.	A joint venture of the ultimate holding group other than the CRRC ZELRI Group
Qingdao Faiveley SRI Rail Brake Co., Ltd.	A joint venture of the ultimate holding group other than the CRRC ZELRI Group
Shentong CNR (Shanghai) Railway Vehicles Maintenance Co., Ltd.	A joint venture of the ultimate holding group other than the CRRC ZELRI Group
Shentong CSR (Shanghai) Railway Vehicles Maintenance Co., Ltd.	A joint venture of the ultimate holding group other than the CRRC ZELRI Group

#### (5) Investors which have significant influence over Baoji CRRC Times

Name of other related party	Relationship between other related party and the Company
China Railway Baoji Machinery Co., Ltd. (Hereinafter referred to as "China Railway Baogong")	An investor which has significant influence over Baoji CRRC Times



# Notes to the Financial Statements

For the six months ended 30 June 2021

Renminbi Yuan

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

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

#### (1) Purchases of goods and receipts of services from related parties

	For the six months ended 30 June 2021 <i>(Unaudited)</i>	For the six months ended 30 June 2020 <i>(Unaudited)</i>
Corporations controlled by the ultimate holding party other than the CRRC ZELRI Group	<b>623,074,462</b>	635,856,025
Corporations controlled by the CRRC ZELRI	<b>178,021,168</b>	219,900,894
Associates of the ultimate holding group other than the CRRC ZELRI Group	<b>28,448,655</b>	20,068,265
CRRC ZELRI	<b>39,576,819</b>	78,440,738
Associates of the Company	<b>44,973,078</b>	11,906,938
Joint ventures of the ultimate holding group other than the CRRC ZELRI Group	<b>8,345,306</b>	6,385,062
Joint ventures of the Company	<b>5,741,707</b>	69,347,536
An investor which has significant influence over Baoji CRRC Times	<b>4,917,570</b>	4,558,591
Total	<b><u>933,098,765</u></b>	<u>1,046,464,049</u>

# Notes to the Financial Statements

For the six months ended 30 June 2021

Renminbi Yuan

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

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

#### (2) Sales of goods and rendering of services to related parties

	For the six months ended 30 June 2021 <i>(Unaudited)</i>	For the six months ended 30 June 2020 <i>(Unaudited)</i>
Corporations controlled by the ultimate holding party other than the CRRC ZELRI Group	2,357,110,491	2,605,249,356
Joint ventures of the ultimate holding group other than the CRRC ZELRI Group	69,835,578	294,669
Associates of the Company	24,649,430	–
Joint ventures of the Company	4,156,143	3,416
Corporations controlled by the CRRC ZELRI	41,446,716	20,694,995
CRRC ZELRI	11,544,388	53,323,606
Associates of the ultimate holding group other than the CRRC ZELRI Group	13,605,480	37,863,540
The controlling shareholder of the parent	2,169,811	–
Investors which have significant influence over Baoji CRRC Times	–	12,027,369
Total	<b>2,524,518,037</b>	<b>2,729,456,951</b>

# Notes to the Financial Statements

For the six months ended 30 June 2021

Renminbi Yuan

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

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

#### (3) Purchases of energy from related parties

	For the six months ended 30 June 2021 <i>(Unaudited)</i>	For the six months ended 30 June 2020 <i>(Unaudited)</i>
Corporations controlled by the ultimate holding party other than the CRRC ZELRI Group	2,327,415	162,687
An investor which has significant influence over Baoji CRRC Times	<u>283,622</u>	<u>676,560</u>
Total	<u><u>2,611,037</u></u>	<u><u>839,247</u></u>

#### (4) Sales of energy to related parties

	For the six months ended 30 June 2021 <i>(Unaudited)</i>	For the six months ended 30 June 2020 <i>(Unaudited)</i>
Corporations controlled by the ultimate holding party other than the CRRC ZELRI Group	1,678	4,367
Corporations controlled by the CRRC ZELRI	536,063	1,247,788
CRRC ZELRI	103,306	-
Associates of the Company	<u>17,800</u>	<u>-</u>
Total	<u><u>658,847</u></u>	<u><u>1,252,155</u></u>

# Notes to the Financial Statements

For the six months ended 30 June 2021

Renminbi Yuan

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

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

#### (5) Related party leases

As a lessor

	<b>For the six months ended 30 June 2021 (Unaudited)</b>	For the six months ended 30 June 2020 (Unaudited)
Corporations controlled by the ultimate holding party other than the CRRC ZELRI Group	<b>214,668</b>	107,783
CRRC ZELRI	<b>67,570</b>	1,635,440
Corporations controlled by the CRRC ZELRI Associates of the Company	<b>2,378,365</b>	1,196,909
	<b>—</b>	208,939
Total	<b><u>2,660,603</u></b>	<b><u>3,149,071</u></b>

As a lessee

	<b>For the six months ended 30 June 2021 (Unaudited)</b>	For the six months ended 30 June 2020 (Unaudited)
Corporations controlled by the ultimate holding party other than the CRRC ZELRI Group	<b>5,050,486</b>	3,944,596
CRRC ZELRI	<b>459,454</b>	779,182
Corporations controlled by the CRRC ZELRI	<b>850,041</b>	850,041
An investor which has significant influence over Baoji CRRC Times	<b>1,471,067</b>	1,471,067
Total	<b><u>7,831,048</u></b>	<b><u>7,044,886</u></b>

# Notes to the Financial Statements

For the six months ended 30 June 2021

Renminbi Yuan

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

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

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

As a lessee (continued)

	For the six months ended 30 June 2021 (Unaudited)		For the six months ended 30 June 2020 (Unaudited)	
	Right-of-use assets recognised in the period	Interest expenses associated with lease liabilities	Right-of-use assets recognised in the period	Interest expenses associated with lease liabilities
Corporations controlled by the ultimate holding party other than the CRRC ZELRI Group	–	332,649	–	473,731
CRRC ZELRI	–	40,783	–	29,174
Total	–	373,432	–	502,905

#### (6) Borrowings from related parties

	Amount	Start date	Expiry date	Annual interest rate
The controlling shareholder of the parent	50,000,000	29/09/2015	28/09/2030	1.08%
	34,188,000	29/09/2015	28/09/2030	1.08%
	16,000,000	29/09/2015	28/09/2030	1.08%
Total	100,188,000			

# Notes to the Financial Statements

For the six months ended 30 June 2021

Renminbi Yuan

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

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

#### (7) Remuneration of key management

	For the six months ended 30 June 2021 <i>(Unaudited)</i>	For the six months ended 30 June 2020 <i>(Unaudited)</i>
Remuneration of key management	<u>6,390,301</u>	<u>5,240,422</u>

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

	For the six months ended 30 June 2021 <i>(Unaudited)</i>	For the six months ended 30 June 2020 <i>(Unaudited)</i>
Corporations controlled by the ultimate holding party other than the CRRC ZELRI Group	<u>19,063</u>	<u>3,389,077</u>

# Notes to the Financial Statements

For the six months ended 30 June 2021

Renminbi Yuan

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

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

#### (9) Interest expenses on borrowings

	For the six months ended 30 June 2021 <i>(Unaudited)</i>	For the six months ended 30 June 2020 <i>(Unaudited)</i>
The controlling shareholder of the parent	<b>469,171</b>	498,201

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

<b>Trade receivables</b>	30 June 2021 <i>(Unaudited)</i>	31 December 2020 <i>(Audited)</i>
Corporations controlled by the ultimate holding party other than the CRRC ZELRI Group	<b>3,395,109,262</b>	2,684,770,939
Joint ventures of the ultimate holding group other than the CRRC ZELRI Group	<b>120,671,495</b>	51,944,977
Corporations controlled by the CRRC ZELRI	<b>59,962,267</b>	35,762,020
CRRC ZELRI	<b>8,253,325</b>	19,254,228
Associates of the Company	<b>12,442,892</b>	266,480
Associates of the ultimate holding group other than the CRRC ZELRI Group	<b>5,416,282</b>	31,643,860
An investor which has significant influence over Baoji CRRC Times	<b>2,470,358</b>	6,546,633
Joint ventures of the Company	<b>4,703,138</b>	1,390,821
The controlling shareholder of the parent	<b>300,000</b>	–
Total	<b>3,609,329,019</b>	2,831,579,958

# Notes to the Financial Statements

For the six months ended 30 June 2021

Renminbi Yuan

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

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

<b>Bills receivable</b>	<b>30 June 2021 (Unaudited)</b>	31 December 2020 (Audited)
Corporations controlled by the ultimate holding party other than the CRRC ZELRI Group	<b>788,567,139</b>	853,757,849
Associates of the ultimate holding group other than the CRRC ZELRI Group	<b>96,000,000</b>	49,900,000
Total	<b>884,567,139</b>	903,657,849
<b>Prepayments</b>	<b>30 June 2021 (Unaudited)</b>	31 December 2020 (Audited)
Associates of the Company	<b>4,280,000</b>	9,954,549
Corporations controlled by the ultimate holding party other than the CRRC ZELRI Group	<b>5,159,475</b>	4,880,217
Joint ventures of the ultimate holding group other than the CRRC ZELRI Group	<b>42,000</b>	–
The controlling shareholder of the parent	<b>235,794</b>	–
Joint ventures of the Company	–	16,074
CRRC ZELRI	<b>108,220</b>	288,711
Total	<b>9,825,489</b>	15,139,551



# Notes to the Financial Statements

For the six months ended 30 June 2021

Renminbi Yuan

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

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

<b>Contract assets</b>	<b>30 June 2021 (Unaudited)</b>	31 December 2020 (Audited)
Corporations controlled by the ultimate holding party other than the CRRC ZELRI Group	<b>12,308,202</b>	14,244,488
Corporations controlled by the CRRC ZELRI	<b>1,593,229</b>	1,190,200
CRRC ZELRI	<b>134,500</b>	–
Associates of the ultimate holding group other than the CRRC ZELRI Group	<b>938,974</b>	15,524
Joint ventures of the ultimate holding group other than the CRRC ZELRI Group	<b>35,101</b>	–
Total	<b>15,010,006</b>	15,450,212
<b>Trade receivables financing</b>	<b>30 June 2021 (Unaudited)</b>	31 December 2020 (Audited)
Corporations controlled by the ultimate holding party other than the CRRC ZELRI Group	<b>901,385,904</b>	506,867,610
Associates of the ultimate holding group other than the CRRC ZELRI Group	<b>45,290,000</b>	29,570,000
Corporations controlled by the CRRC ZELRI	<b>18,973,129</b>	10,963,128
CRRC ZELRI	<b>16,866,500</b>	21,800,939
Associates of the Company	–	1,100,327
Total	<b>982,515,533</b>	570,302,004

# Notes to the Financial Statements

For the six months ended 30 June 2021

Renminbi Yuan

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

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

<b>Other receivables</b>	<b>30 June 2021 (Unaudited)</b>	31 December 2020 (Audited)
CRRC ZELRI	<b>1,442,356</b>	1,601,513
Corporations controlled by the ultimate holding party other than the CRRC ZELRI Group	<b>707,000</b>	692,000
Associates of the Company	<b>686,500</b>	732,000
Corporations controlled by the CRRC ZELRI	<b>55,408</b>	–
Total	<b><u>2,891,264</u></b>	<u>3,025,513</u>
<b>Other non-current assets</b>	<b>30 June 2021 (Unaudited)</b>	31 December 2020 (Audited)
Corporations controlled by the ultimate holding party other than the CRRC ZELRI Group	<b>42,125,201</b>	60,642,838
CRRC ZELRI	<b>13,804,601</b>	9,596,212
Corporations controlled by the CRRC ZELRI	<b>343,252</b>	143,085
Associates of the ultimate holding group other than the CRRC ZELRI Group	<b>215,437</b>	142,554
Joint ventures of the ultimate holding group other than the CRRC ZELRI Group	<b>36,367</b>	3,511
Total	<b><u>56,524,858</u></b>	<u>70,528,200</u>

# Notes to the Financial Statements

For the six months ended 30 June 2021

Renminbi Yuan

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

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

<b>Bills payable</b>	<b>30 June 2021 (Unaudited)</b>	31 December 2020 (Audited)
Corporations controlled by the ultimate holding party other than the CRRZ ZELRI Group	<b>48,128,451</b>	99,427,934
Corporations controlled by the CRRZ ZELRI	<b>35,905,435</b>	42,159,667
Joint ventures of the ultimate holding group other than the CRRZ ZELRI Group	<b>10,870,000</b>	14,070,000
Associates of the Company	–	1,639,992
Associates of the ultimate holding group other than the CRRZ ZELRI Group	<b>3,811,275</b>	–
Total	<b>98,715,161</b>	157,297,593
<b>Trade payables</b>	<b>30 June 2021 (Unaudited)</b>	31 December 2020 (Audited)
Corporations controlled by the ultimate holding party other than the CRRZ ZELRI Group	<b>745,136,676</b>	285,102,288
Corporations controlled by the CRRZ ZELRI	<b>140,930,462</b>	57,321,493
Joint ventures of the Company	<b>17,912,016</b>	16,317,045
Joint ventures of the ultimate holding group other than the CRRZ ZELRI Group	<b>11,687,086</b>	2,925,566
An investor which has significant influence over Baoji CRRZ Times	<b>1,315,195</b>	916,255
Associates of the ultimate holding group other than the CRRZ ZELRI Group	<b>3,199,151</b>	1,026,964
CRRZ ZELRI	<b>209,101</b>	209,101
Associates of the CRRZ ZELRI	–	4,700,357
Associates of the Company	<b>20,800</b>	72,000
Total	<b>920,410,487</b>	368,591,069

# Notes to the Financial Statements

For the six months ended 30 June 2021

Renminbi Yuan

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

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

<b>Contract liabilities</b>	<b>30 June 2021 (Unaudited)</b>	31 December 2020 (Audited)
Corporations controlled by the ultimate holding party other than the CRRC ZELRI Group	<b>21,500,586</b>	32,217,133
Corporations controlled by the CRRC ZELRI	<b>261,000</b>	2,718,263
Associates of the ultimate holding group other than the CRRC ZELRI Group	<b>2,400,000</b>	420,000
CRRC ZELRI	–	368,000
Total	<b>24,161,586</b>	35,723,396
<b>Other payables</b>	<b>30 June 2021 (Unaudited)</b>	31 December 2020 (Audited)
CRRC ZELRI	<b>411,457,176</b>	273,477,114
Corporations controlled by the ultimate holding party other than the CRRC ZELRI Group	<b>18,271,680</b>	11,567,195
The ultimate holding party	<b>2,700,000</b>	2,700,000
Corporations controlled by the CRRC ZELRI	<b>3,712,092</b>	2,047,373
An investor which has significant influence over Baoji CRRC Times	<b>76,998</b>	–
Associates of the ultimate holding group other than the CRRC ZELRI Group	<b>70,000</b>	–
Associates of the CRRC ZELRI	–	274,800
Total	<b>436,287,946</b>	290,066,482

# Notes to the Financial Statements

For the six months ended 30 June 2021

Renminbi Yuan

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

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

	<b>30 June 2021 (Unaudited)</b>	31 December 2020 (Audited)
<b>Non-current liabilities due within 1 year</b>		
The controlling shareholder of the parent Corporations controlled by the ultimate holding party other than the CRRC ZELRI Group	<b>5,261,829</b>	5,029,416
CRRC ZELRI	<b>4,546,805</b>	4,955,718
	<b>1,328,539</b>	—
Total	<b>11,137,174</b>	9,985,134
<b>Long-term borrowings</b>		
The controlling shareholder of the parent	<b>80,188,000</b>	82,688,000
<b>Dividends payable</b>		
Corporations controlled by the ultimate holding party other than the CRRC ZELRI Group	<b>5,130,000</b>	7,425,000

# Notes to the Financial Statements

For the six months ended 30 June 2021

Renminbi Yuan

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

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

Lease liabilities	30 June 2021 (Unaudited)	31 December 2020 (Audited)
Corporations controlled by the ultimate holding party other than the CRRC ZELRI Group	7,897,286	10,504,142
CRRC ZELRI	449,561	–
Total	<u>8,346,848</u>	<u>10,504,142</u>

## (XI) COMMITMENTS AND CONTINGENCIES

### 1. Significant commitments

Item	30 June 2021 (Unaudited)	31 December 2020 (Audited)
Contracted but not recognised in the financial statements		
– Capital commitments	594,115,553	940,453,225
– Investments in associates/joint ventures	78,500,000	78,500,000
– Investments in subsidiaries	50,000,000	50,000,000
Total	<u>722,615,553</u>	<u>1,068,953,225</u>

### 2. Contingencies

The Group had no significant contingencies which should be disclosed.

## (XII) POST BALANCE SHEET EVENTS

The Group had no significant post balance sheet events which should be disclosed.

# Notes to the Financial Statements

For the six months ended 30 June 2021

Renminbi Yuan

## (XIII) OTHER SIGNIFICANT EVENTS

### 1. Segment reporting

#### **Operating segments**

According to the Group's internal organizational structure, management requirements and internal reporting system, the Group's operating activities are attributable to a single operating segment, focusing on the railway transportation equipment and relevant products and services in the market. Therefore, no other operating segment is presented.

#### **Other information**

##### *Geographical information*

Revenue from external customers categorised by source of income and non-current assets categorised by location of assets:

Revenue from external customers

<b>Countries or regions</b>	<b>For the six months ended 30 June 2021 (Unaudited)</b>	<b>For the six months ended 30 June 2020 (Unaudited)</b>
Mainland China	<b>5,011,795,724</b>	5,232,162,751
Other countries and regions	<b>286,323,831</b>	337,896,887
Total	<b><u>5,298,119,555</u></b>	<b><u>5,570,059,638</u></b>

# Notes to the Financial Statements

For the six months ended 30 June 2021

Renminbi Yuan

## (XIII) OTHER SIGNIFICANT EVENTS (continued)

### 1. Segment reporting (continued)

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

Total non-current assets

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

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

#### *Information of major customers*

The Group's revenue from its major customer, CRRC Group (including subordinates and subsidiaries of CRRC Group, hereinafter referred to as "CRRC Group"), which accounted for a significant proportion of the Group's total revenue, is set out as follows:

Customer	<b>For the six months ended 30 June 2021 (Unaudited)</b>		For the six months ended 30 June 2020 (Unaudited)	
	Amount	Proportion to total revenue (%)	Amount	Proportion to total revenue (%)
CRRC Group	<b><u>2,415,573,056</u></b>	<b><u>45.59</u></b>	<u>2,404,414,000</u>	<u>43.17</u>



# Notes to the Financial Statements

For the six months ended 30 June 2021

Renminbi Yuan

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

### 1. Cash and bank balances

Item	30 June 2021 (Unaudited)	31 December 2020 (Audited)
Cash on hand	–	–
Bank deposits	<b>3,069,907,778</b>	3,285,589,102
Total	<b>3,069,907,778</b>	3,285,589,102
Including: Total amount deposited overseas	<b>7,568,148</b>	44,963,299

The Company's unsecured time deposits over 3 months included in the bank deposits are as follows:

Item	30 June 2021 (Unaudited)
Time deposits over 3 months	<b>1,130,000,000</b>

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

### 2. Bills receivable

#### (1) Categories of bills receivable

Item	30 June 2021 (Unaudited)	31 December 2020 (Audited)
Bank acceptance bills	<b>63,908,987</b>	133,443,906
Commercial acceptance bills	<b>2,245,172,147</b>	2,180,452,620
Total	<b>2,309,081,134</b>	2,313,896,526
Less: Provision for credit loss	<b>18,596,381</b>	21,092,719
Carrying amount	<b>2,290,484,753</b>	2,292,803,807

(2) As at 30 June 2021, no pledged bills receivable were included in the balances of bills receivable.

(3) As at 30 June 2021, no bills that were transferred to trade receivables due to the default of the drawer in the balances of bills receivable.

# Notes to the Financial Statements

For the six months ended 30 June 2021

Renminbi Yuan

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

### 2. Bills receivable (continued)

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

##### Bank acceptance bills

As at 30 June 2021, the Company believes that the credit ratings of the accepting banks of bank acceptance bills held by the Company are high with no significant credit risk, and therefore, no provision for credit losses has been made.

##### Commercial acceptance bills

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

#### 30 June 2021 (Unaudited)

Category	Expected average loss rate	Gross carrying amount	Credit impairment provision	Carrying amount
Category I	1.93%	863,355,954	16,683,664	846,672,290
Category II	–	–	–	–
Category III	0.10%	1,340,413,264	1,334,624	1,339,078,640
Category IV	1.40%	41,402,929	578,093	40,824,836
Total		<u>2,245,172,147</u>	<u>18,596,381</u>	<u>2,226,575,766</u>

#### 31 December 2020 (Audited)

Category	Expected average loss rate	Gross carrying amount	Credit impairment provision	Carrying amount
Category I	1.93%	898,100,086	17,357,756	880,742,330
Category II	–	–	–	–
Category III	0.10%	1,179,846,691	1,179,846	1,178,666,845
Category IV	2.49%	102,505,843	2,555,117	99,950,726
Total		<u>2,180,452,620</u>	<u>21,092,719</u>	<u>2,159,359,901</u>

# Notes to the Financial Statements

For the six months ended 30 June 2021

Renminbi Yuan

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

### 2. Bills receivable (continued)

#### (5) Provision for credit loss of bills receivable

1 January 2021 (Audited)	Provision for credit loss			30 June 2021 (Unaudited)
	Provision	Recovery or reversal	Other changes	
21,092,719	4,910,159	(7,204,563)	(201,934)	<b>18,596,381</b>

(6) For the six months ended 30 June 2021, no bills receivable were actually written off.

(7) As at 30 June 2021, for bills due from related parties of the Company in the balances of bills receivable, see Note (XIV)37.

### 3. Trade receivables

#### (1) Disclosed by aging

Aging	30 June 2021 (Unaudited)	31 December 2020 (Audited)
Within 6 months	<b>5,035,577,684</b>	5,599,283,808
6 months to 1 year	<b>2,610,029,563</b>	309,144,269
1 to 2 years	<b>254,342,317</b>	300,363,528
2 to 3 years	<b>16,639,418</b>	29,875,438
Over 3 years	<b>14,586,220</b>	20,095,506
Total	<b>7,931,175,202</b>	6,258,762,549
Less: Provision of credit loss of trade receivables	<b>243,835,611</b>	217,681,911
Carrying amount	<b>7,687,339,591</b>	6,041,080,638

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

# Notes to the Financial Statements

For the six months ended 30 June 2021

Renminbi Yuan

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

### 3. Trade receivables (continued)

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

Category	30 June 2021 (Unaudited)				Carrying amount
	Gross carrying amount		Provision for credit loss		
	Amount	Proportion (%)	Amount	Proportion of Provision (%)	
Collective assessment:					
Category I	4,723,431,793	59.56	90,651,607	1.92	4,632,780,186
Category II	2,592,194,177	32.68	96,282,966	3.71	2,495,911,211
Category III	174,483,630	2.20	5,166,218	2.96	169,317,412
Category IV	441,065,602	5.56	51,734,820	11.73	389,330,782
Total	<u>7,931,175,202</u>	<u>100.00</u>	<u>243,835,611</u>		<u>7,687,339,591</u>

  

Category	31 December 2020 (Audited)				Carrying amount
	Gross carrying amount		Provision for credit loss		
	Amount	Proportion (%)	Amount	Proportion of provision (%)	
Collective assessment:					
Category I	3,634,558,768	58.07	68,885,445	1.90	3,565,673,323
Category II	2,307,392,782	36.87	108,735,870	4.71	2,198,656,912
Category III	136,495,988	2.18	3,868,730	2.83	132,627,258
Category IV	180,315,011	2.88	36,191,866	20.07	144,123,145
Total	<u>6,258,762,549</u>	<u>100.00</u>	<u>217,681,911</u>		<u>6,041,080,638</u>

# Notes to the Financial Statements

For the six months ended 30 June 2021

Renminbi Yuan

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

### 3. Trade receivables (continued)

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

Trade receivables for which provision for credit loss is assessed on a portfolio basis

Item: Category I

Item	30 June 2021 (Unaudited)			
	Expected average loss rate (%)	Gross carrying amount	Provision for credit loss	Carrying amount
Within 6 months	1.18	3,507,263,150	41,464,537	3,465,798,613
6 months to 1 year	3.49	1,159,268,168	40,509,979	1,118,758,189
1 to 2 years	9.83	48,317,956	4,747,399	43,570,557
2 to 3 years	35.28	4,523,079	1,595,749	2,927,330
Over 3 years	57.49	4,059,440	2,333,943	1,725,497
Total		<u>4,723,431,793</u>	<u>90,651,607</u>	<u>4,632,780,186</u>

Item	31 December 2020 (Audited)			
	Expected average loss rate (%)	Gross carrying amount	Provision for credit loss	Carrying amount
Within 6 months	1.73	3,288,362,636	56,957,709	3,231,404,927
6 months to 1 year	1.91	134,332,122	2,563,912	131,768,210
1 to 2 years	3.02	190,655,522	5,750,042	184,905,480
2 to 3 years	14.85	14,689,945	2,182,096	12,507,849
Over 3 years	21.96	6,518,543	1,431,686	5,086,857
Total		<u>3,634,558,768</u>	<u>68,885,445</u>	<u>3,565,673,323</u>

# Notes to the Financial Statements

For the six months ended 30 June 2021

Renminbi Yuan

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

### 3. Trade receivables (continued)

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

Trade receivables for which provision for credit loss is assessed on a portfolio basis  
(continued)

Item: Category II

Item	30 June 2021 (Unaudited)			
	Expected average loss rate (%)	Gross carrying amount	Provision for credit loss	Carrying amount
Within 6 months	3.53	1,007,614,965	35,584,019	972,030,946
6 months to 1 year	3.45	1,390,086,963	47,974,458	1,342,112,505
1 to 2 years	5.71	183,569,201	10,482,629	173,086,572
2 to 3 years	20.50	10,920,003	2,238,815	8,681,188
Over 3 years	100.00	3,045	3,045	–
Total		<u>2,592,194,177</u>	<u>96,282,966</u>	<u>2,495,911,211</u>

Item	31 December 2020 (Audited)			
	Expected average loss rate (%)	Gross carrying amount	Provision for credit loss	Carrying amount
Within 6 months	3.43	2,046,545,570	70,100,341	1,976,445,229
6 months to 1 year	8.93	151,203,939	13,499,420	137,704,519
1 to 2 years	19.63	97,285,237	19,096,551	78,188,686
2 to 3 years	48.86	12,354,991	6,036,513	6,318,478
Over 3 years	100.00	3,045	3,045	–
Total		<u>2,307,392,782</u>	<u>108,735,870</u>	<u>2,198,656,912</u>

# Notes to the Financial Statements

For the six months ended 30 June 2021

Renminbi Yuan

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

### 3. Trade receivables (continued)

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

Trade receivables for which provision for credit loss is assessed on a portfolio basis  
(continued)

Item: Category III

Item	30 June 2021 (Unaudited)			
	Expected average loss rate (%)	Gross carrying amount	Provision for credit loss	Carrying amount
Within 6 months	0.99	129,363,601	1,286,689	128,076,912
6 months to 1 year	4.90	26,886,256	1,317,557	25,568,699
1 to 2 years	14.05	18,233,773	2,561,972	15,671,801
Total		<u>174,483,630</u>	<u>5,166,218</u>	<u>169,317,412</u>

  

Item	31 December 2020 (Audited)			
	Expected average loss rate (%)	Gross carrying amount	Provision for credit loss	Carrying amount
Within 6 months	1.79	112,878,703	2,019,110	110,859,593
6 months to 1 year	7.20	22,424,936	1,615,157	20,809,779
1 to 2 years	16.42	1,080,513	177,473	903,040
2 to 3 years	50.96	111,836	56,990	54,846
Total		<u>136,495,988</u>	<u>3,868,730</u>	<u>132,627,258</u>

# Notes to the Financial Statements

For the six months ended 30 June 2021

Renminbi Yuan

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

### 3. Trade receivables (continued)

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

Trade receivables for which provision for credit loss is assessed on a portfolio basis  
(continued)

Item: Category IV

Item	30 June 2021 (Unaudited)			
	Expected average loss rate (%)	Gross carrying amount	Provision for credit loss	Carrying amount
Within 6 months	8.55	398,537,557	34,065,747	364,471,810
6 months to 1 year	25.54	26,586,587	6,789,524	19,797,063
1 to 2 years	40.54	4,221,387	1,711,555	2,509,832
2 to 3 years	69.56	1,196,337	832,157	364,180
Over 3 years	79.21	10,523,734	8,335,837	2,187,897
Total		441,065,602	51,734,820	389,330,782

Item	31 December 2020 (Audited)			
	Expected average loss rate (%)	Gross carrying amount	Provision for credit loss	Carrying amount
Within 6 months	12.27	151,496,899	18,591,345	132,905,554
6 months to 1 year	31.92	1,183,273	377,696	805,577
1 to 2 years	42.65	11,342,256	4,837,286	6,504,970
2 to 3 years	62.06	2,718,665	1,687,146	1,031,519
Over 3 years	78.82	13,573,918	10,698,393	2,875,525
Total		180,315,011	36,191,866	144,123,145



# Notes to the Financial Statements

For the six months ended 30 June 2021

Renminbi Yuan

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

### 3. Trade receivables (continued)

#### (3) Provision for credit loss of trade receivables

Item	30 June 2021 (Unaudited)		Total
	Lifetime expected credit losses (not credit-impaired)	Lifetime expected credit losses (credit-impaired)	
1 January 2021 (Audited)	165,724,689	51,957,222	217,681,911
Transferred to credit-impaired losses	(13,970,418)	13,970,418	–
Provision (reversal) in the period	64,439,829	(31,084,539)	33,355,290
Other changes in the period	(566,888)	(6,634,702)	(7,201,590)
30 June 2021 (Unaudited)	<u>215,627,212</u>	<u>28,208,399</u>	<u>243,835,611</u>

#### (4) Top five trade receivables at the end of the period

Name of the entity	Gross carrying amount	Provision for credit loss	Proportion to total trade receivables (%)
CRRC Qingdao Sifang Co., Ltd.	1,642,304,829	58,430,476	20.71
CRRC Zhuzhou Locomotive Co., Ltd.	629,178,841	16,624,830	7.93
Chongqing Rail Transit (Group) Co., Ltd.	581,517,414	42,665,632	7.33
Hunan CRRC Signal	399,198,012	–	5.03
Hangzhou Metro Group Co., Ltd.	273,331,245	9,923,986	3.45
Total	<u>3,525,530,341</u>	<u>127,644,924</u>	

#### (5) Trade receivables derecognised due to the transfer of financial assets

For the six months ended 30 June 2021, the Company did not derecognise any trade receivables due to factoring of trade receivables.

# Notes to the Financial Statements

For the six months ended 30 June 2021

Renminbi Yuan

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

### 4. Receivables financing

Item	30 June 2021 (Unaudited)	31 December 2020 (Audited)
Bills receivable measured at fair value	344,949,963	650,669,402
Trade receivables measured at fair value	951,922,113	510,693,867
Total	1,296,872,076	1,161,363,269

#### (1) Fair value measurement

Item	30 June 2021 (Unaudited)	31 December 2020 (Audited)
Cost	1,328,852,948	1,190,833,685
Carrying amount	1,296,872,076	1,161,363,269
Accumulated changes in fair value	(31,980,872)	(29,470,416)

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

Item	30 June 2021 (Unaudited)		31 December 2020 (Audited)	
	Derecognised amount	Amount not derecognised	Derecognised amount	Amount not derecognised
Commercial acceptance bills	–	4,000,000	–	7,500,000
Bank acceptance bills	142,368,031	22,817,160	234,031,253	38,573,782
Total	142,368,031	26,817,160	234,031,253	46,073,782

# Notes to the Financial Statements

For the six months ended 30 June 2021

Renminbi Yuan

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

### 5. Prepayments

#### (1) Aging analysis of prepayments

Aging	30 June 2021 (Unaudited)		31 December 2020 (Audited)	
	Carrying amount	Proportion (%)	Carrying amount	Proportion (%)
Within 1 year	119,430,786	95.30	243,512,136	96.60
1 to 2 years	3,841,616	3.07	4,357,736	1.73
2 to 3 years	1,702,987	1.36	3,064,399	1.22
Over 3 years	347,846	0.27	1,142,440	0.45
Total	125,323,235	100.00	252,076,711	100.00

#### (2) Top five prepayments at the end of the period

Name of the entity	Gross carrying amount	Proportion to total prepayments (%)
Ningbo CRRC Electric	25,815,607	20.60
Shanghai Electric Machinery Co., Ltd.	12,921,854	10.31
State Grid Huitongjincai (Beijing) Information Technology Co., Ltd.	9,518,350	7.60
Xuzhou XCMG Mining Machinery Co. Ltd.	8,100,300	6.46
Infineon Technologies AG	5,087,479	4.06
Total	61,443,590	49.03

# Notes to the Financial Statements

For the six months ended 30 June 2021

Renminbi Yuan

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

### 6. Other receivables

#### (1) Summary of other receivables

Item	30 June 2021 (Unaudited)	31 December 2020 (Audited)
Dividends receivable	232,581,838	220,381,838
Other receivables	877,468,628	283,953,958
Total	1,110,050,466	504,335,796

#### (2) Dividends receivable

Item	30 June 2021 (Unaudited)	31 December 2020 (Audited)
Baoji CRRC Times	153,906,838	153,906,838
Ningbo CRRC Times	72,600,000	60,400,000
Qingdao CRRC Electric	6,075,000	6,075,000
Total	232,581,838	220,381,838

# Notes to the Financial Statements

For the six months ended 30 June 2021

Renminbi Yuan

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

### 6. Other receivables (continued)

#### (3) Disclosed by aging

Aging	30 June 2021 (Unaudited)	31 December 2020 (Audited)
Within 1 year	806,905,784	134,128,017
1 to 2 years	3,001,421	79,274,178
2 to 3 years	35,383,054	41,566,565
Over 3 years	34,091,149	30,283,365
Total	879,381,408	285,252,125
Less: Provision for credit loss of other receivables	1,912,780	1,298,167
Carrying amount	<u>877,468,628</u>	<u>283,953,958</u>

#### (4) Classification of other receivables by nature

Item	30 June 2021 (Unaudited)	31 December 2020 (Audited)
Amounts due from subsidiaries	766,202,513	182,613,360
Deposit for bidding and pledges	54,693,285	46,795,026
Subscribed capital receivable	50,000,000	50,000,000
Others	8,485,610	5,843,739
Total	<u>879,381,408</u>	<u>285,252,125</u>

# Notes to the Financial Statements

For the six months ended 30 June 2021

Renminbi Yuan

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

### 6. Other receivables (continued)

#### (5) Provision for credit loss of other receivables

1 January 2021 (Audited)	Provision for credit loss			30 June 2021 (Unaudited)
	Provision	Recovery or reversal	Other changes	
1,298,167	1,622,327	(441,222)	(566,492)	1,912,780

### 7. Inventories

#### (1) Categories of inventories

Item	30 June 2021 (Unaudited)		
	Gross carrying amount	Provision for decline in value	Carrying amount
Raw materials	1,583,938,250	160,394,627	1,423,543,623
Semi-finished products/ Work-in-progress	330,904,631	12,989,862	317,914,769
Finished goods	1,887,048,945	13,534,271	1,873,514,674
Turnover materials	406,451	23,673	382,778
Total	<u>3,802,298,277</u>	<u>186,942,433</u>	<u>3,615,355,844</u>

Item	31 December 2020 (Audited)		
	Gross carrying amount	Provision for decline in value	Carrying amount
Raw materials	1,150,384,062	106,055,196	1,044,328,866
Semi-finished products/ Work-in-progress	216,738,833	4,543,732	212,195,101
Finished goods	1,574,518,523	12,158,408	1,562,360,115
Turnover materials	467,256	67,535	399,721
Total	<u>2,942,108,674</u>	<u>122,824,871</u>	<u>2,819,283,803</u>

# Notes to the Financial Statements

For the six months ended 30 June 2021

Renminbi Yuan

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

### 7. Inventories (continued)

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

Item	1 January 2021 (Audited)	Increase in the period Provision	Decrease in the period Reversal/ Write-off	30 June 2021 (Unaudited)
Raw materials	106,055,196	54,365,232	(25,801)	<b>160,394,627</b>
Semi-finished products/ Work-in-progress	4,543,732	8,630,992	(184,862)	<b>12,989,862</b>
Finished goods	12,158,408	3,061,161	(1,685,298)	<b>13,534,271</b>
Turnover materials	67,535	–	(43,862)	<b>23,673</b>
Total	<u>122,824,871</u>	<u>66,057,385</u>	<u>(1,939,823)</u>	<b><u>186,942,433</u></b>

### 8. Contract assets

#### (1) Details of contract assets

Item	30 June 2021 (Unaudited)		
	Gross carrying amount	Provision for credit loss	Carrying amount
Warranty provision receivable	171,470,427	3,885,206	167,585,221
Less: Contract assets included in other non-current assets	<u>89,543,718</u>	<u>2,258,139</u>	<u>87,285,579</u>
Net amount	<b><u>81,926,709</u></b>	<b><u>1,627,067</u></b>	<b><u>80,299,642</u></b>

  

Item	31 December 2020 (Audited)		
	Gross carrying amount	Provision for credit loss	Carrying amount
Warranty provision receivable	185,911,339	3,727,343	182,183,996
Less: Contract assets included in other non-current assets	<u>101,285,018</u>	<u>2,034,817</u>	<u>99,250,201</u>
Net amount	<b><u>84,626,321</u></b>	<b><u>1,692,526</u></b>	<b><u>82,933,795</u></b>

# Notes to the Financial Statements

For the six months ended 30 June 2021

Renminbi Yuan

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

### 8. Contract assets (continued)

#### (2) Provision for credit losses of contract assets

Item	Amount
Opening balance (Audited)	3,727,343
Provision for the period	385,040
Other changes for the period	<u>(227,177)</u>
Closing balance (Unaudited)	<u><u>3,885,206</u></u>

As at 30 June 2021 and 31 December 2020, the Company had no credit-impaired contract assets.

#### (3) Provision for credit losses of contract assets

Category	30 June 2021 (Unaudited)				31 December 2020 (Audited)			
	Gross carrying amount	Provision for credit loss Amount	Proportion of provision (%)	Carrying amount	Gross carrying amount	Provision for credit loss Amount	Proportion of provision (%)	Carrying amount
Collective assessment:								
Category I	32,191,905	384,010	1.19	31,807,895	54,605,620	901,653	1.65	53,703,967
Category II	116,605,191	2,906,626	2.49	113,698,565	96,875,255	1,937,505	2.00	94,937,750
Category III	11,969,692	268,920	2.25	11,700,772	15,519,058	310,381	2.00	15,208,677
Category IV	10,703,639	325,650	3.04	10,377,989	18,911,406	577,804	3.06	18,333,602
Total	<u><u>171,470,427</u></u>	<u><u>3,885,206</u></u>		<u><u>167,585,221</u></u>	<u><u>185,911,339</u></u>	<u><u>3,727,343</u></u>		<u><u>182,183,996</u></u>



# Notes to the Financial Statements

For the six months ended 30 June 2021

Renminbi Yuan

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

### 9. Other current assets

Item	30 June 2021 (Unaudited)	31 December 2020 (Audited)
Deductible value-added tax	443,030,377	541,677,283
Other taxes retained	1,813,073	786,585
Total	444,843,450	542,463,868

### 10. Long-term equity investments

Item	30 June 2021 (Unaudited)	31 December 2020 (Audited)
Long-term equity investments under equity method	361,354,079	338,373,042
Long-term equity investments under cost method	5,685,359,199	5,636,486,516
Total	6,046,713,278	5,974,859,558
Less: Provision for impairment of long-term equity investments	400,893,001	400,893,001
Carrying amount	5,645,820,277	5,573,966,557

# Notes to the Financial Statements

For the six months ended 30 June 2021

Renminbi Yuan

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

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

#### Long-term equity investments under equity method

Investee	1 January 2021 (Audited)	Changes for the period		30 June 2021 (Unaudited)	Impairment provision at 30 June 2021
		Investment in the period	Investment income (loss) recognised under equity method		
Non-listed investments					
<b>Joint ventures</b>					
Shiling	186,163,918	–	1,933,867	<b>188,097,785</b>	–
LANP Electrical	16,620,801	–	(243,195)	<b>16,377,606</b>	–
Shanghai Shentong CRRC	6,506,016	–	614,709	<b>7,120,725</b>	–
Zhengzhou Times	8,146,591	–	(2,690,763)	<b>5,455,828</b>	–
Sub-total	217,437,326	–	(385,382)	<b>217,051,944</b>	–
<b>Associates</b>					
Zhuzhou Siemens	46,010,196	–	140,028	<b>46,150,224</b>	–
Guoxin Technology	50,068,270	–	(331,428)	<b>49,736,842</b>	–
Times Wabtec	9,672,000	–	495,789	<b>10,167,789</b>	–
India CRRC	15,185,250	–	62,030	<b>15,247,280</b>	–
Wuxi Times	–	23,000,000	–	<b>23,000,000</b>	–
Sub-total	120,935,716	23,000,000	366,419	<b>144,302,135</b>	–
Total	338,373,042	23,000,000	(18,963)	<b>361,354,079</b>	–

# Notes to the Financial Statements

For the six months ended 30 June 2021

Renminbi Yuan

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

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

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

30 June 2021

Name of subsidiary	1 January 2021 (Audited)	Increase in the period	Decrease in the period	30 June 2021 (Unaudited)
Non-listed investments				
CRRC Times Electronics	182,977,618	–	–	182,977,618
Ningbo CRRC Times	133,507,255	–	–	133,507,255
USA CRRC Times Electric	3,187,516	–	–	3,187,516
Shenyang CRRC Times	56,000,000	–	–	56,000,000
Baoji CRRC Times	560,000,000	–	–	560,000,000
Kunming CRRC Electric	55,000,000	–	–	55,000,000
Hangzhou CRRC Electric	33,000,000	–	–	33,000,000
Guangzhou CRRC Electric	18,000,000	–	–	18,000,000
HK CRRC Times Electric	731,009,400	–	–	731,009,400
Australia CRRC Times Electric	1,814,037	–	–	1,814,037
Ningbo CRRC Electric	110,000,000	–	–	110,000,000
Brasil CRRC Times Electric	4,062,679	–	–	4,062,679
Qingdao CRRC Electric	45,000,000	–	–	45,000,000
CRRC Times Software	50,000,000	–	–	50,000,000
Shanghai CRRC Rail Transit	25,500,000	–	–	25,500,000
Hunan CRRC Signal	229,000,000	–	–	229,000,000
Lanzhou Times	25,500,000	–	–	25,500,000
CRRC National Centre of Converters	280,654,981	–	–	280,654,981
Shanghai CRRC SMD	70,000,000	–	–	70,000,000
Shanghai Yongdian	9,794,810	–	–	9,794,810
Chengdu CRRC Electric	30,000,000	–	–	30,000,000
CRRC Times Semiconductor	2,700,000,000	–	–	2,700,000,000
Canada Dynex	282,478,220	–	–	282,478,220
Chongqing CRRC Electric	–	48,872,683	–	48,872,683
Total	5,636,486,516	48,872,683	–	5,685,359,199
Less: Provision for impairment of long-term equity investments	400,893,001			400,893,001
Net amount	5,235,593,515			5,284,466,198

# Notes to the Financial Statements

For the six months ended 30 June 2021

Renminbi Yuan

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

### 11. Fixed assets

#### (1) Fixed assets

Item	Buildings	Machinery	Vehicles	Office facilities and others	Total
I. Cost					
1. At 1 January 2021 (Audited)	786,107,924	800,500,155	23,860,015	290,932,132	1,901,400,226
2. Increase in the period					
(1) Purchase	–	4,910,984	–	13,113,846	18,024,830
3. Disposals or retirement	–	(58,678)	(824,264)	(720,669)	(1,603,611)
4. At 30 June 2021 (Unaudited)	<u>786,107,924</u>	<u>805,352,461</u>	<u>23,035,751</u>	<u>303,325,309</u>	<u>1,917,821,445</u>
II. Accumulated depreciation					
1. At 1 January 2021 (Audited)	248,753,701	568,432,458	20,802,487	175,125,005	1,013,113,651
2. Charge for the period	9,159,429	28,310,820	514,677	17,397,571	55,382,497
3. Disposals or retirement	–	(21,678)	(783,051)	(680,543)	(1,485,272)
4. At 30 June 2021 (Unaudited)	<u>257,913,130</u>	<u>596,721,600</u>	<u>20,534,113</u>	<u>191,842,033</u>	<u>1,067,010,876</u>
III. Impairment provision					
1. At 1 January 2021 (Audited)	10,513,264	26,867,144	–	89,194	37,469,602
2. At 30 June 2021 (Unaudited)	10,513,264	26,867,144	–	89,194	37,469,602
IV. Carrying amount					
1. At 30 June 2021 (Unaudited)	<u>517,681,530</u>	<u>181,763,717</u>	<u>2,501,638</u>	<u>111,394,082</u>	<u>813,340,967</u>
2. At 1 January 2021 (Audited)	<u>526,840,959</u>	<u>205,200,553</u>	<u>3,057,528</u>	<u>115,717,933</u>	<u>850,816,973</u>

(2) At 30 June 2021, the Company had no fixed assets that are temporarily idle.

#### (3) Fixed assets leased out under operating lease

##### Item

Buildings

Carrying amount at  
30 June 2021  
(Unaudited)

41,472,900

(4) At 30 June 2021, the Company had no buildings for which the certificates of ownership had not yet been obtained.

# Notes to the Financial Statements

For the six months ended 30 June 2021

Renminbi Yuan

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

### 12. Intangible assets

Item	Land use rights	Software licenses	Patents, licenses and technical know-how	Total
I. Cost				
1. 1 January 2021 (Audited)	63,607,586	126,718,809	618,005,338	808,331,733
2. Increase in the period				
(1) Purchase	<u>–</u>	<u>1,524,726</u>	<u>–</u>	<u>1,524,726</u>
3. 30 June 2021 (Unaudited)	<u>63,607,586</u>	<u>128,243,535</u>	<u>618,005,338</u>	<u>809,856,459</u>
II. Accumulated amortization				
1. 1 January 2021 (Audited)	18,469,955	99,549,849	215,089,357	333,109,161
2. Charge for the period	<u>632,840</u>	<u>6,852,451</u>	<u>34,451,608</u>	<u>41,936,899</u>
3. 30 June 2021 (Unaudited)	<u>19,102,795</u>	<u>106,402,300</u>	<u>249,540,965</u>	<u>375,046,060</u>
III. Impairment provision				
1. 1 January 2021 (Audited)	<u>–</u>	<u>–</u>	<u>131,627,620</u>	<u>131,627,620</u>
2. 30 June 2021 (Unaudited)	<u>–</u>	<u>–</u>	<u>131,627,620</u>	<u>131,627,620</u>
IV. Carrying amount				
1. 30 June 2021 (Unaudited)	<u>44,504,791</u>	<u>21,841,235</u>	<u>236,836,753</u>	<u>303,182,779</u>
2. 1 January 2021 (Audited)	<u>45,137,631</u>	<u>27,168,960</u>	<u>271,288,361</u>	<u>343,594,952</u>

At 30 June 2021, the Company had no land use rights pledged to secure the bank borrowings. The land used by the Company mainly locates in Mainland China, with a term of 40-50 years.

At 30 June 2021, the Company's intangible assets arising from internal R&D respectively accounts for 32.95% of the cost of intangible assets.

# Notes to the Financial Statements

For the six months ended 30 June 2021

Renminbi Yuan

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

### 13. Deferred tax assets

Item	30 June 2021 (Unaudited)		31 December 2020 (Audited)	
	Deductible temporary differences	Deferred tax assets	Deductible temporary differences	Deferred tax assets
Provision for product quality warranties	802,058,327	120,308,749	824,776,656	123,716,498
Provision for credit loss	264,344,772	39,651,716	240,578,640	36,086,796
Provision for impairment of assets	228,297,241	34,244,586	213,721,075	32,073,161
Government grants	428,572,895	64,285,934	532,953,320	79,942,998
Book-tax difference regarding the period of depreciation/ amortization	12,299,836	1,844,975	54,288,729	8,143,309
Accrued expenses	52,174,087	7,826,113	59,996,466	8,999,470
Accrued but unpaid employee benefits	69,808,516	10,471,277	20,045,000	3,006,750
Changes in fair value of financial assets at FVTOCI	31,980,872	4,797,131	29,470,416	4,420,562
Others	5,091,706	763,756	13,368,539	2,005,281
Total	<u>1,894,628,252</u>	<u>284,194,237</u>	<u>1,989,198,841</u>	<u>298,394,825</u>

### 14. Bills payable

Item	30 June 2021 (Unaudited)	31 December 2020 (Audited)
Commercial acceptance bills	65,890,000	64,185,426
Bank acceptance bills	889,351,763	994,108,148
Total	<u>955,241,763</u>	<u>1,058,293,574</u>

# Notes to the Financial Statements

For the six months ended 30 June 2021

Renminbi Yuan

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

### 15. Trade payables

Item	30 June 2021 (Unaudited)	31 December 2020 (Audited)
Related parties	2,739,626,128	2,712,041,004
Third parties	1,837,354,762	1,636,594,299
Total	4,576,980,890	4,348,635,303

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

### 16. Contract liabilities

#### (1) Contract liabilities

Item	30 June 2021 (Unaudited)	31 December 2020 (Audited)
Liabilities arising from sales contracts	425,242,431	577,105,249

For part of the Company's sales contracts, the delivery and acceptance is later than customer's payment, resulting in sales contract liabilities.

# Notes to the Financial Statements

For the six months ended 30 June 2021

Renminbi Yuan

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

### 17. Taxes payable

Item	30 June 2021 (Unaudited)	31 December 2020 (Audited)
Enterprise income tax	13,247,814	21,630,858
VAT	828,159	139,136
City maintenance and construction tax and education surcharges	555	–
Individual income tax	1,342,906	13,104,322
Others	1,117,562	–
Total	<b>16,536,996</b>	<b>34,874,316</b>

### 18. Other payables

Item	30 June 2021 (Unaudited)	31 December 2020 (Audited)
Other payables	920,468,153	554,109,964
Total	<b>920,468,153</b>	<b>554,109,964</b>

#### *Details of other payables by nature:*

Item	30 June 2021 (Unaudited)	31 December 2020 (Audited)
Amounts due to related companies	765,285,191	291,212,709
Deposits and pledges	98,305,805	136,025,341
Recovery of factoring	9,853,683	56,900,381
Others	47,023,474	69,971,533
Total	<b>920,468,153</b>	<b>554,109,964</b>



# Notes to the Financial Statements

For the six months ended 30 June 2021

Renminbi Yuan

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

### 19. Long-term borrowings

Item	30 June 2021 (Unaudited)	31 December 2020 (Audited)
Credit borrowings	85,449,829	87,717,416
Less: Long-term borrowings due within one year	<u>5,261,829</u>	<u>5,029,416</u>
Net amount	<u><u>80,188,000</u></u>	<u><u>82,688,000</u></u>

The annual interest rate for the above borrowings is 1.08%.

### 20. Provisions

Item	1 January 2021 (Audited)	Increase in the period	Decrease in the period	30 June 2021 (Unaudited)
Provision for product quality warranties	824,776,656	196,943,153	219,661,482	<b>802,058,327</b>
Provision for repair of equipment under custody	<u>5,091,706</u>	<u>–</u>	<u>–</u>	<b>5,091,706</b>
Total	829,868,362	<u>196,943,153</u>	<u>219,661,482</u>	<b>807,150,033</b>
Less: Provisions due within one year	<u>332,317,010</u>			<b>322,396,953</b>
Net amount	<u><u>497,551,352</u></u>			<b><u><u>484,753,080</u></u></b>

### 21. Deferred income

Item	30 June 2021 (Unaudited)	31 December 2020 (Audited)
Government grants related to assets	229,632,815	192,985,273
Government grants related to income	<u>198,940,080</u>	<u>339,968,047</u>
Total	<u><u>428,572,895</u></u>	<u><u>532,953,320</u></u>

# Notes to the Financial Statements

For the six months ended 30 June 2021

Renminbi Yuan

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

### 21. Deferred income (continued)

Items of government grants:

Item	1 January 2021 (Audited)	Increase in the period	Recognised as other income	Other changes	30 June 2021 (Unaudited)	Related to assets/ income
Fiscal allotment for IGBT Phase II Information industry technological upgrading (The revamping of high voltage and low voltage IGBT chip module production line)	50,000,000	-	-	-	50,000,000	Assets
Construction of R&D and trial-manufacturing center of IGBT for electric vehicles	50,000,000	-	-	-	50,000,000	Assets
Research on key technologies of high speed maglev transportation	41,870,000	-	-	-	41,870,000	Income
8-inch IGBT intelligent manufacturing and digital factory construction project	37,916,667	45,000,000	(3,500,000)	-	79,416,667	Assets
Industrial foundation fortification project-production of IGBT module for alternative fuel automobiles	23,340,000	-	-	-	23,340,000	Assets
Maotangao public rental housing construction project	17,703,883	-	(227,458)	-	17,476,425	Assets
Research and development of power transmission and control system	12,285,000	-	-	-	12,285,000	Income
High-speed railway system security technology	7,457,300	-	-	-	7,457,300	Income
Hunan governmental earmark on the development of the second batch of mobile internet industry in 2016	5,000,000	-	-	-	5,000,000	Assets
Virtual co-phase flexible power supply technology	4,890,000	-	-	-	4,890,000	Income
Development and application of PCU power element for new generation high-speed train	4,700,000	-	-	-	4,700,000	Income
Construction of intelligent manufacturing plant for railway vehicles core parts (manufacturing center)	3,263,889	-	(416,667)	-	2,847,222	Assets
Key technology and equipment development for catenary-free power supply urban rail vehicle	3,400,000	-	-	-	3,400,000	Income
Low-sensitivity high-temperature-density multi-function composite SiC power modules	3,203,300	-	-	-	3,203,300	Income
R&D of high-temperature and high-current SiC chip for automobile	3,062,980	-	-	-	3,062,980	Income
Research on key technologies of medium-speed maglev transportation system	3,453,600	746,400	-	-	4,200,000	Income
Rail transit system energy-consuming processes decoupling and energy efficiency promotion key technology topics	2,710,000	-	-	-	2,710,000	Income
Integrated manufacturing technology R&D and industrialization of SiC based power electronic devices	3,100	-	-	-	3,100	Income

# Notes to the Financial Statements

For the six months ended 30 June 2021

Renminbi Yuan

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

### 21. Deferred income (continued)

Items of government grants: (continued)

Item	1 January 2021 (Audited)	Increase in the period	Recognised as other income	Other changes	30 June 2021 (Unaudited)	Related to assets/ income
State appropriated funds for high-speed railway system security technology	2,640,000	-	-	-	<b>2,640,000</b>	Income
Middle and low pressure SiC materials and devices, and the pilot application in charging equipment for electric vehicles (national key R&D program)	1,896,100	-	-	-	<b>1,896,100</b>	Income
R&D and industrialization of wide-band gap semiconductor motor controller	1,950,000	-	-	-	<b>1,950,000</b>	Income
Research on pantograph safety awareness and early warning technology	1,560,000	-	-	-	<b>1,560,000</b>	Income
Research on basic theory and evaluation method for high-temperature SiC device and system for automobile	1,540,000	-	-	-	<b>1,540,000</b>	Income
Hunan province strategic emerging industry scientific research projects and transformation of significant scientific and technological achievements "Railway efficient power supply technology research and equipment development"	1,500,000	-	-	-	<b>1,500,000</b>	Income
IGCT project funds	1,240,000	-	-	-	<b>1,240,000</b>	Assets
Others	246,367,501	2,502,300	(125,000)	(148,360,000)	<b>100,384,801</b>	Assets/ income
Total	<u>532,953,320</u>	<u>48,248,700</u>	<u>(4,269,125)</u>	<u>(148,360,000)</u>	<b><u>428,572,895</u></b>	

# Notes to the Financial Statements

For the six months ended 30 June 2021

Renminbi Yuan

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

### 22. Revenue and cost of sales

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

Item	For the six months ended 30 June 2021 (Unaudited)		For the six months ended 30 June 2020 (Unaudited)	
	Income	Cost	Income	Cost
Principal operating activities	3,932,704,872	2,820,691,118	4,072,427,801	2,837,400,507
Other operating activities	283,169,514	278,718,565	163,458,393	162,890,384
Total	<u>4,215,874,386</u>	<u>3,099,409,683</u>	<u>4,235,886,194</u>	<u>3,000,290,891</u>

#### (2) Revenue from contracts

By geographic areas of sales	For the six months ended 30 June 2021 (Unaudited)	For the six months ended 30 June 2020 (Unaudited)
Mainland China	4,166,601,602	4,215,694,437
Other countries and regions	49,272,784	20,191,757
Total	<u>4,215,874,386</u>	<u>4,235,886,194</u>

#### (3) Description of performance obligations

##### Sales of goods and materials

The Company mainly sells rail transit equipment and components, which are mainly delivered using land transportation. The Company recognises revenue upon receipts and acceptance of the goods by the customer.

Advances from customer before delivery of rail transit equipment and components are recognised as contract liabilities in the consolidated financial statements. There is no significant financing component and right of return during the course of sales of rail transit equipment and components.

# Notes to the Financial Statements

For the six months ended 30 June 2021

Renminbi Yuan

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

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

#### (3) Description of performance obligations (continued)

##### Maintenance service

For the Company's major services relating to repair and maintenance of rail transit equipment in the course of performance of obligations, throughout the contract period, as the Company can't collect the payment in respect of the part of obligations completed up to date, therefore, the maintenance service represent the performance obligation performed at a point in time, and the Company recognises revenue from maintenance service upon acceptance by customer.

### 23. Tax and surcharges

Item	For the six months ended 30 June 2021 (Unaudited)	For the six months ended 30 June 2020 (Unaudited)
City maintenance and construction tax	384,184	87,663
Education surcharges	274,417	59,618
Others	6,923,201	7,673,659
Total	<b>7,581,802</b>	7,820,940

### 24. Selling expenses

Item	For the six months ended 30 June 2021 (Unaudited)	For the six months ended 30 June 2020 (Unaudited)
Provision for product quality warranties	196,943,153	181,057,778
Employee benefits	50,833,743	42,729,607
Transportation and handling charges	2,060,593	1,031,310
Office and travel expenses	7,834,238	5,223,121
Business entertainment expenses	6,251,008	61,989
Advertising and publicity cost	363,097	-
Bidding and tendering fee	3,500,880	2,829,173
Others	14,038,994	12,479,417
Total	<b>281,825,706</b>	245,412,395

# Notes to the Financial Statements

For the six months ended 30 June 2021

Renminbi Yuan

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

### 25. Administrative expenses

Item	For the six months ended 30 June 2021 <i>(Unaudited)</i>	For the six months ended 30 June 2020 <i>(Unaudited)</i>
Employee benefits	82,994,320	43,044,980
Depreciation and amortization charges	17,390,115	25,215,594
Facility maintenance cost	2,205,556	9,099,933
Property management fee	6,125,210	3,428,294
Utilities expenses	3,395,393	2,561,150
Office and travel expenses and conference fee	1,146,600	2,676,185
Service fees for intermediaries and professional institutions	3,325,739	4,896,018
Insurance expenses	863,116	2,212,477
Rental expense	2,079,430	1,909,006
Business entertainment expenses	2,042,808	1,213,198
Others	7,576,399	6,906,138
Total	<b>129,144,686</b>	<b>103,162,973</b>

### 26. R&D expenses

Item	For the six months ended 30 June 2021 <i>(Unaudited)</i>	For the six months ended 30 June 2020 <i>(Unaudited)</i>
Employee benefits	114,571,339	106,997,494
Technical service fee	60,478,109	65,556,458
Cost of materials consumed	45,209,000	42,608,131
Depreciation and amortization charges	66,701,398	56,895,726
Office and travel expenses	15,289,714	13,242,154
Experiment and inspection cost	6,786,326	5,369,375
Others	10,889,319	13,561,839
Total	<b>319,925,205</b>	<b>304,231,177</b>

# Notes to the Financial Statements

For the six months ended 30 June 2021

Renminbi Yuan

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

### 27. Finance costs

Item	For the six months ended 30 June 2021 <i>(Unaudited)</i>	For the six months ended 30 June 2020 <i>(Unaudited)</i>
Interest expenses on borrowings	2,013,725	525,999
Interest expenses on lease liabilities	1,070,310	1,216,616
Less: Capitalized interest expenses	115,357	104,961
Interest income	(30,905,150)	(22,440,130)
Net exchange losses (gains)	8,586,488	(6,133,966)
Financial institution charges	2,621,686	3,326,547
Others	(419,212)	1,968,077
Total	<u>(17,147,510)</u>	<u>(21,641,818)</u>

### 28. Other income

Item	For the six months ended 30 June 2021 <i>(Unaudited)</i>	For the six months ended 30 June 2020 <i>(Unaudited)</i>
Technology project fund	22,962,700	16,200,000
Government rewards	5,805,136	11,945,286
Total	<u>28,767,836</u>	<u>28,145,286</u>

# Notes to the Financial Statements

For the six months ended 30 June 2021

Renminbi Yuan

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

### 29. Investment income (losses)

Item	For the six months ended 30 June 2021 <i>(Unaudited)</i>	For the six months ended 30 June 2020 <i>(Unaudited)</i>
Gains (losses) from long-term equity investments under cost method	1,320,047,009	1,534,422,881
Gains (losses) from long-term equity investments under equity method	(18,963)	812,381
Gains on disposal of held-for-trading financial assets	42,835,550	64,019,468
Gains (losses) from long-term equity investments under cost method	<u>1,362,863,596</u>	<u>1,599,254,730</u>

### 30. Credit impairment gains (losses)

Item	For the six months ended 30 June 2021 <i>(Unaudited)</i>	For the six months ended 30 June 2020 <i>(Unaudited)</i>
Credit impairment gains (losses) of bills receivable	2,294,404	2,916,977
Credit impairment gains (losses) of trade receivables	(33,355,290)	(54,719,439)
Credit impairment gains (losses) of other receivables	(1,181,105)	428,712
Credit impairment gains (losses) of contract assets	—	(4,828,546)
Total	<u>(32,241,991)</u>	<u>(56,202,296)</u>



# Notes to the Financial Statements

For the six months ended 30 June 2021

Renminbi Yuan

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

### 31. Assets impairment gains (losses)

Item	For the six months ended 30 June 2021 <i>(Unaudited)</i>	For the six months ended 30 June 2020 <i>(Unaudited)</i>
Impairment gains (losses) of inventories	(64,653,250)	(19,567,028)
Impairment gains (losses) of contract assets	(161,718)	–
Impairment gains (losses) of contract assets in other non-current assets	(223,322)	–
Impairment gains (losses) of goodwill	–	(154,724,000)
Total	(65,038,290)	(174,291,028)

### 32. Non-operating income

Item	For the six months ended 30 June 2021 <i>(Unaudited)</i>		For the six months ended 30 June 2020 <i>(Unaudited)</i>	
	Gross amount	Amount included in non-recurring profit or loss	Gross amount	Amount included in non-recurring profit or loss
Unsettled payment	13,433	13,433	–	–
Penalty income and default compensation income	887,134	887,134	3,617,357	3,617,357
Others	930,324	930,324	8,695,640	8,695,640
Total	1,830,891	1,830,891	12,312,997	12,312,997

# Notes to the Financial Statements

For the six months ended 30 June 2021

Renminbi Yuan

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

### 33. Non-operating expenses

Item	For the six months ended 30 June 2021 (Unaudited)		For the six months ended 30 June 2020 (Unaudited)	
	Gross amount	Amount included in non-recurring profit or loss	Gross amount	Amount included in non-recurring profit or loss
Others	<b>3,632</b>	<b>3,632</b>	41,839	41,839

### 34. Income tax expenses

Item	For the six months ended 30 June 2021 (Unaudited)	For the six months ended 30 June 2020 (Unaudited)
Current income tax expense		
– Mainland China	<b>36,073,454</b>	74,084,319
– Other countries and regions	<b>511,430</b>	627,126
Sub-total	<b>36,584,884</b>	74,711,445
Deferred tax expense	<b>14,577,157</b>	7,223,729
Total	<b>51,162,041</b>	81,935,174

# Notes to the Financial Statements

For the six months ended 30 June 2021

Renminbi Yuan

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

### 34. Income tax expenses (continued)

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

Item	For the six months ended 30 June 2021 <i>(Unaudited)</i>	For the six months ended 30 June 2020 <i>(Unaudited)</i>
Total profit	<u>1,700,209,344</u>	<u>2,016,405,746</u>
Income tax expense at statutory tax rate of 25%	<b>425,052,336</b>	504,101,437
Effect of preferential tax rate applicable	<b>(170,625,117)</b>	(201,454,008)
Effect of profits and losses attributable to associates and joint ventures	<b>2,844</b>	(121,857)
Effect of tax-free income	<b>(198,007,051)</b>	(230,339,611)
Effect of additional deduction for R&D expenses	<b>(13,155,026)</b>	(23,958,205)
Effect of expenses that are not deductible for tax purposes	<b>3,121,163</b>	4,973,963
Effect of deductible temporary differences and deductible losses not recognised	<b>660,695</b>	24,099,715
Effect of utilization of deductible temporary differences not recognised in the prior years	<b>(57,086)</b>	(513,799)
Others	<u>4,169,283</u>	<u>5,147,539</u>
Income tax expense at the effective tax rate of the Company	<u><b>51,162,041</b></u>	<u>81,935,174</u>

# Notes to the Financial Statements

For the six months ended 30 June 2021

Renminbi Yuan

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

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

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

Item	For the six months ended 30 June 2021 <i>(Unaudited)</i>	For the six months ended 30 June 2020 <i>(Unaudited)</i>
Reconciliation of net profit to cash flows from operating activities:		
Net profit	1,649,047,303	1,934,470,572
Add: Asset impairment losses	65,038,290	174,291,028
Credit impairment losses	32,241,991	56,202,296
Depreciation of fixed assets	55,382,497	62,779,985
Amortization of intangible assets	41,936,899	34,092,874
Depreciation of right-of-use assets	4,620,228	4,300,321
Increase in special reserves	—	1,124,063
Losses on disposal of fixed assets, intangible assets and other long-term assets	(11,217)	(29,342)
Finance costs	(242,517)	3,880,789
Investment loss (income)	(1,362,863,596)	(1,599,254,730)
Losses (gains) on fair value changes	(8,884,903)	(10,588,918)
Decrease in deferred tax assets	14,577,157	7,223,729
Decrease (increase) in inventories	(860,189,603)	(1,472,729,348)
(Increase) Decrease in operating receivables	(1,684,848,628)	881,538,456
Increase (decrease) in operating payables	(766,726,544)	(1,011,913,081)
Net cash flows from operating activities	<b>(2,820,922,643)</b>	<b>(934,611,306)</b>

# Notes to the Financial Statements

For the six months ended 30 June 2021

Renminbi Yuan

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

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

#### (2) Movement in cash and cash equivalents:

Item	For the six months ended 30 June 2021 <i>(Unaudited)</i>	For the six months ended 30 June 2020 <i>(Unaudited)</i>
Closing balance of cash	1,939,907,778	3,932,500,322
Less: Opening balance of cash	<u>3,005,589,102</u>	<u>2,452,789,205</u>
Net increase (decrease) in cash and cash equivalents	<u><u>(1,065,681,324)</u></u>	<u><u>1,479,711,117</u></u>

#### (3) Cash and cash equivalents

Item	30 June 2021 <i>(Unaudited)</i>	30 June 2020 <i>(Unaudited)</i>
Cash on hand		
Including: Bank deposits on demand	<u>1,939,907,778</u>	<u>3,932,500,322</u>
Closing balance of cash and cash equivalents	<u><u>1,939,907,778</u></u>	<u><u>3,932,500,322</u></u>

# Notes to the Financial Statements

For the six months ended 30 June 2021

Renminbi Yuan

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

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

#### (1) Purchase of goods and receipt of services from related parties

	<b>For the six months ended 30 June 2021 (Unaudited)</b>	For the six months ended 30 June 2020 (Unaudited)
Related parties within the scope of consolidation	<b>1,270,905,535</b>	1,175,084,654
Corporations controlled by the ultimate holding party other than the CRRC ZELRI Group	<b>494,262,194</b>	464,176,881
Corporations controlled by the CRRC ZELRI	<b>168,152,508</b>	210,475,663
Joint ventures of the ultimate holding party other than the CRRC ZELRI Group	<b>8,351,336</b>	6,385,062
Associates of the ultimate holding group other than the CRRC ZELRI Group	<b>27,833,448</b>	20,068,265
Associates of the Company	<b>44,973,078</b>	11,906,938
CRRC ZELRI	<b>25,682,497</b>	58,990,738
Joint ventures of the Company	<b>5,741,707</b>	69,347,536
Total	<b>2,045,902,303</b>	2,016,435,737

# Notes to the Financial Statements

For the six months ended 30 June 2021

Renminbi Yuan

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

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

#### (2) Sale of goods and rendering of services to related parties

	For the six months ended 30 June 2021 <i>(Unaudited)</i>	For the six months ended 30 June 2020 <i>(Unaudited)</i>
Related parties within the scope of consolidation	746,538,542	700,987,395
Corporations controlled by the ultimate holding party other than the CRRC ZELRI Group	2,135,661,054	2,382,597,359
Joint ventures of the ultimate holding party other than the CRRC ZELRI Group	69,776,691	141,593
Joint ventures of the Company	4,156,143	–
Associates of the Company	13,298,311	–
Corporations controlled by the CRRC ZELRI	24,612,415	12,833,509
Associates of the ultimate holding group other than the CRRC ZELRI Group	12,009,690	17,622,613
CRRC ZELRI	2,570	6,086,431
Total	<b>3,006,055,416</b>	<b>3,120,268,900</b>

# Notes to the Financial Statements

For the six months ended 30 June 2021

Renminbi Yuan

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

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

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

	<b>For the six months ended 30 June 2021 (Unaudited)</b>	For the six months ended 30 June 2020 (Unaudited)
Related parties within the scope of consolidation	<b>11,615,652</b>	–
Corporations controlled by the CRRZ ZELRI	<b>536,063</b>	1,247,788
Associates of the Company	<b>17,800</b>	–
CRRZ ZELRI	<b>103,306</b>	–
Total	<b>12,272,821</b>	1,247,788

#### (4) Related party leases

As a lessor

	<b>For the six months ended 30 June 2021 (Unaudited)</b>	For the six months ended 30 June 2020 (Unaudited)
Related parties within the scope of consolidation	<b>67,805</b>	523,408
Corporations controlled by the ultimate holding party other than the CRRZ ZELRI Group	<b>66,435</b>	107,783
Corporations controlled by the CRRZ ZELRI	<b>2,378,365</b>	1,196,909
CRRZ ZELRI	<b>67,570</b>	1,635,440
Associates of the Company	–	208,939
Total	<b>2,580,175</b>	3,672,479



# Notes to the Financial Statements

For the six months ended 30 June 2021

Renminbi Yuan

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

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

#### (4) *Related party leases* (continued)

*As a lessee*

	<b>For the six months ended 30 June 2021 (Unaudited)</b>	For the six months ended 30 June 2020 (Unaudited)
Related parties within the scope of consolidation	<b>866,294</b>	–
Corporations controlled by the ultimate holding party other than the CRRC ZELRI Group	<b>739,817</b>	–
Corporations controlled by the CRRC ZELRI	<b>850,041</b>	850,041
CRRC ZELRI	<b>459,454</b>	779,182
Total	<b><u>2,915,606</u></b>	<b><u>1,629,223</u></b>

	<b>For the six months ended 30 June 2021 (Unaudited)</b>		For the six months ended 30 June 2020 (Unaudited)	
	<b>Right-of-use assets recognised in the period</b>	<b>Interest expenses associated with lease liabilities</b>	Right-of-use assets recognised in the period	Interest expenses associated with lease liabilities
Related parties within the scope of consolidation	–	<b>46,974</b>	–	15,492
CRRC ZELRI	–	–	–	14,498
Corporations controlled by the ultimate holding party other than the CRRC ZELRI Group	–	<b>879</b>	–	7,329
Total	–	<b><u>47,853</u></b>	–	<b><u>37,319</u></b>

# Notes to the Financial Statements

For the six months ended 30 June 2021

Renminbi Yuan

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

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

#### (5) Borrowings from related parties

	Amount	Starting date	Due date	Annual interest rate
The controlling shareholder of the parent	50,000,000	29/09/2015	28/09/2030	1.08%
	34,188,000	29/09/2015	28/09/2030	1.08%
	<u>16,000,000</u>	29/09/2015	28/09/2030	1.08%
Total	<u>100,188,000</u>			

#### (6) Fund lending to/borrowing from related parties within the scope of consolidation

Nature	For the six months ended 30 June 2021 (Unaudited)	For the six months ended 30 June 2020 (Unaudited)
Fund lending	565,000,000	20,000,000
Fund borrowing	<u>300,000,000</u>	<u>—</u>

During the Reporting Period, the fund lending to/borrowing from related parties within the scope of consolidation bore an interest rate from 2.91% to 4.35% per annum with a maturity date due within one year.

# Notes to the Financial Statements

For the six months ended 30 June 2021

Renminbi Yuan

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

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

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

	For the six months ended 30 June 2021 <i>(Unaudited)</i>	For the six months ended 30 June 2020 <i>(Unaudited)</i>
Related parties within the scope of consolidation	12,833,817	9,579,762
Corporations controlled by the ultimate holding party other than the CRRC ZELRI Group	19,063	3,389,027
Total	<u>12,852,880</u>	<u>12,968,789</u>

#### (8) Interest expenses on borrowings

	For the six months ended 30 June 2021 <i>(Unaudited)</i>	For the six months ended 30 June 2020 <i>(Unaudited)</i>
Related parties within the scope of consolidation	1,544,554	–
The controlling shareholder of the parent	469,171	393,240
Total	<u>2,013,725</u>	<u>393,240</u>

# Notes to the Financial Statements

For the six months ended 30 June 2021

Renminbi Yuan

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

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

<b>Trade receivables</b>	<b>30 June 2021 (Unaudited)</b>	31 December 2020 (Audited)
Related parties within the scope of consolidation	<b>1,122,095,189</b>	1,005,775,632
Corporations controlled by the ultimate holding party other than the CRRC ZELRI Group	<b>3,173,934,456</b>	2,469,451,395
Joint ventures of the ultimate holding party other than the CRRC ZELRI Group	<b>120,604,953</b>	54,471,109
Corporations controlled by the CRRC ZELRI	<b>37,730,882</b>	14,217,059
Associates of the Company	<b>348,128</b>	266,480
Associates of the ultimate holding group other than the CRRC ZELRI Group	<b>3,057,281</b>	4,529,532
CRRC ZELRI	–	2,379,911
Joint ventures of the Company	<b>4,703,138</b>	294,067
Total	<b>4,462,474,027</b>	3,551,385,185

  

<b>Bills receivable</b>	<b>30 June 2021 (Unaudited)</b>	31 December 2020 (Audited)
Related parties within the scope of consolidation	<b>57,748,160</b>	61,248,160
Corporations controlled by the ultimate holding party other than the CRRC ZELRI Group	<b>769,812,179</b>	813,082,889
Associates of the ultimate holding group other than the CRRC ZELRI Group	<b>96,000,000</b>	49,000,000
Total	<b>923,560,339</b>	923,331,049

# Notes to the Financial Statements

For the six months ended 30 June 2021

Renminbi Yuan

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

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

<b>Prepayments</b>	<b>30 June 2021 (Unaudited)</b>	31 December 2020 (Audited)
Related parties within the scope of consolidation	<b>26,718,200</b>	1,890,106
Associates of the Company	<b>4,280,000</b>	9,954,549
The controlling shareholder of the parent	<b>235,794</b>	–
CRRC ZELRI	<b>108,220</b>	–
Corporations controlled by the ultimate holding party other than the CRRC ZELRI Group	<b>47,675</b>	178,710
Joint ventures of the Company	–	16,074
Corporations controlled by the CRRC ZELRI	–	288,153
Total	<b>31,389,889</b>	12,327,592
<b>Contract assets</b>	<b>30 June 2021 (Unaudited)</b>	31 December 2020 (Audited)
Corporations controlled by the ultimate holding party other than the CRRC ZELRI Group	<b>4,380,746</b>	8,597,270
Total	<b>4,380,746</b>	8,597,270

# Notes to the Financial Statements

For the six months ended 30 June 2021

Renminbi Yuan

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

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

<b>Trade receivables financing</b>	<b>30 June 2021 (Unaudited)</b>	31 December 2020 (Audited)
Related parties within the scope of consolidation	<b>23,881,489</b>	–
Corporations controlled by the ultimate holding party other than the CRRC ZELRI Group	<b>859,709,852</b>	484,188,433
Associates of the ultimate holding group other than the CRRC ZELRI Group	<b>45,000,000</b>	29,570,000
Corporations controlled by the CRRC ZELRI	<b>6,132,129</b>	6,162,129
CRRC ZELRI	<b>13,366,500</b>	18,551,222
Total	<b>948,089,970</b>	538,471,784
<b>Other receivables</b>	<b>30 June 2021 (Unaudited)</b>	31 December 2020 (Audited)
Related parties within the scope of consolidation	<b>816,202,513</b>	182,723,169
CRRC ZELRI	<b>1,419,258</b>	1,510,000
Corporations controlled by the ultimate holding party other than the CRRC ZELRI Group	<b>677,000</b>	682,000
Corporations controlled by the CRRC ZELRI	<b>55,408</b>	–
Total	<b>818,354,179</b>	184,915,169
<b>Dividends receivable</b>	<b>30 June 2021 (Unaudited)</b>	31 December 2020 (Audited)
Related parties within the scope of consolidation	<b>232,581,838</b>	220,381,838

# Notes to the Financial Statements

For the six months ended 30 June 2021

Renminbi Yuan

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

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

<b>Other non-current assets</b>	<b>30 June 2021 (Unaudited)</b>	31 December 2020 (Audited)
Corporations controlled by the ultimate holding party other than the CRRC ZELRI Group	<b>18,004,982</b>	57,378,698
CRRC ZELRI	<b>92,000</b>	509,559
Corporations controlled by the CRRC ZELRI	<b>225,637</b>	—
Total	<b>18,322,619</b>	57,888,257
<b>Bills payable</b>	<b>30 June 2021 (Unaudited)</b>	31 December 2020 (Audited)
Related parties within the scope of consolidation	<b>2,004,201</b>	—
Associates of the ultimate holding group other than the CRRC ZELRI Group	<b>1,040,000</b>	—
Corporations controlled by the ultimate holding party other than the CRRC ZELRI Group	<b>43,418,451</b>	77,187,934
Corporations controlled by the CRRC ZELRI	<b>35,605,435</b>	38,101,110
Joint ventures of the ultimate holding party other than the CRRC ZELRI Group	<b>10,870,000</b>	14,070,000
Total	<b>92,938,087</b>	129,359,044

# Notes to the Financial Statements

For the six months ended 30 June 2021

Renminbi Yuan

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

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

<b>Trade payables</b>	<b>30 June 2021 (Unaudited)</b>	31 December 2020 (Audited)
Related parties within the scope of consolidation	<b>2,049,142,353</b>	2,511,010,497
Corporations controlled by the ultimate holding party other than the CRRC ZELRI Group	<b>535,465,078</b>	129,613,010
Corporations controlled by the CRRC ZELRI	<b>125,149,233</b>	47,056,625
Joint ventures of the Company	<b>17,912,016</b>	16,317,045
Joint ventures of the ultimate holding party other than the CRRC ZELRI Group	<b>10,786,297</b>	2,298,405
Associates of the ultimate holding group other than the CRRC ZELRI Group	<b>941,250</b>	763,964
CRRC ZELRI	<b>209,101</b>	209,101
Associates of the Company	<b>20,800</b>	72,000
Associates of the CRRC ZELRI	–	4,700,357
Total	<b>2,739,626,128</b>	2,712,041,004
<b>Contract liabilities</b>	<b>30 June 2021 (Unaudited)</b>	31 December 2020 (Audited)
Related parties within the scope of consolidation	–	3,447,108
Corporations controlled by the ultimate holding party other than the CRRC ZELRI Group	<b>15,288,429</b>	6,242,716
Corporations controlled by the CRRC ZELRI	–	2,707,647
CRRC ZELRI	–	368,000
Total	<b>15,288,429</b>	12,765,471



# Notes to the Financial Statements

For the six months ended 30 June 2021

Renminbi Yuan

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

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

<b>Other payables</b>	<b>30 June 2021 (Unaudited)</b>	<b>31 December 2020 (Audited)</b>
Related parties within the scope of consolidation	<b>363,695,138</b>	15,793,615
CRRC ZELRI	<b>398,008,254</b>	273,477,114
Corporations controlled by the CRRC ZELRI	<b>1,647,421</b>	1,153,571
Corporations controlled by the ultimate holding party other than the CRRC ZELRI Group	<b>1,864,379</b>	513,609
Associates of the ultimate holding party other than the CRRC ZELRI Group	<b>70,000</b>	–
Associates of the CRRC ZELRI	<b>–</b>	274,800
Total	<b>765,285,192</b>	291,212,709
<b>Non-current liabilities due within 1 year</b>	<b>30 June 2021 (Unaudited)</b>	<b>31 December 2020 (Audited)</b>
Related parties within the scope of consolidation	<b>1,152,257</b>	1,124,898
The controlling shareholder of the parent	<b>5,261,829</b>	5,029,416
Total	<b>6,414,086</b>	6,154,314

# Notes to the Financial Statements

For the six months ended 30 June 2021

Renminbi Yuan

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

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

<b>Long-term borrowings</b>	<b>30 June 2021 (Unaudited)</b>	31 December 2020 (Audited)
The controlling shareholder of the parent	<b>80,188,000</b>	82,688,000
<b>Lease liabilities</b>	<b>30 June 2021 (Unaudited)</b>	31 December 2020 (Audited)
Related parties within the scope of consolidation	<b>883,460</b>	1,688,482
Corporations controlled by the ultimate holding party other than the CRRRC ZELRI Group	<b>30,128</b>	–
Total	<b>913,588</b>	1,688,482

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

# Notes to the Financial Statements

For the six months ended 30 June 2021

Renminbi Yuan

## SUPPLEMENTARY INFORMATION

### 1. Breakdown of non-recurring profit or loss for the current period

Item	For the six months ended 30 June 2021 <i>(Unaudited)</i>	For the six months ended 30 June 2020 <i>(Unaudited)</i>
Profit or loss on disposal of non-current assets	<b>(200,180)</b>	2,063,538
Government grants recognised in profit or loss (other than grants which are closely related to the Company's business and are either in fixed amounts or determined under quantitative methods in accordance with the national standard)	<b>150,869,513</b>	67,580,060
Profit or loss on changes in the fair value of held-for- trading financial assets, held-for-trading financial liabilities and derivative financial liabilities, and investment income on disposal of held-for-trading financial assets, held-for-trading financial liabilities and derivative financial liabilities, other than those used in the effective hedging activities relating to normal operating business	<b>51,720,453</b>	74,608,386
Reversal of provision for the receivable that are tested for impairment losses individually	<b>11,689,573</b>	26,999,636
Other non-operating income or expenses other than the above	<b>8,211,544</b>	27,197,580
Total	<b><u>222,290,903</u></b>	<u>198,449,200</u>
Tax effect of non-recurring profit or loss	<b>(18,743,050)</b>	(28,902,921)
Effects of non-recurring profit or loss attributable to minority interests	<b>542,506</b>	509,020
Effects of non-recurring profit or loss attributable to the shareholders of the Company	<b><u>203,005,347</u></b>	<u>169,037,259</u>

# Notes to the Financial Statements

For the six months ended 30 June 2021

Renminbi Yuan

## SUPPLEMENTARY INFORMATION (continued)

### 2. Return on net assets and earnings per share (“EPS”)

The return on net assets and EPS have been prepared by the Company in accordance with Information Disclosure and Presentation Rules for Companies Making Public Offering of Securities No. 9 – Calculation and Disclosure of Return on Net Assets and Earnings per Share (Revised 2010) issued by China Securities Regulatory Commission.

For the six months ended 30 June 2021 (Unaudited)

Profit for the Reporting Period	Weighted average return on net assets (%)	EPS (RMB)	
		Basic EPS	Diluted EPS
Net profit attributable to ordinary shareholders of the Company	2.87	0.59	N/A
Net profit after deduction of non-recurring profits or losses attributable to ordinary shareholders of the Company	2.04	0.42	N/A

For the six months ended 30 June 2020 (Unaudited)

Profit for the Reporting Period	Weighted average return on net assets (%)	EPS (RMB)	
		Basic EPS	Diluted EPS
Net profit attributable to ordinary shareholders of the Company	3.09	0.59	N/A
Net profit after deduction of non-recurring profits or losses attributable to ordinary shareholders of the Company	2.33	0.44	N/A

# Management Discussion and Analysis

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

## REVENUE

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

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

## COST OF SALES

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

## GROSS PROFIT

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

## SELLING EXPENSES

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

# Management Discussion and Analysis

## ADMINISTRATIVE EXPENSES

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

## RESEARCH AND DEVELOPMENT EXPENSES

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

## FINANCE COSTS

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

## ASSET IMPAIRMENT LOSSES

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

## CREDIT IMPAIRMENT LOSSES

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

## OTHER INCOME

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

## INVESTMENT INCOME

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

## GAINS ON FAIR VALUE CHANGES

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

# Management Discussion and Analysis

## GAINS OR LOSSES ON DISPOSAL OF ASSETS

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

## NON-OPERATING INCOME

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

## NON-OPERATING EXPENSES

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

## TOTAL PROFIT

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

## INCOME TAX EXPENSE

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

The Company, CRRC Times Electronics, Ningbo CRRC Times, Shenyang CRRC Times, Qingdao CRRC Electric, CRRC National Centre of Converters, Shanghai CRRC SMD, Hunan CRRC Signal, Baoji CRRC Times, Taiyuan CRRC Times and CRRC Times Software were accredited as high and new technology enterprises and received approvals from the relevant government authorities, and they were subject to the preferential corporate income tax rate of 15%.

Baoji CRRC Times and Chongqing CRRC Electric were subject to the preferential tax policy of the Development of the Western Region in China, and it was subject to the preferential corporate income tax rate of 15%.

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

During the period from 1 January to 30 June 2021, Chengdu CRRC Electric meets the qualification requirements for small and low-profit enterprises and thus is subject to the corporate income tax rate of 20%.

The effective income tax rates of the Group for the six months ended 30 June 2020 and 30 June 2021 were 12.3% and 18.7% respectively.

# Management Discussion and Analysis

## NET PROFIT ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT

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

## NON-CONTROLLING INTERESTS

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

## EARNINGS PER SHARE

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

## WORKING FUND AND SOURCE OF CAPITAL

### Cash flows and working capital

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

### Net cash inflows from operating activities

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

### Net cash inflows from investing activities

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

### Net cash outflows from financing activities

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

## LIQUIDITY

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



# Management Discussion and Analysis

## COMMITMENTS

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

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

## INDEBTEDNESS

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

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

The Group's borrowings were mainly fixed rate loans.

Maturity analysis:

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

# Management Discussion and Analysis

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

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

## PLEDGE

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

As at 30 June 2021, the Group pledged no land use rights (31 December 2020: nil) to obtain bank borrowings.

## CAPITAL MANAGEMENT

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

The Group manages its capital structure and makes adjustment to it in light of changes in economic conditions and risk characteristics of underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to Shareholders, return capital to Shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. The Group made no changes in the objectives and processes for managing capital during the six months ended 30 June 2021 and in 2020.

The Group monitors capital by using the gearing ratio, which is net debt divided by the adjusted capital plus net debt. The Group's policy is to maintain the gearing ratio below 30%. Net debt includes all borrowings, bills payable, trade payables, employee benefits payable, other taxes payable excluding corporate income tax payable, other payables, lease liabilities and long-term payables, less cash and cash equivalents. Capital includes equity attributable to Shareholders of the Parent. The Group's gearing ratio was 13.9% as at 30 June 2021 and 7.7% as at 31 December 2020.

## OPERATING SEGMENTS

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

## CONTINGENT LIABILITIES

The Group did not have any material contingent liabilities as at 30 June 2021, and no member of the Group was engaged in any litigation, arbitration or claims of material importance and, so far as the Board was aware, no litigation or claim of material importance was pending or threatened by or against any member of the Group.

# Management Discussion and Analysis

## MAJOR RISKS AND UNCERTAINTIES

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

### Market Risks

The Group is subject to various market risks, including foreign exchange risk. The businesses of the Group are principally located in the PRC, while most of the transactions of the Group are denominated in RMB, certain of its sales, purchases and borrowings are denominated in foreign currencies including Japanese yen, United States dollar, the UK Pound sterling, European dollar and Hong Kong dollar. Fluctuations of exchange rates of RMB against such foreign currencies can affect the Group's results of operations. Details of such risks are set out in Note (VIII) 2 to the financial statements.

### Policy Risk

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

## EMPLOYEES, REMUNERATION AND TRAINING

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

## MAJOR INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSALS

In March 2019, the Company started the construction of automotive parts assembly project (the "Project"). The total investment amount of the Project is estimated to be approximately RMB3,337.7 million, which will be funded by the internal resources of the Group. The Project has achieved component substrate line process integration, with its infrastructure construction and the expansion of factory systems completed and put into use. In the first half of 2021, the Company continued to promote the overall process debugging of component substrate line and purchased component line equipment.

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

## FUTURE PLAN FOR MATERIAL INVESTMENT OR CAPITAL ASSETS

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

## POST BALANCE SHEET EVENTS

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

# Other Information

## 1. CORPORATE GOVERNANCE

### • Corporate governance

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

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

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

### • Securities transactions by Directors

The Company has adopted the Model Code as set out in Appendix 10 to the SEHK Listing Rules as the code of conduct for Directors' securities transactions.

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

### • Board of Directors

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

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

### • Supervisory Committee

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

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

# Other Information

## 1. CORPORATE GOVERNANCE (continued)

- **Audit Committee**

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

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

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

## 2. RISK MANAGEMENT AND INTERNAL CONTROL

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

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

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

During the Reporting Period, the Company's internal control system was proved to be stable and reliable and continued to deepen the risk management work. The audit and risk control department carried out a special audit of risk control management innovation for the entire value chain of the procurement process, special diagnosis, special audit for the extension of business outsourcing efficiency enhancement of industrial units etc. The Company controlled the risks within tolerable bounds through various controlling measures such as authorization approval, process governance, comprehensive budgeting, cost control, asset management, lean management, information security control.

# Other Information

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

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

### 4. STRUCTURE OF SHARE CAPITAL

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

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

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

# Other Information

## 5. SUBSTANTIAL SHAREHOLDERS

Interests or short positions in the shares or underlying shares of the Company pursuant to the disclosure requirements of Divisions 2 and 3 of Part XV of the SFO as at 30 June 2021 were as follows:

Name of substantial shareholder	Number of shares held	Capacity	Approximate % of share capital of Domestic Share	Approximate % of share capital of H Share	Approximate % of issued share capital
CRRC ZELRI	589,585,699 (Long position)	Beneficial owner	93.86%	–	50.16%
CRRC (Note 1)	608,966,468 (Long position)	Interest in controlled entity	96.95%	–	51.81%
	16,200,000 (Long position)	Interest in controlled entity	–	2.96%	1.38%
CRRC Group (Note 2)	608,966,468 (Long position)	Interest in controlled entity	96.95%	–	51.81%
	16,200,000 (Long position)	Interest in controlled entity	–	2.96%	1.38%
Brown Brothers Harriman & Co.	32,606,828 (Long position)	Nominee	–	5.96%	2.77%
	32,606,828 (Lending pool shares – long position)	Nominee	–	5.96%	2.77%

# Other Information

## 5. SUBSTANTIAL SHAREHOLDERS (continued)

Name of substantial shareholder	Number of shares held	Capacity	Approximate % of share capital of Domestic Share	Approximate % of share capital of H Share	Approximate % of issued share capital
Citigroup Inc.	2,168,736 (Long position)	Interest in controlled entity	–	0.40%	0.18%
	1,991,886 (Short position)	Interest in controlled entity	–	0.36%	0.17%
	25,619,680 (Lending pool shares – long position)	Approved lending agent	–	4.68%	2.18%

Notes:

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

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

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



# Other Information

## 7. DISTRIBUTION OF DIVIDENDS

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

In view of the Company's proposed initial public issue of A Shares and listing on the Science and Technology Innovation Board of the SSE, the Issue has not been completed yet. According to the requirements of Article 18 of the Administrative Measures for Securities Issuance and Underwriting promulgated by the CSRC: "where a listed company with a plan for issuance of securities has any plan for profit distribution or conversion of capital reserve into share capital which has not yet been submitted to its shareholders' general meeting for voting, or it has been approved by the shareholders' general meeting but has not been implemented yet, the issuance of securities shall be proceeded after such plan has been implemented. Prior to the implementation of the relevant plans, the lead underwriter shall not underwrite the securities issued by the listed company". In order to avoid time clash between the implementation of the Profit Distribution Plan for 2020 and the issuance of shares by the Company under the Issue as well as to facilitate the smooth progress of the Issue, it was approved and agreed at the 2020 Annual General Meeting not to make any profit distribution for 2020, nor will it convert any capital reserve into share capital or make any bonus issue. The outstanding balance of the undistributed profits shall be retained by the Company. To ensure a reasonable return on investment, the Company will consider the profit distribution at an appropriate time in light of the Issue and will seek separate approval by the Board meeting and the general meeting.

### (2) 2021 interim profit distribution plan

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

## 8. CONNECTED TRANSACTIONS

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

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

# Other Information

## 9. EMPLOYEES AND REMUNERATION POLICY

### Employee Breakdown

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

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

### Distribution of job positions

Job position	Professional manager	Professional management	Engineering technology - R&D	Engineering technology - process	Engineering technology - support	Marketing trade - procurement	Marketing trade - marketing	Operation and management	High caliber talents	Not on duty	Total
Number	199	902	2,342	466	1,461	283	446	51	1,514	4	7,668
Percentage	2.6%	11.76%	30.54%	6.08%	19.05%	3.69%	5.82%	0.67%	19.74%	0.05%	100%

### Education qualification

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

# Other Information

## 9. EMPLOYEES AND REMUNERATION POLICY (continued)

### Remuneration policy

The Group's remuneration policy for its employees takes into account the value of the individuals' posts, work performance and competence. The Group rewards the employees having outstanding performance with salary increments and bonuses. The bonus plan is discretionary and is determined by the Directors with reference to the performance of the staff and the Group's operation results. The total amount of remuneration (consolidated statement unit, including overseas branches and subsidiaries, total staff salaries and allowances provision amount) for employees for the six months ended 30 June 2021 was approximately RMB998.9 million.

### Training plan

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

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

# Basic Corporate Information

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

# Glossary

“14th Five-Year Plan”	the 14th Five-Year for the Economic and Social Development of the PRC, i.e. from 2021 to 2025
“A Share(s)”	the ordinary share(s) with a nominal value of RMB1.00 each in the share capital of the Company proposed to be allotted, issued and listed on the Science and Technology Innovation Board
“A Share Prospectus”	the prospectus of the Company related to the Initial Public Issue and Listing of A Shares on the Science and Technology Innovation Board
“AGM” or “Annual General Meeting”	the annual general meeting for the year 2020 of the Company held on Tuesday, 8 June 2021
“Articles”	the Articles of Association of the Company, in force prior to the Issue and Listing of A Shares
“Australia CRRC Times Electric”	CRRC Times Electric Australia Pty Ltd. (中車時代電氣(澳洲)有限責任公司)
“Baoji CRRC Times”	Baoji CRRC Times Engineering Machinery Co., Ltd. (寶鷄中車時代工程機械有限公司)
“Beijing Maohuan”	Beijing Maohuan Rail Transit Industry Investment Management Partnership (Limited Partnership) (北京懋峇軌道交通產業投資管理合夥企業(有限合夥))
“Board”	the board of directors of the Company
“Canada Dynex”	Dynex Power Inc. (加拿大丹尼克斯電力電子股份有限公司)
“CG Code”	the Code on Corporate Governance and Corporate Governance Report set out in Appendix 14 to the SEHK Listing Rules
“Chengdu CRRC Electric”	Chengdu CRRC Times Electric Technology Co., Ltd. (成都中車時代電氣科技有限公司)
“Chongqing CRRC Electric”	Chongqing CRRC Times Electric Co., Ltd. (重慶中車時代電氣有限公司)
“Company Law”	the Company Law of the People’s Republic of China (《中華人民共和國公司法》), amended on 26 October 2018 and effective on the same date

# Glossary

“CRCCE”	CRRC High-Tech Equipment Corporation Limited (中國鐵建高新裝備股份有限公司), whose shares are listed on the Hong Kong Stock Exchange (stock code: 1786.HK)
“CREC”	China Railway Group Limited (中國中鐵股份有限公司)
“CRRC”	CRRC Corporation Limited (中國中車股份有限公司), a joint stock company listed on the Shanghai Stock Exchange and the Hong Kong Stock Exchange (A share stock code: 601766.SH, H share stock code: 1766.HK), a subsidiary controlled by CRRC Group
“CRRC Finance”	CRRC Finance Co., Ltd. (中車財務有限公司)
“CRRC Group”	CRRC Group Co., Ltd. (中國中車集團有限公司), the ultimate controlling shareholder of the Company
“CRRC Investment & Leasing”	CRRC Investment & Leasing Co., Ltd. (中車投資租賃有限公司), a wholly-owned subsidiary of CRRC
“CRRC National Centre of Converters”	Zhuzhou National Engineering Research Centre of Converters Co., Ltd. (株洲變流技術國家工程研究中心有限公司)
“CRRC Taiyuan”	CRRC Taiyuan Co., Ltd. (中車太原機車車輛有限公司)
“CRRC Times Electric”, “the Company”, “Company”	Zhuzhou CRRC Times Electric Co., Ltd. (株洲中車時代電氣股份有限公司), a joint stock company established in the PRC with limited liability, the H Shares of which are listed on the Main Board of the Hong Kong Stock Exchange (stock code: 3898.HK) (and depending on the context, also includes each of the branches and subsidiaries when describing the asset and business condition of the Company)
“CRRC Times Electronics”	Zhuzhou Times Electronics Technology Co., Ltd. (株洲時代電子技術有限公司)
“CRRC Times Semiconductor”	Zhuzhou CRRC Times Semiconductor Co., Ltd. (株洲中車時代半導體有限公司)
“CRRC Times Software”	Zhuzhou CRRC Times Software Technology Co., Ltd. (株洲中車時代軟件技術有限公司)
“CRRC ZELRI”	CRRC Zhuzhou Institute Co., Ltd. (中車株洲電力機車研究所有限公司), a wholly-owned subsidiary of CRRC and a controlling shareholder of the Company

# Glossary

“CRRC Zhuzhou”	CRRC Zhuzhou Locomotive Co., Ltd. (中車株洲電力機車有限公司), a wholly-owned subsidiary of CRRC
“CSRC”	China Securities Regulatory Commission (中國證券監督管理委員會)
“general meeting(s)”	the general meeting(s) of the Company
“Guangzhou CRRC Times”	Guangzhou CRRC Times Electric Technology Co., Ltd. (廣州中車時代電氣技術有限公司)
“H Share(s)”	overseas listed foreign share(s) with a nominal value of RMB1.00 each in the share capital of the Company, which are listed on the Hong Kong Stock Exchange and are subscribed for and traded in HK\$
“Hangzhou CRRC Electric”	Hangzhou CRRC Times Electric Equipment Co., Ltd. (杭州中車時代電氣設備有限公司)
“Headquarter”	the parent company of CRRC Times Electric, excluding the branches and subsidiaries
“HK CRRC Times Electric”	CRRC Times Electric (Hong Kong) Co., Limited (中車時代電氣(香港)有限公司)
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Hunan CRRC Signal”	Hunan CRRC Times Signal & Communication Co., Ltd. (湖南中車時代通信信號有限公司)
“Issue”, “Issue and Listing”, “Issue and Listing of A Shares”, “Initial Public Issue and Listing of A Shares on the Science and Technology Innovation Board”	the proposed initial public issue of not more than 240,760,275 A Shares (excluding the A Shares to be issued upon exercise of the over allotment option, if exercised) by the Company, which will be listed on the Science and Technology Innovation Board according to the resolutions of the general meeting and the conditions set out in the A Share Prospectus
“Kunming CRRC Electric”	Kunming CRRC Times Electric Equipment Co., Ltd. (昆明中車時代電氣設備有限公司)
“LANP Electrical”	LANP Electrical Co., Ltd. (溫州時代蘭普電氣設備有限公司)

# Glossary

“Lanzhou CRRC Times”	Lanzhou CRRC Times Rail Transit Technology Co., Ltd. (蘭州中車時代軌道交通科技有限公司)
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the SEHK Listing Rules
“MOF”	Ministry of Finance of the PRC (中華人民共和國財政部)
“Ningbo CRRC Electric”	Ningbo CRRC Times Electric Equipment Co., Ltd. (寧波中車時代電氣設備有限公司)
“Ningbo CRRC Times”	Ningbo CRRC Times Transducer Technology Co., Ltd. (寧波中車時代傳感技術有限公司)
“PRC”	the People’s Republic of China, for the purpose of this report, excluding the regions of Hong Kong, Macao Special Administrative Region and Taiwan
“PRC Accounting Standards”	Accounting Standards for Business Enterprises and relevant regulations issued by the MOF of the PRC
“Qingdao CRRC Electric”	Qingdao CRRC Electric Equipment Co., Ltd. (青島中車電氣設備有限公司)
“Reporting Period”	the six-month period ended 30 June 2021
“RMB”, “RMB million”, “RMB billion”	Renminbi, Renminbi million, Renminbi billion
“Securities Law”	the Securities Law of the People’s Republic of China (《中華人民共和國證券法》), amended on 28 December 2019 and effective on 1 March 2020
“SEHK Listing Rules”	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shanghai CRRC Rail”	Shanghai CRRC Rail Transit Technology Co., Ltd. (上海中車軌道交通科技有限公司)
“Shanghai CRRC SMD”	Specialist Machine Developments (Shanghai) Co., Ltd. (上海中車艾森迪海洋裝備有限公司)



# Glossary

“Shanghai Yongdian”	Shanghai Yongdian Electronic Technology Co. Ltd. (上海永電電子科技有限公司), formerly named Shanghai CNR Yongdian Electronic Technology Co., Ltd. (上海北車永電電子科技有限公司)
“Shenyang CRRC Times”	Shenyang CRRC Times Transportation Technology Co., Ltd. (瀋陽中車時代交通設備有限公司)
“Shiling Company”	Zhuzhou Shiling Transportation Equipment Co., Ltd. (株洲時菱交通設備有限公司)
“Soil Machine”	Soil Machine Dynamics Limited
“SSE”	the Shanghai Stock Exchange
“State Administration of Taxation” or “SAT”	State Administration of Taxation of the PRC (中華人民共和國國家稅務總局)
“State Council”	the State Council of the PRC (中華人民共和國國務院)
“State Railway Group”	China State Railway Group Co., Ltd. (中國國家鐵路集團有限公司)
“Supervisory Committee”	the supervisory committee of the Company
“Taiyuan CRRC Times”	Taiyuan CRRC Times Rail Engineering Machinery Co., Ltd. (太原中車時代軌道工程機械有限公司)
“Times New Materials”	Zhuzhou Times New Materials Technology Co., Ltd. (株洲時代新材料科技股份有限公司), a joint stock company listed on the Shanghai Stock Exchange (stock code: 600458)
“UK CRRC SMD”	Specialist Machine Developments (SMD) Limited. (時代艾森迪智能裝備有限公司)
“UK Dynex”	Dynex Semiconductor Limited (英國丹尼克斯半導體有限公司)
“USA CRRC Times Electric”	CRRC Times Electric USA, LLC (中車時代電氣(美國)有限公司)



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