中國中車股份有限公司
CRRC CORPORATION LIMITED

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

(Stock code: 1766)

US$600,000,000 Zero Coupon Convertible Bonds due 2021
Stock code: 5613

2017 ANNUAL RESULTS ANNOUNCEMENT

The board of directors of CRRC Corporation Limited (the "**Company**") is pleased to announce the audited annual results of the Company and its subsidiaries for the year ended 31 December 2017. This announcement, containing the main text of the 2017 annual report of the Company, complies with the relevant requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") in relation to information to accompany preliminary announcements of annual results. The 2017 annual report of the Company and its printed version will be published and delivered to the H shareholders of the Company and available for view on the websites of the Stock Exchange at http://www.hkex.com.hk and of the Company at http://www.crrcgc.cc on or before 30 April 2018.

By order of the Board
CRRC Corporation Limited
Liu Hualong
Chairman

Beijing, the PRC
28 March 2018

As at the date of this announcement, the executive directors of the Company are Mr. Liu Hualong, Mr. Sun Yongcai and Mr. Xu Zongxiang; the non-executive director is Mr. Liu Zhiyong; and the independent non-executive directors are Mr. Li Guo'an, Mr. Wu Zhuo, Mr. Sun Patrick and Mr. Chan Ka Keung, Peter.

IMPORTANT NOTICE

1. The Board and the Supervisory Committee of the Company and its Directors, Supervisors and Senior Management warrant that there are no false representations, misleading statements contained in or material omissions from this annual report and they will assume joint and several legal liabilities for the truthfulness, accuracy and completeness of the contents disclosed herein.

2. This report has been considered and approved at the thirty-third meeting of the first session of the Board of the Company. All Directors attended the Board meeting.

3. Deloitte Touche Tohmatsu CPA LLP has issued standard unqualified audit report for the Company's financial statements prepared under the PRC GAAP in accordance with PRC Auditing Standards. Deloitte Touche Tohmatsu has issued standard unqualified audit report for the financial statements prepared under the International Financial Reporting Standards ("IFRSs") in accordance with Hong Kong Standards on Auditing.

4. Liu Hualong, the Chairman of the Company, Zhan Yanjing, the Chief Financial Officer and Wang Jian, the head of the Accounting Department (person in charge of accounting affairs) warrant the truthfulness, accuracy and completeness of the financial statements in this annual report.

5. Statement for the risks involved in the forward-looking statements: this report contains forward-looking statements that involve future plans and development strategies which do not constitute a substantive commitment by the Company to investors. Investors should be aware of the investment risks.

6. The Company has proposed to distribute a cash dividend of RMB0.15 (tax inclusive) per share to all Shareholders based on the total share capital of the Company of 28,698,864,088 shares as at 31 December 2017.

7. Unless specified otherwise, the recording currency used in this report is Renminbi.

8. Major risk notice: the major risk factors faced by the Company include policy risks, market risks, product quality risks, industry structure adjustment risks and exchange rate risks, which have been described in detail in this report. Please refer to the discussion and analysis on possible risks that the Company will face in its future development in "Report of Directors – B. Management Discussion and Analysis".

CONTENT

RESULTS HIGHLIGHTS

Items	January to December 2017 Amount (RMB' 000)	January to December 2016 Amount (RMB' 000) (restated)	Growth Rate %
Revenue	207,043,882	224,137,964	-7.63
Profit after tax	13,011,550	13,894,413	-6.35
Profit attributable to shareholders of the Company	10,798,556	11,290,137	-4.35
Basic earnings per share (RMB/share)	0.38	0.41	-7.32

Items	31 December 2017 Amount (RMB' 000)	31 December 2016 Amount (RMB' 000) (restated)	Growth Rate %
Total assets	375,170,887	338,322,220	10.89
Total liabilities	233,301,484	214,506,644	8.76
Total equity	141,869,403	123,815,576	14.58
Including: equity attributable to shareholders of the Company	121,558,591	104,860,470	15.92
Shareholders' equity per share (RMB/share)	4.24	3.84	10.42

FINANCIAL SUMMARY

	2017 (RMB' 000)	2016 (RMB' 000) (restated)	2015 (RMB' 000) (restated)	2014 (RMB' 000) (restated)	2013 (RMB' 000) (restated)
Results					
Revenue	207,043,882	224,137,964	237,794,036	218,450,551	191,220,835
Cost of sales	161,378,750	179,109,803	191,249,632	175,619,451	158,584,408
Gross profit	45,665,132	45,028,161	46,544,404	42,831,100	32,636,427
Other income and gains	5,134,594	4,017,905	3,643,040	2,534,376	1,400,495
Distribution and selling expenses	7,217,634	7,249,871	7,953,534	7,401,891	5,122,880
Administrative expenses	24,872,609	22,435,894	22,497,550	19,738,073	15,553,828
Other expenses, net	2,399,272	1,630,369	1,695,334	2,216,995	1,081,099
Finance costs	1,437,137	1,264,203	1,412,282	2,269,383	1,882,786
Share of profits and losses of associates and joint ventures	526,241	453,354	418,956	733,634	654,455
Profit before taxation	15,399,315	16,919,083	17,047,700	14,472,768	11,050,784
Income tax expense	2,387,765	3,024,670	2,950,553	2,137,182	1,737,299
Profit for the year	13,011,550	13,894,413	14,097,147	12,335,586	9,313,485
Attributable to:					
Owners of the company	10,798,556	11,290,137	11,818,140	10,811,671	8,288,861
Non-controlling interests	2,212,994	2,604,276	2,279,007	1,523,915	1,024,624
Earnings per share					
Basic	0.38	0.41	0.43	0.40	0.30
Diluted	0.37	0.41	0.43	0.40	0.30
Assets and liabilities					
Total assets	375,170,887	338,322,220	311,721,162	293,649,206	241,623,847
Total liabilities	233,301,484	214,506,644	198,120,133	191,444,790	155,294,217
Equity attributable to owners of the Company	121,558,591	104,860,470	96,909,636	89,304,532	74,917,839
Non-controlling interests	20,310,812	18,955,106	16,691,393	12,899,884	11,411,791
Total equity at the end of the period (shares)	28,698,864,088	27,288,758,333	27,288,758,333	13,803,000,000	13,803,000,000
Net cash flows from operating activities	16,209,056	20,978,945	14,989,962	28,439,518	10,134,951

Chairman's Statement

CHAIRMAN'S STATEMENT

Dear shareholders,

Time flies quickly. In the twinkling of an eye, CRRC has been reorganized for almost three years. Since its establishment, the Board of CRRC has always paid close attention to the trends of global and China's economic development as well as the demand in the domestic and international rail transportation markets, etc., and has taken precautions and made scientific decisions timely in accordance with changes in the market to effectively respond to the ups and downs of the development environment.

In 2017, affected by the general industry environment, the management team and all employees actively worked hard and paid a lot of efforts. Although the Company's operating revenue and net profit both declined slightly compared to the same period of last year, and the business indicators were not perfect, the Board and the management team still endeavoured to gather strength for the future of CRRC in strategic guidance, deepening reforms, technological innovation and international expansion and other aspects.

We have always insisted on focusing on international operations and speeding up the pace of "going global", and implement the five-in-one cooperation plan of "product+technology+service+capital+management" and the five-locals model of "local language-based manufacturing, local language-based labor, local language-based procurement, local language-based maintenance and local language-based management". CRRC products have served 104 countries and regions around the world.

We have always insisted on focusing on the supply-side reform and stepped up efforts in deepening reforms. With the reorganization and integration of relevant businesses, CRRC's reform is entering the "peak period of construction". We initiated the integration of 10 homogenous truck enterprises involving 46,000 employees and consolidated and optimized 6 locomotive enterprises in accordance with the manufacturing-repairing integration mode. The work of addressing the problems of "zombie enterprises and enterprises with difficulties" (處僵治困) is also progressing in an all-round manner. We optimized departments at headquarters, reduced staffing levels, and worked hard to resolve problems existing in decision-making, management and control, and efficiency. Meanwhile, the headquarters is also actively trying to build a good development platform for the front-end emerging business segment and provides it with development momentum.

We have always insisted on focusing on transformation and upgrading to accelerate the enhancement of connotation quality. We actively promote the deep integration of digitalization, informatization and industrialization to facilitate enterprise transformation. The 15 national-level smart manufacturing projects of the Company are progressing at an accelerating pace. Upon completion, the core enterprises will realize new breakthroughs in aspects such as fine manufacturing, digital manufacturing, and green manufacturing. We are developing a new generation of high-speed trains that are more intelligent than the "Fuxing Hao" and can achieve self-driving, self-diagnosis, self-decision making, self-control and self-recovery. Our products play an important role in industry leading, collaborative innovation, and stimulating the economy.

We have always focused on driving by innovation to cultivate global competitiveness. We adhere to the combination of independent innovation, open innovation and collaborative innovation and has formed an innovation system that deeply integrates "government, production, college, research and application" with enterprises as the main body. Currently, we have 11 national-level R&D institutions, 20 national-level enterprise technology centers and 13 overseas R&D centers and have formed an advanced talent team led by academicians of the Academy of Engineering and "CRRC scientists". In 2017, CRRC won 2 of the 20 gold prizes for invention patents in China and 1 of the 5 gold prizes for design patents. We have two achievements which won the second prize of the National Science and Technology Progress Award. Over the past five years, we invested RMB58.4 billion in science and technology, with the percentage of science and technology investment exceeding 5%.

CHAIRMAN'S STATEMENT

Emerging industries besides rail transportation are indispensable important part of CRRC. In 2017, we increased our investment and achieved good results. We occupy a leading position in the new energy passenger carriage electric drive system market in terms of the market share. In the next three years, we will supply more than 100 wind turbines to wind power giants in Germany. The German BOGE Company acquired by us received ongoing orders from Volkswagen and Daimler. The emerging industries we carefully nurture are coming to fruition.

The further ideas go, the further visions go and the further the development of an enterprise can extend. China's economy has shifted from a high-speed growth phase to a high-quality development phase, and is now in a period of changing the development mode, optimizing the economic structure and transforming the growth momentum. To this end, CRRC has put forward the goal of "building a respected international company". This is our pursuit of high quality development in the future. I sincerely hope that CRRC can shoulder more national responsibilities, social responsibilities, corporate responsibilities and shareholder responsibilities, and win world respect with respected actions. In the future, CRRC should not only have a "large scale" but also a "strong constitution". It should not only be rich but also kind and full of love. It should not only have a new appearance but also inner beauty. "Large and strong, rich and kind, new and beautiful" should be a common goal for all CRRC people to work towards.

Quality is the cornerstone of manufacturing. We will always adhere to the concept of "high end and high quality", create a good brand with good quality, and play the strongest sound of Chinese high-speed rail on the world stage. We are persistently pursuing the high quality of our products. CRRC has nearly 3,000 EMUs running on the vast land of China every day. Only the high quality of products can ensure the safety of operations and the safety of people's travel. We strive to pursue the high quality of business development. We will make efforts to improve the quality and effectiveness of development, accelerate the transition from "scale speed" to "quality benefit", from "product operation" to "capital operation" and from "equipment supplier" to "comprehensive value creator". In the future, we will actively promote transformation and upgrading and business structure optimization to win the initiative for sustainable and steady growth in the future.

With the help of the 40th anniversary of China's reform and opening up, the ideology of CRRC in 2018 will be further liberated and the reform will be further deepened. Innovation will be further strengthened and internationalization will be further accelerated. We will more closely follow the law of capital operation, focus on corporate value management, ensure high-quality management and operations, repay shareholders for their trust through value preservation and appreciation, and continue to create value for shareholders. The Board will strive to become part of corporate value creation and better enhance the development quality and development efficiency of the enterprise.

Opportunities are rare, and are there one minute, gone the next. We can live up to the gift of the times and the favour of history only if we seize and make use of such opportunities. Led by the new era, CRRC people are ready.

I believe with dreams, opportunities and struggles, dreams will eventually come true. The dream of CRRC will surely accompany each shareholder's dream and bloom on the magnificent journey of China Dream.

Liu Hualong
March 2018

REPORT OF DIRECTORS

REPORT OF DIRECTORS

A. BUSINESS OVERVIEW

I. Main business, operation model and industry situation of the Company during the reporting period

CRRC is the world's largest and most diverse rolling stock supplier with advanced technology. The main scope of business includes: research and development, design, manufacturing, refurbishment, sales, leasing and technical services of railway locomotives, EMUs, urban rail transit vehicles, engineering machinery, various electromechanical equipment, electronic equipment and components, as well as electronic devices and environmental protection equipment; information consultation; industry investment and management; asset management; import and export business.

(I) Main business of the Company

1. Railway equipment business

The railway equipment business mainly includes: (1) locomotive business; (2) EMU and passenger carriage business; (3) freight wagon business; (4) track engineering machinery business.

The Company stayed abreast of changes in the domestic and international railway transport market and trends in the development of technology, accelerated innovations in its railway transport equipment technology, products and service models, and accelerated the application of new technologies and the research and development of new products. The Company created a systematic, modular and standardized product structure and technology platform, with a view to enhancing its leading position and constantly meeting the requirements for developing an advanced and widely-applicable railway system and for intelligent, environment-friendly and safe development. Facing the deepening reform of domestic railway transport system and the stabilizing situation of railway equipment market, the Company sped up the supply-side structural reform, strengthened the development of external and international market, and furthered its strategic cooperation with China Railway. Positive progress has been achieved in the research and production of new products, such as the standard EMU at a speed of 250 km/hour, the standard EMU in long formation at a speed of 350 km/hour, the power centralized EMU at a speed of 160 km/hour, the 3000 horsepower shunting locomotives, the express freight wagon at the speed of 160-200 km/hour, and piggyback train. The Company continually integrated its internal business, developed its advanced refurbishment capacity, promoted its service transformation. The railway equipment business increased stably.

2. Urban rail transit vehicles and urban infrastructure business

The urban rail transit vehicles and urban infrastructure business mainly includes: (1) urban rail transit vehicles; (2) general contracting of urban rail transit vehicles projects; (3) general contracting of other projects.

Facing the global market, the Company expedited innovations in urban rail transportation equipment technology and products to increase its core competitiveness. The Company created a systematic, modular and standardized product structure and technology platform, constantly consolidated and expanded domestic and international markets with high quality products and services. By fully grasping the development opportunity in the construction of urbanization, the Company strategically cooperated with local governments to make new breakthroughs in the market of innovative urban rail transportation equipment one by one, including maglev train, straddling monorail train, hanging monorail train and automatic train. The Company actively expanded new business, gave full play to its comprehensive competitiveness in equipment manufacturing, business portfolio and the integration of industry and finance, accelerated innovations in technology and business service model. With the enhancement of its order obtainment capacity in the business of general contracting of urban rail transit construction projects and general mechanical and electric contracting of urban rail vehicles, the Company developed rapidly in its urban rail transit vehicles and urban infrastructure business.

REPORT OF DIRECTORS

3. New industry business

The new industry business mainly includes: (1) general mechanical and electrical business; (2) emerging industry business.

Adhering to the principles of "relevance and multi-dimensions, high-end positioning and industry-leading position", the Company improved resources allocation and expedited development of new industry. In the general mechanical and electrical business, the Company strived to improve industry chain, strengthened the core technical advantages of rail transportation equipment and promoted upgrade in major product technologies, with the focus on mastering core technologies, breaking through key technologies and increasing system integration capability. As to the new business, the Company focused on strategic emerging businesses including new materials, new energies, environmental protection water treatment equipment and marine industry equipment, increased its presence in the niche market, strengthened exploration of new markets, gave full play to its core technical advantages and enabled the entry of wind power equipment into the market of European Union. With the new progress of the orders in the urban and rural environmental protection waste water treatment business, as well as superior results of the overseas mergers and acquisitions of BOGE in German and SMD in the United Kingdom in expanding the vehicle, vessel and marine industry businesses, the Company's new industry business has been growing stronger and further.

4. Modern service business

The modern service business mainly includes: (1) financial business; (2) logistics and trading business; (3) other business.

By focusing on financial, similar financial and logistics business, the Company enhanced its internal financial services, promoted industry with financing, expanded financial services business and accelerated the integration of the manufacturing industry and the service industry. Through actively exploring the "Internet + high-end equipment + manufacturing services" business, the Company steadily conducted the construction of a "digitalized CRRC". In carrying out its modern logistics and trading business actively and steadily, the Company developed the "CRRC Procurement (中車購)" e-commerce platform on the basis of enhancing centralized procurement, thereby promoting the stable growth in its modern service business.

5. International business

The Company implemented its international strategy vigorously by seizing the development opportunities arising from "One Belt One Road" and "going global" strategies. The Company actively expanded overseas markets, promoted the transformation of export products from mid- and low-end to high-end and continually made new breakthroughs in overseas high-end markets, such as the United States and Europe. Yawan high-speed rail project in Indonesia was the first order for "going global" of Chinese high-speed railway standards. High-speed rail has become a model for implementing the strategies of strong manufacturing country and strong transportation country as well as "going global". CRRC continued to carry out in-depth international capacity cooperation, the orange line metro vehicles, produced by the U.S Boston base, successfully went off the production line, and the localization of Chicago base developed smoothly. The Company won the repair and maintenance orders for Pakistan locomotives and Saudi Arabia subways, and attained the general mechanical and electric contracting of forty-two Malaysian unpiloted urban rail vehicles. The capability of exporting in a form of product + technology + service portfolio output was enhanced increasingly. Overseas research and development centers, established in the United States, the United Kingdom and Germany, have been increasing their ability to use overseas research and development resources and cultivate overseas talents.

REPORT OF DIRECTORS

(II) Operation model of rolling stock industry

1. Production model: as the value of the product of rolling stock manufacturing industry per unit is comparatively high, its production model is to "limit production to sales", meaning that the arrangement of production is based on purchase order contracts obtained from customers. Not only does this model avoid excess inventory of finished products, it also satisfies the needs of consumers by arranging for production according to the particular order.

2. Purchasing model: a combination of centralized procurement and decentralized procurement is commonly used. For centralized procurement, it mainly adopts the "unified management, two-level concentration" management model in which purchase applications for bulk materials and key components are collected from all subsidiaries of the Company to form a centralized procurement plan for conduction of centralized supplier management assessment, purchase price management, procurement bidding management as well as centralized ordering and centralized settlement by the Company. For other materials, etc., the subsidiaries shall formulate procurement plans according to production requirements, and select appropriate suppliers and sign supply contracts through centralized organization of bidding and other methods to achieve centralized procurement. Whether it be done by the Company or its subsidiaries, a centralized procurement shall be completed on the "CRRC Procurement" e-commerce procurement platform to realize open, transparent and traceable management of CRRC's procurement business to ensure timely supply of raw materials for production and reduce procurement costs.

3. Sales model: take advantage of industry technologies to build and improve technology platforms and product platforms for a variety of rail transit equipment in response to user needs, and, for the purpose of providing safe, reliable and affordable products and services, actively participate in open tender or negotiated tender of users at home and aboard, sign supply contracts through bidding and rigorous business negotiations to form orders to guarantee quality and quantity and production on schedule and finally achieve sales.

(III) Industry situation

The state's "Medium to Long-term Railway Network Plan" (《中長期電路網規劃》) proposed to improve the ordinary-speed railway network, build high-speed railway network, construct integrated transport hubs, and build a modern comprehensive transportation system. According to the "13th Five-Year Plan for Railway" (《鐵路"十三五"規劃》) printed and issued recently, by 2020, the railway mileage in operation will reach 150,000 km, of which high-speed rail mileage will reach 30,000 km, with double-track rate and electrochemical rate of approximately 60% and 70%, respectively, fully enhancing the modernization of railway equipment. By 2025, the railway network will have a scale of about 175,000 km, including about 38,000 km of high-speed rail. Meanwhile, rail transit equipment has become one of the key development areas encouraged by the policy called "Made in China 2025" (《中國製造2025》), and is one of the China's golden cards in the "going global" of high-end equipment, embracing significant opportunities for growing.

As the world's largest and most diverse rolling stock supplier with advanced technology, CRRC actively adapted to the everchanging market environment, captured market opportunities, and accelerated structural reform, as well as transformation and upgrades The Company made well-targeted efforts in market expansion, international operation, technical innovation and synergic development, etc. Innovations were strengthened in technology, product and business model, so as to maintain CRRC's leading edge in the rail transit equipment industry. While adequately meeting the needs for the domestic railway and urban rail transit, the Company implemented international operation strategy at the front end of "One Belt One Road" and "going global" of high-end equipment. While maintaining the full export of various kinds of rail transportation equipment to foreign countries, new business such as wind power equipment achieved new breakthroughs. The Company continued to explored overseas markets, including high-end markets of Europe and the United States. The international capacity cooperation was strengthened and more offshore presence was established, pushing forward the process of "going global" with a portfolio of product, technology, capital, management and service exported abroad. CRRC is committed to build itself a world-class multinational conglomerate.

II. Significant changes of the Company's major assets during the reporting period

For details, please refer to the relevant content under the "II (II) Analysis of the structure and changes of major assets and liabilities of the Company during the reporting period" section of the "Management Discussion and Analysis" contained in part B set out in this Report of Directors.

REPORT OF DIRECTORS

III. Analysis of the core competitiveness during the reporting period

Rail transit equipment is a strategic emerging industry identified by the state, and is among ten key development areas in the policy called "Made in China 2025" (《中國製造2025》). Attached great concern and importance by the leaders of the CPC and the state, high-speed train has become a golden card in the "going global" of high-end equipment of our country. As an important member in the rolling stock industry, aiming at "becoming a leading company group with top multinational operation and rolling stock equipment as its core business", CRRC fully grasped opportunities and new challenges, adhered to innovation-driven operation, strengthened its transformation and upgrades and enhanced its operational management, thus constantly improved its development quality. As a result, CRRC ranked 318th in the Top 500 companies as released by the Fortune Magazine in 2017, with a brand value exceeding RMB100 billion, and was also selected as the most influential innovative companies.

1. **Improving technical innovation ability.** The National High-speed Train Technological Innovation Center, a pilot of the national science and technology system reform, was officially registered and operated. The key special project "National Key Research Program - Advanced Rail Transportation" led by the center, was progressing smoothly. The high-speed EMUs "Fuxinghao", at the speed of 350km/hour, has been put into mass operation, and the research and manufacturing of standardized EMUs has reached the new leval of full proprietary and standardization level. The research and manufacturing of various high-end railway equipment, such as the standard EMU at the speed of 250km/hour, the express freight wagon at the speed of 160km/hour and piggyback train, has progressed smoothly. Key special projects including unmanned driving technology and urban waste water treatment technology made breakthroughs. CRRC led the formulation of IEC international standards, national and industry standards, with plenty of invention patent gold awards and national technology achievement awards. The technology research and development input ranked 96th on the "2016 Global Enterprise Research and Development Investment Leaderboard" released by the European Commission and No.1 in the PRC manufacturing industry. The leading role of the Company at the state and industry level has been further strengthened.

2. **Distinct industrial resources advantages.** CRRC optimized resources allocation and has a number of rail transportation equipment manufacturing bases and research bases at an international advanced level. It has formed a complete nationwide industrial chain with the main machinery company as its core and supporting companies as its backstone. Deepening international capacity cooperation was evidenced by the smooth construction of overseas manufacturing bases in South Africa, Malaysia and the U.S. CRRC has consolidated its position as the world's largest rolling stock supplier. The new industry business grew fast. In wind power equipment, the Company has a mature and complete wind power equipment industrial chain with an annual manufacturing capacity of 2000 units/set. The Company has built its leading technological role in the polymer composites industry. The International Rail Transit Vehicle Industrial Design Alliance and China IGBT Technology Innovation and Industry Alliance, etc. whose establishment were led by CRRC, constantly guided the Company's rapid growth in various business.

REPORT OF DIRECTORS

3. **Continued enhancement of our international operation capability.** Seizing the opportunities arising from "One Belt One Road" and "going global" strategies, the Company have made new breakthroughs in overseas markets. All kinds of rail transit equipment have been exported to 104 countries and regions across the world. The Company achieved the transformation of export products from mid- and low-end to high-end, and export markets from traditional markets, such as Asia, Africa and Latin America, to high-end markets, such as Europe, America and Australia. The Company changed the export from a single product to a portfolio of product, capital, technology, management and service, as well as the concept from product "going global" to capacity "going to" and brand "going high-end". The Company constantly accelerated its overseas business layout. The Malaysian manufacturing centre of the Company has become a highlight of the ASEAN economic and trade cooperation and the model base among all "One Belt One Road" projects. The metro vehicles with independent intellectual property rights produced by the U.S Boston manufacturing base successfully went off the production line. Yawan high-speed rail project in Indonesia was the first order for "going global" of Chinese high-speed railway standards. High-speed rail has become a model for implementing the state's strategies of strong manufacturing country and strong transportation country as well as "going global". CRRC's global influence and international awareness have been increased significantly. In 2017, as a result, the Company was rated "China Sovereign Ratings" by three international rating agencies, namely Standard & Poor's, Moody's and Fitch, set the highest record of international rating in China's manufacturing industry.

B. MANAGEMENT DISCUSSION AND ANALYSIS

I. Operation discussion and analysis

2017 is an extraordinary year in our development process. In face of a complicated situation with an overlapped concentration of internal and external contradictions and a conjunction of risks and hidden hazards, the Company managed to make new achievements in various aspects with joint efforts from all levels in maintaining corporate indicators, boosting reforms and seeking new development.

(I) Operation stability was maintained by sticking to a target-oriented approach

In face of a challenging and complicated situation, the Company managed to turn around its unfavourable situation by sticking to a target-oriented approach and making decisive measures to fight against negative factors such as dealing with zombie companies and enterprises in extreme financial difficulties and staff settlement.

(II) Progress was made in deepening reforms by emphasizing transformation and upgrading

Efforts were made to speed up the consolidation of related business. The Company made a substantial start in restructuring its truck business, which involved ten subsidiaries with a total of 4,600 employees. Meanwhile, the Company started the establishment of two major subsidiary groups, namely, CRRC Qiqihar Rolling Stock Co., Ltd. and CRRC Yangtze Co., Ltd.. The business restructuring of CRRC Dalian Co., Ltd. and CRRC Lanzhou Co., Ltd. was completed successfully and further progress was made in the business restructuring of CRRC Zhuzhou Electric Locomotive Co., Ltd. and CRRC Luoyang Co., Ltd. We took an active part in the construction of Xiong'an New Area, as evidenced by the staged achievements made by and CRRC Beijing Erqi Vehicle Co., Ltd. in relocating the non-capital function, optimized the organizational structure of our headquarters.

REPORT OF DIRECTORS

(III) Improvements were achieved in corporate governance by enhancing quality and efficiency

Efforts were made in a campaign to enhance quality and efficiency by focusing on "stabilizing incomes and increase profits". Fifteen enterprises in extreme financial difficulties were coped with different strategies. Staged results were achieved in dealing with zombie companies and enterprises in extreme financial difficulties. Differentiated management approach with classified assessment was implemented in non-manufacturing enterprises in order to revitalize their operations effectively. Further progress was made in the construction of our operation and management platform as evidence by the completion of the construction of 384 efficiency demonstration production areas (lines) and 204 efficiency demonstration workshops. As such, efficient manufacturing capacity was further enhanced and efficient management system was further improved. As a state-owned enterprise, the Company demonstrated the good image of a state-owned enterprise by performing its social responsibilities proactively and making solid efforts in poverty alleviation works.

(IV) Remarkable achievements were made in R&D by emphasizing innovation

With a goal to "lead the development of the global rolling stock industry", we put efforts to enhance innovation and development capabilities by promoting independent, open and coordinated innovation. Progress was made in systematic innovation. We undertook the pilot task to reform the national science and technology system. In this regard, we have established the National High-speed Train Technological Innovation Centre with Qingdao city and completed the preparation of an overall planning, and the first batch of key innovation projects were started in the innovation centre. We started six key advanced rail transportation projects among the national key R&D projects. A key laboratory at department level was approved, a new CRRC special technology research centre was established, and two overseas R&D centres were established. So far, we had eleven national R&D institutions and thirteen overseas R&D centres. Progress was made in capability innovation. Breakthroughs were made in nine major CRRC projects in relation to electric drive system for urban rail transit vehicles, automatic driving technology and urban water treatment technology. At the 2017 National Science and Technology Award Conference, two projects of the CRRC won the second prize of the National Science and Technology Progress Award. At the 19th Chinese Patent Award Conference, we were granted two gold prize for invention patent awards and one gold prize for design patent, ranking first among all enterprises in China. Progress was made in R&D innovation, "Fuxinghao" EMUs at a speed of 350km/hour were put into mass operation, indicating that the EMU R&D of China reached a new stage with fully independent and standard manufacturing capability. Positive progress was made in the R&D of new products, such as standard EMU at a speed of 250km/hour, standard EMU in long formation at a speed of 350km/hour, power centralized EMU at a speed of 160km/hour, 3000 horsepower shunting locomotives, express freight wagons series at a speed of 160-200km/hour, piggyback train and smart rapid rail bus.

(V) Breakthrough was made in business expansion by emphasizing collaborated development

In view of tightened pressure in the national railway market, increased challenges in the new industry market and the imbalanced development of business segments, we promoted the collaborations among different markets, business segments and regions to maximize the overall interest of the CRRC. As CRRCG entered into a strategic cooperation agreement with China Railway Corporation, encouraging progress was made in strategic procurement, high level cooperation of maintenance and refurbishement, accessories centre, "Smart Beijing-Zhangjiakou" and other projects. With efforts made in the strategic cooperation with local governments, we have paved our way to tap into the market for new rolling stock products, such as maglev train, straddling monorail, hanging monorail, automatic metro train and modern trams with different systems. The conclusion of a wind turbine supply contract with Senvion, a German company, signified the first bulk exportation of Chinese megawatt wind turbines into the European Union. We made full efforts to explore space for our industrial development by focusing on emerging industries relating to, among others, intelligent R&D, intelligent product, intelligent equipment, intelligent manufacturing, intelligent logistics, intelligent inspection and intelligent service.

REPORT OF DIRECTORS

(VI) An initial global business layout was established by reinforcing international operation

By leveraging on the "One Belt One Road" initiative and other major strategic plans of the PRC, we put great efforts in the global layout of our business with a view to accelerate the expansion of our international business. Progress was made in exploring high-end markets. We procured a number of projects, including the metro project in Los Angeles, the U.S., the metro train project in Boston, the U.S., the double-deck passenger train project in Philadelphia, the U.S., the double-deck passenger train project in Montreal, Canada, the freight train project in the U.K. and the freight train project in Switzerland, and made new breakthrough in exporting products to developed countries. In addition, we procured the Jakarta-Bandung high-speed railway project in Indonesia, which was our first step in realizing the "going global" strategy of the Chinese high-speed railway industry. Progress was made in innovation of business mode. We made steady progress in our "products + services" business mode and procured the maintenance and repair projects for locomotives in Pakistan, metro trains for hajj pilgrimage in Maakah, Saudi Arabia, light rails in Tel Aviv, Israel and the Mombasa Nairobi Railway, and the turn-key mechanical and electrical project for forty-two driverless light rail vehicles in Malaysia. We had a prospect to make breakthroughs in emerging industries. We had a prospect to make breakthrough in overseas market as we signed overseas demonstration operation agreements in relation to the "ACE Environment Friendly Intelligent Overall Traffic Solution" with New Zealand and Italy.

II. Major operation results during the reporting period

In 2017, the revenue of the Company decreased by 7.63% to RMB207.044 billion and net profit attributable to owners of the company decreased by 4.35% to RMB10.799 billion. As at the end of December 2017, the consolidated total assets of the Company increased by 10.89% to RMB375.171 billion and the total equity increased by 14.58% to RMB141.869 billion. The gearing ratio was 62.19%, representing a decrease of 1.21% as compared with that at the beginning of the year. In 2017, the Company's newly signed orders amounted to approximately RMB314.1 billion (of which, contracted sales generated by the international businesses amounted to approximately USD5.7 billion). Orders on hand as at the end of the reporting period amounted to approximately RMB243.4 billion.

(I) Analysis of main business

1. Analysis of revenue and costs

(1) Information on main business by segment, product and region

Main Business by Segment

By business	Revenue RMB'000	Operating costs RMB'000	Gross profit margin (%)	Increase/ decrease in revenue from last year (%)	Increase/ decrease in operating costs from last year (%)	Increase/ decrease in gross profit margin from last year (%)
Railway equipment	107,575,953	80,674,834	25.01	1.32	0.13	Increased by 0.89 percentage points
Rapid transit vehicles and urban infrastructure	33,427,146	27,917,956	16.48	23.91	22.85	Increased by 0.72 percentage points
New businesses	53,446,572	41,094,328	23.11	-7.15	-6.86	Decreased by 0.24 percentage points
Modern service	12,594,211	11,691,632	7.17	-62.32	-63.12	Increased by 2.01 percentage points
Total	207,043,882	161,378,750	22.06	-7.63	-9.90	Increased by 1.97 percentage points

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Revenue from railway equipment business increased by 1.32% as compared to the same period of the previous year, mainly due to the increase in purchase orders and the number of deliveries for major products in the railway market during this period. Operating costs increased by 0.13% as compared to the same period of the previous year, mainly due to an increase in the costs in line with increased revenue.

Revenue from rapid transit vehicles and urban infrastructure business increased by 23.91% as compared to the same period of the previous year, mainly due to an increase in the number of deliveries of rapid transit vehicles in this period. Operating costs increased by 22.85% as compared to the same period of the previous year, mainly due to an increase in the costs in line with the growth in revenue. The increase in the costs was slightly lower than the increase in revenue due to the difference in product types.

Revenue from the new businesses decreased by 7.15% as compared to the same period of the previous year, mainly due to a decrease in the number of deliveries of wind power equipment and accessories for locomotives during this period. Operating costs decreased by 6.86% as compared to the same period of the previous year, mainly due to a decrease in the costs in line with decreased revenue.

Revenue from the modern service business decreased by 62.32% as compared to the same period of the previous year, mainly due to a reduction in the business scale of the logistics business during this period. Operating costs decreased by 63.12% as compared to the same period of the previous year, primarily attributable to a decrease in the costs in line with decreased revenue.

Revenue of the Company decreased by 7.63% as compared to the same period of the previous year, which was mainly due to the Company's optimization of its product structure and reduction in the scale of logistics business, and a decrease in the delivery volume of related products in the new sectors in this period. The contributions made by railway equipment business, rapid transit vehicles and urban infrastructure business, new businesses and modern service business accounted for 51.96%, 16.14%, 25.81% and 6.09% of the total revenue respectively. As to the railway equipment business, revenue generated by the electric locomotive business was RMB23,354 million; revenue generated by the passenger carriage business was RMB5,159 million; revenue generated by the EMUs business was RMB57,212 million; revenue generated by the freight wagon business was RMB21,851 million; and revenue generated by the rapid transit vehicles and metro vehicles business was RMB33,427 million. The Company sold 1,531 locomotives (including track engineering machinery products), 103 passenger carriages, 2,752 EMUs, 51,473 freight wagons and 6,298 rapid transit vehicles and metro vehicles.

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(2) Information on major suppliers and customers

In 2017, the procurement by the Company from its top 5 suppliers totalled RMB14,998 million, accounting for 11.01% of the total amount of procurement for the year.

In 2017, the sales of the Company to its top 5 customers totalled RMB114,830 million, accounting for 55.46% of the total sales of the Company for the year.

The relatively high customers concentration is primarily attributable to China Railway (including the railway bureaus and companies subordinate to China Railway) being the largest customer of the Company, which accounted for 48.74% of the total sales of the Company for the year.

None of the Directors of the Company or its close associates or shareholders holding more than 5% of the shares of the Company has any interests in the above suppliers or customers.

Relationship with customers:

Since the product unit value was relatively high, our sales method mainly consisted of participating in tenders or tender negotiations, through bidding in tenders, communication and negotiation based on historical prices in determining the final price and secure orders. Our sales customers were mainly railway and urban rail transit transportation operators. Railway customers were divided into railway customers and non-railway customers. Railway customers refer to China Railway and the railway bureaus and companies thereunder, which are the largest customers within the industry, and thus the Company has strong dependence on China Railway and the subordinate railway bureaus and companies. Non-railway customers were mainly large-scale plant, mining groups and ports, etc., the demand of which shows a trend of a year-on-year increase. Such customers were fragmented and thus the Company were not over-reliant on them. For the year ended 31 December 2017, approximately 55.46% of our products were sold to our five largest customers.

Relationship with suppliers:

Our principal raw materials and components were purchased through external procurements while some were supplied by internal production. We have established direct and stable supply channels with our major suppliers and external contracted production units. Since our suppliers were not highly concentrated, there was little risk of over reliance on any single supplier. For the year ended 31 December 2017, approximately 11.01% of our products were manufactured by our five largest suppliers.

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(3) Main business by region

By region	Revenue (RMB'000)	Percentage of revenue in total revenue (%)	Year-on-year increase/decrease in revenue (%)
	Particulars of Main Businesses by Region		
Mainland China	187,911,999	90.76	-8.42
Other countries or regions	19,131,883	9.24	1.02

The Company's revenue from Mainland China during the reporting period decreased by 8.42%. However, its revenue from other countries or regions increased by 1.02%, mainly due to the increase in product delivery during this period according to the delivery cycle of overseas orders.

(4) Cost analysis

Cost item	Amount over the current period RMB'000	Proportion in total costs over the current period	Amount over the same period of the previous year RMB'000	Proportion in total costs in the same period of the previous year	Year-on-year increase/ decrease in operating costs (%)
	Costs of Main Businesses by Item				
Cost of materials	134,484,781	83.33%	150,925,564	84.27%	-10.89
Cost of labor	9,211,069	5.71%	8,956,692	5.00%	2.84
Cost of manufacturing	11,199,357	6.94%	12,169,834	6.79%	-7.97
Other expenses	6,483,543	4.02%	7,057,713	3.94%	-8.14
Total	161,378,750	100.00%	179,109,803	100.00%	-9.90

Other explanations about cost analysis:

During the reporting period, the costs decreased in line with the decline in revenue. The main business of the Company is manufacturing and direct materials account for a major part of its costs. The percentage change of costs to total costs was mainly due to the impact of product mix.

REPORT OF DIRECTORS

2. **Significant changes in administrative expenses and other financial data during the reporting period**

Item	2017 Amount (RMB'000)	2016 Amount (RMB'000)	Growth rate %
Selling and distribution expenses	7,217,634	7,249,871	-0.44
Administrative expenses	24,872,609	22,435,894	10.86
Financial expenses	1,437,137	1,264,203	13.68
Share of profits of associated enterprises and joint ventures	526,241	453,354	16.08
Income tax expense	2,387,765	3,024,670	-21.06

Selling and distribution expenses decreased by 0.44% as compared to the same period of the previous year, mainly due to a decrease in revenue and a decrease in projected provisions for product warranties as a result of different product mix.

Administrative expenses increased by 10.86% as compared to the same period of the previous year, which was mainly due to an increase in employee placement fee incurred during the year.

Financial expenses increased by 13.68% as compared to the same period of the previous year, which was primarily attributable to the increase in interest expenses.

Share of profits of associated enterprises and joint ventures increased by 16.08% as compared to that of the previous year, mainly due to an increase in the share of profits resulting from the change of some subsidiaries to joint ventures or associates at the end of last period and during the reporting period.

Income tax expense decreased by 21.06% from the previous year. The decrease in income tax expenses as compared with the previous year was mainly due to a decrease in total profit for the year, and a decrease in the incremental tax adjustment to the unrecognized deductible losses for the year as compared with the same period last year.

REPORT OF DIRECTORS

3. R&D expenses

Information on R&D Expenses

Unit:'000 Currency: RMB

Expensed R&D cost in the current period	10,191,045
Capitalized R&D cost in the current period	300,913
Total R&D costs	10,491,958
Proportion of R&D costs in revenue (%)	5
Number of R&D personnel in the Company	32,797
Proportion of R&D personnel in the staff of the Company (%)	19
Proportion of the capitalized R&D cost (%)	3

Explanation:

Embracing the most advanced technological development in the world and targeting at the huge demand in our country, we implemented an innovation-driven development strategy for making steady progress of the country's advanced rail transit key projects in 2017. "High energy efficiency traction power supply and key transmission technologies of rail transportation (軌道交通高能效牽引供電與傳動關鍵技術)" and two other special projects and six projects, were newly launched. Projects like 600 km/h high-speed maglev transportation system, 400 km/h high-speed EMU, and 200 km/h medium-speed maglev transportation system were successfully commenced. Facing the main battlefield of economy, we take a market-oriented and demand-driven approach in our business. In particular, the R&D of new products, key systems and components for rail transit such as high-speed EMUs, high-power locomotives, express freight wagons and a new generation of urban rail vehicles was accelerated; and the R&D in products for new sectors such as new energy, new materials, environment protection and power unit was proactively promoted in order to promote the transformation of business development by product technological innovations. We improved the transformation system for innovations, promoted the transition from technology to products, and from products to markets, constantly releasing the innovative power

4. Analysis of cash usage during the reporting period

Item	**2017 Amount (RMB'000)**	2016 Amount (RMB'000)	**Growth rate %**
Net cash flow from operating activities	**16,209,056**	20,978,945	-22.74
Net cash flow from investment activities	**-2,974,729**	-24,708,569	87.96
Net cash flow from financing activities	**6,749,391**	1,306,378	416.65

The net cash flow from operating activities was a net inflow of RMB16,209 million, representing a decrease in net inflow of RMB4,770 million as compared to the same period of the previous year, mainly due to a decrease in cash received from the value of commodities or the services provided during the reporting period as compared to the same period of the previous year.

The net cash flow from investment activities was a net outflow of RMB2,975 million, representing a decrease in net outflow of RMB21,734 million as compared to the same period of the previous year, mainly due to an increase in cash receipts from investments during the reporting period as compared to the same period of the previous year.

The net cash flow from financing activities was a net inflow of RMB6,749 million, representing an increase of RMB5,443 million as compared to the same period of the previous year, mainly due to an increase in funds raised from the non-public offering of A shares and a decrease in cash payment for debts service during the reporting period as compared to the same period last year.

REPORT OF DIRECTORS

(II) Analysis of the structure and changes of major assets and liabilities of the Company during the reporting period

1. Structure and changes of major assets and liabilities of the Company during the reporting period

Unit:'000 Currency: RMB

	31 December 2017	Proportion	31 December 2016	Proportion	Increase/ decrease (%)
Investment in associates	9,763,657	2.60	7,195,541	2.13	35.69
Investment held to maturity	1,429,188	0.38	966,970	0.29	47.80
Available-for-sale investments – current portion	451,497	0.12	51,699	0.02	773.32
Bills receivable	27,071,265	7.22	15,099,951	4.46	79.28
Financial assets at fair value through profit or loss	2,569,294	0.68	731,916	0.22	251.04
Amounts due from customers for contract work	129,894	0.03	14,586	—	790.54
Cash and bank balances	56,264,129	15.00	41,035,974	12.13	37.11
Financial liabilities at fair value through profit or loss	225,240	0.06	16,983	0.01	1,226.27
Convertible bonds – embedded derivative financial instrument component	511,756	0.14	366,097	0.11	39.79

Investment in associates increased by 35.69%, primarily because there were more associates during the reporting period.

Investment held to maturity increased by 47.80%, mainly due to an increase in medium-term bills and bonds purchased during the reporting period.

Available-for-sale investments – current portion increased by 773.32%, mainly due to the imminent maturity of wealth management products at the end of the reporting period.

Bills receivable increased by 79.28%, mainly due to the increase in the number of acceptance bills received during the reporting period.

Financial assets at fair value through profit or loss increased by 251.04%, mainly due to the increase in wealth management products purchased during the reporting period.

Amounts due from customers for contract work increased by 790.54%, which was due to an increase in construction project expenditures of which inspection had not been conducted and had not been accounted for.

Cash and bank balances increased by 37.11%, mainly because most payments from customers were made near the end of the reporting period.

Financial liabilities at fair value through profit or loss increased by 1,226.27%, mainly due to the decrease in fair value of forward and swap contracts purchased resulted from a change in exchange rate and an increase in debt during the reporting period.

Convertible bonds – embedded derivative financial instrument component increased by 39.79%, mainly due to the decrease in fair value of 2016 convertible bonds (embedded derivative financial instrument) and an increase in debt at the end of the current period.

REPORT OF DIRECTORS

2. Information on assets measured at fair value

Unit:'000 Currency: RMB

Item	Opening balance	Gains/ losses from changes in fair value during the current period	Aggregate changes in fair value included in equity	Provision for impairment during the current period	Other changes (increase/ decrease) during the current period	Closing balance
Financial assets						
Including: 1. Financial assets at fair value through profit or loss	731,916	44,706	–	–	1,792,672	2,569,294
Including: derivative financial instruments	2,986	-423	–	–	–	2,563
Including: Corporate wealth management products	514,527	25,036	–	–	1,600,000	2,139,563
Including: Equity instrument investment	214,403	20,093	–	–	192,672	427,168
2.Available-for-sale investment	2,922,879	–	75,508	-47,464	-50,216	2,900,707
Including: Listed equity instrument investment	2,426,580	–	93,714	-47,464	-629,573	1,843,257
Including: Listed perpetual bond investment and listed preference share investment	444,600	–	-35,540	–	196,893	605,953
Including: Non-listed financial assets	51,699	–	17,334	–	382,464	451,497
Subtotal of financial assets	3,654,795	44,706	75,508	-47,464	1,742,456	5,470,001

REPORT OF DIRECTORS

3. Information on financial assets and financial liabilities held in foreign currency

Unit:'000 Currency: RMB

Item	Opening balance	Gains/ losses from changes in fair value during the current period	Aggregate changes in fair value included in equity	Provision for impairment	Other changes (increase/ decrease) during the current period	Closing balance
Financial assets						
Cash and bank balances	8,054,013	–	–	–	1,330,517	9,384,530
Trade receivables	4,656,155	–	–	-383,904	-306,733	3,965,518
Prepayments, deposits and other receivables	1,119,369	–	–	-702	48,170	1,166,837
Held to maturity investment-current portion	–	–	–	–	229,970	229,970
Other non-current assets	2,237,578	–	–	–	-1,334,785	892,793
Available-for-sale financial assets	444,600	–	-35,540	–	196,893	605,953
Held to maturity investment	966,970	–	–	–	462,218	1,429,188
Financial assets at fair value through profit or loss	2,986	-423	–	–	–	2,563
Including: derivative financial instruments	2,986	-423	–	–	–	2,563
Subtotal of financial assets	17,481,671	-423	-35,540	-384,606	616,250	17,677,352
Financial liabilities						
Borrowings	4,737,878	–	–	–	6,183,698	10,921,576
Trade payables	1,607,376	–			-920,161	687,215
Other payables and accruals	5,052,097	–	–	–	-168,935	4,883,162
Other non-current liabilities	157,437	–			-38,061	119,376
Financial liabilities at fair value through profit or loss	16,983	225,240	–	–	-16,983	225,240
Convertible bonds – debt component	3,758,742	–	–	–	-127,970	3,630,772
Convertible bonds – embedded derivative component	366,097	166,960	–	–	-21,301	511,756
Subtotal of financial liabilities	15,696,610	392,200	–	–	4,890,287	20,979,097

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4. **Significant capital expenditure and capital commitment during the reporting period**

(1) Significant capital expenditure

Item	2017 Amount (RMB'000)	2016 Amount (RMB'000)
Property, plant and equipment	6,933,136	9,916,551
Prepaid lease payments	509,886	307,256
Other intangible assets	670,044	519,370
Investment properties	—	—
Total capital expenditure	8,113,066	10,743,177

(2) Capital commitment

As at 31 December 2017, the capital expenditure that the Group committed to but had not yet undertaken was RMB5,855 million, which will be used mainly for property, plant, equipment or used as prepaid lease payments and for other intangible assets.

5. **Detailed information on contingent liabilities of the Company**

The Company has no significant contingent liabilities other than the warranties provided by the Company as set out in the section headed "Significant Events - IV. Significant Contracts and Their Implementation" of this annual report.

6. **Detailed information on mortgaged assets of the Company**

As at the end of the reporting period, the following assets of the Company were mortgaged for obtaining bank loans or other bank credit facilities:

Item	2017 Amount (RMB'000)
Bills receivable	3,674,910
Trade receivables	452,255
Property, plant and equipment	41,125
Prepaid lease payments	5,255
Other non-current assets	246,134
Total	4,419,679

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7. **Borrowings, corporate bonds and notes**

As at 31 December 2017, the Group had total borrowings, bonds and notes of approximately RMB47,629 million, as compared to the total amount of approximately RMB41,655 million as at 31 December 2016.

As at 31 December 2017, out of the total borrowings, bonds and notes of the Group, RMB33,077 million was denominated in Renminbi, RMB11,741 million was denominated in US dollar, and RMB2,507 million was denominated in Euro.

The Group's long-term interest-bearing borrowings, bonds and notes and short-term interest-bearing borrowings, bonds and notes as at 31 December 2017 were RMB13,586 million and RMB34,043 million, respectively.

As at 31 December 2017, the total bank and other borrowings of the Group with floating interest rates amounted to RMB7,396 million, as compared to RMB9,381 million as at 31 December 2016.

	31 December 2017 Amount (RMB'000)	31 December 2016 Amount (RMB'000)
Within one year (starting date and ending date inclusive)	34,043,108	27,184,026
One to two years	5,128,334	1,893,980
Two to five years	3,077,430	9,703,211
Over five years	5,379,718	2,874,221
Total	47,628,590	41,655,438

As at 31 December 2017, the total borrowings, bonds and notes of the Group amounted to approximately RMB47,629 million, representing an increase of 14.34% from RMB41,655 million as at 31 December 2016, mainly due to the increase in short-term borrowings.

8. **Cash Flow**

As at 31 December 2017, the cash and cash equivalents owned by the Group amounted to approximately RMB47,690 million, of which RMB38,305 million was denominated in Renminbi; RMB5,532 million was denominated in USD; and RMB1,223 million was denominated in Euro.

(III) Analysis of industrial and operational information

Please refer to "Landscape and trend of the industry " under "III. Discussion and analysis on the Company's future development" for details.

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(IV) Analysis of investment

1. Overall analysis of external equity investment

As at the end of the reporting period, the Company's long-term equity investment was RMB11,214 million, representing an increase of RMB2,742 million or 32.36% as compared to the beginning of the year. It was because there were more joint ventures and associated enterprises in the current period, leading to an increase in long-term equity investment of RMB 2,400 million. For details, please refer to Notes 20 and 21 to the financial statements of this annual report prepared under the IFRSs.

(1) Significant equity investment

There was no significant equity investment during the reporting period.

(2) Significant non-equity investment

There was no significant non-equity investment during the reporting period.

(3) Financial assets measured at fair value

For details, please refer to "2. Information on assets measured at fair value" under "(II) Analysis of the structure and changes of major assets and disposal of the Company during the reporting period".

(V) Significant sale of assets and equity

There were no significant assets and equity sales during the reporting period.

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(VI) Analysis of major companies controlled or invested in by the Company

Company name	Product and scope of main business	Registered capital	Total assets at the end of the period	Net assets at the end of the period attributable to the shareholders of the Company	Net profit in 2017 attributable to the shareholders of the Company	Revenue in 2017	Operating profit in 2017
CRRC Sifang	R&D and manufacturing of multiple units, passenger carriages and rapid transit vehicles; and repair services for multiple units and high-end passenger carriages etc.	4,003,794	52,263,160	13,255,648	2,756,487	35,188,034	3,829,424
CRRC Changchun	Design, manufacturing, repair, sale and lease of passenger carriages, multiple units, rapid transit vehicles and the accessories thereof, as well as related technical services and technical consultancy etc.	5,807,947	55,539,506	15,988,791	2,259,023	30,516,611	2,634,569
CRRC ZELRI	Research on electric drive and control technologies related toralltransit; manufacturing of relevant electrical equipment; and research and development and manufacturing of railway locomotives and accessories thereof etc.	8,340,710	49,221,911	15,794,304	1,942,287	31,610,209	3,378,572
CRRC Zhuzhou	R&D and locomotive manufacturing of electric locomotives, multiple units and rapid transit vehicles etc.	4,858,336	29,218,044	8,038,014	1,109,373	20,516,555	1,161,304
CRRC Tangshan	Manufacturing of railway transportation equipment; sale and lease of railway vehicles, electric multiple units, diesel multiple units, maglevtrains, special vehicles, test vehicles, rapid transit vehicles and accessories thereof; and technical consulting services etc.	3,990,000	25,709,848	9,837,464	1,087,902	15,027,268	1,262,376

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(VII) Use of proceeds

1. A shares

As approved by the "Reply in relation to the Approval of CRRC Corporation Limited for Non-public Issuance of Shares" (CSRC Permit No. [2016]3203) by CSRC, the Company non-publicly issued 1,410,105,755 Renminbi ordinary shares (A shares) to specific objects at an issue price of RMB8.51 per share in January 2017 with total proceeds of RMB12.000 billion. After deducting cost of issue of RMB66 million, the net proceeds were RMB11.934 billion. As at 31 December 2017, the Company had utilized RMB10.427 billion of the proceeds from the non-public issuance of the A shares. The specific usage is as follows: (1) RMB5.934 billion was applied to replenish working capital to satisfy requirement of production and operation; and (2) RMB4.493 billion was applied to repay interest-bearing liabilities, in line with the previous disclosed usage of the proceeds. As at 31 December 2017 it is expected that the remaining balance of proceeds of RMB1.507 billion, which have been temporarily applied to replenish working capital, will be applied to repay interest-bearing liabilities, in line with the previous disclosed usage of the proceeds.

2. H shares

As approved by the "Reply in relation to the Approval of China CNR Corporation Limited to Issue Overseas Listed Foreign Shares" (CSRC Permit No. [2014] 404) issued by CSRC, CNR issued through its public offering 1,939,724,000 (including over-allotment) overseas listed foreign shares (H shares) in May 2014 and the proceeds raised totalled HKD 10.028 billion. As at 31 December 2017, the proceeds raised through the issuance of H shares and used by the Company in aggregate were approximately HKD9.050 billion, and interest of bank deposits received amounted to HKD115 million in total. As at 31 December 2017, proceeds not yet used by the Company raised through issuance of Hshares amounted to HKD1.093 billion.

On 5 February 2016, the Company issued H Share convertible bonds in an aggregate amount of US$600 million. The net proceeds of such issuance were approximately US$595.80 million. As at 31 December 2017, the Company used approximately US$449.50 million of such proceeds for the following purposes: (1) approximately US$46.90 million for the repayment of bank loans, (2) approximately US$56.00 million for the Group's Boston Metro Project and investments in the Latin American region, and (3) approximately US$346.60 million for the business operation needs of CRRC Hong Kong Capital Management Co., Limited, a wholly-owned subsidiary of the Company, which was in line with the use of proceeds disclosed previously. As at 31 December 2017, the Company received a deposit interest of approximately US$7.74 million in respect of the proceeds from the issuance of the H Share convertible bonds and the balance of the proceeds was approximately US146.30 million, which is expected to be used to satisfy the Company's requirements of production and international operation, including but not limited to adjusting the debt structure, increasing the capital of subsidiaries, replenishing working capital and making project investments, etc. Such balance may also be used by the Company in the PRC at its discretion in light of actual situation. Please refer to the section headed "Significant Events - VI. Information on the Convertible Corporate Bonds" in this annual report for details of the Company's H Share convertible bonds.

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III. Discussion and analysis on the Company's future development

(I) Landscape and trend of the industry

1. International political environment

Currently, the rise of trade protectionism, the "backlash" of anti-globalization trends and rising geopolitical risks have created great uncertainty on political-business relationship and the business environment. Changes are evolving in the global governance system as emerging markets and developing countries have become the main driving force for global economic growth, international forces are becoming more balanced and voices for reforming the existing international governance structure are growing louder. With the accelerated restructuring of the international investment and trade rules system, the multilateral trading system is subject to challenges of the high standards of regional free trade system. Risks and challenges are significant for enterprises to participate in international competition and carry out international operation.

2. Economic environment

As the world economy stumbles out of a deep recession, it still lacks momentum for growth. However, a new round of science and technology revolution and industrial revolution is coming and driving forces for world economic growth are changing. In order to create new competitive edges and take a favourable position in the market, developed countries have sped up to adjust their science and technology and industrial development strategies and launched a new concept of "re-industrialization". Besides, emerging economies and developing countries have put great efforts to boost industrial upgrading. The economy of China is stepping out of a period of high speed growth into a period of high quality growth, some contradictions and risks accumulated over a long period become more prominent, such as the contradiction between overcapacity and structural upgrading of demands, the reduction of excessive capacity and the promotion of transformation is of great difficulties, and the bottleneck effect of environment and resources is quite superior. Therefore, it is more urgent to further implement the supply-side structural reform, improve the quality, enhance the efficiency, and promote transformation and upgrading.

The "13th Five-Year" period is the decisive stage of China's comprehensive construction of a well-off society. The new industrialization, informatization, urbanization and agricultural modernization is enjoying in-depth development, forming new growth momentums. New points, poles and belts of growth are increasing. There is still large space in the strategies of leading development of the eastern region, the development of the western region, the revitalization of the north-eastern region and the rise of the central region. The "One Belt One Road" initiative, the Beijing-Tianjin-Hebei development cooperation, the Yangtze River economic zone strategy and the construction of Xiong'an New Area added new impetus to economic development and created huge space for the development of the market.

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The report of the 19th national congress of the Communist Party of China ("CPC") states that, in the pursuit to establish a modern economy system, we must put quality and efficiency in first priority, adhere to supply-side structural reform and boost reforms in respect of the quality, efficiency and impetus of economic development. We will uphold the spirits of the 19th national congress of the CPC to speed up our operation to build China into a superpower country in such fields like manufacturing, science and technology, quality, Internet, traffic and transportation, digital technology and intelligence society. We will also accelerate the development of advanced manufacturing industry, promote the deep integration of Internet, big data, artificial intelligence with real economy, cultivate new points and momentums of growth, bring China up to the medium and high ends of the global industrial value chain and foster a number of world-class manufacturing industry clusters. The rolling stock industry has huge opportunities for development.

3. Market environment

The concept of sustainable development centering on "green, environmental protection and energy saving" has become a common consensus in the international community. As the convenient and environmental friendly products, rolling stock equipment, especially high-speed rail equipment, are becoming more popular in the world. In the next few years, the capacity of the global railway vehicles market is expected to grow by an average rate of approximately 2.2% and reach EUR134.0 billion by 2020. The rapid development of high-speed railway in China, the high-speed railway diplomacy and the "One Belt One Road" initiative have significantly enhanced the recognition level of China's rolling stock products in the world, which has provided a substantial opportunity for the rolling stock products of China to "going global" and enter into international operation.

The transportation industry of China has entered into a crucial period for China's comprehensive construction of a well-off society, a critical period for optimizing network deployment and a transformation period for improving quality and efficiency. The "Medium to Long-term Railway Network Plan" promulgated by the state proposes to improve the ordinary-speed railway network, build high-speed railway network and build a modern comprehensive transportation system. According to the "13th Five-Year Plan for the Development of Modern Comprehensive Transportation System", by 2020, urban rail mileage in operation shall be nearly doubled as compared to that in 2015 and urban rail transportation shall become a new point for national economic growth. We will put great efforts to implement the three-year plan for major transport infrastructure construction projects. The mileage of planed urban rail transportation construction projects nationwide approved by the state has exceeded 10,000 kilometres, which has brought ample market space for the development of the rail transportation industry.

There were significant changes in the landscape of the rail transportation industry. Persisting occurrence of material restructuring and higher centralization of the industry has a heavy impact on the landscape of the industry. As such, changes are happening in the value chain structure of the rail transportation industry and the scale of the after-sale market of rolling stock products is growing rapidly. In respect of the domestic rolling stock equipment market, while the growth is slowing down, the structure of demand is changing. As the railway passenger and freight transportation reform continues to progress, more requirements have been imposed on the applicability, safety, reliability and comfortability of rolling stock products. Meanwhile, as the reform in the railway system proceeds further and the PPP mode is introduced in the infrastructure sector, the investor base of the industry has become more diversified and the competition in the rail transportation market has been intensified.

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4. Industry technology policies

The new round of scientific and technological revolution, characterized by informatization, ecologicalization and globalization, has developed rapidly. Technologies from different sectors are integrated and the disruptive technological innovation has emerged in large numbers. As the new technological revolution evolves and the economic globalization progresses, new global value chain will develop and new industry, new business forms and new business modes will be created, bringing a huge space for the innovative development of enterprises. We will carry out a series of innovative actions such as "Internet +", "Double Creations" and "Made in China 2025" to implement the development plan of strategic emerging industries, the science and technology innovation plan and the three-year plan to improve the core competitive strengths of the manufacturing industry as set out in the "13th Five-Year" plan, with an aim to provide favourable policy conditions and ample space for CRRC to deepen the reform of science and technology system, boost technology innovation and industrial innovation and develop new industries centring on new energy equipment, new materials and environmental protection water treatment.

(II) Development strategies of the Company

The strategic planning for the "13th Five-Year" period: by implementing the spirits of the 18th and 19th CPC National Congress as well as the national plan for the "13th Five-Year", the Company will firmly build and earnestly implement development concepts including innovation, coordination, greenness, openness and sharing, focusing on improving development strategy and efficiency, the Company will integrate the three dynamics of innovation, reform and integration, strive to complete the five tasks including internationalization, diversification, high-end development, digitalization and coordination, as well as strengthen the guarantee in five areas including systems, resources, management, risk control and Party building, and enhance its leading innovation role and its international competitiveness, so as to achieve higher quality, more efficient and more sustainable development and lay a solid foundation to develop into a world leading, cross-national operating first tier enterprises group with railway transformation equipment as its core.

1. Development plan for railway equipment business

Efforts will be made to consolidate our leading position in the industry, accelerate the technology, product and service mode innovations of railway transportation equipment, accelerate the application of new technologies and the development of new products, build a systematic, modular and standardized product structure and technology platform and meet the requirements for developing an advanced and widely-applicable railway system and for intelligent, environment-friendly and safe development. We will endeavour to improve the quality and efficiency of development, boost internal business restructuring, eliminate excessive production capacity so as to accomplish structural adjustment, transformation and upgrading. In respect of domestic business, we will adapt to the needs to deepen the reforms in domestic railway transportation system and mechanism, accelerate supply-side structural reform, speed up the innovation of intelligent, environment-friendly and high-end technologies and products and improve the modernization level of railway equipment. In respect of international market, we will seize the opportunities brought by the "One Belt One Road" initiative and international capacity cooperation, develop and export solutions in a standardized way, including rail transportation equipment, technology and services with the standard Chinese EMU as a representative, establish a global business collaboration platform to expedite international operation, promote manufacturing + service transformation, and endeavour to become a world leading provider of systematic solutions for rail transportation equipment.

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2. Development plan for urban rail transit vehicle and urban infrastructure business

Facing the international market, the Company will expedite the innovations in urban rail transportation equipment and technology, enhance core competitive strengths, build a systematic, modular and standardized product structure and technology platform and continue to consolidate and expand domestic and international markets with its high quality products and services. By grasping the development opportunity in urbanization and focusing on the urban rail transportation, the Company will give full play to its comprehensive advantages in equipment manufacturing, business portfolio and the combination of industry and finance, improve its general contracting capability for urban rail transportation construction projects, reinforce technology innovation and business service mode innovation, enhance its capability to obtain orders in the urban rail transportation equipment market, expand its market development capabilities in respect of general mechanical and electrical contracting of urban rail transit vehicle projects and water treatment projects in urban and rural areas, and realize the rapid development of its urban rail transit vehicle and urban infrastructure business.

3. Development plan for new industry business

Adhering to the principles of "relevance and multi-dimensions, high-end positioning, resources matching and industry-leading position", the Company will reinforce its general mechanical and electrical business and expedite the development of its new industry business. In respect of general mechanical and electrical business, the Company will leverage on its core competitive strengths in the field of rail transportation equipment and step on a professional, precise, special and new path to develop, optimize resources allocation, reinforce core competitive strengths, support the technology upgrading of rail transportation equipment products, expand the application of our products, and realize specialized and scale development. In respect of new industry business, we will stick to our high-end positioning, reinforce our core competitive strengths, expand business scale, focus on polymer composite materials, industrial transmission system, wind power equipment, environmental protection water treatment equipment, and marine industry equipment to develop new technology, new products and new business, accelerate the cultivation of a business cluster in which we have outstanding core ability, leading industry position and significant leading effects, establish pillar business, promote transformation and upgrading and realize multi-dimensional development.

4. Development plan for modern service business

We will focus on the transformation and upgrading of the industry, boost the integration of industry and finance and enhance production with financing; meet our internal demand for financial service and provide professional financial service and support for the development of the industry; steadily expand our financial service, leasing, investment and financing, modern logistics and trading business; explore Internet + service, expedite the construction of supply chain service platform and the integrated development of manufacturing industry and service industry, and realize the rapid development of modern service business.

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5. Development plan for international business

We will capture the strategic opportunities brought by the "One Belt One Road" initiative and international capacity cooperation, reinforce the construction of international operation management system and mechanism, explore overseas markets, actively promote total-factor international operation mode, prioritize the rail transportation equipment business to promote other related industries to enter the international market, achieve total-factor export of "product, technology, capital, management and service", and speed up the transformation from domestic to international market, from "going global" to "going to" and from a domestic enterprise to a multinational company.

(III) Operation plans

2017 was a critical year for CRRC to implement its "13th Five-Year strategy. The Company formulated its operation plans for the year of 2017 in line with its operation mode of "strategically leading, business orientated, management support and face the world", which is decided by CRRC, to build a world leading and multinational company that focuses on rail transportation equipment. In spite of an economic downturn and a decline in the demand for EMUs, all members of the Company withstood the operating pressure, adhered to the fine tradition of CRRC, and achieved basic stable business performance through concerted efforts.

In 2018, in view of the macro-economic situation, the Company set its primary goal to ensure the stability and growth of operation income and net profits attributable to owners of the parent company. The Company will, through the main line of comprehensive budget, the approach of refined management and with an aim to improve quality and enhance efficiency, endeavour to reinforce operation management, enhance corporate governance and expedite international operation to ensure the stability and growth of its operation and efficiency and lay a solid foundation for the Company to become a respectable international company in the new era, by focusing on the three topics of "quality, efficiency and momentum", the three driving forces of "innovation, reform and integration" and the ten tasks of "improving quality, controlling risks, boosting transformation, optimizing service, expanding business, reinforcing support, making up for deficiencies, making joint efforts, bearing tasks and establishing reputation".

(IV) Potential risks

1. Policy risks

Changes in the market access policies in the rail transportation equipment manufacturing business, urban rail transportation industry policies and industrial policies in emerging industries may lead to a number of uncertainties in the market environment and development space, bringing risks for strategies and operations of the Company.

Responding measures: Timely collect information related to the industrial policy or industrial planning; conduct proper studies on policy and trend and positively deal with possible changes in policies and plans; strengthen internal management; improve operation and management standards of the Company; reduce operation costs; endeavour to improve the efficiency of operations and enhance ability to mitigate policy risks.

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2. **Market risks**

Domestic market risks: With the domestic railway market growth decelerating and the railway passenger and freight transportation reform, as well as product structure adjustment and optimization, the demand in market may face structural adjustments.

Responding measures: Proactively communicate with major clients; master information relating to domestic economy, politics and the industry, etc. timely; conduct proper studies of market trends; transform the development model, extend the industrial chain, provide industrial value-added services, optimize the industrial structure of the Company and expand new business models, etc. so as to mitigate against these risks.

International market risks: The international political and economic situations are extremely complex, with increasing restrictions brought by trade protectionism and slow economic recovery. The international market will manifest more uncertain factors beyond control.

Responding measures: Make fine plans from the top; scientifically plan the medium to long term development path for internationalization; improve the management system for international businesses and strengthen the research and exploration of worldwide corporate governance structure, multinational management control models and overseas companies' management; improve the competitiveness of the headquarter and enhance multinational operation capability. Proactively communicate with customers to understand customer needs in depth; strengthen market research and give full play to the Company's advantages in its products, costs and technology; leverage on global resources to provide systematic solutions and value-added services for clients. Promote the five-local model, i.e., "local manufacturing, local labour, local procurement, local maintenance and local management" in depth, expand its overseas business scale and promote the internationalization of CRRC rapidly and orderly with precise targets, thus achieving full internationalization of CRRC.

3. **Risks related to product quality**

In the railway market, a "trinity" safety guarantee mechanism covering related personnel, materials and technologies have been earnestly constructed by major clients to ensure railway safety, thus posed higher standards for the safety and reliability of rail transportation product quality and constituted more challenges for companies which not only continuously improves the product portfolio but also continues to strengthen technological innovations.

Responding measures: Establish a science and technology quality department to monitor quality risks; established and improved quality management system and monitored the certification and effective operation of the system; established an after-sale service management standard system to regulate the management works of after-sale service; and reinforce supplier qualification management works to detect and eliminate hidden risks relating to product quality and conduct quality control from sources.

4. **Risks related to industrial structure adjustment**

Due to historical reasons, part of the sectors in the rail transportation business of the Company have overcapacity problems and are facing industrial structure adjustment. A number of factors including connectivity to the industry, industry base, technological conditions and resource sufficiency posed various difficulties and risks for the industrial structure transformation of the Company.

Responding measures: The Company has established a special institution to research on the reform plan in the rail transportation sector. According to the principle of adopting different strategies for different sectors and through methods including business restructuring, capacity shrinking, inspire the dynamisms of the Company, gradually build a structure of resource sharing and a win-win mutual development, and continue to optimize the deployment of rail transportation resources, thus achieving the maximization of resource efficiency and Company interests.

5. **Exchange rate risks**

With the accelerated pace of internationalization of the Company, the Company's product exports, overseas investmentS, mergers and acquisitions and other activities continue to increase which may triger various risks due to fluctuations in exchange rate, including foreign exchange trading risk arising from inconsistencies in the transaction date and settlement date in foreign currency-denominated trading activities, the risk of changes in the value of overseas enterprises due to exchange rate fluctuations, etc.

Responding measures: The Company closely followed the trend of fluctuation exchange rate, strengthen relevant personnel's awareness of risk prevention, establish an exchange rate risk prevention mechanism, adopt different currency transactions and so on, and use financial hedging instruments to deal with exchange rate risks.

IV. Proposal for profit distribution or transfer of capital reserve to share capital

(I) Formulation, execution or adjustment of cash dividend policy

After the establishment of CRRC, the Company has formulated and perfected relevant contents of profit distribution in the Articles of Association. According to the spirit of "positively returning to shareholders", the Company has regulated rules, policies, basic requirements, decisions and adjustment procedures for profit distribution, clarified specific ratio of cash dividend, which fully protects the legal rights of medium to small investors.

On 29 March 2017, the Company held the 21st meeting of the first session of the Board, pursuant to which the 2016 Proposal for Profit Distribution Plan of CRRC was considered and approved to distribute cash dividend of RMB0.21 (tax inclusive) per share to all shareholders based on the total share capital of the Company of 28,698,864,088 shares. On 20 June 2017, the 2016 annual general meeting of the Company approved such proposal. On 11 August 2017, the 2016 profit distribution plan has been completed.

On 28 March 2018, the Company held the 33rd meeting of the first session of the Board, pursuant to which the 2017 Proposal for Profit Distribution Plan of CRRC was considered and approved to distribute cash dividend of RMB0.15 (tax inclusive) per share to all shareholders based on the total share capital of the Company of 28,698,864,088 shares as at 31 December 2017, subject to the consideration and approval of the resolution at the 2017 annual general meeting of the Company.

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If the proposal for profit distribution mentioned above is considered and approved by the general meeting of the Company, it is expected that the Company will pay dividends in cash on or before 14 August 2018. When the specific time is determined for convening the general meeting, the Company will make a separate announcement on further details regarding the closure of the registration of members of the H Shares and the expected cash dividend payment date, if updated, in respect of the relevant dividend distribution.

(II) Final or preliminary plans about distribution of profits from common share or about conversion of capital reserve into share capital made by the Company during the recent three years (including the reporting period)

Unit:'0,000 Currency: RMB

Year of distribution	Number of bonus shares given for each 10 shares held	Dividends distributed for each 10 shares held (RMB) (tax inclusive)	Number of shares converted from capital reserve for each 10 shares held	Amount of cash bonus (tax inclusive)	Net profits attributable to ordinary shareholders of the listed Company contained in the consolidated financial statements for the year of distribution	Percentage of net profits attributable to ordinary shareholders of the listed Company contained in the consolidated financial statements (%)
2017	—	1.5	—	430,483	1,079,856	40
2016	—	2.1	—	602,676	1,129,560	53
2015	—	1.5	—	409,331	1,181,840	35

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V. Tax and Tax Relief

In accordance with the Enterprise Income Tax Law of the People's Republic of China and its implementation rules which became effective on 1 January 2008, and the circular on Issues Relating to the Withholding of Enterprise Income tax for Dividends Distributed by Resident Enterprises in China to Non-resident Enterprises Holding H Shares issued by the State Administration of Taxation (Guo Shui Han [2008] no. 897), enterprise income tax shall be withheld at a rate of 10% when the Company pays final dividends to non-resident enterprises whose names appear on the register of H shareholders of the Company. The enterprise income tax shall be withheld for the dividends of any H shares under the names of non-individual shareholders (any H shares of the company registered in the name of HKSCC Nominees Limited, other nominees and trustees, or other organisations and institutions, shall be deemed as shares held by non-resident enterprise shareholders).

According to Guo Shui Han [2011] No. 348 issued by the State administration of Taxation, the Company shall withhold and pay individual income tax for dividend payable to individual H shareholders. Individual H shareholders are entitled to the relevant preferential tax treatment pursuant to the provisions in the tax agreements between the countries where they are residents and China or the tax arrangements between mainland China and Hong Kong (Macau). If the individual H shareholders are Hong Kong or Macau residents or residents of the countries having an agreed dividend tax rate of 10% with China, the Company shall withhold and pay the individual income tax at a rate of 10%. Should the individual H shareholders be residents of the countries having an agreed dividend tax rate of less than 10% with China, the Company would apply for entitlement of the relevant agreed preferential tax treatment on their behalf in accordance with the "Notice of the State Administration of Taxation in relation to the Administrative Measures on Preferential Treatment Entitled by Non-residents under Tax Treaties (Tentative)" (Guo Shui Fa [2009] no. 124) (《國家稅務總局關於印發<非居民享受稅收協議待遇管理辦法(試行)>的通知》(國稅發[2009]124號)). Should the individual H shareholders be residents of the countries having an agreed dividend tax rate exceeding 10% but lower than 20% with China, the Company shall withhold and pay the individual income tax at the actual agreed rate. In the cases of individual H shareholders who are residents of countries having not entered into any tax agreement with China or otherwise, the Company shall withhold and pay the individual income tax at a rate of 20%.

Under current practice of the Hong Kong Inland Revenue Department, no tax is payable in Hong Kong in respect of dividends paid by the Company.

Shareholders of the company are subject to tax and/or enjoy tax relief in accordance with the aforementioned regulations.

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VI. Connected Transactions

(I) Non-exempt connected transactions

1. Establishment of CRRC Financial Leasing Co., Ltd.

On 23 December 2015, 16 June 2016 and 23 January 2017, respectively, the Company entered into a capital contribution agreement with CRRCG and other related parties to establish CRRC Financial Leasing Co., Ltd. ("**CRRC Financial Leasing Company**"). During the preparation process of establishing CRRC Financial Leasing Company, as some contracting parties exited the establishment of CRRC Financial Leasing Company due to policy reasons, the Company adjusted the plan for the establishment of the CRRC Financial Leasing Company. On 23 January 2017, the Company re-entered into a capital contribution agreement in relation to the establishment of CRRC Financial Leasing Company (the "**2017 Capital Contribution Agreement**") with CRRCG, China Energy Reserve and the Tianjin Trust to establish CRRC Financial Leasing Company by contributing capital in accordance with the terms and conditions of the 2017 Capital Contribution Agreement. The registered capital of CRRC Financial Leasing Company is RMB3 billion, among which the Company shall contribute RMB1.83 billion in cash to the registered capital, CRRCG shall contribute RMB270 million to the registered capital in cash, China Energy Reserve shall contribute RMB600 million to the registered capital in cash and Tianjin Trust shall contribute RMB300 million to the registered capital in cash. Upon completion of the transaction, the equity interests of CRRC Financial Leasing Company will be held as to 61%, 9%, 20% and 10% by the Company, CRRCG, China Energy Reserve and Chemicals Group Company Limited ("**China Energy Reserve**") and Tianjin Trust Co., Ltd. ("**Tianjin Trust**"), respectively. At the beginning of 2018, China Energy Reserve exited the establishment of CRRC Financial Leasing Company due to policy reasons, and the Company adjusted the plan for the establishment of the CRRC Financial Leasing Company. On 7 March 2018, the Company re-entered into a capital contribution agreement (the "**2018 Capital Contribution Agreement**") with CRRCG and Tianjin Trust to establish CRRC Financial Leasing Company by contributing capital in accordance with the terms and conditions of the 2018 Capital Contribution Agreement. The registered capital of CRRC Financial Leasing Company is RMB3 billion, among which the Company shall contribute RMB2.43 billion in cash to the registered capital, CRRCG shall contribute RMB270 million to the registered capital in cash and Tianjin Trust shall contribute RMB300 million to the registered capital in cash. Upon completion of the transaction, the equity interests of CRRC Financial Leasing Company will be held as to 81%, 9% and 10% by the Company, CRRCG and Tianjin Trust, respectively.

The establishment of CRRC Financial Leasing Company is expected to be beneficial in facilitating the implementation of the industrial and financial strategies of the Company, assist the development of the main business and increase the core competence of the Company.

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On 7 March 2018, CRRCG is a controlling shareholder of the Company holding, directly and indirectly, 55.63% equity interests of the Company and is thus a connected person of the Company under the Hong Kong Listing Rules. The establishment of CRRC Financial Leasing Company constitutes a connected transaction of the Company under the Hong Kong Listing Rules. Since all applicable percentage ratios in respect of the transaction exceed 0.1% but are less than 5%, the transaction is subject to the annual reporting and announcement requirements, but is exempt from shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

For details of the above transaction, please refer to the connected transaction announcements dated 23 December 2015, 16 June 2016, 23 January 2017 and 7 March 2018 published by the Company on the website of Stock Exchange.

2. Transfer of Chengdu Land Use Right and Relevant Assets

CRRC Chengdu Co., Ltd. (中車成都機車車輛有限公司) ("**CRRC Chengdu**"), a subsidiary of the Company, entered into the Asset Transfer Contract on 12 October 2017 with CRRC Real Estate (Chengdu) Co., Ltd. (中車置業 (成都) 有限公司) ("**CRRC Real Estate (Chengdu)**"), pursuant to which CRRC Chengdu has agreed to transfer the Land Use Right and Relevant Assets of certain land area in Chengdu ("**Target Assets**") to CRRC Real Estate (Chengdu) at a consideration of approximately RMB1,404,732,400.

CRRC Chengdu will be able to obtain funds to support the industrial park construction and daily operation of CRRC Chengdu by transferring the Target Assets to CRRC Real Estate (Chengdu).

As at 12 October 2017, CRRCG is a controlling shareholder holding, directly and indirectly, approximately 55.62% of the shares of the Company. CRRC Real Estate is a wholly-owned subsidiary of CRRCG and CRRC Real Estate (Chengdu) is a wholly-owned subsidiary of CRRC Real Estate, thus both CRRC Real Estate and CRRC Real Estate (Chengdu) are connected persons of the Company under the Hong Kong Listing Rules. The transfer of the Target Assets by CRRC Chengdu to CRRC Real Estate (Chengdu) constitutes a connected transaction of the Company under Chapter 14A of the Hong Kong Listing Rules.

Pursuant to Rule 14A.81 of the Hong Kong Listing Rules, the transaction under the asset transfer contract should be aggregated with the similar Previous Transactions. Following the aggregation, as the highest of the applicable size test percentage ratios calculated pursuant to the Hong Kong Listing Rules exceeds 0.1% but is less than 5%, the Transaction is subject to annual reporting and announcement requirements but is exempt from independent Shareholders' approval requirement under Chapter 14A of the Hong Kong Listing Rules.

For details of the above transaction, please refer to the connected transaction announcement dated 12 October 2017 published by the Company on the website of the Stock Exchange.

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3. Transfer of equity interest in Times Electric Vehicle

ZELRI, a wholly-owned subsidiary of the Company and CRRCG entered into an equity transfer agreement on 27 October 2017, pursuant to which, ZELRI agreed to sell and CRRCG agreed to acquire the 51% equity interest in Hunan CRRC Times Electric Vehicle Co., Ltd. (湖南中車時代電動汽車股份有限公司) ("**Times Electric Vehicle**") at a consideration of RMB92,640.02. After completion of the Transaction, CRRCG will hold 51% equity interest in Times Electric Vehicle, ZELRI will hold 36.37% equity interest in Times Electric Vehicle, and Times Electric Vehicle will cease to be a subsidiary of the Company.

New energy automobiles industry is largely subject to the influence of policies. Among the industry, the accounts receivables are of significant amount with relatively long repayment terms and the proportion of funds employed is considerably large with demand of substantial capital input for subsequent development. Transfer of equity interest in Times Electric Vehicle is beneficial for the Company in terms of placing focus on its core businesses such as rail transportation and is in line with the future development orientation of the Company.

As at 27 October 2017, CRRCG is the controlling shareholder of the Company holding, directly and indirectly, approximately 55.62% of the shares of the Company, and is therefore a connected person of the Company under the Hong Kong Listing Rules. ZELRI is a wholly-owned subsidiary of the Company. Therefore, the entering into of the equity transfer agreement between ZELRI and CRRC Group constitutes a connected transaction of the Company under Chapter 14A of the Hong Kong Listing Rules.

Pursuant to Rule 14A.81 of the Hong Kong Listing Rules, the transaction under the equity transfer agreement shall be aggregated with the similar Previous Transactions. Following the aggregation, as the highest of the applicable percentage ratios calculated according to the Hong Kong Listing Rules exceeds 0.1% but is lower than 5%, the Transaction is subject to reporting and announcement requirements but is exempt from independent Shareholder's approval requirement under Chapter 14A of the Hong Kong Listing Rules.

For details of the above transaction, please refer to the connected transaction announcement dated 27 October 2017 published by the Company on the website of the Stock Exchange.

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4. Transfer of equity interest in Erqi Vehicle

The Company and CRRC GROUP have entered into an equity transfer agreement on 20 December 2017, pursuant to which the Company agreed to sell and CRRC GROUP agreed to acquire the 100% equity interest in CRRC Beijing Erqi Vehicle Co., Ltd. (中車北京二七車輛有限公司) ("**Erqi Vehicle**") at a consideration of RMB116,059.94. After completion of the transaction, CRRC GROUP will hold 100% equity interest in Erqi Vehicle, and Erqi Vehicle will cease to be a subsidiary of the Company.

As at 20 December 2017, CRRC GROUP is the controlling shareholder of the Company holding, directly and indirectly, 55.63% of the shares of the Company, and is therefore a connected person of the Company under the Hong Kong Listing Rules. Therefore, the entering into of the agreement between the Company and CRRC GROUP constitutes a connected transaction of the Company under Chapter 14A of the Hong Kong Listing Rules.

Pursuant to Rule 14A.81 of the Hong Kong Listing Rules, the transaction under the agreement shall be aggregated with Previous Transactions. Following the aggregation, as the highest applicable size test percentage ratio calculated according to the Hong Kong Listing Rules exceeds 0.1% but is lower than 5%, the Transaction shall be subject to reporting and announcement requirements but is exempt from independent Shareholder's approval requirement under Chapter 14A of the Hong Kong Listing Rules.

For details of the above transaction, please refer to the connected transaction announcement dated 20 December 2017 published by the Company on the website of the Stock Exchange.

(II) Non-exempt continuing connected transactions

1. The Product and Service Mutual Provision Framework Agreement entered into between the Company and CRRCG

On 29 March 2016, the Company and CRRCG entered into the Product and Service Mutual Provision Framework Agreement, pursuant to which CRRCG and/or its associates will sell raw materials, accessories, components, packing materials, etc. and provide repairing, training, processing, security and sanitation services to the Group. The Group will sell raw materials, accessories and energy resource, etc. and provide repairing, training, processing, greening, security and sanitation services to CRRCG and/or its associates. The agreement has an effective term from 1 January 2016 to 31 December 2018.

The Company estimates that under the Product and Service Mutual Provision Framework Agreement: (i) the annual caps for the amounts to be paid by CRRCG and/or its associates for provision of products and services by the Group for each of the three years ending 31 December 2018 will amount to RMB2,000 million, RMB2,750 million and RMB3,500 million, respectively; and (ii) the annual caps for the amounts to be paid by the Group for provision of products and services by CRRCG and/or its associates for each of the three years ending 31 December 2018 will amount to RMB1,700 million, RMB2,350 million and RMB3,000 million, respectively.

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The Company considers that it is in the interest of the Group to enter into the aforesaid transactions with CRRCG to ensure the stable provision and supply of the products and services of the Company. CRRCG is familiar with the business needs of the Company and the transactions between the parties, and will therefore facilitate the internal development of the Group and minimise the associated administrative and transportation costs.

CRRCG is the controlling shareholder of the Company, and is thus a connected person of the Company under the Hong Kong Listing Rules. Accordingly, the Product and Service Mutual Provision Framework Agreement and the transactions contemplated thereunder will constitute continuing connected transactions of the Company under Chapter 14A of the Hong Kong Listing Rules. Since all applicable size test percentage ratios exceed 0.1% but are less than 5% in respect of the relevant continuing connected transactions under the Product and Service Mutual Provision Framework Agreement, such transactions are therefore subject to annual reporting and announcement requirements but are exempt from the shareholders' approval requirement of the Hong Kong Listing Rules.

For details of the non-exempt continuing connected transaction, please refer to the continuing connected transaction announcement dated 29 March 2016 published by the Company on the website of the Stock Exchange.

2. The Property Leasing Framework Agreement entered into between the Company and CRRCG

On 29 March 2016, the Company and CRRCG entered into the Property Leasing Framework Agreement, pursuant to which CRRCG and/or its associates lease their lawfully owned properties to the Company and the Company leases its lawfully owned properties to CRRCG and/or its associates. The agreement has an effective term from 1 January 2016 to 31 December 2018.

The Company estimates that under the Property Leasing Framework Agreement, the annual caps for the amounts to be paid by the Group for leasing of properties from CRRCG and/or its associates for each of the three years ending 31 December 2018 will amount to RMB300 million, RMB400 million and RMB500 million, respectively; while the annual caps for the amounts to be paid by CRRCG and/or its associates for leasing of properties from the Group for the same period will amount to RMB200 million, RMB300 million and RMB400 million, respectively.

The Company considers that it is in the interest of the Group to enter into the aforesaid transactions with CRRCG to ensure the stable supply and use of the property leasing business of the Company. CRRCG is familiar with the business needs of the Company and the transactions between the parties, and will therefore minimise the administrative costs of the Group.

CRRCG is the controlling shareholder of the Company, and is thus a connected person of the Company under the Hong Kong Listing Rules. Accordingly, the Property Leasing Framework Agreement and the transactions contemplated thereunder will constitute continuing connected transactions of the Company under Chapter 14A of the Hong Kong Listing Rules. Since all applicable size test percentage ratios exceed 0.1% but are less than 5% in respect of the relevant continuing connected transactions under the Property Leasing Framework Agreement, such transactions are therefore subject to annual reporting and announcement requirements but are exempt from the shareholders' approval requirement of the Hong Kong Listing Rules.

For details of the non-exempt continuing connected transaction, please refer to the continuing connected transaction announcement dated 29 March 2016 published by the Company on the website of the Stock Exchange.

REPORT OF DIRECTORS

3. The Financial Services Framework Agreement entered into between the Finance Company and CRRCG

On 29 March 2016, the Finance Company and CRRCG entered into the Financial Services Framework Agreement, pursuant to which the Finance Company will provide deposit services, loan services and other financial services to CRRCG. The agreement has an effective term from 1 January 2016 to 31 December 2018.

The Company estimates that under the Financial Services Framework Agreement: (i) the daily deposit balance (including accrued interests) in respect of the provision by the Finance Company of deposit services to CRRCG and/or its associates for each of the three years ending 31 December 2018 will amount to RMB10,000 million, RMB16,000 million and RMB20,000 million, respectively; (ii) the daily lending balance (including accrued interests) in respect of the provision by the Finance Company of lending services to CRRCG and/or its associates for each of the three years ending 31 December 2018 will amount to RMB3,000 million, RMB6,000 million and RMB7,500 million, respectively; and (iii) the annual caps for the amounts to be received by the Finance Company for provision of miscellaneous financial services to CRRCG and/or its associates for each of the three years ending 31 December 2018 will amount to RMB200 million, RMB300 million and RMB400 million, respectively.

The Finance Company is relatively familiar with the operations of CRRCG, which is advantageous for the Company in providing CRRCG with convenient and efficient financial services, and simultaneously allows the Company to expand its financing channels, enhance its efficiency of fund usage, and minimize its cost of financing. The rates for deposit and lending are set pursuant to the normal business terms and in the interests of the Company and its shareholders.

CRRCG is the controlling shareholder of the Company, and is thus a connected person of the Company under the Hong Kong Listing Rules. The Finance Company is a subsidiary of the Company. Accordingly, the Financial Services Framework Agreement and the transactions contemplated thereunder will constitute continuing connected transactions of the Company under Chapter 14A of the Hong Kong Listing Rules.

Since all applicable size test percentage ratios exceed 0.1% but are less than 5% in respect of the provision of lending services and miscellaneous financial services under the Financial Services Framework Agreement, the lending services and miscellaneous financial services to be provided by the Finance Company to CRRCG are therefore subject to the annual reporting and announcement requirements but are exempt from the shareholders' approval requirement of the Hong Kong Listing Rules.

As the deposit services provided by the Finance Company to CRRCG are on normal commercial terms which were no less favorable than those offered by independent commercial banks for the provision of comparable services in the PRC and are for the benefit of the Group, and no security over the assets of the Group is or will be granted in respect of the provision of such deposit services, the deposit services to be provided by the Finance Company to CRRCG under the Financial Services Framework Agreement are exempt from all shareholders' approval, annual reporting and announcement requirements pursuant to Rule 14A.90 of the Hong Kong Listing Rules.

For details of the non-exempt continuing connected transaction, please refer to the continuing connected transaction announcement dated 29 March 2016 published by the Company on the website of the Stock Exchange.

REPORT OF DIRECTORS

4. The actual transaction amounts of non-exempt continuing connected transactions during the year

The Company confirms that the actual transaction amounts of the above non-exempt continuing connected transactions did not exceed the relevant caps in 2017. Please refer to the table below for details.

Currency: RMB Unit: million

Serial number	Type of connected transactions	Annual cap for 2017	Actual transaction amount for 2017
1.	Purchase of products and services under the Product and Service Mutual Provision Framework Agreement with CRRCG	2,350.00	692.65
2.	Sale of products and provision of services under the Product and Service Mutual Provision Framework Agreement with CRRCG	2,750.00	447.30
3.	Rental payment under the Property Leasing Framework Agreement with CRRCG	400.00	80.93
4.	Rental received under the Property Leasing Framework Agreement with CRRCG	300.00	6.45
5.	Maximum daily loan balance of the loan services provided by the Finance Company under the Finance Services Framework Agreement between the Finance Company and CRRCG (accrued interest included)	6,000.00	3,674.65
6.	Charges for other financial services provided by the Finance Company under the Financial Services Framework Agreement between the Finance Company and CRRCG	300.00	0.34

REPORT OF DIRECTORS

5. Annual review of non-exempt continuing connected transactions

The finance and internal auditing units and relevant teams of the Company have reviewed the above non-exempt continuing connected transactions and related internal control procedures and submitted the results to the independent non-executive Directors. The Company also provided key information to the independent non-executive Directors for their review.

The independent non-executive Directors of the Company have confirmed to the Board that they have reviewed the above non-exempt continuing connected transactions and are of the opinion that such transactions are:

(1) in the ordinary course of business of the Group;

(2) conducted on normal commercial terms or more favorable terms; and

(3) conducted on the terms of the relevant transaction agreements (including but not limited to the pricing policy and mechanism), which are fair and reasonable and in the interests of the Shareholders of the Company as a whole.

The independent non-executive Directors ensure that:

(1) the methods and procedures established by the Company are sufficient to ensure that transactions are conducted on normal commercial terms and not prejudicial to the interests of the Company and its minority shareholders; and

(2) the Company has appropriate internal control procedures in place and its internal auditing unit will review the above continuing connected transactions.

Pursuant to Rule 14A.56 of the Hong Kong Listing Rules, the listed issuer must engage its auditors to report on the continuing connected transaction every year. The auditors must provide a letter to the listed issuer's board of directors confirming whether anything has come to their attention that causes them to believe that the continuing connected transactions:

(1) have not been approved by the listed issuer's board of directors;

(2) were not, in all material respects, in accordance with the pricing policies of the listed issuer's group if the transactions involve the provision of goods or services by the listed issuer's group;

(3) were not entered into, in all material respects, in accordance with the relevant agreement governing the transactions; and

(4) have exceeded the cap.

Pursuant to the above requirement under Rule 14A.56 of the Hong Kong Listing Rules, the Board engaged the auditors of the Company to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditors have issued their unqualified letter containing their findings and conclusions in respect of the continuing connected transactions in accordance with Rule 14A.56 of the Hong Kong Listing Rules. A copy of the auditors' letter has been provided by the Company to the Stock Exchange.

REPORT OF DIRECTORS

6. Related party transactions

Save as to the above, details of the related party transactions of the Company for the year ended 31 December 2017 are set out in Note 44 to the consolidated financial statements. Except for the related party transactions between the company and joint ventures and associates set out in Note 44, all related party transactions are connected transactions of the Company under Chapter 14A of the Hong Kong Listing Rules. The Company confirms that the related party transactions have complied with the applicable disclosure requirements under Chapter 14A of the Hong Kong Listing Rules.

(III) Non-competition agreements and undertakings

For details of the provision of non-competition agreements and undertakings to the Company by the controlling shareholder of the Company, please refer to relevant content in the section named "Significant Events - I. Performance of Undertakings" of this annual report.

VII. Other Disclosable Matters

(I) Principal businesses

The Company is mainly engaged in research and development, design, manufacturing, refurbishment, sales, leasing and technical services of railway locomotives, EMUs, rapid transit vehicles, engineering machinery, various electromechanical equipment, electronic equipment and parts, electric products and environmental protection equipment; information consultancy; industrial investment and management; asset management; export/import business.

(II) Major customers and suppliers

For details of the major customers and suppliers of the Company, please refer to the section headed "Directors' Report - B. Management Discussion and Analysis - II. Major Operation Results during the Reporting Period" of this annual report.

(III) Reserves

Detail of changes in the reserves of the Company are set out in the Consolidated Statement of Changes in Equity of this annual report prepared under the IFRSs.

(IV) Reserves available for distribution

For details of the reserves of the Company available for distribution, please refer to Note 48 to the financial statements of this annual report prepared under the IFRSs.

(V) Share capital

For details of the share capital of the Company, please refer to the relevant section headed "Changes in Shares and Particulars of Shareholders" of this annual report.

REPORT OF DIRECTORS

(VI) Bank loans and other loans

Details of the bank loans and other loans of the Company as at 31 December 2017 are set out in Note 35 to the financial statements of this annual report prepared under the IFRSs.

(VII) Property, plant and equipment

Details of changes in the property, plant and equipment of the Company in 2017 are set out in Note 15 to the financial statements of this annual report prepared under the IFRSs.

(VIII) Donations

The total charitable and other donations of the Company amounted to approximately RMB15,230 million during the reporting period.

(IX) Service contracts of Directors and Supervisors

None of the Directors or Supervisors entered into service contract with the Company which is not determinable within one year without payment of compensation other than normal statutory compensation.

(X) Directors and Supervisors' interests in contracts

The Company did not enter into any contract of significance in which Director(s) or Supervisor(s) of the Company held, either directly or indirectly, any material interests for the year ended 31 December 2017.

(XI) Loans provided to Directors, Supervisors and Senior Management of the Company

The Company did not provide Director(s), Supervisor(s) or other Senior Management with any loans or quasi-loans.

(XII) Directors' interest in businesses competing with the company

None of the Directors have interests in any business which directly or indirectly competes or may compete with the Company.

REPORT OF DIRECTORS

(XIII) Financial, business or family relationship among members of the Board

None of the members of the Board of the Company had any financial, business, family or other material relationship with each other.

(XIV) Management contracts

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

(XV) Pre-emptive rights

There are no provisions regarding pre-emptive rights under the Articles of Association and the PRC law which oblige the Company to offer news shares to its existing shareholders on a pro-rata basis.

(XVI) Employee retirement plan

Details of the employee retirement plan of the Company are set out in Note 36 to the financial statements of this annual report prepared under the IFRSs.

(XVII) The Company's environmental policies and compliance

In 2017, with the aim to establish itself as "Green and Low-carbon CRRC", the Company achieved the standard in both energy consumption intensity and gross pollutants emission, completely accomplishing the annual goal for energy conservation and emissions reduction by solidifying its foundation, strengthening risk monitoring and control as well as improving system management.

The main waste water pollutant of CRRC is COD, the main waste gas pollutant is sulfur dioxide, and the hazardous wastes are mainly HW08, HW09, HW12 and HW49. In 2017, the Company recorded COD emissions of 1,017 tons, sulfur dioxide emissions of 1,764 tons, and hazardous waste disposal of 16,176 tons. The total discharge of pollutants meets the requirements of the total discharge indicators.

REPORT OF DIRECTORS

The Company comprehensively implemented the accountability system and improved the evaluation mechanism of energy conservation and emission reduction, placing risks and indication management as the integral parts of the enterprise's system of performance evaluation. By establishing the platform of the "4 Ones", namely, "one book", "one list", "one register" and "one class", the Company has been strengthening the management of foundation for energy and environment protection, while building a specialist bank of energy and environment protection for the purpose of selecting management professionals in technology through the construction of a three-tier management network. All manufacturing enterprises have passed the ISO14001 Environmental Management System certification and 13 subsidiaries have passed the ISO50001 Energy Management System certification as a result of the in-depth application of systematic logic and improvement to the energy and environmental management systems. The Company has required the solid implementation of management for the entire process, strict performance of assessment for the influence of construction projects on the environment, energy conservation and the system of "Three Meantimes", the exercise of clean production and the enhancement in monitoring and control of environmental risks. Besides, innovative assessment on a standardized basis has been conducted with enhanced effort in supervision and inspection and self-improvement, through which the communication between enterprises has been facilitated while ensuring the efficiency of the supervision and inspection. The Company has also initially developed a unified standard for further promotion of the construction of a system for monitoring and control of energy and facilities, and the development of the functions of the application system. In an effort to realise green production throughout the all-life-cycle and laying the foundation for a "respectable international enterprise", the Company combined new technology for energy conservation and emission reduction and the promotion for application of a new model, achieving consumption and pollutants reduction with enhanced efficiency.

The Company has implemented treatment measures as follows: (1) CRRC effectively treated pollutants and the pollution treatment facilities were in normal operation. Each of the companies under the CRRC has established the sewage treatment station. Different treatment processes were adopted for different sewage. The sewage after treatment reached the national or local emission standards. For certain enterprises, the coal-fired boilers have been replaced by gas boilers, and coal-fired boiler exhaust gas have been desulfurized and dedusted, meeting the national or local emission standards. Hazardous wastes were classified, stored and controlled according to the National Hazardous Waste List (國家危險廢物名錄) and the Pollution Control Standards for Storage of Hazardous Waste (危險廢貯存污染控制標準), and a qualified unit was entrusted to implement safe disposal according to the law. (2) CRRC strengthened environmental risk control from the source and required all companies under the Group to strictly comply with the Environmental Impact Assessment Law (環境影響評價法) and the requirements of our environmental protection system of "Three Meantimes" when implementing construction projects. EIA approval shall be obtained from local government for all construction projects during the initial design review stage, and environmental protection measures shall be implemented. At the same time, we earnestly studied and implemented the Administrative Regulations on Environmental Protection for Development Projects (建設項目環境保護管理條例) and responsively carried out environmental acceptance works. (3) CRRC has strengthened its emergency management of environmental emergencies, formulated and issued the Emergency Countermeasures for Environmental Incidents of CRRC Corporation Limited (中國中車股份有限公司突發環境事件應急預案), which classifies emergent environmental incidents. Companies under the Group promptly revised their emergency countermeasures for environmental incidents and carried out emergency drills, thus the scientificity, practicability, and operability of the emergency countermeasures for environmental incidents were effectively improved. (4) Each of the companies under the CRRC has installed online monitoring system for waste water and waste gas in accordance with the requirements of the local government, to ensure that the online monitoring system is networked with relevant environmental protection department and also strengthened the management of online monitoring. At the same time, the Company has cultivated in-house environmental protection monitoring capabilities and obtained the qualification for monitoring waste water and waste gas of multiple projects. It also increased the environmental monitoring and control frequency. Each of the companies under the CRRC has implemented environmental monitoring according to its own monitoring plan. (5) Each of the companies under the CRRC has disclosed relevant environmental information on the website of the local environmental protection department or its own company website pursuant to the requirements of the local environmental protection department.

REPORT OF DIRECTORS

For details, please refer to the "2017 Social Responsibility Report of CRRC Corporation Limited" disclosed by the Company on the website of SSE and the Stock Exchange on the same date.

(XVIII) Relationship with employees, customers and suppliers

For details, please refer to the sections headed "Directors Report - B. Management Discussion and Analysis" and "Directors, Supervisors, Senior Officers and Staff - Staff of the Parent Company and Principal Subsidiaries" of this annual report.

(XIX) Compliance with laws, regulations and rules

The Company is aware of the importance of complying with legal and regulatory requirements. The Company has established a relatively sophisticated system to ensure persistent compliance with applicable laws, regulations and rules. More specifically, the legal department of the Company and other relevant departments are primarily responsible for reviewing whether the Group's operations have complied with the relevant laws and regulations. The Company has also deployed corresponding departments and sufficient manpower and resources to monitor the compliance situation at the subsidiary level. For the year ended 31 December 2017, to the best of our knowledge, the Company has complied with the laws and regulations of the relevant areas in all material respects, including but limited to laws and regulations such as the Railway Law of the People's Republic of China (《中華人民共和國鐵路法》), the Law of the People's Republic of China on Production Safety (《中國人民共和國安全生產法》), the Environmental Protection Law of the People's Republic of China (《中華人民共和國環境保護法》) and Regulation on the Administration of Railway Safety (《鐵路安全管理條例》) which have great significance or impact on the operation of the Company in aspects such as rail transit equipment production and safety and environmental protection etc. The Company is listed on the SSE and the Stock Exchange. For the year ended 31 December 2017, the Company has complied with the listing rules of its places of listing and all applicable laws and regulations.

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF

As at the latest practicable date prior to the printing of this report, members of the Board include

Liu Hualong
Chairman, Executive Director

Sun Yongcai
Executive Director, President

Xu Zongxiang
Executive Director

Liu Zhiyong
Non-executive Director

Li Guo'an
Independent non-executive Director

Wu Zhuo
Independent non-executive Director

Sun Patrick
Independent non-executive Director

Chan Ka Keung, Peter
Independent non-executive Director

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF

I. SHAREHOLDING CHANGES AND REMUNERATION

(I) Shareholding Changes and Remuneration of Current and Retired Directors, Supervisors and Senior Management During the Reporting Period

Name	Position (note)	Gender	Age	Commencement of term of office	Expiration of term of office	Number of shares held at the beginning of the year	Number of shares held at the end of the year	Changes in number of shares for the year	Reason of the change	Remuneration received from the Company during the reporting period (RMB 0'000)	Welfare expenses including basic pension insurance (RMB 0'000)	Total remuneration before tax received from the Company during the reporting period (RMB 0'000)	Whether receiving remuneration from related parties of the Company
Liu Hualong Note 1	Chairman Executive Director	Male	55	6 December 2016 28 May 2015	27 May 2018 27 May 2018	50,000	50,000	0	–	–	–	–	Yes
Sun Yongcai	Executive Director President Vice President	Male	53	20 June 2017 12 October 2017 01 June 2015	27 May 2018 27 May 2018 22 May 2017	111,650	111,650	0	–	62.18	11.42	73.60	No
Xu Zongxiang Note 2	Executive Director	Male	54	20 June 2017	27 May 2018	0	0	0		51.41	4.96	56.37	Yes
Liu Zhiyong	Non-executive Director	Male	60	28 May 2015	27 May 2018	0	0	0	–	–	–	–	No
Li Guo'an	Independent non-executive Director	Male	65	28 May 2015	27 May 2018	0	0	0	–	10.38	–	10.38	No
Wu Zhuo	Independent non-executive Director	Male	67	28 May 2015	27 May 2018	0	0	0	–	9.98	–	9.98	No
Sun Patrick	Independent non-executive Director	Male	59	28 May 2015	27 May 2018	0	0	0	–	14.80	–	14.80	No
Chan Ka Keung, Peter	Independent non-executive Director	Male	66	28 May 2015	27 May 2018	0	0	0	–	15.10	–	15.10	No
Wan Jun	Supervisor Chairman of Supervisory Committee	Male	54	28 May 2015 01 June 2015	27 May 2018 27 May 2018	0	0	0	–	61.72	11.42	73.14	No
Chen Fangping	Supervisor	Male	57	28 May 2015	27 May 2018	0	0	0	–	73.81	11.42	85.24	No
Qiu Wei	Employee Representative Supervisor	Male	58	28 May 2015	27 May 2018	30,000	30,000	0	–	73.89	11.42	85.31	No
Zhan Yanjing	Vice President, Chief Financial Officer	Female	54	01 June 2015	27 May 2018	50,000	50,000	0	–	61.72	11.42	73.14	No
Wang Jun	Vice President	Male	54	01 June 2015	27 May 2018	0	0	0	–	61.04	11.42	72.46	No
Lou Qiliang	Vice President	Male	54	01 June 2015	27 May 2018	0	0	0	–	61.04	11.42	72.46	No
Yu Weiping	Vice President	Male	51	01 June 2015	27 May 2018	0	0	0	–	61.04	11.42	72.46	No
Xie Jilong	Secretary to the Board	Male	51	01 June 2015	27 May 2018	73,288	73,288	0	–	73.74	11.42	85.16	No
Zhang Zhong Note 3	Independent non-executive Director	Male	71	28 May 2015	20 June 2017	0	0	0	–	7.38	–	7.38	No
Xi Guohua Note 4	Vice Chairman Executive Director President	Male	54	06 December 2016 28 May 2015 01 June 2015	26 July 2017 26 July 2017 26 July 2017	231,800	231,800	0	–	60.86	6.46	67.32	No
Total	/	/	/	/	/	546,738	546,738	0	/	760.09	114.2	874.3	/

Note 1: The remuneration of Liu Hualong was expensed by CRRCG.

Note 2: The remuneration of Xu Zongxiang for January to July 2017 was expensed by CRRCG.

Note 3: Zhang Zhong resigned on 20 June 2017 due to his age.

Note 4: Xi Guohua resigned on 26 July 2017 due to work adjustment.

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF

(II) Major Work Experiences of the Current Directors, Supervisors and Senior Management for the Recent Five Years

Directors

Mr. **Liu Hualong**, born in 1962, a Chinese national with no right of abode overseas, is a holder of bachelor's degree, MBA degree and a professor-level senior engineer. He serves as the Chairman of the Board, an executive Director and the Party Secretary of the Company, as well as a chairman of the board and the Party secretary of CRRCG. Mr. Liu served as the deputy general manager, vice chairman and general manager, deputy Party secretary, chairman and general manager, deputy Party secretary of CNRG Qiqihar Railway Rolling Stock (Group) Co. Ltd., the deputy general manager, the deputy Party secretary and the secretary to the disciplinary committee, chairman of the labor union, the Party secretary of CSRG. From December 2007 to September 2011, he was an executive director, deputy Party secretary and the secretary of the disciplinary committee of CSR. From September 2011 to October 2012, he served as an executive director, a vice president and a standing member of the Party Committee of CSR. From October 2012 to May 2015, he served as an executive director, the president and the deputy Party secretary of CSR. He has served as the vice chairman, executive Director and the deputy Party Secretary of the Company from May 2015 to December 2016, and the Chairman and the Party Secretary of the Company since December 2016.

Mr. **Sun Yongcai**, born in 1964, a Chinese national with no right of abode overseas, is a holder of doctoral degree and is a professor-level senior engineer. He serves as an executive Director, the President and the deputy Party Secretary of the Party Committee of the Company, and also serves as a Director, general manager and the deputy Party Secretary of the Party Committee of CRRCG. Mr. Sun once served as a director and deputy general manager, vice chairman and the Party secretary and deputy general manager of Dalian Locomotive & Rolling Stock Co., Ltd., the vice chairman and deputy general manager of Dalian Dali Railway Transportation Equipment Company Limited and the chief engineer of CNR, as well as a standing member of the Party Committee of CNRG. From December 2010 to May 2015, he served as a vice president and a standing member of the Party Committee of CNR. He has served as a standing member of the Party Committee of the Company from May 2015 to September 2017, a Vice President of the Company from June 2015 to May 2017, an executive Director of the Company since June 2017, the deputy Party Secretary of the Party Committee of the Company since September 2017, and the President of the Company since October 2017.

Mr. **Xu Zongxiang**, born in 1963, a Chinese national with no right of abode overseas, is a holder of doctoral degree and is a professor-level senior engineer. He currently serves as an executive Director and a standing member of the Party Committee of the Company, and also serves as a standing member of the Party Committee of CRRCG. Mr. Xu served as the deputy head of Zhuzhou Electric Locomotive Works, the director and general manager, director and general manager and deputy Party secretary, executive director and general manager and deputy Party secretary of Zhuzhou Locomotive Co., Ltd., a standing member of the Party Committee of CSRG, and a deputy general manager of CRRCG. He has served as a vice president and a standing member of the Party Committee of CSR from October 2012 to May 2015, a standing member of the Party Committee of the Company since May 2017, and an executive Director of the Company since June 2017.

Mr. **Liu Zhiyong**, born in 1957, a Chinese national with no right of abode overseas, is a holder of bachelor's degree and a professional external director for state-owned enterprises. He serves as an non-executive Director of the Company, a full-time external director of China National Coal Group Corporation (中國中煤能源集團有限公司) and an non- executive director of China Coal Energy Company Limited (中國中煤能源股份有限公司). Mr. Liu previously served as the deputy division chief, chief and deputy director of Third Secretary Bureau of the General Office of the State Council (國務院辦公廳秘書三局), the deputy party secretary of Liuzhou, Guangxi (seconded for two years), the chief officer and deputy director of Third Secretary Bureau of the General Office of the State Council, inspector and deputy director of First Secretary Bureau of the General Office of the State Council (responsible for day-to day business), executive deputy secretary of the Party Committee of the General Office of the State Council. From June 2014 to May 2015, he served as a non-executive director of CSR. Since May 2015, he has served as a non-executive Director of the Company.

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF

Mr. **Li Guo'an**, born in 1952, a Chinese national with no right of abode overseas, is a holder of bachelor's degree and a research fellow. He serves as an independent non-executive Director of the Company and an external director of China Baowu Steel Group Corporation Limited. Mr. Li once served as the deputy Party secretary, the deputy Party secretary and concurrently the secretary of the Party Discipline Inspection Committee of Wuhan Ship Development & Design Institute of the No. 7 Research Institute of China State Shipbuilding Corporation (中國船舶工業總公司第七研究院), assistant to the dean and concurrently the director of the Science and Technology Division, vice dean, member of the Party Group, vice dean and deputy secretary of the Party Group of the No. 7 Research Institute of China Shipbuilding Industry Corporation (中國船舶重工集團公司第七研究院), the deputy general manager and member of the Party Group of China Shipbuilding Industry Corporation and an external director of Wuhan Iron & Steel (Group) Corporation (武漢鋼鐵 (集團) 公司). From June 2014 to May 2015, he served as an independent non-executive director of CSR. Since May 2015, he has served as an independent non-executive Director of the Company.

Mr. **Wu Zhuo**, born in 1950, a Chinese national with no right of abode overseas, is a holder of bachelor's degree and a research fellow. He serves as an independent non-executive Director of the Company. Mr. Wu served as the deputy director of System Engineering Bureau of the Ministry of Aerospace Industry of China. He held several positions in China Aviation Industry Corporation (中國航天工業總公司) including division chief and manager of Research & Production Department, deputy manager of Human Resources & Training Department, deputy director of Human Resources & Training Bureau and the Head of General Office. He also served as a deputy general manager and a member of the Party Group, and concurrently the head of the Party Disciplinary Inspection Division in China Aerospace Science and Technology Corporation and an external director of Wuhan Iron & Steel (Group) Corporation. From June 2014 to May 2015, he served as an independent non-executive director of CSR. Since May 2015, he has served as an independent non-executive Director of the Company. Mr. Wu is entitled to a special government allowance from the State Council.

Mr. **Sun Patrick**, born in 1958, is a citizen of Hong Kong, the PRC and a holder of bachelor's degree. He serves as an independent non-executive Director of the Company, an independent non-executive director of China Railway Construction Corporation Limited, an independent non-executive director of China Railway Signal & Communication Corporation Limited, an independent non-executive director of Trinity Limited, an independent non-executive director of China NT Pharma Group Company Limited, an independent non-executive director of Sihuan Pharmaceutical Holdings Group Limited and an independent non-executive director of Kunlun Energy Company Limited. Mr. Sun once served as a president of Hong Kong Region at J.P. Morgan and the head of Hong Kong investment banking department at J.P. Morgan, an executive director and the president of Value Convergence Holdings Limited, an executive director of SW Kingsway Capital Holdings Limited, the chairman of the global strategy committee of Financial International Holdings Ltd., an executive director and the head of investment banking department of Jardine Fleming Holdings Limited, an executive director of Sunwah Kingsway Capital Holdings Limited, a non-executive director of Renhe Commercial Holdings Company Limited, an independent non-executive director of China Railway Corporation Limited, a honorary secretary-general of the Chamber of Hong Kong Listed Companies, the vice chairman and a member of the Listing Committee of the Hong Kong Stock Exchange, a member of the SFC Takeovers and Mergers Panel, an independent non-executive director at Link Real Estate Investment Trust and Everbright Pramerica Fund Management Company Limited, and an independent non-executive director and the chairman of Solomon Systech (International) Limited. Mr. Sun is a fellow member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants of UK. From February 2012 to May 2015, he served as an independent non-executive director of CNR. Since May 2015, he has served as an independent non-executive Director of the Company.

Mr. **Chan Ka Keung**, **Peter**, born in 1951, is a citizen of Hong Kong, the PRC, and a holder of bachelor's degree. He serves as an independent non-executive Director of the Company and an independent non-executive director of Metallurgical Corporation of China Ltd. (中國冶金科工股份有限公司). Mr. Chan served as a senior assistant of the Assurance Department, manager of the Tax Department and senior manager of China Service Department in Ernst & Young, the CFO of Dransfield Group, a Beijing-based partner, a Beijing-based managing partner of Tax and Investment Advisory Service Department and a Beijing-based managing partner of the NPA Transaction Advisory Service Department of Ernst & Young. He also served as a member of the executive committee of Hong Kong Chamber of Commerce in China and the chairman of Hong Kong Chamber of Commerce in China from 2000 to 2003. Mr. Chan is a member of Hong Kong Institute of Certified Public Accountants, a fellow member of the Association of Chartered Certified Accountants of UK, an associate member of the Institute of Chartered Secretaries and Administrators of UK and a member of CPA Australia. From June 2014 to May 2015, he served as an independent non-executive director of CSR. Since May 2015, he has served as an independent non-executive Director of the Company.

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF

Supervisors

Mr. **Wan Jun**, born in 1963, a Chinese national with no right of abode overseas, is a holder of bachelor's degree and a senior administrative officer. He serves as the Chairman of Supervisory Committee and the Deputy Party Secretary of the Company, as well as the deputy Party secretary and an employee director of CRRCG. He once served as the deputy division director, the division director, the deputy chief, the inspector and concurrently the deputy chief in the First Secretary Bureau of the General Office of the State Council, a professional deputy director of the Secrecy Committee of the General Office of the State Council, the deputy director of the management committee of Tianjin Electric and Technological Development Zone (seconded for one year), the deputy Party secretary and the secretary to the Discipline Inspection Committee of China National Machinery Industry Corporation and the deputy Party secretary, the secretary to the Discipline Inspection Committee and the chairman of the labor union of CNRG. From November 2013 to May 2015, he served as an employee director, the deputy Party secretary and the secretary to the Discipline Inspection Committee of CNR. He has served as a Supervisor and the deputy Party secretary of the Company since May 2015, and the Chairman of Supervisory Committee of the Company since June 2015.

Mr. **Chen Fangping**, born in 1960, a Chinese national with no right of abode overseas, is a holder of bachelor's degree and a senior political officer. He serves as a Supervisor and the General Legal Counsel of the Company and CRRCG. Mr. Chen once served as the secretary to the Communist Youth League Committee of Tianjin Locomotive & Rolling Stock Machinery Works, the secretary to the Communist Youth League Committee and the head of the personnel department (HR manager) of China National Railways Locomotive and Rolling Stock Industrial Corporation, a standing committee member and central committee member of the Communist Youth League Committee of the National Railways, and the head of the personnel department (HR Department) and the deputy secretary to the Discipline Inspection Committee of CNRG. He served as a supervisor and the deputy secretary to the Discipline Inspection Committee of CNR from July 2008 to June 2012, and the chairman of the supervisory committee and the deputy secretary to the Discipline Inspection Committee of CNR from June 2012 to May 2015. He has served as a Supervisor of the Company since May 2015, and the General Legal Counsel of the Company since June 2015.

Mr. **Qiu Wei**, born in 1959, a Chinese national with no right of abode overseas, is a holder of bachelor's degree and a senior political officer. He serves as the employee representative Supervisor and the Chairman of the Labor Union of the Company and CRRCG. Mr. Qiu once served as the deputy director of Party Committee Office of China National Railways Locomotive and Rolling Stock Industrial Corporation, deputy director of the General Affairs Division of the General Office (辦公室綜合處), the head of the Gerneral Office of CSRG, and deputy chairman of CSRG's Labor Union. He successively served as the deputy director of the Working Committee of Labor Union and the chairman of the Labor Union (appointed in July 2014) of CSR from January 2008 to May 2015, and the employee representative supervisor of CSR from December 2009 to May 2015. He has served as the employee representative Supervisor of the Company since May 2015, and the Chairman of the Labor Union of the Company since June 2015.

Senior Management

Mr. **Sun Yongcai**, whose major work experience is the same as what stated above.

Ms. **Zhan Yanjing**, born in 1963, a Chinese national with no right of abode overseas, is a holder of bachelor's degree and MBA degree, and is also a senior accountant and senior economist. She serves as a Vice President, the Chief Financial Officer and a standing member of the Party Committee of the Company, as well as a standing member of the Party Committee of CRRCG. Ms. Zhan once served as a chief economist as well as a director and deputy general manager of Henan Diesel Engine Plant (河南柴油機廠) of China Shipbuilding Industry Corporation, a deputy manager of the Securities Department, a manager of the Finance Department, a deputy chief accountant and a manager of the Finance Department, an assistant to general manager and a manager of the Financial Planning Department, and an assistant to general manager of Beiqi Foton Motor Co., Ltd. (北汽福田車輛股份有限公司) as well as a chief accountant and a standing member of the Party Committee of CSRG. From December 2007 to May 2015, she served as a vice president and chief financial officer as well as a standing member of the Party Committee of CSR. She has served a standing member of the Party Committee of the Company since May 2015, and a Vice President and the Chief Financial Officer of the Company since June 2015.

Mr. **Wang Jun**, born in 1963, a Chinese national with no right of abode overseas, is a holder of bachelor's degree and MBA degree and is a professor-level senior engineer. He serves as a Vice President and a standing member of the Party Committee of the Company. Mr. Wang once served as a director and the chief engineer, a director and the general manager and deputy Party secretary, vice chairman and general manager and deputy Party secretary, chairman and the Party secretary of Sifang Co., Ltd. (四方股份公司), and a standing member of the Party Committee of CSRG. From October 2012 to May 2015, he served as a vice president and a standing member of the Party Committee of CSR. He has served as a standing member of the Party Committee of the Company since May 2015, and a Vice President of the Company since June 2015. Mr. Wang has been selected as a candidate of National Hundred Talents Program (國家百千萬人才工程) and is a National Young to Middle-aged Expert with Outstanding Contributions (國家有突出貢獻中青年專家). He was also granted the award of Zhan Tianyou Railway Science and Technology Award (詹天佑鐵道科學技術大獎), and is entitled to a special government allowance from the State Council.

Mr. **Lou Qiliang**, born in 1963, a Chinese national with no right of abode overseas, is a holder of bachelor's degree and a senior engineer. He serves as a Vice President and a standing member of the Party Committee of the Company. Mr. Lou once served as the deputy head, head and deputy Party secretary of Puzhen Co., Ltd. (浦鎮公司), as well as the executive director, general manager and deputy Party secretary of CSR Nanjing Puzhen Rolling Stock Co., Ltd., and a standing member of the Party Committee of CSRG. From October 2012 to May 2015, he served as a vice president and a standing member of the Party Committee of CSR. He has served as a standing member of the Party Committee of the Company since May 2015, and a Vice President of the Company since June 2015.

Mr. **Yu Weiping**, born in 1966, a Chinese national with no right of abode overseas, is a holder of doctoral degree and a professor-level senior engineer. He serves as a Vice President and a standing member of the Party Committee of the Company. Mr. Yu once served as a deputy general manager of Changchun Railway Vehicle Co., Ltd., and the chairman and the Party secretary, the chairman and general manager and deputy Party secretary, the chairman and deputy Party secretary of Tangshan Railway Vehicle Co., Ltd., as well as a standing member of the Party Committee of CNRG. From November 2013 to May 2015, he served as a vice president and a standing member of the Party Committee of CNR. He has served as a standing member of the Party Committee of the Company since May 2015, and a Vice President of the Company since June 2015.

Mr. **Xie Jilong**, born in 1966, a Chinese national with no right of abode overseas, is a holder of bachelor's degree, and is a professor-level senior economist. He serves as the Secretary to the Board and joint company secretary of the Company and a director of China United Insurance (中華聯合保險). Mr. Xie once served as a chief accountant, deputy head, head and deputy Party secretary of Changchun Locomotive Factory, a director and general manager and deputy Party secretary of Changchun Locomotive and Rolling Stock Company Limited, the Party secretary of Tianjin Locomotive & Rolling Stock Machinery Works, and the vice chairman of Tianjin JL Railway Transportation Equipment Co., Ltd. From August 2008 to December 2013, he served as the secretary to the board of CNR. From January 2014 to May 2015, he served as the secretary to the board and joint company secretary of CNR. Since June 2015, he has served as the Secretary to the Board and joint company secretary of the Company.

(III) Share Incentive Scheme Granted to Directors, Supervisors and Senior Management during the Reporting Period

During the reporting period, the Company did not grant any share incentives to any of its Directors, Supervisors and Senior Management.

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF

II. POSITIONS HELD BY CURRENT AND RETIRED DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT DURING THE REPORTING PERIOD

(I) Positions Held in Shareholder's Entity

Employee's name	Name of the shareholder's entity	Position held in the shareholder's entity	Commencement of term of office	Expiration of term of office
Liu Hualong	CRRCG	Chairman	November 2016	—
		Director	September 2015	—
Sun Yongcai	CRRCG	Director, general manager	September 2017	—
Xu Zongxiang	CRRCG	Vice general manager	September 2015	May 2017
Wan Jun	CRRCG	Employee representative Director	December 2017	—
Chen Fangping	CRRCG	General legal counsel	December 2016	—
Xi Guohua	CRRCG	Vice chairman, general manager	November 2016	July 2017
		Director	September 2015	July 2017

(II) Positions Held in Other Entities

Employee's name	Name of other entities	Position held in other entities	Commencement of term of office	Expiration of term of office
Liu Zhiyong	SASAC	Professional External Director	August 2013	—
	China National Coal Group Corporation	External director	August 2014	—
	China Coal Energy Company Limited	Non-executive director	June 2015	—
Li Guo'an	China Baowu Steel Group Corporation Limited	External director	October 2016	—
Sun Patrick	China Railway Construction Corporation Limited	Independent non-executive director	October 2014	—
	Trinity Limited	Independent non-executive director	October 2008	—
	China NT Pharma Group Company Limited	Independent non-executive director	March 2010	—
	Sihuan Pharmaceutical Holdings Group Ltd.	Independent non-executive director	October 2010	—
	China Railway Signal & Communication Corporation Limited	Independent non-executive director	May 2015	—
	Kunlun Energy Company Limited	Independent non-executive director	February 2016	—
Chan Ka Keung, Peter	Metallurgical Corporation of China Ltd.	Independent non-executive director	November 2014	—
Xie Jilong	China United Insurance	Director	September 2016	—

Notes:

(1) Metallurgical Corporation of China Ltd. is a company listed on the SSE (stock code: 601618) and the Main Board of the Stock Exchange (stock code: 1618).

(2) China Coal Energy Company Limited is a company listed on the SSE (stock code: 601898) and the Main Board of the Stock Exchange (stock code: 1898).

(3) China Railway Construction Corporation Limited is a company listed on the SSE (stock code: 601186) and the Main Board of the Stock Exchange (stock code: 1186).

(4) Trinity Limited is a company listed on the Main Board of the Stock Exchange (stock code: 891).

(5) China NT Pharma Group Company Limited is a company listed on the Main Board of the Stock Exchange (stock code: 1011).

(6) Sihuan Pharmaceutical Holdings Group Ltd. is a company listed on the Main Board of the Stock Exchange (stock code: 460).

(7) China Railway Signal & Communication Corporation Limited is a company listed on the Main Board of the Stock Exchange (stock code: 3969).

(8) Kunlun Energy Company Limited is a company listed on the Main Board of the Stock Exchange (stock code: 135).

III. REMUNERATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Decision-making procedures of the remuneration of Directors, Supervisors and Senior Management	The Remuneration and Evaluation Committee of the Board submits proposals to the Board in respect of the remuneration for Directors and members of the Senior Management. The Board decides the remuneration, incentives and punishment matters for members of the management. The general meeting of the Company decides matters relating to the remuneration for the relevant Directors and Supervisors.
Determination basis of the remuneration of Directors, Supervisors and Senior Management	The Company determined the remuneration of Directors, Supervisors and Senior Management with reference to the Articles of Association and relevant requirements.
Actual payment of the remuneration of Directors, Supervisors and Senior Management	The Company, pursuant to relevant provisions, paid remunerations to the Directors, Supervisors and Senior Management, except for Liu Zhiyong, a non-executive Director, who is concurrently a professional external director of SASAC and does not receive remuneration from the Company pursuant to the requirement of SASAC; Liu Hualong, Chairman and executive Director, who has received remuneration from the CRRCG since November 2015; and Xu Zongxiang, an executive Director, who received remuneration from the CRRCG from January to July and has begun to receive remuneration from the Company since August.
Total actual remuneration of all the Directors, Supervisors and Senior Management at the end of the reporting period	RMB8,743,000 in aggregate

During the reporting period, none of the Directors or the Supervisors waived or agreed to waive their respective emoluments.

IV. CHANGES IN DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT OF THE COMPANY

On 20 June 2017, Mr. Zhang Zhong resigned from the positions of independent non-executive Director of the Company, member of the Audit and Risk Management Committee, vice chairman and member of the Nomination Committee and member of the Remuneration and Evaluation Committee of the Board due to his age.

On 27 June 2017, the Company convened the 24th meeting of the first session of the Board, to add Mr. Sun Yongcai, Mr. Xu Zongxiang and Mr. Li Guo'an as members of the Strategy Committee of the Board of the Company, add Mr. Wu Zhuo as a member of the Audit and Risk Management Committee of the Board of the Company, add Mr. Sun Patrick as a member of the Nomination Committee of the Board of the Company; and add Mr. Liu Zhiyong as a member of the Remuneration and Evaluation Committee of the Board of the Company, the term of office of each of them shall commence from the date on which the appointments are considered and approved at the Board meeting and end on the date of expiry of the term of office of the first session of the Board of the Company.

On 22 May 2017, Mr. Sun Yongcai resigned as vice president of the Company. On 20 June 2017, the Company convened the 2016 annual general meeting to consider and approve the resolution in relation to the appointment of Mr. Sun Yongcai and Mr. Xu Zongxiang as Directors of the first session of the Board. On 26 July 2017, Mr. Xi Guohua resigned from the positions of vice-chairman of the Board, executive Director, president of the Company and member of the Strategy Committee and member of the Nomination Committee of the Board due to work adjustment.

On 12 October 2017, the Company convened the 26th meeting of the first session of the Board, to appoint Mr. Sun Yongcai as the president of the Company.

V. STAFF OF THE PARENT COMPANY AND PRINCIPAL SUBSIDIARIES

(I) Staff Information

Total number of staff with the parent company	221
Total number of staff with principal subsidiaries	176,533
Total number of staff	176,754
Number of employees whose retirement expenses are borne by the parent company and principal subsidiaries	130,879

By profession

Category of profession	**Number of each profession**
Production personnel	97,808
Technical personnel	32,797
Management personnel	31,697
Other personnel	14,452
Total	176,754

By education

Education level	**Number (person)**
Doctors	414
Masters	11,002
University graduates	47,561
Tertiary college graduates	40,735
Secondary school and below	77,042
Total	176,754

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF

(II) Remuneration Policies

In accordance with various policies and guidelines of the state in relation to income distribution and from the enterprise production, operation and management needs, the Company formulated and issued a series of management systems, including the Measures on Remuneration Management of Stock Companies (股份公司薪酬管理辦法), the Measures on Performance-based Wage (工效掛鈎辦法), the Measures on Remuneration Budges (薪酬預算辦法), the Measures on Labour Cost Management (人工成本管理辦法), the Administrative Measures on Remuneration Management of Responsible Persons (企業負責人薪酬管理辦法), the Measures on Business Expenses for Performing Duties of Responsible Persons (企業負責人履職待遇業務支出管理辦法) and the Guiding Opinions on the Reform of Internal Distribution System in Enterprises (企業內部分配制度改革指導意見), which formed a full remuneration management system. In terms of total remuneration adjustment, the Company insisted on the basic principle of "efficiency-based wages", i.e., the enterprises with high efficiency and benefit set high wage levels, which reflects the fairness of internal distribution; in terms of management of the remuneration of responsible persons, the remuneration of responsible persons are linked with the operating performance, which has good guiding and supporting effects on achieving the operation and management objectives; in terms of internal distribution in enterprises, the Company established a basic salary system based on job performance wages, to reflect the job value orientation and work achievement orientation of income distribution and effectively enhance the vitality of employees.

(III) Personnel Training

According to the Talent Training and Development Plan of CRRC during the "13th Five-Year" (《中國中車"十三五"人才培訓開發規劃》), the Company formulated the 2017 Main Points of Talent Training of CRRC (《中國中車2017年人才培訓工作要點》) to coordinate our annual talent training by focusing on the annual work goals of the "3353 Talent Training and Development" (人才培訓開發"3353"). In respect of the target for the establishment of talent teams and key tasks for annual talent training, the Company continued to optimize its training management system, training course system, trainer system and internet academy platform by focusing on key points and giving prominence to innovativeness, perspectiveness, pertinence and effectiveness of talent cultivation. In addition, the Company also endeavoured to promote methodology innovation through the development of training programs, strengthened training mode by combining theory with practice, thoroughly promoted the application of such tools as action learning tools and sped up the development of professional managers, international talent and core talent teams. In light of actual operation and management needs, the Company leveraged on high quality domestic and foreign training resources, systemized design series specific training items, well planned training plans and created elaborate training programs.

In 2017, the Company organized a total of 85 company-level trainings with over 3,700 participants and focused on organizing and implementing key training programs, such as outstanding leadership, excellent leadership, development of leadership, internationalized talents, core technical talent, core management talent and core skilled talent. In 2017, there were 476,000 employees who participated in subsidiary-level and workshop-level trainings, of which approximately 71,000 participants were management personnel, approximately 68,000 participants were professional technicians and 337,000 participants were technical personnels. The orderly and thorough implementation of personnel training development has provided a guarantee of human resources for building a prestigious international company.

CORPORATE GOVERNANCE REPORT

I. EXPLANATION OF RELATED CIRCUMSTANCE OF CORPORATE GOVERNANCE

During the reporting period, the Company carried out corporate governance work in strict compliance with requirements of laws and regulations such as the Company Law, the Securities Law and the Code of Corporate Governance for Listed Companies as well as relevant requirements of the SSE and the Stock Exchange and established the modern corporate governance structure featuring "General Meeting, the Board, the Supervisory Committee and the Management". Through the establishment of an effective corporate governance mechanism, corporate governance and operation management continuously improved such that the corporate governance of the Company is further perfected.

The Company established its corporate governance rules according to the Corporate Governance Code (the "Code") as set out in Appendix 14 to the Hong Kong Listing Rules. In certain aspects, the corporate governance practices adopted by the Company are more stringent than the code provisions set out in the Code. After reviewing the corporate governance documents adopted by the Company, the Board is of the opinion that the Company's corporate governance is in compliance with all the principles, code provisions and part of the recommended best practices in the Code.

II. SHAREHOLDERS AND GENERAL MEETINGS

(I) Shareholders and general meetings

Safeguarding shareholders' interests and promoting their values always serve as the Company's goal of development. The general meeting is the highest authority of the Company, through which shareholders may exercise their powers. The Company convened and held general meetings to resolve related matters in strict compliance with relevant laws and regulations as well as the requirements under the Rules of Procedure for General Meetings of the Company. The Company ensured that all shareholders, especially minority shareholders, are entitled to their legal interest based on their shareholdings in the Company and to fully exercise their rights.

(II) Relationship between the controlling shareholder and the Company

The Company is strictly independent from its controlling shareholder in terms of assets, business, organization, finance and personnel. The Board, Supervisory Committee and internal departments are able to operate independently. The controlling shareholder of the Company places stringent constraint on individual behaviors and exercised rights and undertook obligations as a shareholder pursuant to laws. The Company is not aware of any appropriation of the Company's capital and assets by the controlling shareholder.

CORPORATE GOVERNANCE REPORT

III. DIRECTORS AND THE BOARD

(I) Directors and the Board

Currently, the Company consists of eight Directors, including four independent non-executive Directors. The Board acts in the best interests of the Company and shareholders and is responsible for the consideration and approval of business strategies and material investment and other significant matters of the Company. The main duties of the Board shall also include consideration and approval of the Company's regular announcements on results and operating condition. The convening, holding, voting and other relevant procedures of the Company's Board meetings were executed in strict compliance with relevant laws and regulations as well as requirements of the Rules of Regular Meetings of the Board and the Rules of Procedure for the Board of Directors. All Directors are familiar with their rights, obligations and responsibilities as Directors and are capable of performing their functions with due diligence in a faithful and diligent manner. All Directors were punctual at Board meetings. They duly considered every resolution proposed at the Board meetings and the general meetings and gave constructive advice thereof, bringing into full play their decision-making roles in corporate governance as Directors. The independent Directors of the Company actively participated in corporate governance and raised suggestions and advices for reform and development of the Company with their knowledge and rich work experiences, facilitating the Company with optimization of strategy, enhancement of management and improvement of operation.

The Board of the Company has established four special committees hereunder, namely the Strategy Committee, the Audit and Risk Management Committee, the Remuneration and Evaluation Committee and the Nomination Committee. During the reporting period, all the committees carried out work in a regular manner, presented work proposals from their respective professional perspectives independently for discussion and consideration, whereby providing strong support to the Board.

The Board is mainly responsible for formulating and reviewing the corporate governance policies and practices of the Company, and authorizing the special committees to perform specific functions of corporate governance. Details of the Board committees performing corporate governance functions are set out in the section headed "Board committees" in this chapter. The composition of the Board, biographical details of Directors and relationship between them are detailed in the chapter headed "Directors, Supervisors, Senior Management and Staff" and the section headed "Report of Directors-Financial, business or family relationship among members of the Board". Each Director was appointed for a term of three years. Upon expiry, such term is renewable upon re-election.

In 2017, the Company purchased liability insurance for Directors, Supervisors and Senior Management of the Company to provide security for the compensation liabilities that may rise during the performance of their duties in accordance with laws.

(II) Convening of the Board meetings during the reporting period

Number of the Board meetings convened during the year	11

CORPORATE GOVERNANCE REPORT

(III) Attendance of Directors at the Board meetings and the general meetings

		Attendance at the Board meetings						Details of attendance at the general meetings
Name of Directors	Independent Director or not	Required attendance during the year	Attendance in person	Attendance by communication	Attendance by proxy	Absent	Absent from two consecutive meetings or not	Number of attendance at the general meetings
Liu Hualong	No	11	11	0	0	0	No	1
Sun Yongcai Note	No	7	7	0	0	0	No	0
Xu Zongxiang Note	No	7	7	0	0	0	No	0
Liu Zhiyong	No	11	11	1	0	0	No	1
Li Guo'an	Yes	11	11	1	0	0	No	1
Wu Zhuo	Yes	11	11	0	0	0	No	1
Sun Patrick	Yes	11	10	0	1	0	No	1
Chan Ka Keung, Peter	Yes	11	11	1	0	0	No	1
Xi Guohua Note	No	5	4	0	1	0	No	1
Zhang Zhong Note	No	4	4	0	0	0	No	1

Note: Zhang Zhong has resigned due to his age on 20 June 2017; Xi Guohua has resigned due to work adjustment on 26 July 2017. Sun Yongcai and Xu Zongxiang have been elected as executive Directors by the general meeting on 20 June 2017.

(IV) Development and refreshment of knowledge and skills by Directors

The Board Office provided comprehensive services and sufficient information for the Directors, so that the Directors can understand the conditions of the Company in a timely manner. The Board Office delivered to Directors the latest information and bulletins relating to the business changes and development of the Company and the latest laws, rules and regulations in relation to their positions and responsibilities. The Board Office also arranged themed trainings and seminars for Directors. In 2017, pursuant to the requirements under code provision A.6.5 of the Code, Directors of the Company all participated in continuous professional development activities in relation to their positions and responsibilities, to develop and refresh their knowledge and skills, so as to ensure that their contribution to the Board remains informed and relevant. Based on the trainings arranged for the Directors by the Company and the records of learning and trainings submitted by the Directors personally, the trainings received by each Director in 2017 are as follows:

Name of Director	Trainings *(Note)*
Executive Directors	
Liu Hualong	B, C
Sun Yongcai	B, C
Xu Zongxiang	A, B, C
Xi Guohua	B, C
Non-executive Directors	
Liu Zhiyong	B, C
Independent Non-executive Directors	
Li Guo'an	B, C
Wu Zhuo	B, C
Sun Patrick	B, C
Chan Ka Keung, Peter	B, C
Zhang Zhong	B, C

Note:

1. A, B and C in the above table represent trainings of the following types respectively:

   A. 2017 training session for Directors, Supervisors and Senior Management organized by the Beijing Securities Regulatory Bureau

   B. Attending seminar trainings in aspects such as legal regulation, corporate governance and financial control organized by professional institutes

   C. Studying and reading relevant laws and regulations (revised and amended) such as the Hong Kong Listing Rules

2. Zhang Zhong has resigned due to his age on 20 June 2017; Xi Guohua has resigned due to work adjustment on 26 July 2017. Sun Yongcai and Xu Zongxiang have been elected as executive Directors by the general meeting on 20 June 2017.

(V) Independent non-executive Directors and their independence

The Board currently comprises four independent non-executive Directors and one non-executive Director. All members of the Remuneration and Evaluation Committee under the Board are independent non-executive Directors. Independent non-executive Directors represent the majority of the members of the Nomination Committee and the Audit and Risk Management Committee, and the chairman of the Audit and Risk Management Committee, the Nomination Committee and the Remuneration and Evaluation Committee are all independent nonexecutive Directors.

The independent non-executive Directors of the Company have extensive expertise and experience, among whom Sun Patrick and Chan Ka Keung, Peter are accounting professionals. The independent non-executive Directors of the Company have submitted written confirmations of their independence as required by Rule 3.13 of the Hong Kong Listing Rules. The Company considers that the independence of each of the independent non-executive Directors has been established. During the reporting period, the independent non-executive Directors did not raise objections to the relevant matters of the Company.

(VI) Responsibilities of the Board

The Board is the decision-making institution of the Company, who reports to the general meeting and exercises several powers in accordance to the Articles of Association, mainly including, but not limited to the following: (1) to convene general meetings and implement resolutions of the general meetings; (2) to decide on the Company's business plans and investment plans; (3) to formulate the Company's annual financial budget plan, final accounts, profit distribution plan and plan for recovery of losses; (4) to formulate proposals for material acquisition, share repurchase by the Company, or merger, division, dissolution and transformation of the Company form; (5) to appoint or remove senior management members and, to decide on their remuneration and award and punishment matters; (6) to formulate the Company's basic management system; (7) to decide on the establishment of special committees of the Board and to consider and approve the proposals proposed by each special committee of the Board; and (8) to manage information disclosure matters of the Company, etc.

CORPORATE GOVERNANCE REPORT

(VII) Board committees

1. Strategy Committee

During the reporting period, the Strategy Committee, in strict compliance with requirements of the Working Rules for Strategy Committee of the Board of the Company, performed its duties in an independent and objective manner. The Strategy Committee of the first session of the Board comprises Mr. Liu Hualong, Mr. Liu Zhiyong, Mr. Sun Yongcai, Mr. Xu Zongxiang, Mr. Li Guo'an and Mr. Wu Zhuo. Mr. Liu Hualong serves as the chairman of the committee and Mr. Liu Zhiyong serves as the vice-chairman of the committee. The Strategy Committee shall be held accountable to the Board and its primary responsibilities are to study and make recommendations on the long-term development strategies and major investment decisions of the Company, and to supervise and examine the implementation of the annual business plan and investment plan under the authorization of the Board.

During the reporting period, the Strategy Committee of the first session of the Board of the Company held one meeting in total, at which 3 proposals were considered, including, among others, the Proposal on Investment Budget of CRRC Corporation Limited for 2017. The attendance of each member is as follows:

Name of Directors	Number of attendance/ Number of meeting	Attendance rate
Liu Hualong	1/1	100%
Liu Zhiyong	1/1	100%
Sun Yongcai	0/0	—
Xu Zongxiang	0/0	—
Li Guo'an	0/0	—
Wu Zhuo	1/1	100%
Xi Guohua	1/1	100%

Note: On 27 June 2017, Mr. Sun Yongcai, Mr. Xu Zongxiang and Mr. Li Guo'an were added as members of Strategy Committee at the twenty-fourth meeting of the first session of the Board of the Company. Mr.Xi Guohua resigned from his position a member of the Strategy Committee due to other work commitment on 26 July 2017.

CORPORATE GOVERNANCE REPORT

2. Audit and Risk Management Committee

During the reporting period, the Audit and Risk Management Committee of the Board, in strict compliance with requirements of the Working Rules for Audit and Risk Management Committee of the Board and the Annual Report Working Procedures for the Audit and Risk Management Committee of the Board, performed its duties in an independent and objective manner. The Audit and Risk Management Committee of the first session of the Board of the Company was served by Mr. Sun Patrick, Mr. Chan Ka Keung, Peter, Mr. Li Guo'an and Mr. Wu Zhuo, who are independent non-executive Directors; and Mr. Liu Zhiyong, a non-executive Director. Mr. Sun Patrick and Mr. Chan Ka Keung, Peter who have extensive professional knowledge and experience in accounting and are certified public accountants serving as the chairman and vice chairman of the Audit and Risk Management Committee, respectively. The Audit and Risk Management Committee shall be held accountable to the Board and its primary responsibilities are to propose the appointment or replacement of external auditors, to supervise and elaluate the work of external auditors, to review the Company's financial information and its disclosure, to monitor the Company's internal audit system and its implementation, to review the Company's internal control and risk management system as well as communication between internal auditors and external auditors. During the reporting period, the Audit and Risk Management Committee successfully accomplished the following work:

(1) Supervising external audit procedures and quality. The Audit and Risk Management Committee communicated with auditors for annual audit plan in respect of the 2016 annual audit arrangement and timetable. Having been debriefed special reports from the accounting firms, respectively, the committee determined the audit work arrangement of the Company for 2016.

(2) Reviewing the financial information of the Company and the disclosure thereof. The Audit and Risk Management Committee examined and studied the financial information as disclosed in the Company's report and financial statements, and carefully reviewed the resolution in relation to the financial report of the Company.

(3) Providing guidance to the Company's internal audit. The Audit and Risk Management Committee considered the proposals submitted by the audit department and reviewed and approved the internal audit work plan put forward by the Company and gave guidance and lay down requirements for carrying out internal audit.

(4) Reviewing the Company's implementation of internal control and risk management. The Audit and Risk Management Committee considered the proposals regarding internal control and risk management submitted by the Company and expressed review opinions on the internal control audit report of the Company for 2016.

CORPORATE GOVERNANCE REPORT

During the reporting period., the Audit and Risk Management Committee of the first session of the Board of the Company held seven meetings in total, at which 24 proposals were considered and approved, including, among others, the Proposal on Replacement of its Own Funds to Repay Interest-bearing Liabilities by Fund-raising, the Proposal on the 2016 Annual Report of CRRC Corporation Limited and the Proposal on the 2017 First Quarterly Report of CRRC Corporation Limited. The attendance of each member is as follows:

Name of Directors	Number of attendance/ Number of meeting	Attendance rate
Sun Patrick	6/7	85.71%
Chan Ka Keung, Peter	7/7	100%
Liu Zhiyong	7/7	100%
Li Guo'an	7/7	100%
Wu Zhuo	4/4	100%
Zhang Zhong	3/3	100%

Note: On 20 June 2017, Mr. Zhang Zhong resigned from his position a member of the Board due to his age; On 27 June 2017, Mr. Wu Zhuo was added as a member of the Audit and Risk Management Committee at the twenty-fourth meeting of the first session of the Board of the Company. Mr. Sun Patrick failed to attend the seventeenth meeting of the Audit and Risk Management Committee in person due to business affairs and appointed Mr. Chan Ka Keung, Peter as proxy to vote on his behalf.

3. Remuneration and Evaluation Committee

During the reporting period, the Remuneration and Evaluation Committee of the Board, in strict compliance with requirements of the Working Rules for Remuneration and Evaluation Committee of the Board, performed its duties in an independent and objective manner. The Remuneration and Evaluation Committee of the first session of the Board of the Company composed of Mr. Wu Zhuo, Mr. Chan Ka Keung, Peter, Mr. Liu Zhiyong, Mr. Li Guo'an and Mr. Sun Patrick. Mr. Wu Zhuo serves as the chairman of the committee and Mr. Chan Ka Keung, Peter serves as the vice chairman of the committee. The Remuneration and Evaluation Committee shall be held accountable to the Board and its primary responsibilities are to submit proposals to the Board on the Company's remuneration policy and structure for all Directors and Senior Management and on the establishment of a formal and transparent procedure for developing remuneration policy; to review the remuneration policies and schemes for the Directors and Senior Management; to formulate the evaluation criteria for them and to evaluate their performance of duties to submit proposals to the Board on the formulation of the remuneration packages for certain executive Directors and Senior Management; to review and monitor the continuing professional development of the Directors and Senior Management; and to monitor the implementation of the Company's remuneration system.

During the reporting period, the first session of the Remuneration and Evaluation Committee of the Board of the Company held two meetings in total, at which four proposals were considered and approved, including, among others, the Proposal on Scheme of Remuneration to certain external Directors of CRRC Corporation Limited. The attendance of each member is as follows:

Name of Directors	Number of attendance/ Number of meeting	Attendance rate
Wu Zhuo	2/2	100%
Chan Ka Keung, Peter	2/2	100%
Liu Zhiyong	0/0	—
Li Guo'an	2/2	100%
Sun Patrick	1/2	50%
Zhang Zhong	1/1	100%

Note: On 20 June 2017, Mr. Zhang Zhong resigned from his position a member of the Board due to his age; On 27 June 2017, Mr. Liu Zhiyong was added as a member of the Remuneration and Evaluation Committee at the twenty-fourth meeting of the first session of the Board of the Company. Mr. Sun Patrick failed to attend the third meeting of the Remuneration and Evaluation Committee in person due to business affairs and appointed Mr. Chan Ka Keung, Peter as proxy to vote on his behalf.

4. Nomination Committee

During the reporting period, the Nomination Committee of the Board, in strict compliance with requirements of the Working Rules for Nomination Committee of the Board, performed its duties in an independent and objective manner. The first session of the Nomination Committee of the Board of the Company comprises of Mr. Li Guo'an, Mr. Liu Hualong, Mr. Sun Yongcai, Mr. Wu Zhuo and Mr. Sun Patrick. Mr. Li Guo'an serves as the chairman of the committee. The Nomination Committee is held accountable to the Board and its primary responsibilities are to formulate the nomination procedures and selection standards of the Directors and Senior Management and to preliminarily review the eligibility and other qualifications of the candidates for the Directors and Senior Management. The standards of recommendation on the nomination of the Directors include suitable professional knowledge and industry experience, personal conduct, integrity and skills and commitment to devote sufficient time; and to monitor the implementation of the Board Diversity Policy and to review and amend the policy, as appropriate, to ensure its effectiveness.

The candidates for Directors, except independent Directors, shall be nominated by the Board or shareholders individually or collectively holding more than 3% of the shares of the Company with voting rights, and elected at a general meeting of the Company. The candidates for independent Directors shall be nominated by the Board, Supervisory Committee of the Company or shareholders individually or collectively holding more than 1% of the shares of the Company and elected at a general meeting.

During the reporting period, the Nomination Committee adopted the Board Diversity Policy. When reviewing the size and composition of the Board and searching for and recommending candidates for Directors, the Nomination Committee should take into account relevant factors to achieve the diversity of the Board in accordance with the Company's business model and specific needs. The Committee may consider the diversity of the Board from various aspects, including but not limited to, gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service and so forth. Upon consideration of the above factors, the Nomination Committee shall make a final recommendation to the Board based on merit and contribution that the selected candidates will bring to the Board.

CORPORATE GOVERNANCE REPORT

During the reporting period, the first session of the Nomination Committee of the Board of the Company held four meetings in total, at which eight proposals were considered, including, among others, the Proposal on the Assessment of the Independence of the Independent Non-executive Directors, the Proposal on the Nomination of Candidates for Directors for the First Session of the Board. The attendance of each member is as follows:

Name of Directors	Number of attendance/ Number of meeting	Attendance rate
Li Guo'an	4/4	100%
Liu Hualong	2/4	50%
Sun Yongcai	1/1	100%
Wu Zhuo	4/4	100%
Sun Patrick	2/2	100%
Zhang Zhong	2/2	100%
Xi Guohua	2/2	100%

Note: On 20 June 2017, Mr. Zhang Zhong resigned from his position a member of the Board due to his age; On 26 July 2017, Mr. Xi Guohua resigned from his position as member of the Board due to work adjustment; On 27 June 2017, Mr. Sun Patrick was added as a member of the Nomination Committee at the twenty-fourth meeting of the first session of the Board of the Company. Mr. Liu Hualong failed to attend the fourth and fifth meeting of the Nomination Committee in person due to business affairs and appointed Mr. Xi Guohua as proxy to vote on his behalf.

IV. CHAIRMAN AND PRESIDENT

To ensure the balanced distribution of power and authorization and to avoid excessive concentration of power, the positions of the chairman and the president are assumed by different persons, so as to improve independence, accountability and responsibility. The chairman and the president are two distinctly different positions, with clean division of responsibilities as set out in the Articles of Association.

As the legal representative of the Company, the chairman presides over the operations of the Board, with the aim to ensure that the Board acts in the best interests of the Company and operates effectively, performs its responsibilities accordingly and has discussion over various important and appropriate matters so that the Directors have access to accurate, timely and clear data. The president, on the other hand, leads the management and is responsible for the management of the day-to-day operations of the Company, including the implementation of the policies adopted by the Board, and reporting to the Board on the Company's overall operation. The Articles of Association set out in detail the respective responsibilities of the chairman and the president.

On 12 October 2017, having been considered and approved at the 26th meeting of the first session of the Board of the Company, Mr. Sun Yongcai, the general manager of CRRCG (controlling shareholder of the Company), has been appointed as the president of the Company. In February 2018, CRRCG has received the letter on the Waiver the Senior Management of CRRC GROUP Co., Ltd. from Part-time Job Limit (letter from Listing Department [2018]N0.193) (《關於同意豁免中國中車集團有限公司高級管理人員兼職限制的函》 (上市部函[2018]193號)), according to which it agreed to waive Mr. Sun Yongcai, the Senior Management, from part-time job limit.

The independent Directors of the Company expressed the independent view on the performance status of Mr. Sun Yongcai during the period of his concurrent post as the general manager of CRRCG (controlling shareholder of the Company), which is as follows: Mr. Sun Yongcai presided in the production and operation work in the Company, paid close attention to relevant events in relation to the finance management and business development of the Comapny, implemented the resolutions of the general meeting and the Board and performed the president function and excised the president right pursuant to the laws and regulations of PRC and the requirement from regulatory documents and the Articles of Association of CRRC Corporation Limited and the authorization form the Board of the Company, which demonstrated that he really performed the due diligent obligation that should be performed by the president of the Company. Mr. Sun Yongcai strictly observed the relevant commitments such as avoiding horizontal competition, regulating related transaction and guarantying the independence of the Company made by CRRC GROUP Co., Ltd.; carried out work with diligence and responsibility and performed the president function of the Company in priority, which protected the interest of the Company and its minority shareholders in whole.

V. SUPERVISORS AND THE SUPERVISORY COMMITTEE

The Supervisory Committee is the supervisory body of the Company, who reports to the general meeting of the Company and is responsible for supervising the Company's financial condition and compliance of the performance of duties by Directors and Senior Management, so as to protect the interests of the Company and shareholders under the laws. The Company has convened and held meetings of the Supervisory Committee in accordance with the Rules of Procedures for the Supervisory Committee, and taken effective measures to ensure the Supervisor's rights to be informed. All Supervisors were able to duly discharge their respective duties and acted in the interests of the shareholders. Besides, they supervised all significant events, financial affairs of the Company as well as the legal compliance of the performance of duties by the Directors and senior management of the Company.

VI. RESPONSIBILITIES OF THE MANAGEMENT

The Board is responsible for reviewing and approving the overall strategies and significant events of the Company. The Board delegates to the management of the Company to be in charge of the management of the daily operation and strategy implementation of the Company. The main responsibilities of the management include taking charge of the operation and management of the Company, organising the implementation of the resolutions of the Board, and reporting its work to the Board. The management also organizes the implementation of the annual business and investment plans of the Company. In addition, the management proposes the annual targets and a development plan of the Company based on the national industry policies and the demand of markets, and organizes the implementation of the same upon consideration and approval at the Board meetings and general meetings. The Board gives clear guidelines on the delegation to the management and regularly reviews the responsibilities delegated to the management and their performance so as to ensure the overall interest of the Group. The management of the Company submits briefing reports to the Board on a monthly basis, which set out the financial position and significant operating performance of the Company. Issues such as the significant activities and decisions in the operation and management will also be reported to the Board or Supervisory Committee by the management.

CORPORATE GOVERNANCE REPORT

VII. SHAREHOLDERS' RIGHTS

(I) Convening of an extraordinary general meeting by shareholders

Pursuant to the Articles of Association, shareholders individually or collectively holding more than ten percent (10%) of the issued shares of the Company with voting rights are entitled to convene an extraordinary general meeting or separate meeting of classes of shareholders by written request. Feedback on whether agreeing to convene the extraordinary general meeting or separate meeting of classes of shareholders shall be given by the Board within ten (10) days upon receipt of the request.

Shareholders proposed to convene the extraordinary general meeting or separate meeting of classes of shareholders by written request are entitled to propose to the Supervisory Committee for convening the extraordinary general meeting or separate meeting of classes of shareholders upon disagreement or no feedback on convening the extraordinary general meeting or separate meeting of classes of shareholders from the Board within ten (10) days upon receipt of the request. Notice on convening the meeting shall be issued by the Supervisory Committee within five (5) days upon receipt of request where the committee agrees to convene the meeting. The Supervisory Committee is deemed to not to convene and host the general meeting if notice on convening the meeting is not issued by the committee within the stipulated period. Shareholders individually or collectively holding more than ten percent (10%) of the shares of the Company for a consecutive period of ninety (90) days can convene and host the meeting by themselves.

(II) Putting enquiry to the Board by shareholders

Shareholders can make enquiries to the Board at any time by contacting the Board Office. Shareholders who raise enquiries shall provide evidence on their interests in the Company's shares, such as documents of shareholding. Written means such as email, facsimile and post with sufficient contact details are recommended by the Company for timely and appropriately handling and recording of the enquiries.

Contact details of the Board Office of the Company are as follows:

Tel: (8610) 5186 2188
Fax: (8610) 6398 4785
Email: crrc@crrcgc.cc
Postal address: No.16-5, Central West Fourth Ring Road, Haidian District, Beijing, the PRC

(III) Submission of proposals to the general meetings by shareholders

Shareholders individually or collectively holding more than three percent (3%) of the shares of the Company can submit additional proposal(s) in writing to the convenor on or before ten (10) days prior to the date of the general meeting. The additional proposal(s) should be within the terms of reference of the general meeting and with explicit subject and specific matters to be resolved on. Shareholders can contact the Board Office of the Company for submitting proposal(s) to the general meeting, the contact details of which are set out in the section headed "Putting enquiry to the Board by shareholders".

VIII. SIGNIFICANT CHANGE IN THE ARTICLES OF ASSOCIATION DURING THE REPORTING PERIOD

After considered and approved by the 2015 Annual General Meeting of the Company and an approval granted by CSRC, the Company completed the non-public issuance of 1,410,105,755 ordinary shares denominated in Renminbi (A Shares) in January 2017, and the total number of shares of the Company increased from 27,288,758,333 shares to 28,698,864,088 shares. According to the actual conditions of share issuance and the requirements of the industrial and commercial registration authority, the Company proposes to amend the relevant provisions in the Articles of Association in respect of registered capital and shareholding structure and completes the relevant procedures for the change in industrial and commercial registration/filing. Please refer to the announcement dated on 22 May 2017 published by the Company on the websites of Shanghai Stock Exchange and the Stock Exchange.

IX. ESTABLISHMENT AND IMPLEMENTATION ON THE EVALUATION AND INCENTIVE SYSTEM FOR THE SENIOR MANAGEMENT DURING THE REPORTING PERIOD

The Company conducts annual evaluation on the performance of the Senior Management by focusing on the evaluation and appraisal made on work performance, personal objective and behavior as well as teamwork. The remuneration of the Senior Management, including basic salary and performance bonus is determined based on performance evaluations made by the Company in the year.

X. DIRECTORS' RESPONSIBILITIES IN RESPECT OF FINANCIAL STATEMENTS

The Directors confirm that they are responsible for the preparation of the financial statements of the Company for the year ended 31 December 2017, in order to truly and impartially report the financial conditions and business results of the Company, and undertake relevant responsibilities for preparation of the financial statements of the Company. The Audit and Risk Management Committee of the Company has reviewed the financial statements of the Company for the year ended 31 December 2017.

With the assistance of the accounting department, the Directors ensure that the financial statements of the Company were prepared in accordance with relevant laws, regulations and applicable accounting standards. The Directors also ensure that the financial statements have been and will be published in due course.

The responsibility statement made by the Company's auditors in respect of the financial statements is set out in the section headed "Independent Auditors' Report" of this annual report.

XI. CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS

The Company has adopted the Management Method Regarding the Shareholding of Directors, Supervisors and Senior Management on terms no less exacting than the required standards of securities transaction set out in the Model Code. Relevant employees who are likely to learn inside information in relation to the securities of the Company are also subject to the rules required under such document.

As of 31 December 2017, after making specific inquiries with all Directors and Supervisors, the Company confirmed that all Directors and Supervisors have complied with the relevant codes on securities transactions by Directors and Supervisors as set out in the Model Code and the Management Method regarding Shareholding of Directors, Supervisors and Senior Management of the Company.

XII. AUDITORS

On 20 June 2017, the Resolution on Engagement of Auditors for 2017 was considered and approved at the 2016 annual general meeting. According to the above resolution, the Company appointed Deloitte Touche Tohmatsu as the auditor for 2017 financial report prepared under the IFRSs; and engaged Deloitte Touche Tohmatsu CPA LLP and KPMG Huazhen LLP as the auditors in respect of financial report prepared under domestic financial reporting standards and in respect of internal control for 2017. Among which, Deloitte Touche Tohmatsu CPA LLP is the principal auditor.

In 2017, the Company had paid the auditors an aggregate fee (tax inclusive) of RMB28.60 million, which included advance payments such as travel expenses and communication costs etc. In particular, the audit fees (tax inclusive) paid in respect of financial statements amounted to RMB22.30 million, audit fees (tax inclusive) paid in respect of internal control amounted to RMB2.00 million, fees (tax inclusive) paid in respect of interim agree-upon procedures amounted to RMB4.10 million and fees (tax inclusive) paid in respect of verification of placement and actual use of the proceeds of the Company amounted to RMB0.20 million.

XIII. RISK MANAGEMENT AND INTERNAL CONTROL

The Board is responsible for ongoing supervision of the Company's risk management and internal control and shall ensure that the risk management and internal control of functional departments and affiliated entities of the Company shall be assessed at least annually. The Board shall ensure that the risk management and internal control is assessed on sufficiency of resources, staff qualification and experience, relevant training and relevant budget on an annual basis. The Company has disclosed the risk management and internal control assessment in compliance with the relevant requirements under the Guidelines on Comprehensive Risk Management of Enterprises Directly under the Central Government, the Basic Practices of Internal Control of Enterprises and the Hong Kong Listing Rules, etc.

The Company has established its internal auditing function, and the Board is responsible for supervising the Company's risk management and internal control systems and reviewing their effectiveness through the Audit and Risk Management Committee. The Audit and Risk Management Committee shall assist the Board in the performance of its supervision of the Company's resources in finance, operation, compliance, risk management and internal control and financial and internal auditing functions as well as its role in corporate governance.

The Company has established a clearly defined organization structure with proper authorization, and has strict rules of procedure and reporting procedures in place. The audit and risk department of the Company assists the Board and the Audit and Risk Management Committee in the ongoing supervision and improvement of the effectiveness of the risk management and internal control systems. The Board is regularly informed of material risks which may affect the Company's performance through the Audit and Risk Management Committee.

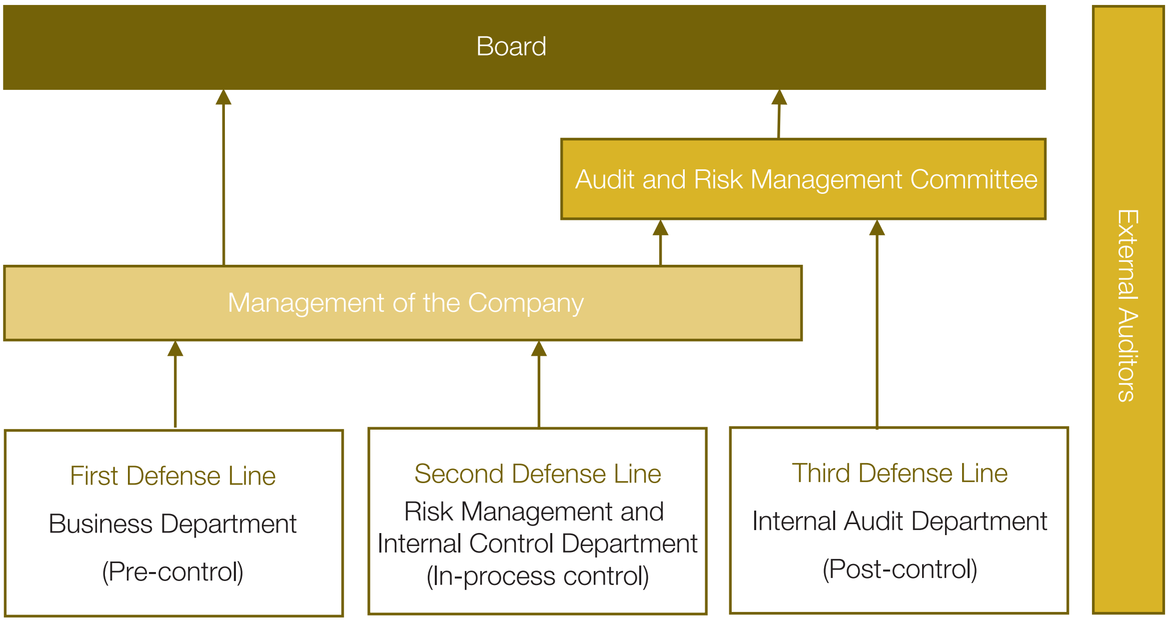
The Board is responsible for the risk management and internal control systems mentioned above, and is responsible for reviewing the effectiveness of such systems. The Board further clarifies that the abovementioned systems were established to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide a reasonable but not absolute assurance against misstatement or loss.

The Company has established appropriate policies and monitoring procedures to ensure that no assets will be used or disposed without authorization. The Company maintains reliable financial and accounting records in accordance with relevant accounting standards and regulatory reporting procedures, and properly identifies major risks which may affect the Company's performance and reasonably ensures that the level of risk is within the acceptable scope of the Company.

The Company regulates the handling and dissemination of inside information in accordance with the obligation policy and various supplementary procedures of the Company so that inside information remains confidential until their disclosure is duly approved, and such information can be published effectively and consistently.

CORPORATE GOVERNANCE REPORT

The risk management and internal control structure of the Company is guided under the following "Three Defense Lines (三道防線)" model.



The risk management and internal control department of the Company organizes the functional departments and affiliated entities of the Company to conduct annual risk assessment, prepare risk assessment report and report to the Audit and Risk Management Committee annually on a regularly basis. The functional departments and affiliated entities of the Company implement responding measures in respect of material risks in accordance with their respective responsibilities and report to the risk management and internal control department of the Company annually. Matters to be assessed include, among other things, risk management and internal control work scope of operation management, reporting of risk management and internal control work by operation management to the Board or the Audit and Risk Management Committee, changes in nature and severity of material risks subsequent to review in the previous year, the Company's abilities to respond to business transformation and changes in external environment and assessment on material risk management and internal control errors or material risk management and internal control defects identified during the period.

The audit and risk department of the Company reports to the Audit and Risk Management Committee on a regularly basis, including annual work plan, important audit report, material risks and responding measures implemented.

The audit and risk department of the Company carries out the work based on risks and problems. The annual work plan of the audit and risk department of the Company covers the Company's operation, business and finance and major procedures of its affiliated entities, and reports the audit findings to the Board and management of the Company. The audit and risk department of the Company urges relevant entities to rectify the problems identified in the audit process and reports the progress of rectification to the Audit and Risk Management Committee and the management on a regularly basis.

The audit and risk management department of the Company reports the sufficiency and effectiveness of its monitoring to the Board, the Audit and Risk Management Committee, chief executive officer and chief finance officer of the Company.

CORPORATE GOVERNANCE REPORT

The management of the Company, with assistance of the risk management and internal control department and the internal audit department, is responsible for the design, implementation and monitoring of the risk management and internal control systems, and submitting the report on the effectiveness of risk management and internal control to the Board and the Audit and Risk Management Committee.

The Company has adopted various policies and procedures to evaluate and enhance the effectiveness of the risk management and internal control systems, including requiring the management of the Company to conduct assessment on a regularly basis and control the risks at a level which is acceptable to the Company to ensure that the risk management and internal control systems operate effectively, which the Company believes will enhance the future corporate governance and improve the risk management and internal control capacities of the Company.

The Company has integrated risk management and internal control into its daily operations. The functional departments and affiliated entities of the Company continuously conduct risk assessment, formulate risk management strategies and risk responding measures, assess residual risk and report risk events and responding measures implemented to the risk management and internal control department of the Company on a seasonal basis. The risk management and internal control department of the Company summarizes the possibility and effect of risk events, analyses the effectiveness of risk management and internal control strategies and responding measures and reports to the management and the Board of the Company on a regularly basis.

In 2017, the risk management and internal control department of the Company organized various departments and affiliated entities to continuously conduct risk management and internal control activities to improve the effectiveness of risk management and internal control, including but not limited to the following: organized and conducted annual risk assessment and responding management; organized and conducted annual internal control evaluation; carried out risk management and internal control consultation in respect of its affiliated entities in order to improve their risk management and internal control capacities; organized and conducted risk evaluation on significant projects such as investment, merger & acquisition and export; prepared and released 19 risk management and internal control guidelines and guidebooks. The risk management and internal control department submitted the latest report on risk management and internal control to the Board and the Audit and Risk Management Committee during the year, and assisted the Board in reviewing the effectiveness of the risk management and internal control systems of the Company.

In 2017, the internal audit department of the Company carried out special inspection and monitoring on the effectiveness of the risk management and internal control systems of the Company in terms of finance, operation and compliance monitoring and reported the relevant findings to the management and the Board of the Company.

The Audit and Risk Management Committee and the Board have not identified any risk event which materially affects the Company's financial condition or operating results and consider that the risk management and internal control systems are reasonably designed and operated effectively, including there are sufficient resources, staff qualification and experience for accounting, internal audit and financial reporting functions as well as sufficient staff training programs and budget.

In addition to monitoring and inspection of the risk management and internal control implemented by the Company, external auditors also evaluate the sufficiency and effectiveness of the risk management and internal control of the Company as part of its statutory audit. The Company will adopt the relevant recommendations of external auditors to enhance its risk management and internal control.

In 2017, Deloitte Touche Tohmatsu CPA LLP and KPMG Huazhen LLP audited the financial statements and the effectiveness of relevant internal control of the Company, and issued an audit report with unqualified opinion. Relevant report has been reviewed and approved by the Audit and Risk Management Committee.

RELEVANT INFORMATION OF CORPORATE BONDS

I. BASIC INFORMATION OF CORPORATE BONDS

The Company holds a 2013 five-year corporate bond of CSR Corporation Limited (first tranche), a 2013 ten-year corporate bond of CSR Corporation Limited (first tranche) and a 2016 five-year corporate bond of CRRC Corporation Limited (first tranche).

The 2013 five-year corporate bond of CSR Corporation Limited (first tranche) was issued by CSR on 22 April 2013 and will expire on 22 April 2018. The outstanding balance of the bond is RMB1,500 million, and bears an interest rate of 4.70%. The interest on the bond will be paid annually and the principal will be repaid in one sum. The bond is listed and traded on the SSE.

The 2013 ten-year corporate bond of CSR Corporation Limited (first tranche) was issued by CSR on 22 April 2013 and will expire on 22 April 2023. The outstanding balance of the bond is RMB1,500 million and bears an interest rate of 5.00%. The interest on the bond will be paid annually and the principal will be repaid in one sum. The bond is listed and traded on the SSE.

The 2016 five-year corporate bond of CRRC Corporation Limited (first tranche) was issued by the Company on 30 August 2016 and will expire on 30 August 2021. The outstanding balance of the bond is RMB2,000 million and bears an interest rate of 2.95%. The interest on the bond will be paid annually and the principal will be repaid in one sum. The bond is listed and traded on the SSE.

Interests payment for corporate bonds

On 19 April 2017, CRRC Corporation Limited published its Announcement on Interests Payment of 13 CSR 01 Corporate Bond and Announcement on Interests Payment of 13 CSR 02 Corporate Bond and paid the interests of 13 CSR 01 and 13 CSR 02 for the period from 22 April 2016 to 21 April 2017 on 24 April 2017. On 23 August 2017, CRRC Corporation Limited published its Announcement on Interests Payment of 16 CRRC 01 Corporate Bond and paid the interests of 16 CRRC 01 for the period from 30 August 2016 to 29 August 2017 on 30 August 2017.

RELEVANT INFORMATION OF CORPORATE BONDS

II. ENHANCING BOND CREDIT MECHANISM OF THE COMPANY DURING THE REPORTING PERIOD

On 5 August 2015, with the approval from SASAC of the State Council, CNRG and CSRG signed the Merger Agreement of China Northern Locomotive & Rolling Stock Industry (Group) Corporation and CSR Group (《中國北方機車車輛工業集團公司與中國南車集團公司之合併協議》). It was agreed that CNRG will merge with CSRG by way of absorption, CSRG will be de-registered, CNRG will be renamed as "CRRC Group" (中國中車集團公司) and all assets, liabilities, businesses, employees, contracts, qualifications and all other rights and obligations of CSRG will be assumed by CRRCG, the postmerger corporation. On 7 September 2015, the trustee, China International Capital Corporation Limited (中國國際金融股份有限公司), convened the second meeting of bondholders of 2013 corporate bond of CSR Corporation Limited (first tranche) in 2015 at meeting room No. 2810 of China International Capital Corporation Limited at 28th Floor, China World Office 2, 1 Jianguomenwai Avenue, Beijing, P.R. China, where the Proposal on CRRC Group' s Assumption of CSR Group's Obligation of Guarantee for this Tranche of Bond (《關於中國中車集團公司承繼中國南車集團公司對本期債券擔保義務的議案》) was considered and approved. On 24 September 2015, CNRG completed the registration of change of name and changed its name to "CRRC Group (中國中車集團公司)". The obligation of CSRG as a guarantor for the 2013 five-year corporate bond of CSR Corporation Limited (first tranche) and the 2013 ten-year corporate bond of CSR Corporation Limited (first tranche) was assumed by CRRCG.

On 14 December 2017, CRRC Corporation Limited published the Announcement of CRRC Corporation Limited on the Restructuring and Renaming of Its Controlling Shareholders and Change of Industrial and Commercial Registration Matters Thereof (《中國中車股份有限公司關於控股股東改制更名及相關工商登記事項變更的公告》). Subject to the approval of SASAC, CRRCG was transformed into a wholly state-owned enterprise (國有獨資公司) from an enterprises owned by the whole people (全民所有制企業). After restructuring, the full name of CRRCG is "中國中車集團有限公司 (CRRC GROUP Co., Ltd.)", and SASAC shall perform its duties as an investor on behalf of the State Council. All claims and debts, various professional and special qualifications and licenses of CRRCG shall be assumed by CRRC GROUP Co., Ltd..

III. ACCOUNTING DATA AND FINANCIAL INDICATORS OF THE COMPANY FOR LAST TWO YEARS AS AT THE END OF THE REPORTING PERIOD

Unit: '000 Currency: RMB

Major indicator	2017	2016	Change between the period and same period last year
EBITDA	23,230,824	24,539,775	-5.33%
Current ratio	1.26	1.20	5.00%
Quick ratio	0.84	0.76	10.53%
Gearing ratio (%)	62.19	63.40	Decreased by 1.21 percentage points
EBITDA of total debt ratio (%)	9.96	11.45	Decreased by 1.49 percentage points
Interest coverage multiple	9.96	13.35	-25.39%
Cash interest coverage multiple	13.64	19.90	-31.46%
EBITDA interest coverage multiple	13.82	18.16	-23.90%
Loan repayment rate (%)	100.00	100.00	–
Interest paid coverage (%)	100.06	104.00	Decreased by 3.94 percentage points

Note: There was a change of 31.46% in the cash interest coverage multiple, which was mainly due to a decrease in net cash inflow from operating activities in current period.

RELEVANT INFORMATION OF CORPORATE BONDS

IV. BANK CREDIT FACILITIES DURING THE REPORTING PERIOD

As at 31 December 2017, the table below sets forth details on the amount of bank credit facilities, the utilized amount and the outstanding credit facilities of the Company:

Unit: '000 Currency: RMB

Name of bank	Amount of credit facilities	Utilized amount	Outstanding credit facilities
CITIC Bank	28,000,000	4,936,573	23,063,427
Industrial Bank Beijing Branch	3,000,000	—	3,000,000
China Development Bank	19,800,000	1,000,000	18,800,000
Everbright Bank	3,500,000	—	3,500,000
Bank of Communications Beijing Branch	10,000,000	1,000,000	9,000,000
SPD Bank	2,500,000	—	2,500,000
Beijing Rural Commercial Bank	3,500,000	1,400,000	2,100,000
Bank of Kunlun	1,000,000	500,000	500,000
China Construction Bank	11,500,000	4,095,362	7,404,638
ICBC	11,000,000	3,000,000	8,000,000
Bank of China	20,000,000	8,107,184	11,892,816
The Export-Import Bank of China	55,700,000	—	55,700,000
China Minsheng Bank	20,000,000	4,838,513	15,161,487
Agricultural Bank of China	5,500,000	700,000	4,800,000
China Merchants Bank Beijing Branch	10,000,000	1,919,906	8,080,094
Societe Generale	100,000	19,005	80,995
China Guangfa Bank	8,000,000	—	8,000,000
Total	213,100,000	31,516,543	181,583,457

Unit: '000 Currency: US dollars

Name of bank	Amount of credit facilities	Utilized amount	Outstanding credit facilities
Standard Chartered Bank	665,000	665,000	—
DBS	100,000	2,513	97,487
Citibank	200,000	200,000	—
Societe Generale	200,000	—	200,000
Total	1,165,000	867,513	297,487

RELEVANT INFORMATION OF CORPORATE BONDS

V. EXPLANATION OF THE EXECUTION OF RELEVANT COVENANTS OR UNDERTAKING SET OUT IN THE PROSPECTUS OF CORPORATE BONDS OF THE COMPANY DURING THE REPORTING PERIOD

During the reporting period, the Company has paid interest and repaid principal to bondholders in respect of the 2013 five-year corporate bond of CSR Corporation Limited (first tranche), the 2013 ten-year corporate bond of CSR Corporation Limited (first tranche) and the 2016 five-year corporate bond of CRRC Corporation Limited (first tranche) in strict compliance with principal and interest repayment arrangements prescribed in the prospectus, without any breach of the relevant covenants or undertaking thereto.

VI. SIGNIFICNAT EVENTS OF THE COMPANY AND THEIR IMPACT ON THE OPERATION AND SOLVENCY OF THE COMPANY

During the reporting period, there was no event which may have any significant impact on the operation and solvency of the Company.

INVESTOR RELATIONS

In 2017, under tremendous pressures on the Company's operating performance, we established a platform for communication with investors and smoothed the channels for communication with investors, in order to communicate effectively with investors, continuously expand the Company's influence in the capital market, increase the Company's market value, and actively achieve the coordination of the maximization of shareholders' interest and the improvement of the Company's intrinsic value.

In 2017, through various ways including release of performance press conferences, global roadshow promotion, shareholders' meetings, investment forums, company visits and conference calls, etc., the Company conducted active, honest and direct communications with investors and analysts. The Company organized two roadshows and one reverse roadshow, received 97 visits with a total of 490 persons, held 74 conference calls, arranged 16 researches and inspections of its subsidiaries, participated in 25 strategic meetings of securities companies and answered more than 650 phone calls based on available statistics throughout the year. In early April 2017, the Company organized the 2016 annual performance presentation in Hong Kong, and a total of nearly 100 investors and senior analysts from major financial institutions took part in the event. Afterwards, the Company conducted the annual performance roadshow and two teams of the Company successively held 33 one-to-one meetings and 10 one-to-many meetings with investors, potential investors and analysts in Hong Kong, Frankfurt, London, Paris, Boston, New York, Los Angeles and other places. In mid-May, the Company organized the non-trading roadshow in Singapore, and had 8 one-to-one meetings and 4 one-to-many meetings with investors, potential investors and analysts on various matters including the Company's future development prospect. In late August, the Company organized analysts to have reverse roadshow activities, and successively held analysts' inspection and research activities in Jinan and Nanjing, so as to enable investors to understand the production, operation and industry development of the Company's wind power, industrial logistics and rapid transit vehicle businesses and to increase the investors' confidence in investing in the Company's shares. The Company participated in a number of strategic meetings organized by influential securities companies, and communicated with investors face to face in one-to-one or one-to-many ways. The Company held a general meeting to enable shareholders to keep abreast of the Company's major decision-making projects and participate in the decision-making process, so as to enhance shareholders' confidence in the development of the Company.

The core of the Company's works in investor relations lies in strengthening the communications with investors and potential investors, including communications with the media and customers. In March 2017, the third session of "Fans Reception of CRRC" was successfully held at Ziyang Company. Locomotive fans from all walks of life participated in the event. The event provided locomotive fans with activity carriers and platforms to learn about train culture and cutting-edge technologies, through which more people can learn about the development process of the rail transportation in China. In May, CRRC products debuted at the "One Belt One Road" International Cooperation Summit Forum ("一帶一路"國際合作高峰論壇) held from 14 May to 15 May. During the two-day meeting, models of CRRC became the focus of the conference venue. Political figures and journalists from various countries took photos in front of the models, which became the most beautiful scene in the Summit Forum. In June, at the fourth Sina-Russia Expo held in Harbin, CRRC yielded brilliant results as it attracted a large number of Chinese and foreign businessmen to inquire with its high-end rail equipment technology and sophisticated products that have shown the strength of the Company. In the same month, CRRC showed eye-catchingly, for the fifth occasion, at the 15th China-Straits Project Outcome Trade Fair opened in Fuzhou, with complete series and systematic transportation products such as high speed EMUs, intercity EMUs and urban trail vehicles and export vehicles. Also in June, the 14th Beijing International Urban Rail Transit Exhibition was opened at the Beijing China International Exhibition Center, during which CRRC showed with new virtual and real forms, receiving nearly 20,000 audience. Particularly, the representatives of BRIC government delegation along "One Belt One Road" came to CRRC's exhibition, gave their much praise for the achievements of CRRC in the field of urban rail transit, and expressed the intention of cooperation. In September, the sixth Russia 1520 International Railway and Rail Transit Exhibition was held at the experimental base of Moscow National Railway Transport Science Institute, at which CRRC presented with Chinese standard EMU "Fuxinghao" and AC drive high-power electric locomotives exported to Belarus. Druing 4 days' exhibition, CRRC's exhibition stand has been much busy with rounds of small or large negotiation with businessmen from the world, especially CIS countries. At the conclusion of exhibition, CRRC was granted the Largest-scale Exhibitor Award (最具規模參展企業獎) by the organizer.

INVESTOR RELATIONS

The Company continued to improve its working procedures and system during the year. In compliance with the Company Law, the Securities Law, the Working Guidelines for the Relationship Between Listed Companies and other relevant regulations and requirements, and taking into account the actual situation of the Company, the Company's management systems including Management Measures on Investor Relations were refined and improved, which further regulate our management of relations between CRRC and investors.

Meanwhile, to ensure the continual and healthy development of the investor relations of the Company, the Company continuously updated investors' portfolios. The external website of the Company was also constantly updated with investor relations columns for the investors to receive timely information about the Company. Through proactive gathering of information concerning the capital market and tracking the actions of shareholders, a public opinion monitoring system has been established to enable the Company to be informed of the changes in public opinion all the time and understand industry development timely so as to carry out rapid response for negative public opinion. The monitoring system also enabled the management of the Company to receive timely information, and provide first-hand intelligence to plan and arrange important events on investor relations. Common means of direct communications including phone calls and emails were still in use to interact with investors of all levels. Furthermore, non-deal roadshows, investor strategy conferences, results briefing, one-on-one investor visits and telephone meetings with regional investors were held periodically in order to strengthen the communication with investors. Finally, the mechanism of signature system for visitor reception was kept being implemented to maintain a long-term communication with investors.

With effective investor relations management, we promoted positive interaction between the Company and investors, hence building a stable and high quality investor base, creating an investment philosophy to achieve maximum company interest as a whole while increasing the interest of its shareholders as whole.

During 2017, the Company was accredited with various recognitions, namely "Most Influential Listed Company Leader", "Listed Company with the Best Brand Value" and "Best secretary of the Board of Directors of Listed Company'' of The China Securities Golden Bauhinia Awards, "Hong Kong Corporate Governance Excellence Award", ranked 42nd in Asia Pacific Region in "2016 Vision Awards Annual Report Competition" of and three great awards: "Gold Winner — Equipment, Machinery & Instruments", "Top 80 Asia-Pacific Annual Reports" and "Top 40 Chinese Reports" from League of American Communications Professionals (LACP), and globally ranked 80th and 17 important prizes, including Silver Award for Cover Design Photography (Manufacturer) and Bronze Award for Financial Data (Manufacturer) in the 31st International ARC Awards Competition. Also, the Company was also rated two years in a row at "A" grade in the annual appraisal for the information disclosure of the listed companies by the SSE. These accreditations confirms our efforts in enhancement of the Company's image and protection for investors' legitimate rights and interests.

CHANGES IN SHARES AND PARTICULARS OF SHAREHOLDERS

I. CHANGES IN SHARE CAPITAL

(I) Changes in ordinary shares

During the reporting period, there were no changes in the total number of ordinary shares and share capital structure of the Company.

(II) Explanation on the changes in ordinary shares

On 17 January 2017, the Company completed the non-public issuance of 1,410,105,755 A Shares. The lock-up period of the new shares is 36 months. Upon completion of this issuance, the total share capital of the Company increased from 27,288,758,333 Shares to 28,698,864,088 Shares. Please refer to the Announcement on the Results of the Non-Public Issuance of A Shares And Change in Share Capital dated 17 January 2017 published by the Company on the websites of SSE and the Stock Exchange for details.

II. ISSUE AND LISTING OF SECURITIES

(I) Issue of securities during the reporting period

Unit: share Currency: RMB

Type of shares and derivative equities	Date of issue	Interest rate	Size of issuance	Date of listing	Size of issuance permitted to be traded	Date of [illegible] moratorium
Ordinary Shares						
Non-public Issuance of A Shares	17 January 2017	RMB8.51 per Share	1,410,105,755	17 January 2020	1,410,105,755	–

Explanation on the issue of securities during the reporting period

On 27 May 2016, the 14th meeting of the first session of the Board considered and approved the "Proposal for the Plan on Non-public Issuance of A Shares by CRRC Corporation Limited (《關於中國中車股份有限公司非公開發行A股股票預案的議案》)" and other proposals relating to the non-public issuance of A Shares. Pursuant to the proposals, the Company proposed to issue not more than 1,385,681,291 A Shares and proposed to raise not more than RMB12 billion in proceeds. On 7 June 2016, the SASAC of the State Council issued the "Approval Concerning the Non-public Issuance of A Shares by CRRC Corporation Limited (Guo Zi Chan Quan [2016] No. 465) (《關於中國中車股份有限公司非公開發行A股股票有關問題的批復》 (國資產權 [2016]465號))", pursuant to which SASAC had in principle approved the plan relating to the non-public issuance of A shares by the Company. On 16 June 2016, the Company held the 2015 annual general meeting to consider and approve the "Proposal for the Plan on Non-public Issuance of A Shares by CRRC Corporation Limited (《關於中國中車股份有限公司非公開發行A股股票預案的議案》)" and other proposals relating to the non-public issuance of A Shares. On 5 August 2016, the Company adjusted the price and the number of A Shares to be issued under the non-public issuance of A Shares following the implementation of the 2015 profit distribution plan of the Company. On 17 August 2016, the Company received the "Notice Regarding the Feedback Comments from the China Securities Regulatory Commission on Matters Subject to Administrative Approval (No. 161634) (《中國證監會行政許可項目審查反饋意見通知書》(161634號))" (hereinafter referred to as the "Feedback Comments"). On 2 September 2016, the Company publicly disclosed its response to the Feedback Comments. On 9 November 2016, the Company's application for the non-public issuance of A Shares was approved by the Issuance Examination Committee of CSRC. On 30 December 2016, the Company's application for the non-public issuance of A Shares was approved by CSRC. On 17 January 2017, registration and depository procedures of the A shares in the non-public issuance were completed with the Shanghai branch of the China Securities Depository and Clearing Corporation Limited. These shares have a lock-up period of 36 months.

Please refer to the relevant announcements dated 27 May 2016, 13 June 2016, 16 June 2016, 5 August 2016, 17 August 2016, 2 September 2016, 9 November 2016, 30 December 2016 and 18 January 2017 published by the Company on the websites of the SSE and the Stock Exchange for details.

(II) Existing internal employee shares

The Company has no internal employee shares.

III. PARTICULARS OF SHAREHOLDERS AND ULTIMATE CONTROLLER

(I) Total number of shareholders

Total number of shareholders of ordinary shares as of the end of the reporting period (shareholder) Note	875,910
Total number of shareholders of ordinary shares as of the end of the last month before the disclosure date of the annual report (shareholder) Note	904,032

Note: As at the end of the reporting period, the Company had 873,436 holders of A Shares and 2,474 holders of H Shares; as at the end of the month prior to the date of the annual report, the Company has 901,602 holders of A Shares and 2,430 holders of H Shares.

(II) Shareholdings of the top ten shareholders and the top ten holders of tradeable shares (or holders of shares not subject to trading moratorium) as of the end of the reporting period

Unit: share

Shareholdings of the top ten shareholders

Name of shareholder (full name)	Change during the reporting period	Number of shares held at the end of the reporting period	Percentage(%)	Number of shares subject to trading moratorium held	Shares pledged or frozen		Nature of shareholder
					Pledged or frozen	Number	
CRRCG	705,052,878	15,491,375,889	53.98	705,052,878	Nil	–	State-owned legal person
HKSCC NOMINEES LIMITED Note	260,099	4,360,574,408	15.19	–	Unknown	–	Overseas legal person
China Securities Finance Corporation Limited (中國證券金融股份有限公司)	415,084,807	1,199,410,001	4.18	–	Unknown	–	State-owned legal person
CRRC Financial and Securities Investment Co., Ltd. (中車金證投資有限公司)	93,085,715	473,257,727	1.65	–	Nil	–	State-owned legal person
Central Huijin Asset Management Ltd. (中央匯金資產管理有限責任公司)	0	304,502,100	1.06	–	Unknown	–	State-owned legal person
Shanghai Xinghan Asset – Industrial Bank - China Industrial International Trust Limited (上海興瀚資產-興業銀行-興業國際信託有限公司)	235,017,626	235,017,626	0.82	235,017,626	Unknown	–	State-owned legal person

CHANGES IN SHARES AND PARTICULARS OF SHAREHOLDERS

Shareholdings of the top ten shareholders

Name of shareholder (full name)	Change during the reporting period	Number of shares held at the end of the reporting period	Percentage(%)	Number of shares subject to trading moratorium held	Shares pledged or frozen: Pledged or frozen	Shares pledged or frozen: Number	Nature of shareholder
Bosera Funds – Agricultural Bank of China – Bosera China Securities and Financial Assets Management Plan (博時基金-農業銀行-博時中證金融資產管理計劃)	54,805,000	180,171,000	0.63	–	Unknown	–	Unknown
E Fund – Agricultural Bank of China – E Fund China Securities and Financial Assets Management Plan (易方達基金-農業銀行-易方達中證金融資產管理計劃)	54,805,000	180,171,000	0.63	–	Unknown	–	Unknown
Dacheng Fund — Agricultural Bank of China — Dacheng China Securities and Financial Assets Management Plan (大成基金-農業銀行-大成中證金融資產管理計劃)	54,805,000	180,171,000	0.63	–	Unknown	–	Unknown
Harvest Fund - Agricultural Bank of China - Harvest China Securities and Financial Assets Management Plan (嘉實基金-農業銀行-嘉實中證金融資產管理計劃)	54,805,000	180,171,000	0.63	–	Unknown	–	Unknown
GF Fund – Agricultural Bank of China – GF China Securities and Financial Assets Management Plan (廣發基金-農業銀行-廣發中證金融資產管理計劃)	54,805,000	180,171,000	0.63	–	Unknown	–	Unknown
Zhong'ou Asset – Agricultural Bank of China – Zhongou China Securities and Financial Assets Management Plan (中歐基金-農業銀行-中歐中證金融資產管理計劃)	54,805,000	180,171,000	0.63	–	Unknown	–	Unknown

CHANGES IN SHARES AND PARTICULARS OF SHAREHOLDERS

Shareholdings of the top ten shareholders

Name of shareholder (full name)	Change during the reporting period	Number of shares held at the end of the reporting period	Percentage(%)	Number of shares subject to trading moratorium held	Shares pledged or frozen		Nature of shareholder
					Pledged or frozen	Number	
ChinaAMC - Agricultural Bank of China - ChinaAMC China Securities and Financial Assets Management Plan (華夏基金-農業銀行-華夏中證金融資產管理計劃)	54,805,000	180,171,000	0.63	–	Unknown	–	Unknown
Yinhua Fund – Agricultural Bank of China – Yinhua China Securities and Financial Assets Management Plan (銀華基金-農業銀行-銀華中證金融資產管理計劃)	54,805,000	180,171,000	0.63	–	Unknown	–	Unknown
China Southern Asset Management – Agricultural Bank of China – China Southern Asset Management China Securities and Financial Assets Management Plan (南方基金-農業銀行-南方中證金融資產管理計劃)	54,805,000	180,171,000	0.63	–	Unknown	–	Unknown
ICBCCS Fund – Agricultural Bank of China – ICBCCS China Securities and Financial Assets Management Plan (工銀瑞信基金-農業銀行-工銀瑞信中證金融資產管理計劃)	54,805,000	180,171,000	0.63	–	Unknown	–	Unknown

CHANGES IN SHARES AND PARTICULARS OF SHAREHOLDERS

Unit: share

Shareholdings of the top ten shareholders not subject to trading moratorium

Name of shareholders	Number of tradable shares held not subject to trading moratorium	Class and number of shares: Class	Number
CRRCG	14,786,323,011	Ordinary shares denominated in RMB	14,786,323,011
HKSCC NOMINEES LIMITED Note	4,360,574,408	Overseas listed foreign shares	4,360,574,408
China Securities Finance Corporation Limited (中國證券金融股份有限公司)	1,199,410,001	Ordinary shares denominated in RMB	1,199,410,001
CRRC Financial and Securities Investment Co., Ltd. (中車金證投資有限公司)	473,257,727	Ordinary shares denominated in RMB	473,257,727
Central Huijin Asset Management Ltd. (中央匯金資產管理有限責任公司)	304,502,100	Ordinary shares denominated in RMB	304,502,100
Bosera Funds – Agricultural Bank of China – Bosera China Securities and Financial Assets Management Plan (博時基金-農業銀行-博時中證金融資產管理計劃)	180,171,000	Ordinary shares denominated in RMB	180,171,000
E Fund – Agricultural Bank of China – E Fund China Securities and Financial Assets Management Plan (易方達基金-農業銀行-易方達中證金融資產管理計劃)	180,171,000	Ordinary shares denominated in RMB	180,171,000
Dacheng Fund – Agricultural Bank of China – Dacheng China Securities and Financial Assets Management Plan (大成基金-農業銀行-大成中證金融資產管理計劃)	180,171,000	Ordinary shares denominated in RMB	180,171,000
Harvest Fund – Agricultural Bank of China – Harvest China Securities and Financial Assets Management Plan (嘉實基金-農業銀行-嘉實中證金融資產管理計劃)	180,171,000	Ordinary shares denominated in RMB	180,171,000
GF Fund – Agricultural Bank of China – GF China Securities and Financial Assets Management Plan (廣發基金-農業銀行-廣發中證金融資產管理計劃)	180,171,000	Ordinary shares denominated in RMB	180,171,000
Zhongou Asset – Agricultural Bank of China – Zhongou China Securities and Financial Assets Management Plan (中歐基金-農業銀行-中歐中證金融資產管理計劃)	180,171,000	Ordinary shares denominated in RMB	180,171,000
China AMC – Agricultural Bank of China – China AMC China Securities and Financial Assets Management Plan (華夏基金-農業銀行-華夏中證金融資產管理計劃)	180,171,000	Ordinary shares denominated in RMB	180,171,000
Yinhua Fund – Agricultural Bank of China – Yinhua China Securities and Financial Assets Management Plan (銀華基金-農業銀行-銀華中證金融資產管理計劃)	180,171,000	Ordinary shares denominated in RMB	180,171,000
China Southern Asset Management – Agricultural Bank of China – China Southern Asset Management China Securities and Financial Assets Management Plan (南方基金-農業銀行-南方中證金融資產管理計劃)	180,171,000	Ordinary shares denominated in RMB	180,171,000
ICBCCS Fund – Agricultural Bank of China – ICBCCS China Securities and Financial Assets Management Plan (工銀瑞信基金-農業銀行-工銀瑞信中證金融資產管理計劃)	180,171,000	Ordinary shares denominated in RMB	180,171,000
Connections or parties acting in concert among the aforesaid shareholders	CRRC Financial and Securities Investment Co., Ltd. is a wholly-owned subsidiary of CRRCG. Save for the above, the Company is not aware of any connections among the other shareholders above, nor aware of any parties acting in concert as defined in the Administrative Measures on Acquisitions by Listed Companies.		

Note: H shares held by HKSCC NOMINEES LIMITED are held on behalf of its various clients.

CHANGES IN SHARES AND PARTICULARS OF SHAREHOLDERS

Shareholding of the top ten shareholders subject to trading moratorium and their respective terms of trading moratorium

Unit: share

No.	Name of shareholders subject to trading moratorium	Number of shares held subject to trading moratorium	Trading conditions of the shares subject to trading moratorium: Date of listing and trading	Trading conditions of the shares subject to trading moratorium: Additional listed and tradeable shares	Terms of trading moratorium
1	CRRCG	705,052,878	17 January 2020	705,052,878	36 months after the completion date of the Non-public Issuance
2	Shanghai Xinghan Asset - Industrial Bank - China Industrial International Trust Limited (上海興瀚資產-興業銀行-興業國際信託有限公司)	235,017,626	17 January 2020	235,017,626	36 months after the completion date of the Non-public Issuance
3	China Development Bank Capital Corporation Ltd. (國開金融有限責任公司)	176,263,219	17 January 2020	176,263,219	36 months after the completion date of the Non-public Issuance
4	Shanghai Zhaoyin Equity Investment Fund Management Co., Ltd. (上海招銀股權投資基金管理有限公司)	117,508,813	17 January 2020	117,508,813	36 months after the completion date of the Non-public Issuance
5	China Development Bank Jingcheng (Beijing) Investment Fund Co., Ltd. (國開精誠 (北京) 投資基金有限公司)	117,508,813	17 January 2020	117,508,813	36 months after the completion date of the Non-public Issuance
6	China Development Bank Siyuan (Beijing) Investment Fund Co., Ltd. (國開思遠 (北京) 投資基金有限公司)	58,754,406	17 January 2020	58,754,406	36 months after the completion date of the Non-public Issuance
Explanation on the connected or acting in concert relationship of the above shareholders		Both China Development Bank Jingcheng (Beijing) Investment Fund Co., Ltd. and China Development Bank Siyuan (Beijing) Investment Fund Co., Ltd. are corporate PE investment funds and are managed by China Development Bank Investment and Development Fund Management (Beijing) Co., Ltd., which is a wholly-owned subsidiary of China Development Bank Capital Corporation Limited (國開金融有限責任公司).			

Strategic investors or ordinary legal persons who became top ten shareholders due to placing of shares

Name of strategic investors or ordinary legal persons	Agreed shareholding starting date	Agreed shareholding ending date
Shanghai Xinghan Asset - Industrial Bank Co., Ltd. - China Industrial International Trust Limited (上海興瀚資產-興業銀行- 興業國際信託有限公司)	17 January 2017	36 months from the completion date of the Non-public Issuance
China Development Bank Capital Corporation Limited (國開金融有限責任公司)	17 January 2017	36 months from the completion date of the Non-public Issuance
Explanation on the participation by the strategic investors or ordinary legal persons in the placement of new shares and agreed shareholding periods	The shares subscribed for by Shanghai Xinghan Asset - Industrial Bank Co., Ltd. - China Industrial International Trust Limited and China Development Bank Capital Corporation Limited in the Non-public Issuance of the Company shall not be transferred within 36 months from the completion date of the Non-public Issuance.	

CHANGES IN SHARES AND PARTICULARS OF SHAREHOLDERS

(III) Shareholding interests of Directors, Supervisors and Chief Executive

As at 31 December 2017, the following Directors and Supervisors have interests in the A Shares and H Shares of the Company and relevant details are set out as follows:

Name	Position	Class of shares	Number of shares
Liu Hualong	Chairman, Executive Director	A Shares	50,000
Sun Yongcai	President, Executive Director	A Shares	111,650
Qiu Wei	Employee representative Supervisor	A Shares	30,000

Save as disclosed in the annual report, as at 31 December 2017, none of the Directors, Supervisors or chief executive of the Company had interests or short positions in the shares or underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were required to be entered in the register maintained by the Company under section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code by the Directors or Supervisors.

(IV) Substantial shareholders' interests and short positions in the Company

As at 31 December 2017, the persons set out in the table below had an interest or short position in the Company's shares as recorded in the register required to be kept under section 336 of the SFO:

Name of Shareholders	Capacity	H Shares or A Shares	Nature of Interest	Number of H shares or A shares held	Percentage of H shares or A shares held in the total issued H shares or total issued A shares (%)	Percentage of total share capital of the Company (%)
CRRC GROUP Co., Ltd.	Beneficial owner	A Shares	Long position	15,491,375,889	63.68	53.98
	Interest of corporation controlled by the substantial shareholder	A Shares	Long position	473,257,727	1.94	1.65
BlackRock, Inc.	Interest of corporation controlled by the substantial shareholder	H Shares	Long position	272,693,655	6.24	0.95
	Interest of corporation controlled by the substantial shareholder		Short position	17,718,000	0.41	0.06
Himalaya Capital Investors, L.P. (formerly known as LL Investment Partners L.P.)	Beneficial owner	H Shares	Long position	257,171,000	5.88	0.90
Li Lu	Interest of corporation controlled by the substantial shareholder	H Shares	Long position	257,171,000	5.88	0.90
LL Group, LLC	Interest of corporation controlled by the substantial shareholder	H Shares	Long position	257,171,000	5.88	0.90

Notes: As at 31 December 2017, CRRCG holds 473,257,727 A shares through CRRC Financial and Securities Investment Co., Ltd.

Save as disclosed above, as far as the Directors are aware, as at 31 December 2017, no other person had interests and/or short positions in the shares or underlying shares (as the case may be) of the Company which were required to be recorded in the register pursuant to section 336 of Part XV of the SFO, or was otherwise a substantial shareholder (as defined in the Hong Kong Listing Rules) of the Company.

IV. PARTICULARS OF CONTROLLING SHAREHOLDER AND THE ULTIMATE CONTROLLER

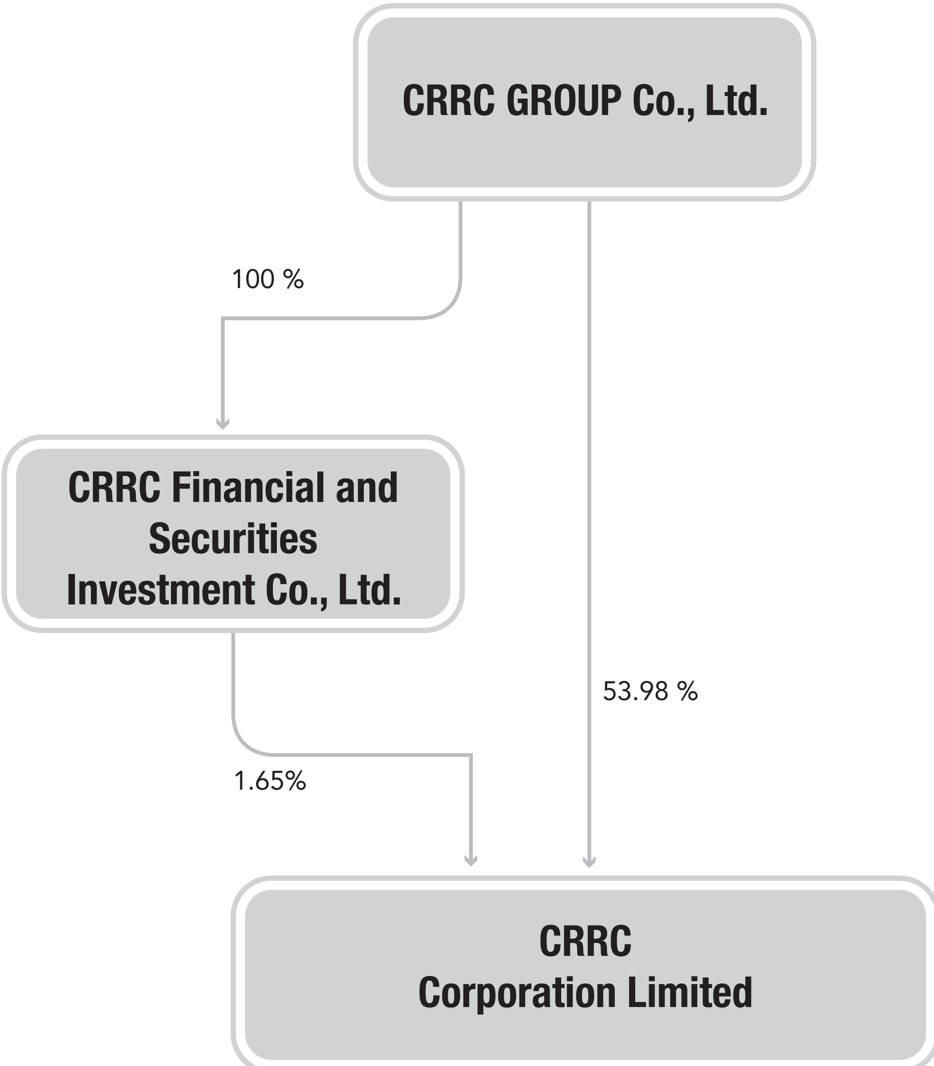
(I) Controlling shareholder

1. Legal person

Name:	CRRC GROUP Co., Ltd. (中國中車集團有限公司)
Legal representative:	Liu Hualong
Establishment date:	1 July 2002
Principal business:	Research and development, manufacturing, sales, refurbishment and leasing of locomotives, passenger carriages, freight wagons, MUs, rapid transit vehicles and key components as well as other businesses that utilize proprietary rolling stock technologies.
Equity interest in other controlling and investee companies listed in the PRC or overseas during the reporting period:	None of equity interests in other overseas listing company is directly held.
Other explanatory statements:	Nil

CHANGES IN SHARES AND PARTICULARS OF SHAREHOLDERS

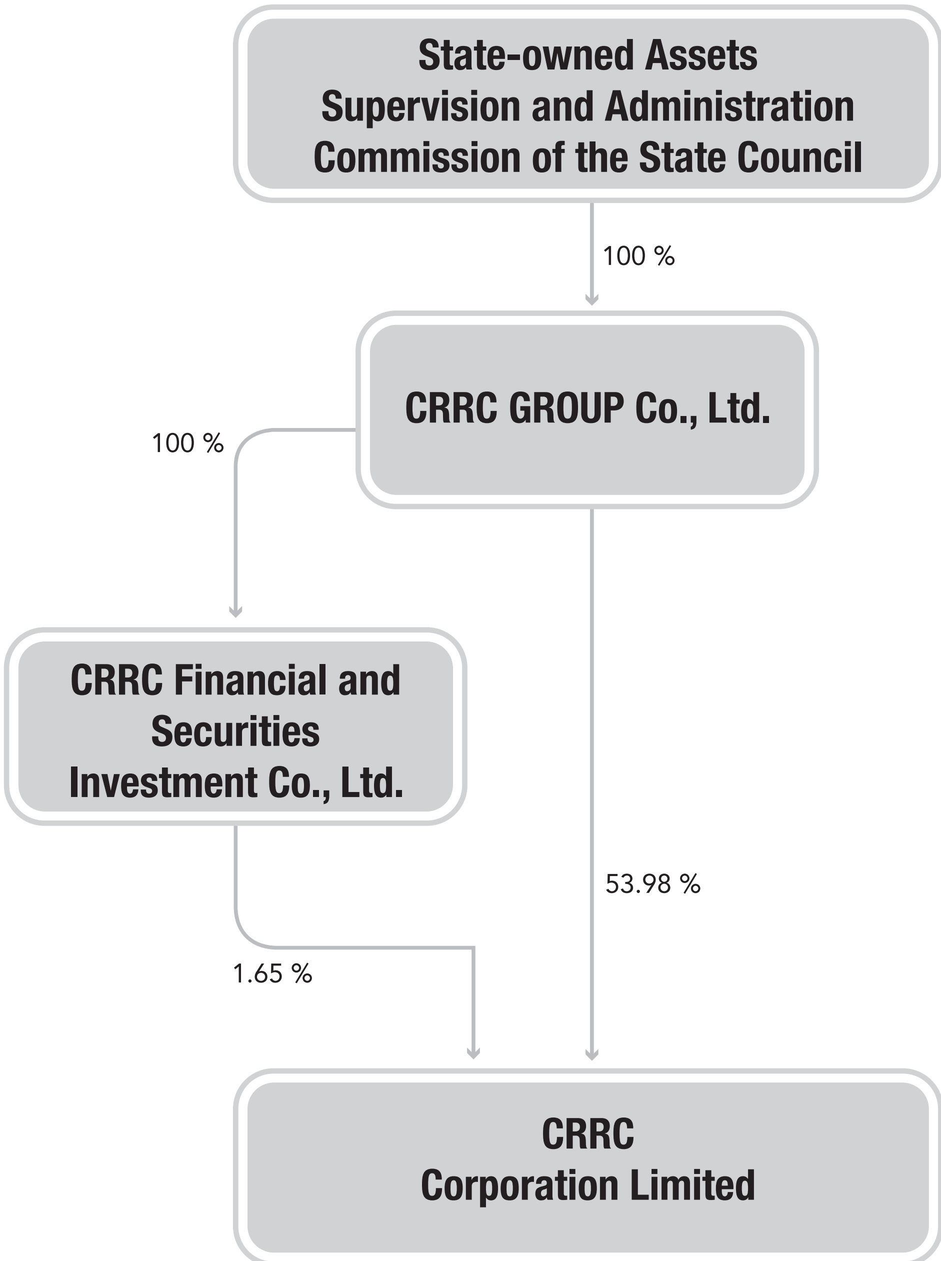
2. Framework of ownership and controlling relationship between the Company and the controlling shareholder as of the end of the reporting period



(II) Ultimate controller

1. The ultimate controller of the Company is the SASAC of the State Council.

2. Framework of ownership and controlling relationship between the Company and the ultimate controller as of the end of the reporting period.



3. The company type of CRRC Group (中國中車集團公司), the controlling shareholder of the Company, has been changed from an enterprise owned by the whole people (全民所有制企業) to a wholly state-owned company (國有獨資公司) with its company name correspondingly changed to CRRC GROUP Co., Ltd. (中國中車集團有限公司). Please refer to relevant announcement dated 13 December 2017 published by the Company on the websites of the SSE and the Stock Exchange for details.

V. OTHER CORPORATE SHAREHOLDERS WITH OVER 10% SHAREHOLDINGS

There were no other corporate shareholders holding over 10% shares of the Company as of the end of the reporting period.

VI. SUFFICIENT PUBLIC FLOAT

As of the latest practicable date prior to the printing of this annual report, based on public information and as far as the Directors are aware, the Directors believe that the Company has sufficient public float which satisfies the minimum public float requirement under Rule 8.08 of the Hong Kong Listing Rules.

VII. PURCHASE, SALE OR REDEMPTION OF SECURITIES OF THE COMPANY

During the year ended 31 December 2017, the Company did not purchase, sell or redeem any of the Company's securities.

SIGNIFICANT EVENTS

I. PERFORMANCE OF UNDERTAKINGS

Undertakings by the Company, shareholders, actual controller, acquirer, directors, supervisors, senior management or other related parties during or up to the reporting period

Background	Type	Covenantors	Undertakings	Validity period	Whether duration specified	Whether timely and strictly performed	If not performed timely, describe the specific reasons	If not performed timely, describe plans in next steps
Material assets reorganization related commitment	Resolution of same industry competitions	CRRC	Non-competition undertaking with Times New Material: on 5 August 2015, CRRC issued the Letter of Undertaking of Non-competition with Zhuzhou Times New Material Technology Co., Ltd. (《關於避免與株洲時代新材料科技股份有限公司同業競爭的承諾函》) in order to resolve the issue of competition between CRRC and Times New Material after the merger between CSR and CNR. The specific undertakings are as follows: the current operations of CRRC in fields such as air springs for rail vehicles and rubber-metal parts for rail vehicles compete with the operations of Times New Material, which is indirectly controlled by CRRC. In order to resolve such competition with Times New Material, in accordance with relevant laws and regulations, CRRC undertook that it will resolve such issue with Times New Material within five years from the date of this letter of undertaking in the manner approved by the regulatory authorities (including but not limited to asset restructuring, business integration etc.).	Undertakings dated 5 August 2015, term of which is 5 years commencing from the date of issuance of this letter of undertaking	Yes	Yes	–	–
	Resolution of same industry competitions	CRRC	Non-competition undertaking with Times Electric: on 5 August 2015, CRRC issued the Letter of Undertaking of Non-competition with Zhuzhou CSR Times Electric Co., Ltd. (《關於避免與株洲南車時代電氣股份有限公司同業競爭的承諾函》) in order to resolve the issue of competition between CRRC and Times Electric after the merger between CSR and CNR. The specific undertakings are as follows: the current operations of CRRC in fields such as transmission control systems, network control systems, traction power supply system, braking system, track construction machinery, electronic components and vacuum sanitation system compete with the operations of Times Electric, which is indirectly controlled by the Company. To safeguard the interests of Times Electric in its future development, in accordance with relevant laws and regulation, CRRC undertook that with respect to the operations of CRRC that compete with the operations of Times Electric: (1) CRRC will grant Times Electric a call option, pursuant to which Times Electric will be entitled to elect, at its own discretion, when to request CRRC to sell the competing businesses of CRRC to Times Electric; (2) CRRC will further grant Times Electric a pre-emptive right, pursuant to which if CRRC proposes to sell the competing business to an independent third party, CRRC shall offer to Times Electric the competing business first on the same terms and conditions, and the sale to an independent third party may only be effective after Times Electric refuses to purchase the competing business; (3) the decision of Times Electric to exercise the aforesaid call option and the pre-emptive right shall be made by the independent non-executive directors of Times Electric; (4) the exercise of the aforesaid call option and the pre-emptive right as well as other effective methods to resolve this competition matter will be subject to the applicable regulatory and disclosure requirements and shareholders' approval at the general meeting in the places of listing of CRRC and Times Electric respectively; and (5) the non-competition undertaking will be effective from the date of issuance of this letter of undertaking to the time when Times Electric is de-listed or CRRC ceases to be an indirect controlling shareholder of Times Electric.	Undertakings dated 5 August 2015, term of which is from the date of issuance of this letter of undertaking to the time when Times Electric is de-listed or CRRC ceases to be an indirect controlling shareholder of Times Electric	No	Yes	–	–

SIGNIFICANT EVENTS

Background	Type	Covenantors	Undertakings	Validity period	Whether duration specified	Whether timely and strictly performed	If not performed timely, describe the specific reasons	If not performed timely, describe plans in next steps
	Resolution of same industry competitions	CRRCG	Non-competition undertaking with CRRC: CNRG issued the Letter of Undertaking of Non-competition with CRRC Corporation Limited (《關於避免與中國中車股份有限公司同業競爭的承諾函》) on 5 August 2015 in order to avoid competition between CNRG (has completed restructuring and renamed as CRRCG) and CRRC after completion of merger of CNRG with CSRG. Pursuant to the Letter of Undertaking:: (1) CRRCG undertook that CRRCG will not and will, through legal procedures, procure its wholly-owned and non-wholly owned subsidiaries to not engage in any businesses which might directly compete with the current operating businesses of CRRC; (2) subject to the aforesaid undertaking (1), if CRRCG (including its wholly-owned subsidiaries and non-wholly owned subsidiaries or other connected entities) provide any products or services that might be in competition with the principal products or services of CRRC in the future, CRRCG will agree to grant CRRC pre-emptive right to acquire the assets or its entire equity interests in such subsidiaries related to such products or services from CRRCG; (3) subject to the aforesaid undertaking (1), CRRCG may develop advanced and lucrative projects in the future which fall within the business scope of CRRC, but it should preferentially transfer any achievement on such projects to CRRC for its own operation on equal terms of transfer; and (4) CRRCG should compensate CRRC for its actual losses arising from any failure to comply with the aforesaid undertakings.	Undertakings dated 5 August 2015, during the course of performance	No	Yes	–	–
	Others	CRRCG	Undertaking to maintain the independence of CRRC: CNRG issued the Letter of Undertaking to Maintain the Independence of CRRC Corporation Limited (《關於保持中國中車股份有限公司獨立性的承諾函》) on 5 August 2015 in order to ensure that CNRG (has completed restructuring and renamed as CRRCG) will not-interfere with the independence of CRRC after completion of the merger of CNRG with CSRG. Pursuant to the Letter of Undertaking: CRRCG undertook to be separate from CRRC in respect of areas such as assets, personnel, finance, organization and business and will, in strict compliance with the relevant requirements on the independence of a listed company imposed by the CSRC, not to use its position as the controlling shareholder to violate the standardized operation procedures of a listed company to intervene in the operating decisions of CRRC and to damage the legitimate interests of CRRC and other shareholders. CRRCG and other companies under its control undertook not to, by any means, use the funds of CRRC and companies under its control.	Undertakings dated 5 August 2015, during the course of performance	No	Yes	–	–

SIGNIFICANT EVENTS

Background	Type	Covenantors	Undertakings	Validity period	Whether duration specified	Whether timely and strictly performed	If not performed timely, describe the specific reasons	If not performed timely, describe plans in next steps
	Resolution of connected transactions	CRRCG	Undertaking for regulating connected transactions with CRRC: in order to regulate connected transaction entered into between CNRG (which have completed the transformation and renamed as CRRCG) and CRRC after the merger between CNRG and CSRG, CNRG issued the Letter of Undertaking to Regulate the Connected Transactions of CRRC Corporation Limited (《關於規範與中國中車股份有限公司關聯交易的承諾函》) on 5 August 2015, pursuant to which CRRCG and other companies controlled by CRRCG will endeavor not to enter into or minimise the connected transactions with CRRC and other companies in which it holds a controlling interest. For connected transactions that are inevitable or reasonable, CRRCG will continue to perform the obligations under the connected transaction framework agreements entered into between CRRCG and CRRC, and will comply with the approval procedures and information disclosure obligations in accordance with the relevant laws and regulations as well as the provisions under the Articles of Association of CRRC. Prices of the connected transactions will be determined based on prices of the same or comparable transactions conducted with other independent third parties.	Undertakings dated 5 August 2015, during the course of performance	No	Yes	–	–
Undertakings in relation to the initial public issuance	Others	CRRCG	Undertakings on property ownership issues: CSR (has completed restructuring and renamed as CRRC) disclosed in its prospectus that CSR has not yet obtained proper property ownership certificates for 326 properties with a total gross floor area of 282,019.03 square meters, representing 7.85% of the total gross floor area of the property in use of CSR. As for the property which CSR has not yet obtained property ownership certificates, CSRG has made written undertaking which was inherited by CRRCG after the merger. Pursuant to the undertaking: for properties that could not obtain complete property ownership certificates due to reasons such as incomplete procedures in planning and constructions and, which were included in the asset injection to CRRC by CRRCG, CRRCG undertook that such properties satisfy the usage requirements necessary for the production and operations of CRRC. Moreover, if there is any loss incurred to CRRC due to such properties, CRRCG shall under take all compensation liabilities and all economic losses that CRRC incurred.	Undertakings dated 18 August 2008, during the course of performance	No	Yes	–	–

SIGNIFICANT EVENTS

Background	Type	Covenantors	Undertakings	Validity period	Whether duration specified	Whether timely and strictly performed	If not performed timely, describe the specific reasons	If not performed timely, describe plans in next steps
	Others	CRRCG	Undertakings on the state-owned land use certificate without specifying the land use terms or termination date: CNR (the relevant matters were inherited by CRRC after the merger) disclosed in the prospectus that the land use terms or termination date were not specified in the state-owned land use certificate for part of the authorized lands acquired by CNR. As such, CNRG (has completed restructuring and renamed as CRRC) has made a written undertaking. Pursuant to the undertaking: CRRCG will compensate the relevant wholly-owned subsidiaries of CRRC for the loss caused as a result of the state-owned land use certificate not specifying the land use terms or termination date for the authorized land.	Undertakings dated 10 December 2009, during the course of performance	No	Yes	–	–
Undertakings in relation to the refinancing	Others	CRRC	Undertaking to not provide financial assistance or compensation to the target subscriber: on 27 May 2016, the Company issued the letter of undertaking pursuant to which the Company and its relevant parties undertook to not default on provisions including Article 17 of the Administrative Measures on the Offering and Underwriting of Securities, to directly or indirectly, provide financial assistance and compensation to investment companies, asset management products and its trustee or partnership and partners involved in this subscription.	Undertakings dated 27 May 2016, expired on 17 January 2017	Yes	Yes	–	–
	Others	CRRCG	Undertaking to not provide financial assistance or compensation to the target subscriber: on 27 May 2016, CRRCG issued the letter of undertaking pursuant to which CRRCG and its relevant parties undertook to not default on provisions including Article 17 of the Administrative Measures on the Offering and Underwriting of Securities, to directly or indirectly, provide financial assistance and compensation to investment companies, asset management products and its trustee or partnership and partners involved in this subscription.	Undertakings dated 27 May 2016, expired on 17 January 2017	Yes	Yes	–	–
	Others	Directors, Senior Management of the Company	Undertaking to adopt measures of mitigating the potential dilution of return for the current period: the Directors and Senior Management of the Company have made the following undertakings on 27 May 2016: (1) to not transfer interests to other entities or individuals without consideration or with unfair consideration nor otherwise damage the Company's interests in any other ways; (2) to constrain expenses relating to the performance of their duties; (3) to not use the Company's assets for investments and consumption activities unrelated to the performance of their duties; (4) that the remuneration system formulated by the Board or the remuneration committee is in line with implementation of the remedial measures for the returns by the Company; (5) that the vesting conditions of share incentives to be formulated by the Company will be in line with the implementation of the remedial measures for returns by the Company if the Company were to make such share incentive plans in the future; (6) to perform the remedial measures for returns formulated by the Company as well as any commitment made by them for such remedial measures. The Directors and Senior Management will be liable for indemnifying the Company or the investors for their losses in the event of failure to perform the commitment.	Undertakings dated 27 May 2016, during the course of performance	No	Yes	–	–

SIGNIFICANT EVENTS

Background	Type	Covenantors	Undertakings	Validity period	Whether duration specified	Whether timely and strictly performed	If not performed timely, describe the specific reasons	If not performed timely, describe plans in next steps
	Others	CRRCG	Undertaking to adopt measures of mitigating the potential dilution of return for the current period: on 27 May 2016, CRRCG committed not to intervene in the operation and management activities of the Company or unlawfully infringe upon the Company's interests.	Undertakings dated 27 May 2016, during the course of performance	No	Yes	–	–
	Others	CRRCG	On 2 September 2016, CRRCG issued the letter of undertaking pursuant to which it undertook that (1) CRRCG will continue to comply with the provisions of the laws and regulation and regulatory documents for all shares held by CRRCG in CRRC as at the date of the letter of undertaking. CRRCG will ensure that its wholly-owned subsidiaries will continue to comply with the provisions of the laws and regulation and regulatory documents for all shares held by its wholly-owned subsidiaries in CRRC as at the date of the letter of undertaking; (2) as approved by the CSRC through issuing the Approval on Public Issue of Corporate Bond to Public Investors by CRRCG (CSRC Permit No. [2016] 664), CRRCG will elect applicable issuance window to publicly issue convertible corporate bond with carrying amount of no more than RMB7 billion in aggregate to public investors according to the provisions of the laws and regulation and regulatory documents. The relevant issuance may cause the passive reduction of the number of the CRRC's shares held by CRRCG; (3) during the six months from the date of the letter of undertaking to the completion of non-public issuance of A shares by CRRC, CRRCG will not dispose of CRRC's shares through securities transactions on the stock exchange, and ensure that its wholly-owned subsidiaries will not dispose CRRC's shares through securities transactions on the stock exchange; (4) CRRCG will strictly fulfill the above undertakings and bear the corresponding legal responsibility. CRRCG will bear all legal responsibilities and outcomes as a result of the failure to satisfy the above undertakings and all benefits shall belong to CRRC.	Undertakings dated 2 September 2016, expired on 16 July 2017	Yes	Yes	–	–

II. EXPLANATION OF INTEGRITY OF THE COMPANY AND ITS SHAREHOLDERS AND ACTUAL CONTROLLERS DURING THE REPORTING PERIOD

During the reporting period, the Company, its shareholders and actual controllers enjoyed a reputation of sound integrity. There was no failure to comply with the effective judgments of the court, outstanding liabilities due with a significant amount or other circumstances.

III. SHARE OPTION SCHEME, EMPLOYEE STOCK OWNERSHIP SCHEME AND OTHER STAFF INCENTIVES OF THE COMPANY AND THEIR IMPACTS

During the reporting period, the Company has no related share option scheme, employee stock ownership scheme and other staff incentives.

SIGNIFICANT EVENTS

IV. SIGNIFICANT CONTRACTS AND THEIR IMPLEMENTATION

1. Guarantees

Unit: '000 Currency: RMB

Guarantees provided by the Company to external parties (excluding guarantees provided by the Company in favour of its subsidiaries)

Guarantor	Relationship between the guarantor and the listed company	Guaranteed	Guaranteed amount	Date of guarantee (Date of signing agreement)	Commencement date	Maturity date	Guarantee type	Whether the guarantee has been fulfilled	Guarantee overdued	Outstanding amount of guarantee overdue	Counter guarantee	Whether the guarantee is provided to a connected party or not	Connected relationship
CRRC Corporation Limited, China-Singapore Suzhou Industrial Park Municipal Public Works Construction Co., Ltd (中新蘇州工業園區市政公用工程建設有限公司), a wholly-owned subsidiary of the Company, and CRRC China Merchants (Tianjin) Equity Investment Fund Management Co., Ltd.* (中車招銀 (天津) 股權投資基金管理有限公司), a non wholly-owned subsidiary of the Company	CRRC Corporation Limited, its wholly-owned subsidiary and non wholly-owned subsidiary	Wuhu Yunda Rail Transport Construction and Operation Limited (蕪湖市運達軌道交通建設運營有限公司)	7,441,000	27 April 2017	20 June 2017	20 June 2047	Joint and several liability guarantee	No	No	–	No	No	–

SIGNIFICANT EVENTS

Guarantees provided by the Company to external parties (excluding guarantees provided by the Company in favour of its subsidiaries)												
Guarantor	Relationship between the guarantor and the listed company	Guaranteed	Guaranteed amount	Date of guarantee (Date of signing agreement)	Commencement date	Maturity date	Guarantee type	Whether the guarantee has been fulfilled	Guarantee overdued	Outstanding amount of guarantee overdue	Counter guarantee	Whether the guarantee is provided to a connected party or not	Connected relationship
Total guarantee amount provided during the reporting period (excluding guarantees provided by the Company in favour of its subsidiaries)												7,441,000
Total guarantee balance at the end of the reporting period (A) (excluding guarantees provided by the Company in favour of its subsidiaries)												7,441,000
Guarantees provided by the Company and its subsidiaries in favour of its subsidiaries												
Total guarantee amount provided to the Company's subsidiaries during the reporting period												12,993,117
Total guarantee balance provided to the Company's subsidiaries at the end of the reporting period (B)												43,382,358
Aggregate guarantee amount provided by the Company (including guarantees provided by the Company in favour of its subsidiaries)												
Total guarantee amount (A+B)												50,823,358
Percentage of total guarantee amount to net assets of the Company (%)												41.81%
including:												
Provision of guarantee to shareholders, ultimate controller and their respective connected persons (C)												–
Amount of guarantees directly or indirectly provided in favour of parties with gearing ratio over 70% (D)												25,839,019
The total amount of guarantees provided which exceeds 50% of the net asset (E)												–
Total amount of the three above-stated guarantees (C+D+E)												25,839,019
Explanation on guarantees undue that might be involved in any joint and several liability												–
Explanation on guarantees					Percentage of total guarantee amount to net assets of the Company=Total guarantee amount/equity attributable to owners of the Company. Guarantee amount provided to the Company's subsidiaries during the reporting period amounted to RMB12.993 billion. As at 31 December 2017, total guarantee balance was RMB50.823 billion, representing 41.81% of the Company's net assets. Out of such guarantee balance, RMB30.329 billion and RMB13.053 billion were provided to the Company's wholly-owned subsidiaries and non wholly-owned subsidiaries respectively. Guarantee balance of RMB7.441 billion was provided to Wuhu Yunda Rail Transport Construction and Operation Limited. As far as guarantee type is concerned, RMB4.381 billion was provided for bank acceptance bills, RMB5.140 billion was provided for loans and medium-term notes, and RMB41.302 billion was provided for letters of guarantee, letters of credit and credit facilities, etc. As at the end of the reporting period, the Company did not provide any guarantees in favour of its controlling shareholders, ultimate controller and their related parties; all guarantees provided by the Company were in favour of its subsidiaries. As at the end of the reporting period, the guarantee balance provided by the Company in favour of its subsidiaries with gearing ratio over 70% was RMB25.839 billion. Approval procedures have been complied with at the Board meetings and the general meetings as required by the Articles of Associations in respect of the guarantees provided by the Company in favour of its wholly-owned and non wholly-owned subsidiaries with gearing ratio over 70%.							

SIGNIFICANT EVENTS

2. Purchase of Entrusted Wealth Management

(1) Overall status of entrusted wealth management

Unit: '000 Currency: RMB

Type	Capital source	Amounts	Outstanding balance	Amounts overdue but not yet recovered
Corporate wealth management products	Self-owned source	20,974,000	3,962,000	—
Entrusted financial products	Self-owned source	400,000	400,000	—
Brokerage financial products	Self-owned source	550,000	500,000	—
Other types	Self-owned source	1,435,899	417,077	—

(2) Individual entrusted wealth management

Unit: '000 Currency: RMB

Trustee	Entrusted Wealth Management Product	Entrusted Wealth Management Amount	Starting Date of Entrusted Wealth Management	Ending Date of Entrusted Wealth Management	Capital source	Usage of funds	Method of Reward Determination	Annualized returns	Estimated returns (if any)	Actual gains or losses	Actual recovery	Whether Any Lawsuit is Involved	Future entrusted wealth management plan or not	Amount of provision for depreciation (if any)
Beijing International Trust Co., Ltd.	Non-principal guaranteed with floating returns	400,000	19/05/2016	29/04/2018	Self-owned fund	Urbanization project	interest instalment, payment of due principal	6.00%	–	22,685	22,685	Yes	–	–
China Construction Bank Qingdao Free Trade Zone Branch	Non-principal guaranteed with floating returns	24,000	08/12/2017	05/01/2018	Self-owned fund	Fixed income products (bonds, notes, etc.)	Payment of due interest and principal	2.00%	–	–	12,000	Yes	–	–
CITIC Securities Company Limited	Non-principal guaranteed with floating returns	500,000	9/5/2016	11/8/2019	Self-owned fund	Fixed income products (bonds, notes, etc.)	Payment of due interest and principal	5.83%	–	–	–	Yes	–	–
Bank of Communications Co., Ltd.	Non-principal guaranteed with floating returns	1,000,000	9/2/2017	10/3/2017	Self-owned fund	Bank deposits	Payment of due interest and principal	4.25%	–	3,377	1,003,377	Yes	–	–
Bank of Communications Co., Ltd.	Non-principal guaranteed with floating returns	1,000,000	9/2/2017	16/3/2017	Self-owned fund	Bank deposits	Payment of due interest and principal	4.25%	–	4,075	1,004,075	Yes	–	–
China Construction Bank Corporation	Non-principal guaranteed with floating returns	600,000	21/12/2017	15/4/2018	Self-owned fund	Fixed income products (bonds, notes, etc.)	Payment of due interest and principal	5.30%	–	–	–	Yes	–	–
Industrial Bank Co., Ltd.	Non-principal guaranteed with floating returns	1,000,000	15/9/2017	25/9/2017	Self-owned fund	Fixed income products (bonds, notes, etc.)	Payment of due interest and principal	4.20%	–	1,151	1,001,151	Yes	–	–

SIGNIFICANT EVENTS

Trustee	Entrusted Wealth Management Product	Entrusted Wealth Management Amount	Starting Date of Entrusted Wealth Management	Ending Date of Entrusted Wealth Management	Capital source	Usage of funds	Method of Reward Determination	Annualized returns	Estimated returns (if any)	Actual gains or losses	Actual recovery	Whether Any Lawsuit is Involved	Future entrusted wealth management plan or not	Amount of provision for depreciation (if any)
Industrial Bank Co., Ltd.	Non-principal guaranteed with floating returns	1,200,000	15/9/2017	27/9/2017	Self-owned fund	Fixed income products (bonds, notes, etc.)	Payment of due interest and principal	4.22%	–	1,665	1,201,665	Yes	–	–
Industrial Bank Co., Ltd.	Non-principal guaranteed with floating returns	1,000,000	27/9/2017	27/12/2017	Self-owned fund	Fixed income products (bonds, notes, etc.)	Payment of due interest and principal	5.21%	–	12,989	1,012,989	Yes	–	–
Industrial Bank Co., Ltd.	Non-principal guaranteed with floating returns	1,200,000	4/12/2017	25/12/2017	Self-owned fund	Fixed income products (bonds, notes, etc.)	Payment of due interest and principal	4.29%	–	2,959	1,202,959	Yes	–	–
Industrial and Commercial Bank of China Limited	Non-principal guaranteed with floating returns	1,000,000	25/9/2017	26/10/2017	Self-owned fund	Fixed income products (bonds, notes, etc.)	Payment of due interest and principal	4.90%	–	4,162	1,004,162	Yes	–	–
Industrial Bank Co., Ltd.	Non-principal guaranteed with floating returns	1,500,000	1/12/2017	27/12/2017	Self-owned fund	Fixed income products (bonds, notes, etc.)	Payment of due interest and principal	4.87%	–	5,203	1,505,203	Yes	–	–
Industrial Bank Co., Ltd.	Non-principal guaranteed with floating returns	1,000,000	29/12/2017	29/1/2018	Self-owned fund	Fixed income products (bonds, notes, etc.)	Payment of due interest and principal	4.20%-6.30%	–	–	–	Yes	–	–
Total	/	11,424,000	/	/	/	/	/	/	/	58,266	8,970,266	/	/	/

For details of the Company's investment into China Motor Tongfang (Tianjin) Equity Investment Fund (L.P.) (中車同方 (天津) 股權投資基金合夥企業 (有限合夥))、Beijing China Motor Century II Equity Investment Fund (L.P.) (北京中車世紀二期股權投資基金 (有限合夥))、China Motor Guohua (Qingdao) Equity Investment Fund (L.P.) (中車國華 (青島) 股權投資合夥企業 (有限合夥)) and Central Enterprise Guochuang Investment Guidance Fund (L.P.) (中央企業國創投資引導基金 (有限合夥)), please refer to the announcements dated 20 January 2017, 10 May 2017, 3 July 2017 and 17 July 2017 published by the Company on the website of the SSE website, China Securities Journal, Shanghai Securities News, Securities Daily and Securities Times.

3. Other Material Contracts

During the reporting period, the Company signed a number of sales contracts. For details, please refer to announcements dated 5 April 2017, 11 April 2017, 29 June 2017, 10 October 2017 and 29 December 2017 published by the Company on the websites of the SSE and the Stock Exchange.

SIGNIFICANT EVENTS

V. EXPLANATION OF OTHER MATERIAL EVENTS

1. Particulars of interbank debt financing instruments

On 25 February 2014, the Company issued 2014 First Tranche of Interim Notes of China CNR Corporation Limited in a total amount of RMB2 billion, which were due and settled on 25 February 2017.

On 27 June 2017, the Company issued 2017 First Tranche of Super and Short-term Financing Bills in a total amount of RMB2 billion, which were due and settled on 13 October 2017.

2. Termination of the Proposed Acquisition of ŠKODA TRANSPORTATION a.s.

CRRC Zhuzhou Electric Locomotive Co., Ltd. (中車株洲電力機車有限公司), a wholly owned subsidiary of the Company, once contemplated the proposed acquisition of ŠKODA TRANSPORTATION a.s. and related corporations and assets. For details of the transaction, please refer to relevant announcement dated 28 November 2016 published by the Company on the websites of the SSE and the Stock Exchange. CRRC Zhuzhou Electric Locomotive Co., Ltd. has terminated the transaction.

VI. INFORMATION ON THE CONVERTIBLE CORPORATE BONDS

On 5 February 2016, the Company issued H Share convertible bonds in an aggregate principal amount of US$600 million (the "Convertible Bonds" or "Bonds"). The Convertible Bonds are due on 5 February 2021 with a par value of US$250,000 each and are issued at 100% of its par value with zero coupon. The initial conversion price of the Convertible Bonds is HK$9.65 per H Share, and the adjusted conversion price is HK$9.29 per H Share. Proceeds from the issuance of the Bonds will be used to satisfy the production and international operation needs of the Company, including but not limited to adjusting its debt structure, increasing the capital contribution to its subsidiaries, replenishing working capital and project investments etc., which may be utilised at sole discretion of the Company both inside and outside of the PRC according to actual circumstances.

For details of the Convertible Bonds, please refer to the relevant announcements dated 25 January 2016, 5 February 2016, 7 March 2016, 27 June 2016 and 29 June 2017 published by the Company on the websites of the SSE and the Stock Exchange.

SIGNIFICANT EVENTS

(I) Dilution Effect of the Convertible Bonds on Shares

As at 31 December 2017, the outstanding principal amount of the Convertible Bonds was US$600 million. Based on the adjusted conversion price of HK$9.29 per H Share, the maximum number of H Shares issuable by the Company upon full conversion of the Convertible Bonds will be 503,134,553 H Shares. The following table sets out the shareholding structure of the Company upon full conversion of the Convertible Bonds with reference to the shareholding structure of the Company as at 31 December 2017 and assuming no further issuance of Shares by the Company:

Name of Shareholders	Number of Shares	Percentage of issued share capital enlarged by the issuance of Conversion Shares (%)
CRRCG and its associates Note	15,964,633,616 A Shares	54.67
Public Shareholders:		
Subscribers of the Bonds	503,134,553 H Shares	1.72
Other public Shareholders	4,371,066,040 H Shares	14.97
	8,363,164,432 A Shares	28.64
Issued share capital enlarged by the issuance of Conversion Shares	**29,201,998,641**	**100.00**

Note: CRRCG holds 473,257,727 A Shares through CRRC Financial and Securities Investment Co. Ltd. An analysis of the impact on the earnings per share if the Convertible Bonds were fully converted into Shares of the Company as at 31 December 2017 is set out in Note 14 to the financial statements in this annual report.

(II) Principal Terms of Convertible Bonds

The principal terms of the Convertible Bonds are as follows:

1. Conversion Right

The holders of the Convertible Bonds may covert the Convertible Bonds to Shares of the Company at the applicable conversion price at any time during the conversion period between 17 March 2016 and 26 January 2021. The bondholders may exercise the conversion right attached to the Convertible Bonds at their option at any time (1) during the conversion period; or (2) no later than 10 days prior to the designated redemption date provided that such bonds are required to be redeemed by the Company prior to the maturity date. No conversion right may be exercised in respect of the Bonds where the bondholder shall have exercised its rights under the terms and conditions of the Bonds within the restricted conversion period (both days inclusive).

SIGNIFICANT EVENTS

The initial conversion price of the Convertible Bonds is HK$9.65 per H Share. The Company distributed a cash dividend of RMB0.15 per Share (tax inclusive) to all shareholders pursuant to the 2015 profit distribution plan considered and approved at the 2015 annual general meeting held on 16 June 2016. The conversion price of the Convertible Bonds was adjusted to HK$9.50 per H Share from the initial conversion price of HK$9.65 per H Share pursuant to the terms and conditions of the Bonds with effect from 28 June 2016.The Company distributed a cash dividend of RMB0.21 per share (tax inclusive) to all shareholders pursuant to the 2016 profit distribution plan considered and approved at the general meeting held on 20 June 2017. The conversion price of the Convertible Bonds was adjusted to HK$9.29 per H share from HK$9.50 per H share pursuant to the terms and conditions of the Bonds with effect from 30 June 2017. The number of Shares that may be converted is determined by the principal amount of the Bonds divided by the conversion price of the Bonds at the time of conversion. The fixed exchange rate of US dollar against HK dollar is HK$7.7902 to US$1.00. Upon the above conversion price adjustment, assuming the Convertible Bonds are converted in full, the maximum number of shares to be issued by the Company will be 503,134,553 shares, and based on the net proceeds from the issuance of the Convertible Bonds by the Company of US$595,800,000, the net price for each Conversion Share of the Company will be approximately HK$9.22. On 25 January 2016 (i.e. the date of the Subscription Agreement for the Bonds), the closing price of the H Shares of the Company was HK$7.30, while on 30 June 2017 (i.e. the effective date of the latest conversion price adjustment), the closing price of the H Shares of the Company was HK$7.02.

2. Redemption Option

(1) Redemption at maturity

Unless previously redeemed, converted or purchased and cancelled, the Company will redeem all the outstanding Convertible Bonds at 100% of their outstanding principal amount on the maturity date of Convertible Bonds.

(2) Redemption at the option of the Company

Based on the specific conditions, the Company may, having given not less than 30 nor more than 60 days' notice to the trustee, the bondholders and the principal agent, redeem all the outstanding Convertible Bonds in whole at 100% of their outstanding principal amount as at the relevant redemption date at any time:

a. at any time after 5 February 2019 but prior to the maturity date, provided that no such redemption may be made unless the closing price of an H Share translated into US dollars at the Prevailing Rate applicable to each H Share Stock Exchange Business Day, for any 20 H Share Stock Exchange Business Days within a period of 30 consecutive H Share Stock Exchange Business Days, the last of such H Share Stock Exchange Business Day shall occur not more than 10 days prior to the date upon which notice of such redemption is given, was for each such 20 H Share Stock Exchange Business Days, at least 130% of the then Conversion price translated into US dollars at the prevailing fixed exchange rate. If there shall occur an event giving rise to a change in the Conversion Price during any such 30 consecutive H Share Stock Exchange Business Day period, appropriate adjustments for the relevant days approved by an Independent Investment Bank shall be made for the purpose of calculating the closing price of the H Shares for such days; or

SIGNIFICANT EVENTS

b. if the aggregate principal of the Convertible Bonds that have not been redeemed or converted is less than 10% of the aggregate principal originally issued prior to the date upon which such notice is given.

(3) Redemption at the option of the bondholders

The Company will, at the option of the bondholders, redeem whole or some of that holder's bonds on 5 February 2019 (the "Put Option Date") at 100% of their outstanding principal amount on the Put Option Date, upon giving not less than 30 nor more than 60 days' notice before the redemption option date (i.e. 5 February 2019).

(III) Accounting for the Convertible Bonds

The Convertible Bonds are comprised of debt component and derivative component with redemption option, conversion option and put-back option.

(1) Debt component was initially recognized at fair value amounting to approximately RMB3,488,045,000. It was subsequently measured by using effective interest method, and was measured at amortized cost by applying an effective interest rate of 2.53% on master debt contract after considering the effect of the underwriting fees and other issue costs. During the current period, the interest expenses of the debt component of the Convertible Bonds, were recognized as finance cost amounted to RMB93,397,000 by applying an effective interest rate, and the corresponding exchange loss of RMB221,367,000 was charged to current profit or loss.

(2) Derivative component was initially recognized and subsequently measured at fair value, relevant transaction costs were charged to current profit or loss and the gain or loss on fair value change were changed to the current profit or loss.

Underwriting fees and other issue costs relating to the Convertible Bonds were allocated in proportion to the fair values of debt component and derivative component. Underwriting fees and other issue costs amounting to approximately RMB28,745,000 relating to the debt component were included in the initial carrying amount of the debt component and amortized over the remaining period of the bonds using the effective interest method. Underwriting fees and other issue costs amounting to approximately RMB3,550,000 relating to derivative component were charged to current finance costs directly. The loss on fair value change of derivative component of the Convertible Bonds amounted to RMB166,960,000 and the corresponding exchange gain of RMB21,301,000 were charged to current profit or loss.

The movements of the debt component and derivative component of the Convertible Bonds for the period are set out below:

Unit: '000 Currency: RMB

	Debt component	Derivative component	Total
1 January 2017	3,758,742	366,097	4,124,839
Accrued interest during the period	93,397	—	93,397
Exchange gains or losses	-221,367	-21,301	-242,668
Gains or losses on changes in fair value	—	166,960	166,960
31 December 2017	3,630,772	511,756	4,142,528

(IV) Others

Pursuant to the terms and conditions of the Convertible Bonds, the implied rate of return of the Convertible Bonds is nil.

As at 31 December 2017, neither conversion right nor redemption right has been exercised by the holders of the Convertible Bonds and no redemption has been made by the Company.

VII. FULFILLMENT OF SOCIAL RESPONSIBILITY

For details of the fulfilment of social responsibility by the Group during the reporting period, please see the 2017 Social Responsibility Report of CRRC Corporation Limited disclosed by the Company on the websites of the SSE and the Stock Exchange at the same date.

VIII. OTHER SIGNIFICANT EVENTS

(I) Use of proceeds to temporarily supplement the working capital

On 19 January 2018, the Resolution on the Use of Proceeds to Temporarily Supplement the Working Capital was considered and approved on the 31st meeting of the first session of Board of Directors convened by the Company, pursuant to which the Company was approved to use the idle proceeds of not more than RMB1,500.7 million to temporarily supplement the working capital and the period of use shall not exceed 12 months from the date of consideration and approval by the Board.

(II) Profit Distribution of Ordinary Shares

On 28 March 2018, the Company held the 33rd meeting of the first session of the Board, pursuant to which the 2017 Proposal for Profit Distribution Plan of CRRC was considered and approved to distribute cash dividend of RMB0.15 (tax inclusive) per share to all shareholders based on the total share capital of the Company of 28,698,864,088 shares as at 31 December 2017. The Profit Distribution Plan is subject to the consideration and approval of the 2017 annual general meeting of the Company.

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF CRRC CORPORATION LIMITED
(Incorporated in the People's Republic of China with limited liability)

OPINION

We have audited the consolidated financial statements of CRRC Corporation Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 111 to 246, which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

INDEPENDENT AUDITOR'S REPORT

Key audit matter	How our audit addressed the key audit matter
Matters Pertaining to Overseas Operations	
Impairment of goodwill	
We identified the impairment of goodwill as a key audit matter due to the significance of the balance to the consolidated financial statements as a whole, combined with the significant degree of judgment by the management associated with the determination of the recoverable amount of the cash generating units to which goodwill has been allocated in the annual impairment test. Referring to Note 4 to the consolidated financial statements as one of the significant accounting judgements and key sources of estimation uncertainty and Note 18 to the consolidated financial statements, the Group has aggregate carrying value of goodwill of RMB1,242,487,000 as at 31 December 2017. The management determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the recoverable amount of the cash-generating units to which the goodwill is allocated, which is the higher of the value in use or fair value less costs of disposal. Estimating the recoverable amount requires the management to make an estimate of the expected future cash flows from the cash-generating units based on appropriate long-term growth rates and also to choose a suitable discount rate in order to calculate the present value of those cash flows. These are all subject to management's estimates and judgements.	Our procedures in relation to impairment of goodwill included: • Testing the key internal controls relating to the management's assessment of the impairment of goodwill; • Evaluating the appropriateness of the methodologies in determining the recoverable amount of goodwill in the impairment test; • Testing the underlying data used by the Group in determining the recoverable amount of goodwill in the impairment test by involving the internal valuation specialists to evaluate the appropriateness of management's key assumptions and judgements in the impairment test and evaluating how the external valuer's work were relied on by management; and • Verifing the mathematical accuracy on the calculation of the recoverable amount of the cash generating units to which goodwill has been allocated.
Overseas supply of locomotives	
We identified the matter described in note 49(ii) to the consolidated financial statements regarding media reports related to a train operator's procurement for the supply of locomotives as a key audit matter due to the judgments involved in evaluating the potential impacts of that matter on the Group and the consolidated financial statements. The conclusions of management with respect to this matter are set out in note note 49(ii).	Our procedures comprised updating our audit planning and risk assessment for this matter and evaluating its impact including by: • Obtaining an understanding of, and undertaking audit procedures to assess, management's considerations in relation to the potential impact on the Group of this matter and the related disclosures in the consolidated financial statements; • Designing and performing audit procedures to obtain audit evidence to support our conclusions; and • Evaluating the appropriateness of the related disclosures made in note 49(ii) to the consolidated financial statements.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

INDEPENDENT AUDITOR'S REPORT

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partner on the audit resulting in the independent auditor's report is Wong Tin Chak, Samuel.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
28 March 2018

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2017

	Notes	2017 RMB'000	2016 RMB'000 (Restated)
Revenue	6	207,043,882	224,137,964
Cost of sales and services		(161,378,750)	(179,109,803)
Gross profit		45,665,132	45,028,161
Other income and gains and losses	6	5,134,594	4,017,905
Distribution and selling expenses		(7,217,634)	(7,249,871)
Administrative expenses		(24,872,609)	(22,435,894)
Other expenses	7	(2,399,272)	(1,630,369)
Finance costs	8	(1,437,137)	(1,264,203)
Share of profits of:			
Joint ventures		124,498	189,247
Associates		401,743	264,107
Profit before taxation	9	15,399,315	16,919,083
Income tax expense	12	(2,387,765)	(3,024,670)
Profit for the year		13,011,550	13,894,413
Other comprehensive income (expense), net of income tax			
Items that will not be reclassified to profit or loss:			
Re-measurement of retirement benefit pension plans	36	234,759	(2,881)
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		(139,201)	54,007
Net gain on revaluation of available-for-sale financial assets		56,474	428,746
Income tax relating to items that may be reclassified to profit or loss subsequently		(46,425)	(28,121)
Share of other comprehensive income of associates		(18,832)	45,607
Other comprehensive income for the year, net of income tax		86,775	497,358
Total comprehensive income for the year		13,098,325	14,391,771
Profit for the year attributable to:			
Owners of the Company		10,798,556	11,290,137
Non-controlling interests		2,212,994	2,604,276
		13,011,550	13,894,413
Total comprehensive income for the year attributable to:			
Owners of the Company		10,866,873	11,837,189
Non-controlling interests		2,231,452	2,554,582
		13,098,325	14,391,771
Earnings per share (RMB)	14		
– Basic		0.38	0.41
– Diluted		0.37	0.41

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2017

	Notes	31 December 2017 RMB'000	31 December 2016 RMB'000 (Restated)
Non-current assets			
Property, plant and equipment	15	65,917,917	66,365,892
Investment properties	16	1,018,722	969,537
Prepaid lease payments	17	14,677,729	14,492,402
Goodwill	18	1,242,487	1,286,760
Other intangible assets	19	2,943,889	2,821,787
Interests in joint ventures	20	1,449,853	1,276,435
Interests in associates	21	9,763,657	7,195,541
Loans and advances to customers		192,693	203,144
Available-for-sale investments	22	2,805,856	3,819,162
Held-to-maturity investment	23	1,429,188	966,970
Deferred tax assets	24	3,697,406	3,009,338
Other non-current assets	25	14,153,979	14,953,993
		119,293,376	117,360,961
Current assets			
Prepaid lease payments	17	406,301	364,163
Inventories	26	55,092,104	54,403,643
Available-for-sale investments	22	451,497	51,699
Held to maturity investment - current portion		229,970	—
Trade receivables	27	77,672,935	74,052,769
Bills receivable	28	27,071,265	15,099,951
Prepayments, deposits and other receivables	29	31,176,995	30,505,225
Financial assets at fair value through profit or loss		2,569,294	731,916
Amounts due from customers for contract work	30	129,894	14,586
Tax recoverable		138,421	140,282
Pledged bank deposits	31	4,622,263	4,561,051
Cash and bank balances	31	56,264,129	41,035,974
		255,825,068	220,961,259
Assets classified as held for sale		52,443	—
		255,877,511	220,961,259
Current liabilities			
Trade payables	32	104,354,290	91,949,871
Bills payable	33	23,291,689	19,797,275
Other payables and accruals	34	34,072,428	38,217,925
Financial liabilities at fair value through profit or loss		225,240	16,983
Borrowings - due within one year	35	34,043,108	27,184,026
Retirement benefit obligations	36	288,139	319,782
Tax payable		1,188,521	1,272,252
Due to customers		3,487,822	2,711,367
Long-term payables - current portion		63,589	90,688
Provision for warranties	37	1,818,715	1,865,822
Deferred income	38	656,662	801,832
		203,490,203	184,227,823

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2017

	Notes	31 December 2017 RMB'000	31 December 2016 RMB'000 (Restated)
Net current assets		52,387,308	36,733,436
Total assets less current liabilities		171,680,684	154,094,397
Capital and reserves			
Share capital	39	28,698,864	27,288,758
Reserves		92,859,727	77,571,712
Equity attributable to owners of the Company		121,558,591	104,860,470
Non-controlling interests		20,310,812	18,955,106
Total equity		141,869,403	123,815,576
Non-current liabilities			
Borrowings- due after one year	35	9,954,710	10,712,670
Long-term payables		294,296	212,679
Retirement benefit obligations	36	3,718,519	3,516,307
Provision for warranties	37	4,570,492	4,535,894
Deferred income	38	5,756,605	5,944,764
Deferred tax liabilities	24	175,882	235,835
Convertible bonds-debt component	40	3,630,772	3,758,742
Convertible bonds-derivative component	40	511,756	366,097
Other non-current liabilities		1,198,249	995,833
		29,811,281	30,278,821
Total equity and non-current liabilities		171,680,684	154,094,397

The consolidated financial statements on pages 111 to 246 are approved and authorised for issue by the Board of Directors on 28 March 2018 and are signed on its behalf by:

Liu Hualong
Director

Sun Yongcai
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2017

	Attributable to owners of the Company											
	Share capital RMB'000	Capital reserve RMB'000 (Note i)	Available-for- sale investments revaluation reserve RMB'000	Retirement benefit obligations re-measurement reserve RMB'000	Statutory surplus reserve RMB'000 (Note ii)	Special reserve RMB'000 (Note iii)	General risk reserve RMB'000 (Note iv)	Translation reserve RMB'000	Retained earnings RMB'000 (Note v)	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2017(Restated)	27,288,758	30,188,763	235,652	(474,615)	2,273,807	49,957	551,265	(65,072)	44,811,955	104,860,470	18,955,106	123,815,576
Profit for the year	–	–	–	–	–	–	–	–	10,798,556	10,798,556	2,212,994	13,011,550
Other comprehensive income for the year:							w					
Change in fair value of available-for-sale investments, net of tax	–	–	11,299	–	–	–	–	–	–	11,299	(1,250)	10,049
Share of other comprehensive income of associates	–	–	(18,832)	–	–	–	–	–	–	(18,832)	–	(18,832)
Re-measurement gains on retirement benefit obligations	–	–	–	214,586	–	–	–	–	–	214,586	20,173	234,759
Exchange differences arising on translation of foreign operations	–	–	–	–	–	–	–	(138,736)	–	(138,736)	(465)	(139,201)
Total comprehensive income for the year	–	–	(7,533)	214,586	–	–	–	(138,736)	10,798,556	10,866,873	2,231,452	13,098,325
Non-public issuance of A shares (Note vi)	1,410,106	10,589,894	–	–	–	–	–	–	–	12,000,000	–	12,000,000
Share issuance expenses	.	(65,895)	–	–	–	–	–	–	–	(65,895)	–	(65,895)
Acquisition of a subsidiary under common control	–	(5,388)	–	–	–	–	–	–	–	(5,388)	(4,968)	(10,356)
Acquisition of a subsidiary	–	–	–	–	–	–	–	–	–	–	26,126	26,126
Disposal of subsidiaries	–	–	–	–	–	–	–	–	–	–	(280,648)	(280,648)
Acquisition of non-controlling interests	–	(81,336)	–	–	–	–	–	–	–	(81,336)	(48,813)	(130,149)
Deemed disposal of non-controlling shareholders	–	10,628	–	–	–	–	–	–	–	10,628	(10,628)	–
Capital contribution from non-controlling shareholders	–	–	–	–	–	–	–	–	–	–	223,135	223,135
Dividends declared to non-controlling shareholders of subsidiaries	–	–	–	–	–	–	–	–	–	–	(739,372)	(739,372)
Dividends distributed	–	–	–	–	–	–	–	–	(6,026,761)	(6,026,761)	–	(6,026,761)
Appropriation of general risk reserve	–	–	–	–	–	–	–	–	–	–	–	–
Appropriation of statutory surplus reserve	–	–	–	–	547,755	–	–	–	(547,755)	–	–	–
Appropriation of special reserves	–	–	–	–	–	602,216	–	–	(602,216)	–	–	–
Utilisation of special reserves	–	–	–	–	–	(602,216)	–	–	602,216	–	–	–
Others	–	–	–	–	–	–	–	–	–	–	(40,578)	(40,578)
At 31 December 2017	28,698,864	40,636,666	228,119	(260,029)	2,821,562	49,957	551,265	(203,808)	49,035,995	121,558,591	20,310,812	141,869,403

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2017

	Attributable to owners of the Company											
	Share capital RMB'000	Capital reserve RMB'000 (Note i)	Available-for- sale investments revaluation reserve RMB'000	Retirement benefit obligations re-measurement reserve RMB'000	Statutory surplus reserve RMB'000 (Note ii)	Special reserve RMB'000 (Note iii)	General risk reserve RMB'000 (Note iv)	Translation reserve RMB'000	Retained earnings RMB'000 (Note v)	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2016	27,288,758	29,960,109	(209,791)	(524,230)	1,801,679	49,957	339,689	(117,066)	38,311,211	96,900,316	16,674,257	113,574,573
Add: effect of business combination under common control	–	21,139	–	–	–	–	–	–	(11,819)	9,320	17,136	26,456
At 1 January 2016 (Restated)	27,288,758	29,981,248	(209,791)	(524,230)	1,801,679	49,957	339,689	(117,066)	38,299,392	96,909,636	16,691,393	113,601,029
Profit for the year (Restated)	–	–	–	–	–	–	–	–	11,290,137	11,290,137	2,604,276	13,894,413
Other comprehensive income for the year:												
Change in fair value of available-for-sale investments, net of tax	–	–	399,836	–	–	–	–	–	–	399,836	789	400,625
Share of other comprehensive income of associates	–	–	45,607	–	–	–	–	–	–	45,607	–	45,607
Re-measurement gains (losses) on retirement benefit obligations	–	–	–	49,615	–	–	–	–	–	49,615	(52,496)	(2,881)
Exchange differences arising on translation of foreign operations	–	–	–	–	–	–	–	51,994	–	51,994	2,013	54,007
Total comprehensive income for the year (Restated)	–	–	445,443	49,615	–	–	–	51,994	11,290,137	11,837,189	2,554,582	14,391,771
Acquisition of a subsidiary	–	–	–	–	–	–	–	–	–	–	509,322	509,322
Disposal of subsidiaries	–	–	–	–	–	–	–	–	–	–	19,003	19,003
Acquisition of non-controlling interests	–	6,238	–	–	–	–	–	–	(556)	5,682	(82,794)	(77,112)
Deemed disposal of non-controlling shareholders	–	101,969	–	–	–	–	–	–	–	101,969	55,578	157,547
Capital contribution from non-controlling shareholders	–	687	–	–	–	–	–	–	–	687	178,007	178,694
Dividends declared to non-controlling shareholders of subsidiaries	–	–	–	–	–	–	–	–	–	–	(944,613)	(944,613)
Dividends distributed	–	–	–	–	–	–	–	–	(4,093,314)	(4,093,314)	–	(4,093,314)
Appropriation of general risk reserve	–	–	–	–	–	–	211,576		(211,576)	–	–	–
Appropriation of statutory surplus reserve	–	–	–	–	472,128	–	–	–	(472,128)	–	–	–
Appropriation of special reserves	–	–	–	–	–	614,984	–	–	(614,984)	–	–	–
Utilisation of special reserves	–	–	–	–	–	(614,984)	–	–	614,984	–	–	–
Others	–	98,621	–	–	–	–	–	–	–	98,621	(25,372)	73,249
At 31 December 2016(Restated)	27,288,758	30,188,763	235,652	(474,615)	2,273,807	49,957	551,265	(65,072)	44,811,955	104,860,470	18,955,106	123,815,576

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2017

Note i: The balance of capital reserve mainly comprises the capital contribution by equity participants, certain items dealt with directly in the capital reserve of the Company and its subsidiaries (the "Group") in the Company's consolidated financial statements prepared in accordance with the relevant accounting standards of the People's Republic of China ("PRC"), and reserve generated from the acquisitions of subsidiaries under common control.

Note ii: According to relevant laws and regulations of the PRC, an entity established under the PRC Company Law is required to make an appropriation at 10 percent of the profit for the year as shown in the PRC statutory financial statements, prepared in accordance with the PRC accounting standards, to the statutory surplus reserve fund until the balance reaches 50 percent of the registered capital of that entity. The reserve appropriated can only be used to make up losses or to increase the registered capital of that entity and is not distributable.

Note iii: Pursuant to the relevant regulations of the PRC, the Group is required to transfer safety production funds at fixed rates based on production volume to a specific reserve accounts. The safety production funds could be utilised when expenses or capital expenditures on safety measures occur. The amount of safety production funds utilised would be transferred from the specific reserve account to retained earnings.

Note iv: According to the relevant provisions of the Ministry of Finance, CRRC Finance Co., Ltd ("Finance Company"), a subsidiary of the Company, is required to make an appropriation of general risk reserve from net profit as profit distribution, the balance of general risk reserve should not be less than 1.5 percent of risk assets at the end of the reporting period. According to the resolution of board of directors, Finance Company made provision for general risk reserve amounting to nil during the year ended 31 December 2017 (31 December 2016: RMB211,576,000).

Note v: It includes statutory surplus reserve provided by subsidiaries amounting to RMB11,558,974,000 as at 31 December 2017 (31 December 2016: RMB9,544,351,000).

Note vi: The Company completed the non-public offering of 1,410,106,000 A shares with par value RMB1.00 each, and the issue price was RMB8.51 per share, which was approved by the China Securities Regulatory Commission ("CSRC") through Zheng Jian Xu Ke [2016] No. 3203.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2017

	2017 RMB'000	2016 RMB'000 (Restated)
OPERATING ACTIVITIES		
Profit before taxation	15,399,315	16,919,083
Adjustments for:		
Depreciation of property, plant and equipment	5,400,969	5,069,125
Depreciation of items of investment properties	31,371	30,100
Depreciation of items of other non-current assets	66,945	54,117
Amortisation of prepaid lease payments	361,746	340,013
Amortisation of other intangible assets	633,838	1,014,667
Loss on disposal of property, plant and equipment	45,300	33,355
Loss (gain) on disposal of other intangible assets	3,982	(5,601)
Gain on disposal of prepaid lease payments	(923,192)	(460)
Provision against obsolete inventories	402,981	747,872
Impairment of property, plants and equipment	80,414	23,480
Impairment of non-current assets classified as held for sale	6,188	—
Impairment of other intangible assets	13,186	51,781
Impairment of available-for-sale investments	50,025	585,556
Impairment of trade receivables	1,077,124	631,421
Impairment of prepayments, deposits and other receivables	6,495	164,019
Impairment of loans and advances to customers	43,404	360
Impairment of other non-current assets	1,073,944	25,070
Impairment of goodwill	20,724	128,470
Interest income	(422,188)	(280,102)
Dividend income	(84,562)	(54,663)
Finance costs	1,437,137	1,264,203
Share of profits of associates and joint ventures	(526,241)	(453,354)
Fair value loss (gain) on financial instruments at fair value through profit or loss	330,511	(123,004)
Gain (loss)on disposal of financial instruments at fair value through profit or loss	(51,684)	3,895
Gain on disposal of available-for-sale investment	(113,044)	(90,340)
Gain on adjustment of fair value of previously held interest	—	(6,204)
Gain on disposal of subsidiaries	(1,809,155)	(870,430)
Investment income from corporate wealth management products	(52,902)	(114,756)
Investment income from held-to-maturity investment	(52,859)	(27,244)
Operating cash flows before movements in working capital	22,449,772	25,060,429
(Increase)/decrease in inventories	(1,478,498)	5,016,994
Increase in trade receivables, bills receivable and prepayments, deposits and other receivables	(21,816,685)	(5,885,629)
(Increase)/decrease in pledged bank deposits	(276,375)	59,571
Increase in trade payables, bills payable and other payables and accruals	20,754,715	3,107,429
Decrease in retirement benefit obligations	(359,401)	(348,720)
Increase in provision for warranties	216,683	361,792
Increase in other non-current assets	(313,744)	(4,100,875)
Decrease in placements with financial institutions	—	1,200,000
Cash generated from operations	19,176,467	24,470,991
Interest received	299,958	151,820
Income tax paid	(3,267,369)	(3,643,866)
Net cash generated from operating activities	16,209,056	20,978,945

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2017

	Notes	2017 RMB'000	2016 RMB'000 (Restated)
INVESTING ACTIVITIES			
Purchases of property, plant and equipment and deposits paid for acquisition of property, plant and equipment		(7,882,460)	(10,031,548)
Addition to prepaid lease payments		(509,886)	(275,732)
Purchases of other intangible assets and deposits paid for other intangible assets		(302,586)	(65,771)
Purchases of interests in associates		(165,892)	(4,209,935)
Purchases of interests in joint ventures		—	(110,677)
Purchases of available-for-sale investments		(1,277,981)	(1,351,115)
Purchases of held-to-maturity investment		(756,784)	(761,873)
Purchases of corporate wealth management products		(4,250,000)	(7,670,000)
Purchases of financial assets at fair value through profit or loss		(14,153,811)	(2,882,087)
Purchases of senior notes		(208,110)	(1,153,258)
Interest income from senior notes		—	19,824
Dividends received from a joint venture and associates		213,184	374,548
Dividends received from available-for-sale investments		91,510	59,871
Investment income from held-to-maturity investment		52,859	21,441
Acquisitions of subsidiaries	41	(14,820)	(72,909)
Proceeds from disposal of prepaid land lease payments		473,631	28,235
Proceeds from disposal of items of investment properties		18,633	—
Proceeds from disposal of items of property, plant and equipment		458,888	334,788
Proceeds from disposal of interests of associates and joint venture		3,915	(430,090)
Proceeds from disposal of available-for-sale investments		416,590	707,792
Proceeds from disposal of subsidiaries	42	1,639,115	505,368
Proceeds from disposal of other intangible assets		43,168	20,695
Interest income from non-pledged deposits with original maturity of three months or more when acquired		104,403	96,017
Proceeds from disposal of financial assets/liabilities at fair value through profit or loss		12,370,506	2,196,105
Proceeds from disposal of corporate wealth management products		5,777,757	7,156,456
Proceeds from disposal of senior notes		211,972	—
Withdrawal of non-pledged deposits with original maturity of three months or more when acquired		18,571,521	10,560,393
Placement of non-pledged deposits with original maturity of three months or more when acquired		(14,126,316)	(18,769,308)
Paid to non-controlling interests on liquidation of a subsidiary		(16,700)	—
Government grants received		242,965	994,201
Net cash used in investing activities		(2,974,729)	(24,708,569)

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2017

	Notes	2017 RMB'000	2016 RMB'000 (Restated)
FINANCING ACTIVITIES			
Repayment of borrowings		(88,862,820)	(113,536,942)
Purchase of non-controlling interests		(93,619)	(77,112)
Distribution to shareholders		(6,026,761)	(4,063,652)
Dividends paid to non-controlling interests		(716,282)	(1,065,472)
Interest paid		(1,442,666)	(1,302,743)
Interest paid for Bill discounted and trade receivables transferred		(131,106)	—
Proceeds from bank and other borrowings		91,926,294	117,089,589
Proceeds of issue of convertible bonds		—	3,886,545
Acquisition of a subsidiary under common control		(10,356)	—
Bonds issue expense		(2,738)	(12,076)
Capital contributions from non-controlling shareholders		223,135	178,694
Proceeds from issue of A shares		11,938,409	—
Proceeds from disposal of non-controlling shareholders		—	157,547
Placement of pledged time deposit for obtaining financing		(60,099)	(8,000)
Withdrawal of pledged time deposit for obtaining financing		8,000	60,000
Net cash generated from financing activities		6,749,391	1,306,378
Effect of foreign exchange rate changes		(310,358)	485,808
Cash and cash equivalents at beginning of the year		28,016,288	29,953,726
Net increase/(decrease) in cash and cash equivalents		19,673,360	(1,937,438)
Cash and cash equivalents at end of the year	31	47,689,648	28,016,288

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

1. GENERAL INFORMATION

CSR Corporation Limited ("CSR") was incorporated in the PRC on 28 December 2007 as a joint stock company with limited liability under the Company Law of the PRC. CSR's A shares were listed on the Shanghai Stock Exchange (the "SSE") on 18 August 2008 and CSR's H shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "HKSE") on 21 August 2008.

China CNR Corporation Limited ("CNR") was incorporated in the PRC on 26 June 2008 as a joint stock company with limited liability under the Company Law of the PRC. CNR made an initial public offering of A shares which were listed on the SSE on 29 December 2009. H shares of CNR were listed on the Main Board of the HKSE on 22 May 2014.

CSR and CNR published a joint announcement on 30 December 2014, announcing that the two companies entered into a merger agreement with respect to a merger proposal ("2015 Business Combination"). CSR and CNR would merge by CSR issuing, on the basis of a single exchange ratio, CSR A shares and CSR H shares to holders of CNR A shares and CNR H shares respectively in exchange for all of the issued shares of CNR. The exchange ratio was 1:1.10, meaning that each CNR A share should be exchanged for 1.10 CSR A shares to be issued by CSR and that each CNR H share should be exchanged for 1.10 CSR H shares to be issued by CSR. As all of the conditions of the above agreement as specified in the merger agreement had been satisfied, the merger agreement became effective on 28 May 2015. CNR A shares were deregistered from the SSE and CNR H shares were deregistered from the Main Board of HKSE. After completion of the merger, CSR has assumed all the assets, liabilities and business of CNR and CNR was deregistered according to law.

On 1 June 2015, the name of CSR was changed from "CSR Corporation Limited" to "CRRC Corporation Limited"("CRRC" or the "Company").

In 2015, the respective holding companies of CSR and CNR, namely CSR Group (formerly China South Locomotive and Rolling Stock Industry (Group) Corporation) and China Northern Locomotive & Rolling Stock Industry (Group) Corporation, had merged as CRRC Group ("CRRCG") following the merger between the CSR and CNR.

In 2017, the Company completed the non-public offering of 1,410,106,000 A shares with par value RMB1.00 each at an issue price of RMB8.51 per share. Upon completion, the total number of shares of the Company increased to 28,698,864,000 shares.

The address of the Company's registered office is No.16 Central West Fourth Ring Road, Haidian District, Beijing, the PRC.

The Company and its subsidiaries (collectively the "Group") are principally engaged in the research and development, design, manufacture, refurbishment and service of locomotives (including multiple units), metro cars, engineering machinery, mechanical and electric equipment, electronic equipment, environmental protection equipment and related components products, as well as sales, technical service and equipment leasing of related products; imports and exports; industrial investment of above businesses; assets management; information consultation, etc.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSS")

Amendments to IFRSs that are mandatorily effective for the current year

The Group has applied the following amendments to IFRSs that are mandatorily effective for the first time in the current year.

Amendments to IAS 7	Disclosure Initiative
Amendments to IAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to IFRS 12	As part of the Annual Improvements to IFRS Standards 2014-2016 Cycle

Except as described below, the application of the amendments to IFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Amendments to IAS 7 Disclosure Initiative

The Group has applied these amendments for the first time in the current year. The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes. In addition, the amendments also require disclosures on changes in financial assets if cash flows from those financial assets were, or future cash flows will be, included in cash flows from financing activities.

Specifically, the amendments require the following to be disclosed: (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

A reconciliation between the opening and closing balances of these items is provided in Note 46. Consistent with the transition provisions of the amendments, the Group has not disclosed comparative information for the prior year. Apart from the additional disclosure in Note 46, the application of these amendments has had no impact on the Group's consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSS") *(continued)*

New and revised IFRSs in issue but not yet effective

The Group has not early applied the following new and revised IFRSs that have been issued but not yet effective:

IFRS 9	Financial Instruments[1]
IFRS 15	Revenue from Contracts with Customers and the related Amendments[1]
IFRS 16	Leases[2]
IFRS 17	Insurance Contracts[4]
IFRIC 22	Foreign Currency Transactions and Advance Consideration[1]
IFRIC 23	Uncertainty over Income Tax Treatments[2]
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts[1]
Amendments to IFRS 9	Prepayment Features with Negative Compensation[2]
Amendments to IFRS 10 IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement[2]
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures[2]
Amendments to IAS 40	Transfers of Investment Property[1]
Amendments to IAS 28	As part of the Annual Improvements to IFRS Standards 2014-2016 Cycle[1]
Amendments to IFRSs	Annual Improvements to IFRS Standards 2015-2017 Cycle[2]

1 Effective for annual periods beginning on or after 1 January 2018
2 Effective for annual periods beginning on or after 1 January 2019
3 Effective for annual periods beginning on or after a date to be determined
4 Effective for annual periods beginning on or after 1 January 2021

Except for the new IFRSs mentioned below, the directors of the Company anticipate that the application of all other new and amendments to IFRSs and Interpretations will have no material impact on the consolidated financial statements in the foreseeable future.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSS") *(continued)*

New and revised IFRSs in issue but not yet effective *(continued)*

IFRS 9 Financial Instruments

IFRS 9 introduces new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets.

Key requirements of IFRS 9 which are relevant to the Group:

- all recognised financial assets that are within the scope of IFRS 9 are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at fair value through other comprehensive income ("FVTOCI"). All other financial assets are measured at their fair value at subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- in relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

Based on the Group's financial instruments and risk management policies as at 31 December 2017, the directors of the Company anticipate the following potential impact on initial application of IFRS 9:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSS") *(continued)*

New and revised IFRSs in issue but not yet effective *(continued)*

IFRS 9 Financial Instruments *(continued)*

Classification and measurement:

- Debt instruments classified as held-to-maturity investments carried at amortised cost as disclosed in Note 23: these are held within a business model whose objective is to collect the contractual cash flows that are solely payments of principal and interest on the principal outstanding. Accordingly, these financial assets will continue to be subsequently measured at amortised cost upon the application of IFRS 9.

- Debt instruments classified as loan receivables carried at amortised cost as disclosed in Notes 27 and 28 respectively: except for certain group companies once entered into transactions of transfers of financial assets which results in derecognition and may affect the business model of trade and bills receivables of those group companies, these financial assets are held within a business model whose objective is to collect the contractual cash flows that are solely payments of principal and interest on the principal outstanding ("hold to collect business mode"). Accordingly, these financial assets will continue to be subsequently measured at amortised cost upon the application of IFRS 9 except for those may be incconsistent with a hold to collect business model.

- Debt instruments of unlisted financial assets classified as available-for-sale investments carried at fair value as disclosed in Note 22: the contractual cash flows of these investments would not be solely payments of principal and interest on the principal amount outstanding and will be reclassified as financial assets at fair value through profit or loss ("FVTPL") under IFRS 9. Related net fair value gain of RMB39,497,000 will be transferred from the available-for-sale investments revaluation reserve to retained earnings on 1 January 2018.

- Listed debt instruments of perpetual bond classified as available-for-sale investments carried at fair value as disclosed in Note 22: the contractual cash flows of these investments would not be solely payments of principal and interest on the principal amount outstanding and will be reclassified as financial assets at FVTPL under IFRS 9. Related net fair value loss of RMB17,485,000 will be transferred from the available-for-sale investments revaluation reserve to retained earnings on 1 January 2018.

- Listed debt instruments of preference share classified as available-for-sale investments carried at fair value as disclosed in Note 22: the contractual cash flows of these investments would not be solely payments of principal and interest on the principal amount outstanding and will be reclassified as financial assets at FVTPL under IFRS 9. Related net fair value loss of RMB15,203,000 will be transferred from the available-for-sale investments revaluation reserve to retained earnings on 1 January 2018.

- Listed equity securities classified as available-for-sale investments carried at fair value as disclosed in Note 22: The directors of the Company divided these securities into two categories. Certain securities amounting to RMB146,276,000 as at 31 December 2017 qualified for designation as measured at FVTOCI under IFRS 9, however, the fair value loss accumulated in the available-for-sale investments revaluation reserve amounting to RMB49,646,000 as at 1 January 2018 will no longer be subsequently reclassified to profit or loss under IFRS 9, which is different from the current treatment. This will affect the amounts recognised in the Group's profit or loss and other comprehensive income but will not affect total comprehensive income. The remaining securities amounting to RMB1,696,981,000 as at 31 December 2017 qualified for designation as measured at FVTOCI under IFRS 9, however, the Group plans not to elect the option for the designation and will measure these securities at fair value with subsequent fair value gains or losses to be recognised in profit or loss. Upon initial application of IFRS 9, the fair value gain accumulated in the available-for-sale investments revaluation reserve amounting to RMB276,673,000 related to these investments will be transferred to retained profits at 1 January 2018.

- Equity securities classified as available-for-sale investments carried at cost less impairment as disclosed in Note 22: these securities qualified for designation as measured at FVTOCI under IFRS 9 and the Group will measure these securities at fair value at the end of subsequent reporting periods with fair value gains or losses to be recognised as other comprehensive income and accumulated in the available-for-sale investments revaluation reserve. Upon initial application of IFRS 9, these available-for-sale investments with a carrying amount of RMB356,646,000 as at 31 December 2017 will be designated to financial assets at FVTOCI.

- All other financial assets and financial liabilities will continue to be measured on the same bases as are currently measured under IAS 39.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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Impairment

In general, the directors of the Company anticipate that the application of the expected credit loss model of IFRS 9 will result in earlier provision of credit losses which are not yet incurred in relation to the Group's financial assets measured at amortised costs and other items that subject to the impairment provisions upon application of IFRS 9 by the Group.

Based on the assessment by the directors of the Company, if the expected credit loss model were to be applied by the Group, the accumulated amount of impairment loss to be recognised by Group as at 1 January 2018 would be increased as compared to the accumulated amount recognised under IAS 39 mainly attributable to expected credit losses provision on trade receivables and bills receivable. Such further impairment recognised under expected credit loss model would reduce the opening retained profits and increase the deferred tax assets at 1 January 2018.

Other than above, the directors of the Company Directors do not expect IFRS 9 will have a material impact on the results and financial position of the Group.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and the related Interpretations when it becomes effective.

The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under IFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

In 2016, the International Accounting Standards Board ("IASB") issued Clarifications to IFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

The directors of the Company have assessed the impact on application of IFRS 15 and anticipate that the application of IFRS 15 in the future may result in more disclosures in the consolidated financial statements. However, the directors of the Company do not anticipate that the application of IFRS 15 will have a material impact on the timing and amounts of revenue recognised in the respective reporting periods.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSS") *(continued)*

New and revised IFRSs not yet effective and not early adopted - continued

IFRS 16 Leases

IFRS 16, which upon the effective date will supersede IAS 17 Leases, introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Specifically, under IFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them both as financing in the statement of cash flows. Also, the right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, IAS 17.

In respect of the lessor accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

Furthermore, extensive disclosures are required by IFRS 16.

Under IAS 17, the Group has already recognised an asset and a related finance lease liability for finance lease arrangement and prepaid lease payments for leasehold lands where the Group is a lessee. The application of IFRS 16 may result in potential changes in classification of these assets depending on whether the Group presents right-of-use assets separately or within the same line item at which the corresponding underlying assets would be presented if they were owned.

As disclosed in Note 43(a), total operating lease commitments for the Group as at 31 December 2017 amounted to RMB812,808,000 (2016: RMB549,597,000), the directors of the Company do not expect the application of IFRS 16 would result in significant impact on the Group's results but it is expected that certain lease commitments will be required to be recognised in the consolidated statement of financial position as right-of-use assets and lease liabilities unless they qualify for low value or short-term leases upon the application of IFRS 16.

Furthermore, the application of new requirements may result in changes in measurement, presentation and disclosure as indicated above.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with IFRSs issued by the IASB. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") and by the Hong Kong Companies Ordinance ("CO").

Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Basis of preparation *(continued)*

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2 Share-based Payment, leasing transactions that are within the scope of IAS 17 Leases, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 Inventories or value in use in IAS 36 Impairment of Assets.

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 instruments which are transferred at fair value and a valuation technique that unobservable inputs is to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that the results of the valuation technique equals the transaction price.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

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

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Basis of consolidation *(continued)*

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries, including re-attribution of relevant reserves between the Group and the non-controlling interests according to the Group's and the non-controlling interests' proportionate interests.

Any difference between the amount by which the non-controlling interests are adjusted, and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the assets and liabilities of that subsidiary and non-controlling interests (if any) are derecognised. A gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the owners of the Company. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 Income Taxes and IAS 19 Employee Benefits respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 Share-based Payment at the acquisition date; and
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that standard.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Business combinations *(continued)*

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net amount of the identifiable assets acquired and the liabilities assumed as at acquisition date. If, after reassessment, the net amount of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary's net assets in the event of liquidation are initially measured at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that is qualified as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured to fair value at subsequent reporting dates, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to its acquisition-date fair value and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such a treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

Merger accounting for business combination involving entities under common control

The consolidated financial statements incorporate the financial statements items of the combining businesses in which the common control combination occurs as if they had been combined from the date when the combining businesses first came under the control of the controlling party.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Merger accounting for business combination involving entities under common control - continued

The net assets of the combining businesses are consolidated using the existing book values from the controlling party's perspective. No amount is recognised in respect of goodwill or bargain purchase gain at the time of common control combination.

The consolidated statement of profit or loss and other comprehensive income includes the results of each of the combining businesses from the earliest date presented or since the date when the combining businesses first came under the common control, where this is a shorter period.

The comparative amounts in the consolidated financial statements are presented as if the businesses had been combined at the end of the previous reporting period or when they first came under common control, whichever is shorter.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

A cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit (or the group of cash-generating units) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro rata basis based on the carrying amount of each asset in the unit (or group of cash-generating units).

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal (or any of the cash-generating unit within group of cash-generating units in which the Group monitors goodwill).

The Group's policy for goodwill arising on the acquisitions of associates and joint ventures are described below.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments in associates and joint ventures

An associate is an entity over which the Group has significant influence. 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.

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. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates or joint ventures are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of associates and joint ventures used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in an associate or a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. Changes in net assets of the associate or joint venture other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Group. When the Group's share of losses of an associate or a joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of IAS 39 are applied to determine whether there are any indication that the Group's investment in an associate or a joint venture may be impaired. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 *Impairment of Assets* as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss is recognised in profit or loss and is not allocated to any asset, including goodwill which forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When the group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognised in profit or loss. When the Group retains an interest in the former associate or joint venture and the retained interest is a financial asset within the scope of IAS 39, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition. The difference between the carrying amount of the associate or joint venture and the fair value of any retained interest and any proceeds from disposing the relevant interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) upon disposal or partial disposal of the relevant associate or joint venture.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments in associates and joint ventures *(continued)*

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests.

When the Group reduces its ownership interest in an associate or a joint venture but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with an associate or a joint venture of the Group, profits and losses resulting from the transactions with the associate or joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

Service concession arrangements

The Group has entered into service concession arrangements with the various governing bodies or agencies of the government of the People's Republic of China (the "grantors") to build and operate waste water treatment plants. Under the concession arrangements, the Group will construct and/or operate the plants for a concession period of between 20 and 30 years and transfer the plants to the grantors at the end of the concession periods. Such concession arrangements fall within the scope of IFRIC 12 Service Concession Arrangements, and are accounted for as follows:

Financial asset - service concession receivables

The Group recognises a service concession receivable if it has an unconditional contractual right under the service concession arrangements to receive a fixed or determinable amount of payments during the concession period irrespective of the usage of the plants. The service concession receivable is measured on initial recognition at its fair value. Subsequent to initial recognition, the service concession receivable is measured at amortised cost using the effective interest method.

Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when 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) and its sale is highly probable. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Revenue is recognised when the amount of revenue can be reliably measured: when it is probable that future economic benefits will flow to the Group and when specific criteria have been met for each of the Group's activities, as described below.

(a) Revenue from the sale of goods is recognised when the Group has transferred to the buyer the significant risks and rewards of ownership of the goods and retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold and the costs incurred or to be incurred in respect of the transaction can be measured reliably;

(b) The Group's accounting policy for the recognition of revenue from the rendering of services is described in the accounting policy for Contracts for services below;

(c) The Group's accounting policy for the recognition of revenue from operating service provided under service concession arrangements is recognised when services are provided.

(d) The Group's accounting policy for the recognition of revenue from construction services is described in the accounting policy for construction contracts below;

(e) The Group's accounting policy for recognition of revenue from operating leases is described in the accounting policy for leasing below;

(f) Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition; and

(g) Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Contracts for services

Contract revenue on the rendering of services comprises the agreed contract amount. Costs of rendering services comprise labour and other costs of personnel directly engaged in providing the services and attributable overheads.

Revenue from the rendering of services is recognised based on the percentage of completion of the transaction, provided that the revenue, the costs incurred and the estimated costs to completion can be measured reliably. The percentage of completion is established by reference to the costs incurred to date as compared to the total costs to be incurred under the transaction. Where the outcome of a contract cannot be measured reliably, revenue is recognised only to the extent that the expenses incurred are eligible to be recovered.

Construction contracts

Construction contracts are contracts specifically negotiated with a customer for the construction of an asset or a group of assets, where the customer is able to specify the major structural elements of the design.

Where the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the end of the reporting period, measured based on the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs, except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

When a contract covers a number of assets, the construction of each asset is treated as a separate contract when separate proposals have been submitted for each asset, each asset has been separately negotiated and the costs and revenues of each asset can be separately identified. A group of contracts, performed concurrently or in a continuous sequence, is treated as a single construction contract when the contracts were negotiated as a single package and they are so closely inter-related that they constitute a single project with an overall profit margin.

Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is shown as amounts due from customers for contract work. For contracts where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is shown as the amounts due to customers for contract work. Amounts received before the related work is performed are included in the consolidated statement of financial position, as a liability, under “Other payables and accruals”. Amounts billed for work performed but not yet paid by the customer are presented in the consolidated statement of financial position under “Trade receivables”.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Leasing

Leases that transfer substantially all the rewards and risks of ownership of assets to the lessee, other than legal title, are accounted for as finance leases. Where the Group is the lessee, at the inception of a finance lease, the leased assets are recognised at their fair value or, if lower, at the present value of the minimum lease payments. Assets held under finance leases are included in property, plant and equipment, and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the consolidated statement of profit or loss and other comprehensive income so as to provide a constant periodic rate of charge over the lease terms.

Assets acquired through hire purchase contracts of a financing nature are accounted for as finance leases, but are depreciated over their estimated useful lives.

Where the Group is the lessor, amounts due from lessees under finance leases are recognised as receivables at the amount of Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Leases that do not transfer substantially all the rewards and risks of ownership of assets to the lessee are accounted for as operating leases. Where the Group is the lessor, the rental income from operating leases is recognised in profit or loss on the straight-line basis over the lease terms. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset, such costs are recognized as an expense on a straight-line basis over the lease term. Where the Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to the consolidated statement of profit or loss and other comprehensive income on the straight-line basis over the lease terms.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Renminbi, "RMB") using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve (attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Foreign currencies *(continued)*

In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of associates or joint arrangements that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Goodwill and fair value adjustments to identifiable assets acquired and liabilities assumed through acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in other comprehensive income.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets;

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

The benefit of a government loan at a below-market rate of interest is treated as a government grant, measured as the difference between proceeds received and the fair value of the loan based on prevailing market interest rates.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Employee benefits

Retirement benefit costs and termination benefits

Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered services entitling them to the contributions.

For defined benefit retirement benefit plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each annual reporting period. Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling (if applicable) and the return on plan assets (excluding interest), is reflected immediately in the consolidated statement of financial position with a charge or credit recognised in other comprehensive income in the period in which they occur. Remeasurement recognised in other comprehensive income will not be reclassified to profit or loss. Past service cost is recognised in profit or loss in the period of a plan amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset.

Defined benefit costs are categorised as follows:

- service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements);
- net interest expense or income; and
- remeasurement.

The Group presents the first two components of defined benefit costs in profit or loss in the line item of administrative expenses and finance costs respectively. Curtailment gains and losses are accounted for as past service costs.

The retirement benefit obligation recognised in the consolidated statement of financial position represents the actual deficit or surplus in the Group's defined benefit retirement benefit plans. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the plans or reductions in future contributions to the plans.

A liability for a termination benefit is recognised at the earlier of when the Group entity can no longer withdraw the offer of the termination benefit and when the entity recognises any related restructuring costs.

Short-term and other long-term employee benefits

Short-term employee benefits are recognized at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognized as an expense unless another IFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date. Any changes in the liabilities' carrying amounts resulting from service cost, interest and remeasurements are recognized in profit or loss except to the extent that another IFRS requires or permits their inclusion in the cost of an asset.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'profit before taxation' as reported in the consolidated statement of profit or loss and other comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

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 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 sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax for the year

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Property, plant and equipment

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Construction in progress is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment (except for freehold land and construction in progress) to its residual value over its estimated useful life.

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from the continued use of the asset. Any gain or loss on disposal or retirement is determined as the difference between the sales proceeds and the carrying amount of the relevant asset and is recognised in profit or loss.

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are stated at cost less subsequent accumulated depreciation and any accumulated impairment losses. Depreciation is recognised so as to write off the cost of investment properties over their estimated useful lives and after taking into account of their estimated residual values using the straight-line method.

Construction costs incurred for investment properties under construction are capitalised as part of the carrying amount of the investment properties under construction.

Investment property is transferred to owner-occupied property when there is a change in use as evidenced by the commencement of owner occupation. Owner-occupied property is transferred to investment property when there is a change in use as evidenced by the ending of owner occupation.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use or no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the item is derecognised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Internally-generated intangible assets - research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination and recognised separately from goodwill are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination with finite useful lives are reported at cost less accumulated amortisation and any accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment on tangible and intangible assets other than goodwill (see the accounting policy in respect of goodwill above)

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any).

When it is not possible to estimate the recoverable amount of an asset individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash- generating unit) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or the cash-generating unit) is reduced to its recoverable amount. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on specific identification, first-in, first-out, or weighted average methods depending on business types and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and costs necessary to make the sale.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

Provisions for the expected cost of warranty obligations derived from the relevant legislation are recognised at the date of recognition of revenue from the sale of the relevant products, at the management's best estimate of the expenditure required to settle the Group's present obligation.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified into the following specified categories: financial assets at fair value through profit or loss, held-to-maturity investment, available-for-sale ("AFS") financial assets and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL, of which interest income is included in other income and gains and losses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets *(continued)*

Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is (i) held for trading; or (ii) it is designated as at FVTPL; or (iii) contingent consideration that may be received by an acquirer as part of a business combination.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 permits the entire combined contract to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the 'other income and gains and losses' line item.

Held-to-maturity investment

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that are quoted in an active market and that the Group has positive intention and ability to hold to maturity. Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method, less any impairment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets *(continued)*

AFS financial assets

AFS financial assets are non-derivatives that are either designated as available-for-sale or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at FVTPL.

Equity and debt securities held by the Group that are classified as AFS financial assets are measured at fair value at the end of each reporting period except for unquoted equity investments whose fair value cannot be reliably measured. Changes in the carrying amount of AFS debt instruments relating to interest income calculated using the effective interest method and changes in foreign exchange rates are recognised in profit or loss. Dividends on AFS equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established. Other changes in the carrying amount of AFS financial assets are recognised in other comprehensive income and accumulated under the heading of available-for-sale investments revaluation reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the available-for-sale investments revaluation reserve is reclassified to profit or loss.

AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less any identified impairment losses at the end of each reporting period (see the accounting policy in respect of impairment loss on financial assets below).

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade receivables, bill receivables, other receivables, loans and advances to customers, senior notes, long-term receivables, cash and bank balances as well as pledged bank deposits) are measured at amortised cost using the effective interest method, less any impairment.

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For AFS equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets *(continued)*

Impairment of financial assets (continued)

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial assets, such as trade receivables, assets are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of around three months to six months, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets that are carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, other receivables and long-term receivables, where the carrying amount is reduced through the use of an allowance account. When a trade or other receivable or long-term receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of AFS equity securities, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated under the heading of available-for-sale investments revaluation reserve. In respect of AFS debt securities, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis other than those financial liabilities classified as FVTPL, of which interest expense is included in other income and gains and losses.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liabilities is (i) held for trading; or (ii) it is designated as at FVTPL; or (iii) contingent consideration that may be paid by an acquirer as part of a business combination to which IFRS 3 Business Combinations applies.

A financial liability is classified as for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term;or
- on initial recognition it is a part of a portfolio of identified financial instrument that the Group manages together and has a recent actual pattern of short-term profit-taking, or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading or contingent consideration that may be paid by an acquirer as part of a business combination may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 permits the entire combined contract(asset or liability) to be designated as at FVTPL.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial liabilities and equity instruments

Effective interest method (continued)

Financial liability at FVTPL are measured at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss includes any interest paid on the financial liabilities and is included in the 'other income and gains and losses' line item.

Financial liabilities at amortised cost

Financial liabilities (including borrowings, trade payables, bills payable, other payables, long-term payables and due to customers) are subsequently measured at amortised cost, using the effective interest method.

Convertible Bonds

Convertible bonds issued by the Group that contain both debt and multiple embedded derivatives (including conversion option that will be settled other than by the exchange of fixed amount of cash or another financial asset for a fixed number of the Group's own equity instruments and redemption options) are classified separately into respective items on initial recognition. Multiple embedded derivatives are generally treated as a single compound embedded derivative unless those derivatives relate to different risk exposures and are readily separable and independent of each other. At the date of issue, both the debt and the derivative components are recognised at fair value.

In subsequent periods, the debt component of the convertible bonds is carried at amortised cost using the effective interest method. The derivative component is measured at fair value with changes in fair value recognised in profit or loss.

Transaction costs that relate to the issue of the convertible bonds are allocated to the debt and derivative components in proportion to their relative fair values. Transaction costs relating to the derivative component is charged to profit or loss immediately. Transaction costs relating to the debt component are included in the carrying amount of the debt portion and amortised over the period of the convertible bonds using the effective interest method.

Derivative financial instruments

Derivatives are initially recognised at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument.

Financial guarantee contracts issued by the Group are initially measured at their fair values and, if not designated as at FVTPL, are subsequently measured at the higher of:

- the amount of the obligation under the contract, as determined in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets; and
- the amount initially recognised less, where appropriate, cumulative amortisation recognised over the guarantee period.

Offsetting of financial instruments

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

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, which are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months from the date of acquisition.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

The Group makes estimates and assumptions concerning the future. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, which may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Estimated impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the recoverable amount of the cash-generating units to which the goodwill is allocated, which is the higher of the value in use and fair value less costs of disposal. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units based on appropriate long-term growth rates and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 December 2017 was RMB1,242,487,000 (31 December 2016: RMB1,286,760,000). More details are given in Note 18.

Estimated impairment of trade receivables, long-term receivables and other receivables

The Group recognises provision based on the judgement of recovery of trade receivables, long-term receivables and other receivables. Bad debt provision is required to be recognised when there are evidences indicating that the trade receivables, long-term receivables and other receivables cannot be recovered. Recognition of bad debt provision requires the use of judgement and estimates. If the revised estimates deviate from the current estimates, then any difference arising from changes of accounting estimates will affect the carrying value of debtors in the relevant accounting periods. The carrying amounts of trade receivables, long-term receivables(including amounts due within one year) and other receivables at 31 December 2017 were RMB77,672,935,000 (31 December 2016: RMB74,052,769,000), RMB18,409,870,000 (31 December 2016: RMB19,169,280,000) and RMB3,122,702,000 (31 December 2016 (Restated): RMB2,892,435,000), respectively.

Useful lives and residual value of property, plant and equipment, investment properties and other intangible assets

The Group's management determines the residual value, useful lives and related depreciation and amortisation charges for its property, plant and equipment, investment properties and other intangible assets. The estimates are based on the historical experience of the actual residual value and useful lives of relevant assets of similar nature and functions. It could change significantly as a result of technical innovations and keen competitions from competitors. Management will increase the depreciation and amortisation charges where residual value or useful lives are less than previously estimated, or it will write-off or write-down technically obsolete assets.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY *(continued)*

Employee retirement benefits

The Group has recognised the defined retirement benefit plans as a liability. The Group's obligations are determined using actuarial valuations, which rely on various assumptions and conditions. The assumptions used in actuarial valuation include discount rates, the growth rate of the benefits and other factors. The actual result may differ from the actuary result. Even though management is of the view that the above assumptions are reasonable, any changes in condition of assumptions will still affect the estimated liability amount of defined retirement benefit plans. The carrying amount of employee retirement benefits obligations at 31 December 2017 was RMB 4,006,658,000 (31 December 2016: RMB3,836,089,000).

Write-down of inventories to net realisable value

The Group determines the write-down for obsolescence of inventories. These estimates are made with reference to aged inventory analyses, projections of expected future saleability of goods and management experience and judgement. Based on this review, write-down of inventories will be made when the carrying amounts of inventories decline below their estimated net realisable values. Due to changes in market conditions, actual saleability of goods may be different from estimation and profit or loss could be affected by differences in this estimation. The net carrying amount of inventories at 31 December 2017 was RMB55,092,104,000 (31 December 2016 (Restated): RMB54,403,643,000).

Deferred tax assets

Deferred tax assets are recognised for unused tax losses and other deductible temporary differences to the extent that it is probable that taxable profit will be available against which the tax losses and other deductible temporary differences can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying amount of deferred tax assets at 31 December 2017 was RMB3,697,406,000 (31 December 2016: RMB3,009,338,000). Further details are contained in Note 24 to the consolidated financial statements.

Warranty provisions

As explained in Note 37, the Group makes provisions under the warranties it gives on sales of its goods taking into account the Group's recent claim experience. It is possible that the recent claim experience is not indicative of future claims that it will receive in respect of past sales. Any increase or decrease in the provision would affect profit or loss in future years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

5. SEGMENT INFORMATION

For management purposes, the Group's operating activities are attributable to a single operating segment, the provision of rolling stock products and services as well as other businesses that utilise proprietary rolling stock technologies. The Group's most senior executive management reviews the Group's revenue and profits as a whole for the purpose of allocating resources and assessing the performances. Therefore, no analysis by operating segment is presented.

Products and services

Revenue from external customers

	2017 RMB'000	2016 RMB'000
Rail transportation products and their extent products and services	207,043,882	224,137,964

Geographical information

Revenue from external customers

	2017 RMB'000	2016 RMB'000
Mainland China	187,911,999	205,198,319
Other countries and regions	19,131,883	18,939,645
	207,043,882	224,137,964

The revenue information above is based on the locations of the customers.

Non-current assets

	31 December 2017 RMB'000	31 December 2016 RMB'000 (Restated)
Mainland China	94,040,757	91,971,216
Other countries and regions	5,976,103	5,037,483
	100,016,860	97,008,699

The non-current assets information above is based on the locations of the assets and excludes financial instruments and deferred tax assets.

Information about a major customer

Revenue, net of sales tax, generated from a single customer which amounted to more than 10% of the Group's revenue for the year ended 31 December 2017 was RMB100,635,529,000 (2016: RMB105,759,048,000). The customers invested and managed by all PRC local railway departments are regarded as a single customer by the directors of the Company.

6. REVENUE, OTHER INCOME AND GAINS AND LOSSES

Revenue mainly represents the net invoiced value of goods sold, after allowance for returns and trade discounts, and excludes sales taxes and intra-group transactions.

An analysis of revenue, other income and gains and losses is as follows:

	2017 RMB'000	2016 RMB'000 (Restated)
Revenue		
Sale of goods and services	206,676,653	223,894,897
Interest income arising from Finance Company	365,000	237,888
Fee and commission income	2,229	5,179
	207,043,882	224,137,964
Other income		
Government grants	1,138,379	1,352,837
Interest income from banks	422,188	280,102
Value-added tax refunds	274,481	297,406
Profit from sundry operations	209,952	384,846
Technical service income	185,535	116,509
Rental of items of properties	103,712	105,710
Dividend income	84,562	54,663
Interest from held-to-maturity investments	52,859	27,244
Income from corporate wealth management products	52,902	114,756
Others	98,849	78,126
Total	2,623,419	2,812,199
Other gains and losses		
Gain on disposal of subsidiaries (Note 42)	1,809,155	870,430
Gain on adjustment of fair value of previously held interest	—	6,204
Loss on disposal of property, plant and equipment	(45,300)	(33,355)
Gain on disposal of prepaid lease payments	923,192	460
Gain on disposal of available-for-sale investment	113,044	90,340
Loss on derecognition of trade receivables	—	(92,145)
(Loss) gain on disposal of other intangible assets	(3,982)	5,601
Net foreign exchange (loss) gain, net	(96,449)	102,143
(Loss) gain on fair value change of convertible bonds-derivative component (Note 40)	(166,960)	88,768
(Loss) gain on fair value change of derivative financial instrument	(208,680)	34,236
Others	187,155	133,024
Total	2,511,175	1,205,706
	5,134,594	4,017,905

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

7. OTHER EXPENSES

	2017 RMB'000	2016 RMB'000 (Restated)
Other expenses included net:		
Impairment of trade receivables	1,077,124	631,421
Impairment of other non-current assets	1,073,944	25,070
Impairment of property, plant and equipment	80,414	23,480
Impairment of available-for-sale investment	50,025	585,556
Impairment of loans and advances to customers	43,404	360
Provision of onerous contracts	20,866	7,061
Impairment of goodwill	20,724	128,470
Impairment of other intangible assets	13,186	51,781
Relocation expense	6,902	13,151
Impairment of prepayment, deposits and other receivables	6,495	164,019
Impairment of non-current assets classified as held for sale	6,188	—
	2,399,272	1,630,369

8. FINANCE COSTS

An analysis of finance costs is as follows:

	2017 RMB'000	2016 RMB'000
Interest on borrowings	1,482,845	1,191,020
Interest expenses on 2016 Convertible Bonds (Note 40)	93,397	81,306
Interest on bills discounted	94,562	67,870
Interest cost recognised in respect of defined benefit obligations (Note 36)	97,759	119,997
Interest on finance leases	9,927	11,480
Others	2,738	15,626
Less: interest capitalised in construction in progress	(344,091)	(223,096)
	1,437,137	1,264,203

Borrowing costs capitalised during the year mainly arose on the general borrowing pool and are calculated by applying a capitalisation rate ranging from 1.08% to 5.65% (2016: 1.08% to 6.20%) per annum to expenditure on qualifying assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

9. PROFIT BEFORE TAXATION

Profit before taxation has been arrived at after charging (crediting):

	2017 RMB'000	2016 RMB'000 (Restated)
Cost of inventories sold (Note)	161,190,697	178,992,626
Depreciation of property, plant and equipment	5,400,969	5,069,125
Depreciation of investment properties	31,371	30,100
Depreciation of other non-current assets	66,945	54,117
Amortisation of prepaid lease payments	361,746	340,013
Amortisation of other intangible assets	633,838	1,014,667
Auditors' remuneration	30,000	28,600
Provision for warranties (Note 37)	2,788,689	3,189,752
Minimum lease payments under operating leases:		
Plant and machinery	413,550	411,964
Land and buildings	338,208	257,507
Research and development costs	10,491,958	9,684,499
Less: Amount capitalised	(174,524)	(54,237)
	10,317,434	9,630,262

	2017 RMB'000	2016 RMB'000 (Restated)
Staff costs (including directors', supervisors' and chief executive's remuneration, and employees' benefits other than below)	25,623,082	23,515,806
Contribution to government-operated pension schemes	2,794,422	2,872,012
Contribution to annuity pension schemes	493,130	413,607
Retirement benefit obligations - costs recognised (reversed)	116,814	(298,020)
	29,027,448	26,503,405

Note: Provision against obsolete inventories amounted to RMB402,981,000 during the year (2016: RMB747,872,000) and was included in "Cost of sales and services" on the consolidated statement of profit or loss and other comprehensive income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

10. DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

Directors', supervisors' and chief executive's emoluments for the year, disclosed pursuant to the Listing Rules and CO, are as follows:

	2017 RMB'000	2016 RMB'000
Fees	577	719
Other emoluments:		
Salaries	1,295	1,598
Performance-related bonuses (Note i)	2,543	2,753
Social security contribution other than pension (Note ii)	316	387
Pension scheme contributions (Note iii)	255	309
Total	4,986	5,766

Notes:

(i) The performance-related bonuses are determined by the remuneration committee in accordance with the relevant remuneration policies.

(ii) The social security contributions other than pension represent the Company's statutory contributions directly to the PRC government, and are determined based on a certain percentage of the salaries of the directors, supervisors and the chief executive.

(iii) The pension scheme contributions represent the Company's statutory contributions to a defined contribution pension scheme organised by the PRC government, and are determined based on a certain percentage of the salaries of the directors, supervisors and the chief executive.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

10. DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVE'S EMOLUMENTS *(continued)*

The names of the directors, supervisors and the chief executive and their emoluments for the year are as follows:

	Fees RMB'000	Salaries RMB'000	Performance-related bonuses RMB'000	Social security contribution other than pension RMB'000	Pension scheme contributions RMB'000	Total RMB'000
Year ended 31 December 2017						
Executive directors:						
Mr. Liu Hualong (Note i)	–	–	–	–	–	–
Mr. Sun Yongcai (Note ii)	–	172	450	63	51	736
Mr. Xu Zongxiang (Note iii)	–	69	445	28	22	564
Mr. Xi Guohua (Note iv)	–	108	500	36	29	673
	–	349	1,395	127	102	1,973
Independent non-executive directors:						
Mr. Li Guo'an	104	–	–	–	–	104
Mr. Zhang Zhong (Note v)	74	–	–	–	–	74
Mr. Wu Zhuo	100	–	–	–	–	100
Mr. Sun Patrick	148	–	–	–	–	148
Mr. Chan Ka Keung, Peter	151	–	–	–	–	151
	577	–	–	–	–	577
Supervisors:						
Mr. Wan Jun	–	167	450	63	51	731
Mr. Chen Fangping	–	389	349	63	51	852
Mr. Qiu Wei	–	390	349	63	51	853
	–	946	1,148	189	153	2,436
	577	1,295	2,543	316	255	4,986

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

10. DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVE'S EMOLUMENTS *(continued)*

	Fees RMB'000	Salaries RMB'000	Performance-related bonuses RMB'000	Social security contribution other than pension RMB'000	Pension scheme contributions RMB'000	Total RMB'000
Year ended 31 December 2016						
Executive directors:						
Mr. Cui Dianguo (Note vi)	–	185	469	59	47	760
Mr. Zheng Changhong (Note vii)	–	185	469	59	47	760
Mr. Liu Hualong (Note i)	–	–	–	–	–	–
Mr. Xi Guohua (Note iv)	–	185	469	59	47	760
Mr. Fu Jianguo (Note viii)	–	97	246	33	27	403
	–	652	1,653	210	168	2,683
Independent non-executive directors:						
Mr. Li Guo'an	144	–	–	–	–	144
Mr. Zhang Zhong (Note v)	149	–	–	–	–	149
Mr. Wu Zhuo	139	–	–	–	–	139
Mr. Sun Patrick	147	–	–	–	–	147
Mr. Chan Ka Keung, Peter	140	–	–	–	–	140
	719	–	–	–	–	719
Supervisors:						
Mr. Wan Jun	–	167	422	59	47	695
Mr. Chen Fangping	–	389	339	59	47	834
Mr. Qiu Wei	–	390	339	59	47	835
	–	946	1,100	177	141	2,364
	719	1,598	2,753	387	309	5,766

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

10. DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVE'S EMOLUMENTS *(continued)*

Notes:

(i) On 6 December 2016, Mr. Liu Hualong was appointed as the chairman of the Board. In accordance with the provisions of the Articles of Association of the Company, the legal representative of the Company has been changed to Mr. Liu Hualong.

Mr. Liu Hualong holds certain position in CRRCG and his remuneration has been borne by CRRCG since November 2015.

(ii) On 20 June 2017 Mr. Sun Yongcai was appointed as the executive director of the Company and his remuneration has been borne by the Company since August 2017. On 12 October 2017, Mr. Sun Yongcai was appointed as the president of the Company and his remuneration disclosed above include those for services rendered as president.

(iii) On 20 June 2017 Mr. Xu Zongxiang was appointed as the executive director of the Company and his remuneration has been borne by the Company since August 2017.

(iv) On 6 December 2016, Mr. Xi Guohua was appointed as the vice chairman of the Board. Mr. Xi Guohua is also the president of the Company and his remuneration disclosed above include those for services rendered as president. On 26 July 2017, Mr. Xi Guohua resigned from the position of the vice chairman of the Board and the president of the Company.

(v) On 20 June 2017, Mr. Zhang Zhong resigned from the position of independent non-executive director.

(vi) On 28 November 2016, Mr. Cui Dianguo resigned from the positions of chairman of the Board and executive director.

(vii) On 28 November 2016, Mr. Zheng Changhong resigned from the positions of vice-chairman of the Board and executive director of the Board.

(viii) On 22 July 2016, Mr. Fu Jianguo resigned from the position of executive director.

The executive directors' and supervisors' emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group.

The independent non-executive directors' emoluments shown above were for their services as directors of the Company.

No emoluments were paid by the Group to any of the directors or the supervisors and the chief executive of the Company as an inducement to join or upon joining the Group or as compensation for loss of office during both years.

There was no arrangement under which the directors or the supervisors and the chief executive of the Company waived or agreed to waive any remuneration during both years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

11. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees of the Group during both years are neither directors, supervisors nor chief executive.

Details of the remuneration paid to the five highest paid employees during the year are as follows:

	2017 RMB'000	2016 RMB'000
Salaries	1,717	1,710
Performance-related bonuses	8,847	8,559
Social security contribution other than pension	302	287
Pension scheme contributions	284	262
Total	11,150	10,818

The number of five highest paid employees whose remuneration fell within the following band is as follows:

	Number of employees	
	2017	2016
HK$2,000,001 to HK$2,500,000	0	3
HK$2,500,001 to HK$3,000,000	5	2

12. INCOME TAX EXPENSE

The major components of income tax expense included in profit or loss are:

	2017 RMB'000	2016 RMB'000 (Restated)
Current tax charge comprises		
PRC enterprise income tax	2,981,301	3,234,588
Hong Kong Profits Tax	32,429	23,934
Other jurisdictions	93,692	37,274
	3,107,422	3,295,796
Underprovision in respect of current tax in previous years	78,497	32,484
Deferred tax credit (Note 24)	(798,154)	(303,610)
	2,387,765	3,024,670

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

12. INCOME TAX EXPENSE *(continued)*

Pursuant to the relevant laws and regulations in the PRC, the statutory enterprise income tax rate of 25% (2016:25%) is applied to the Group, except for certain subsidiaries which were either exempted from tax or entitled to different preferential tax rates during both years. Certain subsidiaries of the Company are entitled to the preferential tax rate of 15% (2016: 15%) because they are recognised as the high and new technology enterprises by the local governments in the PRC.

Hong Kong Profits Tax has been provided at the rate of 16.5% (2016: 16.5%) on the estimated assessable profits arising in Hong Kong during the year.

Taxation arising in the jurisdictions other than the PRC and Hong Kong is calculated at rates prevailing in the relevant jurisdictions.

A reconciliation of the income tax expense to profit before taxation on the consolidated statement of profit or loss and other comprehensive income are as follows:

	2017 RMB'000	2016 RMB'000 (Restated)
Profit before taxation	15,399,315	16,919,083
Tax at the applicable tax rate of 25% (2016: 25%)	3,849,829	4,229,771
Tax effect of share of profit of associates and joint ventures	(131,560)	(113,338)
Tax effect of expenses not deductible for tax purpose	223,029	249,709
Entities subject to lower statutory income tax rates	(1,388,863)	(1,657,717)
Underprovision in respect of current tax in previous years	78,497	32,484
Utilisation of tax losses and temporary differences previously not recognised	(439,987)	(184,733)
Tax effect of tax losses and temporary differences not recognised	1,139,897	1,364,309
Others (Note)	(943,077)	(895,815)
	2,387,765	3,024,670

Note: Others mainly comprised income tax benefits on research and development expenditure.

13. DIVIDENDS

Dividends recognised as distribution during the year:

	2017 RMB'000	2016 RMB'000
Dividend paid:		
RMB0.21 (2016:RMB0.15) per share by the Company	6,026,761	4,093,314

The final dividend of RMB6,026,761,000 in respect of the year ended 31 December 2016 (2016: final dividend of RMB4,093,314,000 in respect of the year ended 31 December 2015), was approved by shareholders in the annual general meeting in June 2017.

Subsequent to the end of the reporting period a final dividend of RMB4,304,830,000 at RMB0.15 per share in respect of the year ended 31 December 2017, based on 28,698,864,000 shares after private placement of 1,410,106,000 A shares on 13 January 2017, has been proposed by the directors of the Company and is subject to the approval by the shareholders in the forthcoming annual general meeting.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

14. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the owners of the Company is based on the following data:

	2017 RMB'000	2016 RMB'000 (Restated)
Earnings		
Earnings for the purpose of basic earnings per share (profit for the year attributable to owners of the Company)	10,798,556	11,290,137
Effect of conversion of convertible bonds (Note 40)	17,689	—
Earnings for the purpose of diluted earnings per share	10,816,245	11,290,137

	2017 '000 shares	2016 '000 shares
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	28,652,504	27,288,758
Effect of conversion of convertible bonds	497,650	—
Weighted average number of ordinary shares for the purpose of diluted earnings per share	29,150,154	27,288,758

The calculation of diluted earnings per share for the year ended 31 December 2016 does not assume the conversion of the Company's outstanding convertible bonds since their exercise would result in an increase in earnings per share.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

15. PROPERTY, PLANT AND EQUIPMENT

	Notes	Freehold Land RMB'000	Buildings RMB'000	Plant, machinery and equipment RMB'000	Motor vehicles RMB'000	Computer equipment and others RMB'000	Construction in progress RMB'000	Total RMB'000
Cost								
Balance at 1 January 2016 as previously reported		206,207	36,490,574	39,471,314	2,564,583	4,204,105	8,759,248	91,696,031
Effect of business combination under common control		–	–	81	–	8,392	–	8,473
Balance at 1 January 2016 (Restated)		206,207	36,490,574	39,471,395	2,564,583	4,212,497	8,759,248	91,704,504
Additions		5,726	264,910	918,148	66,821	347,231	8,313,715	9,916,551
Transfer from construction in progress		–	4,371,292	2,709,827	90,101	338,760	(7,509,980)	–
Transfer from investment properties	16	–	138,753	–	–	–	–	138,753
Acquisitions of subsidiaries		–	30,043	23,565	617	4,207	85,002	143,434
Transfer to construction in progress		–	(218,999)	(37,961)	(1,290)	(879)	259,129	–
Transfer to investment properties	16	–	(85,536)	–	–	–	(73,998)	(159,534)
Transfer to prepaid lease payments	17	–	–	–	–	–	(99,377)	(99,377)
Transfer to other intangible assets	19	–	–	–	–	–	(158,887)	(158,887)
Disposal of subsidiary		–	(28,683)	(95,616)	(6,832)	(14,147)	(5,925)	(151,203)
Disposals		–	(68,180)	(1,029,870)	(64,013)	(110,666)	–	(1,272,729)
Exchange adjustments		6,297	(18,266)	(27,470)	391	18,082	(13,599)	(34,565)
Balance at 31 December 2016 (Restated)		218,230	40,875,908	41,932,018	2,650,378	4,795,085	9,555,328	100,026,947
Additions		–	285,622	822,037	101,012	262,257	5,462,208	6,933,136
Transfer from construction in progress		–	2,748,098	2,291,402	66,402	357,776	(5,463,678)	–
Transfer from investment properties	16	–	85,258	–	–	–	–	85,258
Acquisitions of subsidiaries		–	–	–	155	60	–	215
Transfer to construction in progress		–	(13,225)	(61,284)	(1,035)	(4,450)	79,994	–
Transfer to investment properties	16	–	(164,860)	–	–	–	(10,267)	(175,127)
Transfer to prepaid lease payment	17	–	–	–	–	–	(371,555)	(371,555)
Transfer to other intangible assets	19	–	–	–	–	–	(150,553)	(150,553)
Disposal of subsidiaries		–	(463,282)	(521,157)	(30,113)	(111,926)	(41,012)	(1,167,490)
Disposals		–	(301,813)	(803,701)	(154,005)	(128,066)	(16,960)	(1,404,545)
Other		–	(18,908)	(47,704)	–	–	(153,870)	(220,482)
Exchange adjustments		2,438	9,358	43,256	624	29,053	(25,827)	58,902
Balance at 31 December 2017		220,668	43,042,156	43,654,867	2,633,418	5,199,789	8,863,808	103,614,706
Depreciation								
Balance at 1 January 2016 as previously reported		–	(7,519,831)	(17,633,898)	(1,449,204)	(2,461,794)	(83,445)	(29,148,172)
Effect of business combination under common control		–	–	(26)	–	(5,162)	–	(5,188)
Balance at 1 January 2016 (Restated)		–	(7,519,831)	(17,633,924)	(1,449,204)	(2,466,956)	(83,445)	(29,153,360)
Provided for the year		–	(1,320,234)	(2,977,884)	(230,877)	(540,130)	–	(5,069,125)
Transfer from investment properties	16	–	(61,535)	–	–	–	–	(61,535)
Transfer to investment properties	16	–	26,307	–	–	–	–	26,307
Transfer to construction in progress		–	22,156	23,473	1,226	747	(47,602)	–
Disposal of subsidiaries		–	3,753	42,785	5,226	6,125	–	57,889
Disposals		–	25,964	726,293	49,329	79,568	–	881,154
Exchange adjustments		–	10,334	14,540	(130)	(4,552)	–	20,192

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

15. PROPERTY, PLANT AND EQUIPMENT *(continued)*

	Notes	Freehold Land RMB'000	Buildings RMB'000	Plant, machinery and equipment RMB'000	Motor vehicles RMB'000	Computer equipment and others RMB'000	Construction in progress RMB'000	Total RMB'000
Balance at 31 December 2016 (Restated)		–	(8,813,086)	(19,804,717)	(1,624,430)	(2,925,198)	(131,047)	(33,298,478)
Provided for the year		–	(1,454,282)	(3,159,337)	(231,731)	(555,619)	–	(5,400,969)
Transfer from investment properties	16	–	(42,807)	–	–	–	–	(42,807)
Transfer to investment properties	16	–	30,998	–	–	–	–	30,998
Transfer to construction in progress		–	7,670	43,409	571	1,657	(53,307)	–
Disposal of subsidiaries		–	166,128	320,106	21,314	84,601	–	592,149
Disposals		–	114,179	453,976	114,574	101,255	–	783,984
Other		–	3,106	6,122	–	–	–	9,228
Exchange adjustments		–	(11,129)	(5,649)	(268)	(1,590)	–	(18,636)
Balance at 31 December 2017		–	(9,999,223)	(22,146,090)	(1,719,970)	(3,294,894)	(184,354)	(37,344,531)
Impairment								
Balance at 1 January 2016		–	(41,173)	(299,663)	(6,185)	(8,440)	(12,694)	(368,155)
Provided for the year		–	(720)	(18,319)	(30)	(21)	(4,390)	(23,480)
Transfer from investment properties	16	–	(2,489)	–	–	–	–	(2,489)
Disposals		–	161	16,920	232	2,168	–	19,481
Disposal of subsidiaries		–	219	10,866	128	853	–	12,066
Balance at 31 December 2016		–	(44,002)	(290,196)	(5,855)	(5,440)	(17,084)	(362,577)
Provided for the year		–	(11,741)	(61,617)	(312)	(6,274)	(470)	(80,414)
Transfer to construction in progress		–	–	1,881	–	–	(1,881)	–
Transfer to investment property	16	–	2,489	–	–	–	–	2,489
Disposals		–	771	43,183	810	210	15,860	60,834
Disposal of subsidiaries		–	5,431	18,541	107	3,331	–	27,410
Balance at 31 December 2017		–	(47,052)	(288,208)	(5,250)	(8,173)	(3,575)	(352,258)
Carrying amount								
Balance at 31 December 2017		220,668	32,995,881	21,220,569	908,198	1,896,722	8,675,879	65,917,917
Balance at 31 December 2016 (Restated)		218,230	32,018,820	21,837,105	1,020,093	1,864,447	9,407,197	66,365,892

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

15. PROPERTY, PLANT AND EQUIPMENT *(continued)*

The estimated useful lives of property, plant and equipment are as follows:

Buildings	10-50 years
Plant, machinery and equipment	6-28 years
Motor vehicles	5-15 years
Computer equipment and others	5-12 years

As at 31 December 2017, all of the Group's properties are located in the PRC with the exception of buildings and freehold land amounting to RMB1,198,101,000 (31 December 2016: RMB1,028,877,000).

The details of the above items of property, plant and equipment pledged to secure general banking facilities granted to the Group are set out in Note 35.

The Group is in the process of applying for the title certificates for certain of its buildings with an aggregate carrying amount of RMB8,957,708,000 (31 December 2016: RMB9,006,192,000) at 31 December 2017. The directors of the Company are of the opinion that the Group is entitled to lawfully and validly occupy or use the above mentioned properties.

16. INVESTMENT PROPERTIES

	Notes	2017 RMB'000	2016 RMB'000
Cost			
Balance at 1 January		1,234,089	1,210,932
Additions		—	—
Transfer from property, plant and equipment	15	175,127	159,534
Acquisitions of subsidiaries		—	2,376
Transfer to property, plant and equipment	15	(85,258)	(138,753)
Disposals		(70,874)	—
Balance at 31 December		1,253,084	1,234,089
Depreciation			
Balance at 1 January		(250,658)	(255,786)
Provided for the year	9	(31,371)	(30,100)
Transfer from property, plant and equipment	15	(30,998)	(26,307)
Transfer to property, plant and equipment	15	42,807	61,535
Disposals		52,241	—
Balance at 31 December		(217,979)	(250,658)
Impairment			
Balance at 1 January		(13,894)	(16,383)
Transfer from property, plant and equipment	15	(2,489)	—
Transfer to property, plant and equipment	15	—	2,489
Balance at 31 December		(16,383)	(13,894)
Carrying amount			
Balance at 31 December		1,018,722	969,537

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

17. PREPAID LEASE PAYMENTS

	Notes	2017 RMB'000	2016 RMB'000
CARRYING AMOUNT			
Balance at 1 January		14,856,565	14,776,532
Additions		509,886	307,256
Transfer from property, plant and equipment	15	371,555	99,377
Acquisitions of subsidiaries		—	57,830
Disposal of subsidiaries		(111,777)	(14,759)
Released to profit or loss	9	(361,746)	(340,013)
Exchange adjustments		926	(1,883)
Disposals		(181,379)	(27,775)
At 31 December		15,084,030	14,856,565
Analysed for reporting purpose as:			
Current assets		406,301	364,163
Non-current assets		14,677,729	14,492,402

The leasehold lands are held under medium term leases and are situated in the PRC, except for the leasehold lands with a carrying amount of RMB8,146,000 (31 December 2016: RMB8,168,000) are located in Malaysia.

The details of the above prepaid land lease payments pledged to secure general banking facilities granted to the Group are set out in Note 35.

The Group is in the process of obtaining the land use right certificates for certain land use rights with carrying amount of RMB561,302,000 (31 December 2016: RMB310,024,000) located in the PRC. The directors of the Company are of the opinion that the Group is entitled to lawfully and validly occupy or use these land use rights.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

18. GOODWILL

	2017 RMB'000	2016 RMB'000
COST		
Balance at 1 January	1,485,542	1,385,546
Acquisitions of subsidiaries	2,100	40,427
Exchange adjustments	(25,649)	59,569
Balance at 31 December	1,461,993	1,485,542
IMPAIRMENT		
At 1 January	(198,782)	(70,312)
Impairment loss recognised in the year (Note i)	(20,724)	(128,470)
At 31 December	(219,506)	(198,782)
CARRYING AMOUNT		
At 31 December	1,242,487	1,286,760

Note i:

The basis for determining the recoverable amounts of the subsidiaries to which the goodwill has been allocated and the major underlying assumptions are summarised below:

The recoverable amounts in respect of subsidiaries, which are principally engaged in manufacturing, have been determined based on a value in use calculation. That calculation uses cash flow projections based on the most recent financial budgets of five years approved by management and an extrapolated financial budget for the following five years, and a discount rate of 8.9%-11.05% (2016:8.2% -12.5%). The cash flows beyond the 5-year period are extrapolated using a growth rate of 0%-2.0% (2016: 1.25% - 2.0%). One major assumption is annual growth rates in revenue which vary among different subsidiaries for the most recent financial budgets period. The growth rates are based on the relevant industry growth forecasts and do not exceed the average long-term growth rate for the relevant industry. Another key assumption for the value in use calculations is the stable budgeted gross margin, which is determined based on the subsidiaries' past performance. During the year ended 31 December 2017, the Group recognised impairment losses of RMB20,724,000 (2016:RMB 128,470,000). The recoverable amounts of related cash generating units are RMB645,338,000 (2016: RMB847,058,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

19. OTHER INTANGIBLE ASSETS

	Notes	Patents and technical know-how RMB'000	Computer software and others RMB'000	Client relationships RMB'000	Backlogs and technical service preferential orders RMB'000	Total RMB'000
Cost						
Balance at 1 January 2016 as previously		3,535,301	1,798,665	327,286	126,516	5,787,768
Effect of business combination under common control		19,200	774	—	—	19,974
Balance at 1 January 2016 (Restated)		3,554,501	1,799,439	327,286	126,516	5,807,742
Additions		265,849	253,521	—	—	519,370
Transfer from construction in progress	15	18,554	140,333	—	—	158,887
Acquisitions of subsidiaries		542	666	—	—	1,208
Disposals		(18,893)	(10,370)	—	—	(29,263)
Disposal of subsidiaries		(64,398)	(4,067)	—	—	(68,465)
Exchange adjustments		(45,441)	(434)	19,135	(6,486)	(33,226)
Balance at 31 December 2016(Restated)		3,710,714	2,179,088	346,421	120,030	6,356,253
Additions		558,476	111,568	—	—	670,044
Transfer from construction in progress	15	34,298	116,255	—	—	150,553
Acquisitions of subsidiaries		3,717	—	—	—	3,717
Disposals		(68,645)	(8,659)	—	—	(77,304)
Disposal of subsidiaries		(49,131)	(27,645)	—	—	(76,776)
Exchange adjustments		15,577	1,003	(10,469)	1,646	7,757
Balance at 31 December 2017		4,205,006	2,371,610	335,952	121,676	7,034,244
Amortisation						
Balance at 1 January 2016 as previously		(1,258,633)	(954,236)	(42,752)	(88,225)	(2,343,846)
Effect of business combination under common control		(9,600)	(64)	—	—	(9,664)
Balance at 1 January 2016 (Restated)		(1,268,233)	(954,300)	(42,752)	(88,225)	(2,353,510)
Provided for the year		(725,511)	(243,090)	(30,284)	(15,782)	(1,014,667)
Disposals		7,379	6,790	—	—	14,169
Disposal of subsidiaries		28,618	1,427	—	—	30,045
Exchange adjustments		1,616	24	(3,423)	3,098	1,315
Balance at 31 December 2016(Restated)		(1,956,131)	(1,189,149)	(76,459)	(100,909)	(3,322,648)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

19. OTHER INTANGIBLE ASSETS *(continued)*

	Notes	Patents and technical know-how RMB'000	Computer software and others RMB'000	Client relationships RMB'000	Backlogs and technical service preferential orders RMB'000	Total RMB'000
Provided for the year		(289,987)	(296,494)	(31,680)	(15,677)	(633,838)
Disposals		22,868	7,286	—	—	30,154
Disposal of subsidiaries		44,133	14,663	—	—	58,796
Exchange adjustments		(4,543)	(137)	2,931	(1,164)	(2,913)
Balance at 31 December 2017		(2,183,660)	(1,463,831)	(105,208)	(117,750)	(3,870,449)
Impairment:						
Balance at 1 January 2016		(184,037)	—	—	—	(184,037)
Provided for the year		(51,781)	—	—	—	(51,781)
Disposal of subsidiaries		24,000	—	—	—	24,000
Balance at 31 December 2016(Restated)		(211,818)	—	—	—	(211,818)
Provided for the year		(9,568)	(3,618)	—	—	(13,186)
Disposal of subsidiaries		1,987	3,111	—	—	5,098
Balance at 31 December 2017		(219,399)	(507)	—	—	(219,906)
Carrying amounts						
Balance at 31 December 2017		1,801,947	907,272	230,744	3,926	2,943,889
Balance at 31 December 2016(Restated)		1,542,765	989,939	269,962	19,121	2,821,787

Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful lives of intangible assets are as follows:

Patents and technical know-how	3-10 years
Computer software and others	2-10 years
Client relationships	7-15 years
Backlogs and technical service preferential orders	Over the service providing periods

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

20. INTERESTS IN JOINT VENTURES

	2017 RMB'000	2016 RMB'000
Cost of investments, unlisted	642,377	590,030
Share of post-acquisition profit and other comprehensive income, net of dividends received	807,476	686,405
Carrying amount	1,449,853	1,276,435

Aggregate information of joint ventures that are not individually material:

	2017 RMB'000	2016 RMB'000
The Group's share of profit and total comprehensive income for the year	124,498	189,247
Aggregate carrying amount of the Group's interests in these joint ventures	1,449,853	1,276,435

21. INTERESTS IN ASSOCIATES

	2017 RMB'000	2016 RMB'000
Cost of investments, unlisted	9,055,915	6,716,612
Share of post-acquisition profits and other comprehensive income, net of dividends received	707,742	478,929
Carrying amount	9,763,657	7,195,541
Representing		
Share of net assets by the Group	6,774,758	4,206,642
Goodwill on acquisition of associates	2,988,899	2,988,899
Total	9,763,657	7,195,541

Particulars of the principal associate of the Group at 31 December 2017 are as follow:

Company name	Date of establishment	Place of operation	Fully paid up registered capital	Proportion of ownership interest and voting rights held		Principal activities
				31 December 2017	31 December 2016	
China United Insurance. Holding Corporation ("China United Insurance") 中華聯合保險集團股份有限公司	5 June 2006	PRC	RMB15,310,000,000	13.0633%	13.0633%	Insurance

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

21. INTERESTS IN ASSOCIATES *(continued)*

The company holds 13.0633% equity interest of China United Insurance and has the right to appoint a director on the board. Thus, the company has the right to participate in the financial and operating policy decisions of China United Insurance and has significant influence over it.

The English name of the above company represents direct translation of the Chinese name of the company as no English name has been registered.

The above table lists the principal associate of the Group. To give details of other associates would, in the opinion of the directors of the Company, result in particulars of excessive length.

Summarised financial information of material associate

Summarised financial information in respect of the Group's material associate is set out below. The summarised financial information below represents amounts shown in the associate's financial statements prepared in accordance with IFRSs.

China United Insurance

	2017 RMB'000	2016 RMB'000
Total assets	73,144,354	64,307,123
Total liabilities	56,499,846	48,764,451

	2017 RMB'000	Period from date of acquisition to 31 December 2016 RMB'000
Revenue	40,180,392	33,148,417
Profit for the year/period	1,245,262	1,256,092
Profit attributable to owners of China United Insurance	1,088,001	1,180,021
Other comprehensive (expense) income for the year/period	(163,426)	355,888
Total comprehensive income for the year/period	1,081,836	1,611,980

Reconciliation of the above summarised financial information to the carrying amount of the interest in the associate recognised in the consolidated financial statements:

	2017 RMB'000	2016 RMB'000
Net assets of China United Insurance	16,644,508	15,542,672
Less: Non-controlling interests of China United Insurance's subsidiaries	1,844,025	1,686,030
Proportion of the Group's ownership interest in China United Insurance	13.0633%	13.0633%
The Group's share of net assets of China United Insurance	1,933,432	1,810,135
Goodwill on acquisition of China United Insurance	2,982,365	2,982,365
Carrying amount of the Group's interest in China United Insurance	4,915,797	4,792,500

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

21. INTERESTS IN ASSOCIATES *(continued)*

Aggregate information of associates that are not individually material:

	2017 RMB'000	2016 RMB'000
The Group's share of profit and total comprehensive income for the year	259,614	109,957
Aggregate carrying amount of the Group's interests in these associates	4,847,860	2,403,041

22. AVAILABLE-FOR-SALE INVESTMENTS

	2017 RMB'000	2016 RMB'000
Unlisted financial assets, at fair value	451,497	51,699
Listed perpetual bond investments, at fair value	190,625	208,110
Listed preference share investments, at fair value	415,328	236,490
Listed equity investments, at fair value	1,843,257	2,426,580
Unlisted equity investments, at cost less impairment	356,646	947,982
	3,257,353	3,870,861

Analysed for reporting purpose as:

	2017 RMB'000	2016 RMB'000
Current asset	451,497	51,699
Non-current asset	2,805,856	3,819,162
	3,257,353	3,870,861

During the year, the fair value gain in respect of the Group's available-for-sale investments recognised in other comprehensive income before tax amounted to RMB56,474,000 (2016: gain of RMB428,746,000), including a gain of RMB137,994,000 (2016: gain of RMB89,391,000) which was reclassified to profit or loss upon disposal and a loss of RMB47,464,000 (2016: loss of RMB583,526,000) which was reclassified to profit or loss due to impairment.

Unlisted financial assets

Unlisted financial assets of the Group represent investment in corporate wealth management products issued by the PRC banks, and are stated at fair value by discounting the expected future cash inflow using the prevailing discount rate of similar products.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

22. AVAILABLE-FOR-SALE INVESTMENTS *(continued)*

Listed perpetual bond investments

Listed perpetual bond investments of the Group are issued by entities incorporated in the PRC and Hong Kong, and stated at fair value which is determined by reference to published price quotations in an active market.

Listed preference share investments

Listed preference share investments of the Group are issued by entities incorporated in the PRC and stated at fair value which is determined by reference to published price quotations in an active market.

Listed equity investments

The fair value of the listed equity investments is determined by reference to published price quotations in an active market.

Unlisted equity investments

Unlisted equity investments are not stated at fair value but at cost less any accumulated impairment losses, because they do not have a quoted market price in an active market, the range of reasonable fair value estimates is significant and the probabilities of the various estimates cannot be reasonably assessed.

23. HELD-TO-MATURITY INVESTMENT

	2017 RMB'000	2016 RMB'000
Debt securities		
– Listed in Hong Kong (Note i)	1,265,646	547,530
– Listed outside Hong Kong (Note ii)	393,512	419,440
	1,659,158	966,970

Analysed for reporting purpose as:

	2017 RMB'000	2016 RMB'000
Current asset	229,970	–
Non-current asset	1,429,188	996,970
	1,659,158	996,970

Note:

(i) The Group's held-to-maturity investment represents debt securities which are listed in Hong Kong, carrying fixed interest range from 3.63% to 5.90% per annum(2016: 4.30%-5.90%), payable semi-annually in arrear, and will mature from 24 November 2018 to 8 March 2024 (2016: 24 November 2018 to 22 August 2021).

(ii) The Group's held-to-maturity investment represents debt securities which are listed outside Hong Kong, carrying fixed interest range from 3.20% to 8.13% per annum(2016: 3.20%-8.13%), payable semi-annually in arrear, and will mature from 2 December 2018 to 13 July 2021(2016: 2 December 2018 to 13 July 2021).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

24. DEFERRED TAX ASSETS/LIABILITIES

The following is the analysis of the deferred tax balances for financial reporting purposes:

	2017 RMB'000	2016 RMB'000
Deferred tax assets	3,697,406	3,009,338
Deferred tax liabilities	(175,882)	(235,835)
	3,521,524	2,773,503

The deferred tax assets (liabilities) recognised by the Group and movements thereon during the year are as follows:

	Warranty claims provision RMB'000	Government grants RMB'000	Accrued commission RMB'000	Assets impairment RMB'000	Unrealised profits in inventories RMB'000	Accrued royalty fee RMB'000	Wages payable RMB'000	Financial assets at fair value through profit or loss RMB'000	Fair value adjustments arising from acquisitions of subsidiaries RMB'000	Depreciation difference RMB'000	Fair value adjustments arising from available-for- sale investments RMB'000	Other temporary differences RMB'000	Total RMB'000
At 1 January 2016	908,584	172,006	80,091	926,458	191,562	42,507	40,129	54	(238,649)	(22,208)	41,066	359,955	2,501,555
Credit (charge) to profit or loss	69,204	44,446	(20,597)	139,697	(88,240)	2,031	(19,536)	(54)	37,899	(833)	–	139,593	303,610
Acquisitions of subsidiaries	2,969	(1,989)	–	7,631	–	–	–	–	(14,220)	–	–	2,175	(3,434)
Disposals of subsidiaries	(193)	–	–	–	–	–	–	–	–	–	–	86	(107)
Credited to other comprehensive income	–	–	–	–	–	–	–	–	–	–	(28,121)	–	(28,121)
At 31 December 2016	980,564	214,463	59,494	1,073,786	103,322	44,538	20,593	–	(214,970)	(23,041)	12,945	501,809	2,773,503
(Charge) credit to profit or loss	(16,217)	22,064	(9,684)	348,877	143,363	10,038	31,519	(2,388)	68,575	(18,652)	–	220,659	798,154
Acquisitions of subsidiaries	–	–	–	1,024	–	–	–	–	(610)	–	–	–	414
Disposals of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	(77)	(77)
Exchange adjustments	–	–	–	–	–	–	1	–	(4,194)	(462)	–	610	(4,045)
Credited to other comprehensive income	–	–	–	–	–	–	–	–	–	–	(46,425)	–	(46,425)
At 31 December 2017	964,347	236,527	49,810	1,423,687	246,685	54,576	52,113	(2,388)	(151,199)	(42,155)	(33,480)	723,001	3,521,524

The Group has tax losses of RMB12,807,124,000 (2016: RMB11,299,921,000) and deductible temporary differences of RMB5,221,461,000 (2016: RMB4,015,536,000) as at 31 December 2017. Deferred tax assets have not been recognised in respect of these losses and deductible temporary differences as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses and deductible temporary differences can be utilised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

24. DEFERRED TAX ASSETS/LIABILITIES *(continued)*

The tax losses unrecognised for deferred tax assets that will expire in:

	2017 RMB'000	2016 RMB'000 (Restated)
2017	—	428,750
2018	819,116	891,259
2019	1,359,061	1,768,164
2020	3,253,068	3,820,714
2021	3,927,516	4,391,034
2022	3,448,363	—
Total	12,807,124	11,299,921

25. OTHER NON-CURRENT ASSETS

	2017 RMB'000	2016 RMB'000
Prepayments for other intangible assets	867,544	1,235,002
Long term prepaid expenses	187,986	192,487
Deposits for acquisition of property, plant and equipment	1,745,795	1,044,282
Build-Transfer project	394,692	394,692
Senior notes	391,355	946,595
Long-term receivables (Note)	10,365,326	11,012,361
Others	201,281	128,574
	14,153,979	14,953,993

Note: The balances mainly represent receivables arising from finance leases and instalment sales. As at 31 December 2017, the unearned finance income in respect of the long-term receivables amounted to RMB2,480,019,000 (31 December 2016: RMB2,895,383,000).

Note:

The carrying amounts of the above long-term receivables are analysed into:

	Note	2017 RMB'000	2016 RMB'000
Within one year		8,044,544	8,156,919
In the second to tenth years, inclusive		12,243,811	11,813,815
		20,288,355	19,970,734
Less: allowance for doubtful debts		(1,878,485)	(801,454)
		18,409,870	19,169,280
Analysed for reporting purpose as:			
Current assets	29	8,044,544	8,156,919
Non-current assets	25	10,365,326	11,012,361

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

26. INVENTORIES

	2017 RMB'000	2016 RMB'000 (Restated)
Cost, net of provision		
Raw materials	16,702,978	18,880,159
Work in progress	27,357,599	23,189,073
Finished goods	11,031,527	12,334,411
	55,092,104	54,403,643

27. TRADE RECEIVABLES

	2017 RMB'000	2016 RMB'000 (Restated)
Trade receivables	82,841,544	78,285,425
Less: allowance for doubtful debts	(5,168,609)	(4,232,656)
	77,672,935	74,052,769

An aged analysis of the trade receivables at the end of the reporting period, based on the revenue recognition date and net of provision for impairment of receivables, is as follows:

	2017 RMB'000	2016 RMB'000 (Restated)
Within 6 months	57,188,558	53,235,183
6 months to 1 year	9,273,836	11,213,962
Over 1 year	11,210,541	9,603,624
	77,672,935	74,052,769

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27. TRADE RECEIVABLES

Ageing of trade receivables which are past due but not impaired is as follows:

	2017 RMB'000	2016 RMB'000
6 months to 1 year	7,054,900	6,927,398
Over 1 year	694,932	664,963
	7,749,832	7,592,361

Receivables that were past due but not impaired relate to some customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

The movements in provision for impairment of trade receivables are as follows:

	Note	2017 RMB'000	2016 RMB'000
At 1 January		4,232,656	4,344,279
Impairment loss recognised	7	1,437,635	1,021,080
Amounts recovered during the year	7	(360,511)	(389,659)
Amount written off as uncollectible		(96,434)	(57,731)
Exchange adjustment		964	886
Others		(45,701)	(686,199)
At 31 December		5,168,609	4,232,656

The above provision for impairment of trade receivables included an amount of RMB2,599,050,000 (31 December 2016: RMB2,180,733,000) provided for individually impaired trade receivables with original amount totalling RMB50,321,232,000 (31 December 2016: RMB42,538,801,000). The trade receivables are individually impaired as certain customers were in financial difficulties and only a portion of the receivables is expected to be recovered.

Included in trade receivables are the following amounts denominated in foreign currencies:

	2017 RMB'000	2016 RMB'000
United States dollar ("US$")	2,082,097	2,698,091
Euros ("EUR")	1,349,416	919,188
Malaysian dollars ("MYR")	208,729	631,197
Hong Kong dollar ("HK$")	136,363	34,498
Singapore dollar ("SGD")	80,224	174,644
Japanese yen ("JPY")	45,712	121,011
Great Britain pounds ("GBP")	25,767	4,425
Brazil Real ("BRL")	18,066	15,708
Canadian dollar ("CAD")	14,973	134
Australian dollar ("AUD")	4,171	57,259
	3,965,518	4,656,155

The amounts due from the related parties of the Group are included in Note 44.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

28. BILLS RECEIVABLE

The maturity profile of the bills receivable of the Group at the end of the reporting period is as follows:

	2017 RMB'000	2016 RMB'000
Within 6 months	23,423,672	12,883,910
6 months to 1 year	3,647,593	2,216,041
	27,071,265	15,099,951

The above balances are neither past due nor impaired.

The nature profile of the bills receivable of the Group at the end of the reporting period is as follows:

	2017 RMB'000	2016 RMB'000
Bank acceptance bills	10,771,946	8,613,566
Commercial acceptance bills	16,299,319	6,486,385
	27,071,265	15,099,951

29. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2017 RMB'000	2016 RMB'000 (Restated)
Prepayments	10,987,700	12,237,803
Deposits and other receivables	21,073,241	19,146,748
Less: allowance for doubtful debts	(883,946)	(879,326)
	31,176,995	30,505,225

Movements in provision for impairment of prepayments, deposits and other receivables are as follows:

	Note	2017 RMB'000	2016 RMB'000 (Restated)
At 1 January		879,326	718,655
Impairment loss recognised	7	6,495	164,019
Written off		(1,200)	(3,793)
Others		(675)	445
At 31 December		883,946	879,326

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

29. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES *(continued)*

An analysis of deposits and other receivables is as follows:

	Note	2017 RMB'000	2016 RMB'000 (Restated)
Prepayments		10,677,855	11,872,777
Other receivables		3,252,933	4,420,529
Dividends receivable		41,680	39,649
Interest receivables		54,849	25,975
Long-term receivables - due within one year	25	8,044,544	8,156,919
Value added tax recoverables		2,215,895	1,176,949
Corporate wealth management products		3,045,851	3,837,300
Loans and advances due within one year		3,631,517	9,889
Others		211,871	965,238
		31,176,995	30,505,225

The amounts due from the related parties included in the prepayments, deposits and other receivables are disclosed in Note 44.

30. AMOUNTS DUE FROM CUSTOMERS FOR CONTRACT WORK

	2017 RMB'000	2016 RMB'000
Contract costs incurred plus recognised profits less recognised losses in connection with construction contracts in progress	569,781	761,707
Less: progress billings	(439,887)	(747,121)
Gross amounts due from customers for contract work	129,894	14,586

The gross amounts due from customers for contract work at 31 December 2017 and 2016 were all expected to be recovered within one year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

31. CASH AND BANK BALANCES AND PLEDGED BANK DEPOSITS

	2017 RMB'000	2016 RMB'000 (Restated)
Cash and bank balances	60,886,392	45,597,025
Less: Pledged bank deposits	(4,622,263)	(4,561,051)
Cash and bank balances in the consolidated statement of financial position	56,264,129	41,035,974
Less: Non-pledged time deposits with original maturity of three months or more when acquired	(8,574,481)	(13,019,686)
Cash and cash equivalents in the consolidated statement of cash flows	47,689,648	28,016,288

Included in cash and cash equivalents are the following amounts denominated in foreign currencies:

	2017 RMB'000	2016 RMB'000
– US$	5,532,337	6,926,442
– HK$	1,461,335	80,493
– EUR	1,223,455	900,687
– South African rand ("ZAR")	767,146	18
– MYR	85,069	4,500
– SGD	40,906	1,555
– JPY	11,997	30,601
– Other currencies	262,285	109,717
	9,384,530	8,054,013

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The Group's cash and cash equivalents are held in major financial institutions located in the PRC, which management believes are of high credit quality.

The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Pledged bank deposits represent balances pledged to banks for the issuance of the Group's bills payable and letters of credit, and for the grant of bank loans to the Group. Further details of the bank loans are set out in Note 35.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

32. TRADE PAYABLES

An aged analysis of trade payables at the end of the reporting period, based on the invoice date, is as follows:

	2017 RMB'000	2016 RMB'000 (Restated)
Within 6 months	93,313,074	76,524,098
6 months to 1 year	6,369,093	9,420,030
1 year to 2 years	2,977,440	4,232,979
Over 2 years	1,694,683	1,772,764
	104,354,290	91,949,871

The trade payables are non-interest-bearing and are normally settled on six-month terms.

Included in trade payables are the following amounts denominated in foreign currencies:

	2017 RMB'000	2016 RMB'000
US$	251,077	943,210
JPY	222,008	459,478
EUR	167,820	170,278
BRL	17,048	—
HK$	16,309	9,075
CAD	9,133	17,175
MYR	2,039	—
AUD	1,126	7,845
GBP	527	315
ZAR	76	—
Turkish lira ("YTL")	52	—
	687,215	1,607,376

The amounts due to the related parties of the Group included in trade payables are disclosed in Note 44. Those balances are unsecured, interest-free and repayable on similar credit terms to those offered by major suppliers of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

33. BILLS PAYABLE

The maturity profile of the bills payable of the Group at the end of the reporting period is as follows:

	2017 RMB'000	2016 RMB'000
Within 6 months	19,847,981	18,237,079
6 months to 1 year	3,443,708	1,560,196
	23,291,689	19,797,275

The amounts due to the related parties of the Group included in bills payable are disclosed in Note 44.

Those balances are interest-free and repayable on similar credit terms to those offered by major suppliers of the Group.

34. OTHER PAYABLES AND ACCRUALS

	2017 RMB'000	2016 RMB'000 (Restated)
Other payables	8,565,122	8,053,375
Advances from customers	20,290,418	25,773,476
Accruals	5,216,888	4,391,074
	34,072,428	38,217,925

The amounts due to the related parties included in other payables, advances from customers and accruals are disclosed in Note 44.

The above balances are unsecured, interest-free and have no fixed terms of repayment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

35. BORROWINGS

	2017			2016		
	Effective interest rate per annum %	Maturity	RMB'000	Effective interest rate per annum %	Maturity	RMB'000
Current						
Bank loans						
– Secured	0.65-8.51	2018	4,144,995	1.19-8.51	2017	5,033,136
– Unsecured	0.70-5.85	2018	25,624,122	0.70-6.03	2017	16,278,020
Other loans						
– Unsecured	4.35	2018	2,659,830	1.83-6.00	2017	683,228
Current portion of long-term bank loans						
– Secured	0.20-6.53	2018	31,509	0.20-6.22	2017	87,505
– Unsecured	2.26-2.65	2018	82,652	2.65-6.17	2017	2,402,434
Current portion of long-term bonds						
– Unsecured	4.70	2018	1,500,000	5.50-6.20	2017	2,699,397
Current portion of other loans						
– Secured	–	–	–	3.20	2017	306
			34,043,108			27,184,026
Non-current						
Bank loans						
– Secured	0.07-5.50	2019-2039	2,689,904	0.20-5.20	2018-2039	1,758,454
– Unsecured	2.26-4.75	2019-2023	1,769,638	1.08-5.09	2018-2035	464,053
Long-term bonds						
– Unsecured	2.95-5.75	2019-2023	5,495,168	2.95-5.75	2018-2023	6,991,168
Other loans						
– Unsecured	–	–	–	1.08	2018-2028	1,498,995
			9,954,710			10,712,670
			43,997,818			37,896,696

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

35. BORROWINGS *(continued)*

	2017 RMB'000	2016 RMB'000
The carrying amounts of the above borrowings are analysed into:		
Bank loans are repayable:		
Within one year	29,883,278	23,801,095
In the second year	3,133,166	376,680
In the third to fifth years, inclusive	1,077,430	1,724,901
Beyond five years	248,946	120,926
	34,342,820	26,023,602
Long term bonds are repayable:		
Within one year	1,500,000	2,699,397
In the second year	1,995,168	1,500,000
In the third to fifth years, inclusive	2,000,000	3,991,168
Beyond five years	1,500,000	1,500,000
	6,995,168	9,690,565
Other loans are repayable:		
Within one year	2,659,830	683,534
In the second year	—	17,300
In the third to fifth years, inclusive	—	228,400
Beyond five years	—	1,253,295
	2,659,830	2,182,529

The above secured bank loans and other banking facilities were secured by certain assets and their carrying amounts are as follows:

	2017 RMB'000	2016 RMB'000
Property, plant and equipment	41,125	67,049
Prepaid lease payments	5,255	4,240
Trade receivable	452,255	337,995
Bills receivable	3,674,910	2,411,482
Other non-current assets	246,134	—
	4,419,679	2,820,766

Included in borrowings are the following amounts denominated in foreign currencies:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

35. BORROWINGS *(continued)*

	2017 RMB'000	2016 RMB'000
US$	8,110,524	4,114,078
EUR	2,507,285	451,538
JPY	189,587	69,099
GBP	114,130	1,583
YTL	50	—
ZAR	—	101,580
	10,921,576	4,737,878

36. RETIREMENT BENEFITS PLANS

In addition to the monthly contributions to various defined contribution pension schemes regulated by the PRC government, the Group provided supplementary pension subsidies to its employees who retired at normal retirement ages on or before 30 June 2007 and early retirement benefits to certain qualified employees before 30 June 2007. The amounts of employee benefit obligations recognised in the consolidated statement of financial position represent the present value of the unfunded obligations.

CNR and its subsidiaries ("CNR Group") also provided supplementary pension subsidies to its employees who retired at normal retirement ages on or before 31 December 2007.

In 2014, the Group acquired and obtained control of Rubber & Plastics Business held by ZF Friedrichshafen AG ("Germany BOGE "). The retirement benefit obligations in Germany are the liabilities which are based on the pension plan provided by Germany BOGE. Germany BOGE's pension plan provides an unfunded schemes. According to the Rentenordnung 2005 and Versorgungszusage 2004, Germany BOGE has provided traditional German pension planning groups which include normal and early retirement benefits and the benefits provided to the disabled people and the dead staff survivors.

During the prior year, the Group acquired and obtained control of Blue Engineering S.R.L. ("Blue Engineering") and its subsidiaries (collectively referred to as "Blue Group"). The Blue Group is located in Italy and provides defined retirement benefits plans for all staffs in Italy according to the 2120 del codice civile italiano.

Those plans described above are defined benefit retirement benefit plans.

	2017 RMB'000	2016 RMB'000
Retirement benefit obligations in the PRC (Note i)	2,418,947	2,882,692
Retirement benefit obligations outside the PRC (Note ii)	964,940	876,036
Others	622,771	77,361
	4,006,658	3,836,089
Analysed for reporting purpose as:		
Current liabilities	288,139	319,782
Non-current liabilities	3,718,519	3,516,307

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

36. RETIREMENT BENEFITS PLANS *(continued)*

Note i:

The movements in the supplementary pension subsidies recognised in the consolidated statement of financial position are as follows:

	2017 RMB'000	2016 RMB'000
Balance at 1 January	2,882,692	3,653,131
Costs recognised	52,281	(370,263)
– Interest cost	82,052	104,172
– Past service cost	(29,771)	(474,435)
Re-measurement of retirement benefit pension plans	(198,578)	(87,541)
Benefits paid	(293,888)	(312,635)
Disposal of subsidiaries	(23,560)	—
Balance at 31 December	2,418,947	2,882,692

The provision for supplementary pension subsidies recognised in the consolidated statement of financial position is determined as follows:

	2017 RMB'000	2016 RMB'000
Present value of unfunded benefit obligations	2,418,947	2,882,692
Amount due within one year	(261,142)	(291,953)
Amount due after one year	2,157,805	2,590,739

The above employee benefit obligations were determined based on actuarial valuation performed by independent actuary. The actuary used the projected unit credit method and the material actuarial assumptions used in valuing these obligations are as follows:

	2017 %	2016 %
Discount rate adopted	4.0	3.0
Healthcare cost trend	7.0/12.0/8.0	7.0/12.0/8.0

The following sensitivity analysis is based on the reasonably possible changes of relevant assumptions at the end of the reporting period (assuming all other assumptions unchanged).

If the discount rate increases (decreases) by 1% as at 31 December 2017, the defined benefit obligation would decrease by RMB155,440,000 (increase by RMB180,500,000).

If the discount rate increases (decreases) by 1% as at 31 December 2016, the defined benefit obligation would decrease by RMB197,810,000 (increase by RMB231,960,000).

If the healthcare cost increases (decreases) by 1% as at 31 December 2017, the defined benefit obligation would increase by RMB38,610,000 (decrease by RMB33,940,000).

If the healthcare cost increases (decreases) by 1% as at 31 December 2016, the defined benefit obligation would increase by RMB57,140,000 (decrease by RMB49,510,000).

Since some of the assumptions may be associated to each other, an assumption cannot change in isolation, so the above sensitivity analysis may not reflect the actual change of present value of retirement benefit obligations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

36. RETIREMENT BENEFITS PLANS *(continued)*

Note ii:

For the year ended 31 December 2017, the present value of the defined benefit plan changes as follows:

	2017 RMB'000	2016 RMB'000
Balance at 1 January	876,036	699,459
Acquisition of a subsidiary	–	13,714
Costs recognised	64,533	72,243
– Current service cost	48,826	56,418
– Interest cost	15,707	15,825
Re-measurement of retirement benefit pension plans	(36,181)	90,422
The impact of exchange rate differences	62,997	6,919
Benefits paid	(2,445)	(6,721)
Balance at 31 December	964,940	876,036

The provision for pensions plans provided by Germany BOGE and Blue Group recognised in the consolidated statement of financial position is determined as follows:

	2017 RMB'000	2016 RMB'000
Present value of unfunded benefit obligations	964,940	876,036
Net liability arising from defined benefit obligations	964,940	876,036
Amount due within one year	(26,997)	(27,829)
Amount due after one year	937,943	848,207

The average duration of the defined benefit obligation at 31 December 2017 is 28 years (2016: 28 years).

The retirement benefit obligation of Germany BOGE and Blue Group was determined based on projected unit credit method. In addition to the life forecast of hypothesis, as mentioned above, other important assumptions are as follows:

	2017 %	2016 %
Discount rate adopted	1.3-2.2	1.3-1.9
Expected growth of wages and salaries	0.5-2.7	0.5-2.7
Growth of pension	1.3	1.3
Fluctuation	1.0	1.0

The expected growth of wages and salaries mainly depends on inflation, wage standards, Germany BOGE's operating performance and other factors.

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FOR THE YEAR ENDED 31 DECEMBER 2017

37. PROVISION FOR WARRANTIES

	2017 RMB'000	2016 RMB'000
At 1 January	6,401,716	6,021,416
Acquisitions of a subsidiary	—	19,793
Charged for the year	2,788,689	3,189,752
Disposal of a subsidiary	(229,192)	(1,285)
Utilised during the year	(2,572,006)	(2,827,960)
At 31 December	6,389,207	6,401,716
Analysed for reporting purpose as:		
Current liabilities	1,818,715	1,865,822
Non-current liabilities	4,570,492	4,535,894

The above represents the warranty costs for repairs and maintenance, which are estimated based on prevailing after-sales service policies, the sales volume and the past experience of the level of repairs and returns. The estimation basis is reviewed on an ongoing basis and revised where appropriate.

38. DEFERRED INCOME

	2017 RMB'000	2016 RMB'000
At 1 January	6,746,596	6,068,249
Government grants received during the year	469,432	1,522,190
Recognised as other income during the year	(715,434)	(843,843)
Disposal of subsidiaries during the year	(87,327)	—
At 31 December	6,413,267	6,746,596
Analysed for reporting purpose as:		
Current liabilities	656,662	801,832
Non-current liabilities	5,756,605	5,944,764

Government grants received are mainly for the purpose of research and development, investment in property, plant and equipment and prepaid lease payments from the local government for encouraging the Group to develop.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

39. EQUITY

Share capital

	Number of shares '000 shares	**Amount** RMB'000
Registered capital		
– A shares of RMB1.00 each	24,327,798	24,327,798
– H shares of RMB1.00 each	4,371,066	4,371,066
	28,698,864	28,698,864
Issued and fully paid		
At 1 January 2016 and 31 December 2016		
– A shares of RMB1.00 each	22,917,692	22,917,692
– H shares of RMB1.00 each	4,371,066	4,371,066
	27,288,758	27,288,758
Non-public offering of A shares of RMB1.00 each on 13 January 2017 (Note)	1,410,106	1,410,106
At 31 December 2017		
– A shares of RMB1.00 each	24,327,798	24,327,798
– H shares of RMB1.00 each	4,371,066	4,371,066
	28,698,864	28,698,864

Note: On 16 June 2016, the shareholders of the Company approved the Non-public Offering of A Shares (the "Offering") in the annual general meeting and which was approved by CSRC in December 2016. The Company has completed the Offering of 1,410,106,000 A shares with the par value of RMB1.00 at RMB8.51 per share on 13 January 2017 and the total issued share capital of the Company has increased to RMB28,698,864,000.

40. CONVERTIBLE BONDS

On 5 February 2016, the Company issued a zero coupon Convertible Bond due in 2021 in an aggregate principal amount of US$600,000,000 (the "2016 Convertible Bonds"). The 2016 Convertible Bonds are listed on HKSE.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

40. CONVERTIBLE BONDS *(continued)*

The principal terms of the 2016 Convertible Bonds are set out below:

(a) Conversion right

The 2016 Convertible Bonds will, at the option of the holder ("Bondholders"), be convertible (unless previously converted, redeemed or purchased and cancelled) on or after 17 March 2016 up to the close of business on the date falling 26 January 2021 into fully paid ordinary shares with a par value of RMB1.00 each at an initial conversion price (the "Conversion Price") of HK$9.65 per share and a fixed exchange rate of HK$7.7902 to US$1.00 (the "Fixed Exchange Rate"). The Conversion Price is subject to adjustments in the manner set out in the 2016 Convertible Bonds agreement.

As disclosed in Note 13, a final dividend of RMB0.15 per share for the year ended 31 December 2015 was approved in the annual general meeting in June 2016. Pursuant to the anti-dilutive adjustments on conversion price in accordance with the 2016 Convertible Bonds agreement, the Conversion Price per share was adjusted from HK$9.65 to HK$9.50 effective from 28 June 2016.

As disclosed in Note 13, a final dividend of RMB0.21 per share for the year ended 31 December 2016 was approved in the annual general meeting in June 2017. Pursuant to the anti-dilutive adjustments on conversion price in accordance with the 2016 Convertible Bonds agreement, the Conversion Price per share was adjusted from HK$9.50 to HK$9.29 effective from 30 June 2017.

(b) Redemption

– Redemption at maturity

Unless previously redeemed, converted or purchased and cancelled as provided herein, the Company will redeem each 2016 Convertible Bond at 100 percent of its outstanding principal amount on 5 February 2021 (the "Maturity Date").

– Redemption at the option of the Company

The Company may, having given not less than 30 nor more than 60 days' notice (which notice will be irrevocable), redeem the 2016 Convertible Bonds in whole but not some only at 100 percent of their outstanding principal amount as at the relevant redemption date:

(i) at any time after 5 February 2019 but prior to the Maturity Date, provided that no such redemption may be made unless the closing price of an H share translated into US dollars at the prevailing rate applicable to each H share stock exchange business day, for any 20 H share stock exchange business days within a period of 30 consecutive H share stock exchange business days, the last of such H share stock exchange business day shall occur not more than 10 days prior to the date upon which notice of such redemption is given, was, for each such 20 H share stock exchange business days, at least 130 percent of the Conversion Price (translated into US dollars at the Fixed Exchange Rate). If there shall occur an event giving rise to a change in the Conversion Price during any such 30 consecutive H share stock exchange business day period, appropriate adjustments for the relevant days approved by an independent investment bank shall be made for the purpose of calculating the closing price of the H shares for such days; or

(ii) if at any time the aggregate principal amount of the 2016 Convertible Bonds outstanding is less than 10 percent of the aggregate principal amount originally issued.

– Redemption at the option of the Bondholders

The Company will, at the option of the Bondholders, redeem whole or some of that holder's bonds on 5 February 2019 (the "Put Option Date") at 100 percent of their outstanding principal amount on the Put Option Date.

40. CONVERTIBLE BONDS *(continued)*

The 2016 Convertible Bonds comprise two components:

(i) Debt component was initially measured at fair value amounted to approximately RMB3,488,045,000. It is subsequently measured at amortised cost by applying an effective interest rate of 2.53% after considering the effect of the transaction costs.

(ii) Derivative component comprise:

- Conversion option of the Bondholders;
- Redemption option of the Company;
- Redemption option of the Bondholders.

Transaction costs that relate to the issue of the 2016 Convertible Bonds are allocated to the debt and the derivative (including conversion option and redemption options) components in proportion to their relative fair values. Transaction costs amounting to approximately RMB3,550,000 relating to the derivative component were charged to profit or loss immediately and included in finance costs. Transaction costs amounting to approximately RMB28,745,000 relating to the debt component are included in the carrying amount of the debt portion and amortised over the period of the 2016 Convertible Bonds using the effective interest method.

The derivative component was measured at fair value with reference to valuation carried out by an independent valuation firm. The fair value of derivative component is calculated using Binominal Option Pricing Model. The major inputs used in the models as at 31 December 2017 and 31 December 2016 were as follows:

	31 December 2017	31 December 2016
Stock price	HK$ 8.32	HK$ 6.96
Exercise price	HK$ 9.29	HK$ 9.50
Risk-free rate	1.608%	1.974%
Volatility	26.54%	29.65%

The risk free rates were determined with reference to the Hong Kong five-year government bond yields. The volatilities were determined based on the historical price volatilities of comparable companies under the same periods of the expected life.

Any changes in the major inputs into the model will result in changes in the fair value of the derivative component.

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FOR THE YEAR ENDED 31 DECEMBER 2017

40. CONVERTIBLE BONDS *(continued)*

The movement of the debt and derivative component of the 2016 Convertible Bonds for the year is set out below:

	Debt component RMB'000	Derivative component RMB'000	Total RMB'000
Convertible bonds issued on 5 February 2016	3,488,045	430,795	3,918,840
Transaction costs	(28,745)	—	(28,745)
Interest charged during the period from 5 February 2016 to 31 December 2016	81,306	—	81,306
Exchange adjustments during the period from 5 February 2016 to 31 December 2016	218,136	24,070	242,206
Changes in fair value during the period from 5 February 2016 to 31 December 2016	—	(88,768)	(88,768)
As at 31 December 2016	3,758,742	366,097	4,124,839
Interest charged during the year	93,397	—	93,397
Exchange adjustments during the year	(221,367)	(21,301)	(242,668)
Changes in fair value during the year	—	166,960	166,960
As at 31 December 2017	3,630,772	511,756	4,142,528

No conversion or redemption of the 2016 Convertible Bonds has occurred up to 31 December 2017.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

41. BUSINESS COMBINATION

41.1 Acquisition during the year ended 31 December 2017

(a) Acquisition from independent third parties

As at 11 September 2017, CRRC Datong Co., Ltd. ("Datong"), a subsidiary of the Company, entered into an agreement with shareholders of Hua Yang Environmental Engineering Co., Ltd. ("Hua Yang") to acquire 51% equity interest of Hua Yang at a cash consideration of RMB29,293,000. Datong obtained control of Hua Yang on 12 September 2017.

The fair value of Hua Yang at the acquisition date were as follows:

	Fair value RMB'000
Net assets acquired:	
Property, plant and equipment	215
Other intangible assets	3,717
Other non-current assets	343
Deferred tax assets	1,024
Inventories	19,767
Bills receivable	5,402
Trade receivables	46,962
Prepayments, deposits and other receivables	31,450
Pledged bank deposits	560
Cash and bank balances	14,473
Trade payables	(57,872)
Other payables and accruals	(12,112)
Deferred tax liabilities	(610)
	53,319
Consideration transferred	29,293
Plus: Non-controlling interests (49%)	26,126
Less: Net assets acquired	(53,319)
Goodwill arising on acquisition	2,100

Acquisition-related costs relating to the above acquisition are immaterial and have been excluded from the cost of acquisition and recognised directly as administrative expenses in the consolidated statement of profit or loss and other comprehensive income.

The receivables acquired (primarily comprised of trade and other receivables) with a fair value of RMB61,862,000 at the date of acquisition had gross contractual amounts of RMB65,515,000. The best estimate at acquisition date of the contractual cash flows not expected to be collected amounted to RMB3,653,000.

The consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development and the assembled workforce of the acquiree. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

41. BUSINESS COMBINATION *(continued)*

41.1 Acquisition during the year ended 31 December 2017 *(continued)*

(a) Acquisition from independent third parties *(continued)*

None of the goodwill arising on the acquisition is expected to be deductible for tax purposes.

An analysis of the cash flow in respect of the acquisition of the above subsidiary is as follows:

	RMB'000
Consideration paid in cash	29,293
Less: Cash and bank balances acquired	14,473
Net outflow of cash and bank balances included in cash flows from the acquisition of subsidiary	14,820

The financial impact of acquisition of Hua Yang on the Group was insignificant.

(b) Business combination under common control

On 2 August 2017, Zhuzhou CRRC Times Electric Co., Ltd. ("ZTE"), a non-wholly owned subsidiary of Zhuzhou Locomotive Research Institute, acquired the 32% equity interest of Shanghai Yongdian Electronic Technology Co. Ltd("Shanghai Yongdian") held by Shanghai Zhuo Cheng Trading Co., Ltd, an independent third party, for a consideration of RMB4,874,000, and acquired the remaining 68% equity interest of Shanghai Yongdian held by Zhongche Jinzheng Investment Co. Ltd, a wholly-owned subsidiary of CRRCG, for a cash consideration of RMB10,356,000.

As the ZTE and Shanghai Yongdian were under common control of CRRCG before and after the acquisition, the acquisition is considered as a business combination under common control. The principle of merger accounting for business combination involving entities under common control has therefore been applied.

As a result of the acquisition of Shanghai Yongdian, the relevant line items in the consolidated statement of financial position at 31 December 2016 and the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2016 have been restated as follows:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

41. BUSINESS COMBINATION *(continued)*

41.1 Acquisition during the year ended 31 December 2017 *(continued)*

(b) Business combination under common control *(continued)*

	The Group (as previously reported) RMB'000	Shanghai Yongdian RMB'000	Eliminations RMB'000	The Group (Restated) RMB'000
Consolidated statement of financial position as at 31 December 2016:				
Non-current Assets				
Property, plant and equipment	66,364,108	1,784	—	66,365,892
Investment properties	969,537	—	—	969,537
Prepaid lease payments -non-current portion	14,492,402	—	—	14,492,402
Goodwill	1,286,760	—	—	1,286,760
Other intangible assets	2,819,779	2,008	—	2,821,787
Interests in joint ventures	1,276,435	—	—	1,276,435
Interests in associates	7,195,541	—	—	7,195,541
Loans and advances to customers	203,144	—	—	203,144
Available-for-sale investments	3,819,162	—	—	3,819,162
Held to maturity investment	966,970	—	—	966,970
Deferred tax assets	3,009,338	—	—	3,009,338
Other non-current assets	14,953,993	—	—	14,953,993
	117,357,169	3,792	—	117,360,961
Current Assets				
Inventories	54,401,578	2,065	—	54,403,643
Trade receivables	74,052,872	—	(103)	74,052,769
Bills receivable	15,099,951	—	—	15,099,951
Prepayments, deposits and other receivables	30,501,413	3,812	—	30,505,225
Financial assets at fair value through profit or loss	731,916	—	—	731,916
Pledged bank deposits	4,561,051	—	—	4,561,051
Cash and bank balances	41,033,932	2,045	(3)	41,035,974
Other current assets	570,730	—	—	570,730
	220,953,443	7,922	(106)	220,961,259

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

41. BUSINESS COMBINATION *(continued)*

41.1 Acquisition during the year ended 31 December 2017 *(continued)*

(b) Business combination under common control *(continued)*

	The Group (as previously reported) RMB'000	Shanghai Yongdian RMB'000	Eliminations RMB'000	The Group (Restated) RMB'000
Current Liabilities				
Trade payables	91,949,851	123	(103)	91,949,871
Bills payable	19,797,275	—	—	19,797,275
Other payables and accruals	38,217,294	631	—	38,217,925
Borrowings - due within one year	27,184,026	—	—	27,184,026
Tax payable	1,272,252	—	—	1,272,252
Due to customers	2,711,370	—	(3)	2,711,367
Provision for warranties	1,865,822	—	—	1,865,822
Deferred income	801,832	—	—	801,832
Other current liabilities	427,453	—	—	427,453
	184,227,175	754	(106)	184,227,823
Net Current Assets	36,726,268	7,168	—	36,733,436
Total Assets less Current Liabilities	154,083,437	10,960	—	154,094,397
Capital and Reserves				
Share capital	27,288,758	60,000	(60,000)	27,288,758
Reserves	77,567,851	(49,040)	52,901	77,571,712
Equity attributable to equity shareholders of the Company	104,856,609	10,960	(7,099)	104,860,470
Non-controlling interests	18,948,007	—	7,099	18,955,106
Total equity	123,804,616	10,960	—	123,815,576

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

41. BUSINESS COMBINATION *(continued)*

41.1 Acquisition during the year ended 31 December 2017 *(continued)*

(b) Business combination under common control *(continued)*

	The Group (as previously reported) RMB'000	Shanghai Yongdian RMB'000	Eliminations RMB'000	The Group (Restated) RMB'000
Non-current liabilities				
Borrowings – due after one year	10,712,670	—	—	10,712,670
Long-term payables	212,679	—	—	212,679
Retirement benefit obligations	3,516,307	—	—	3,516,307
Provision for warranties	4,535,894	—	—	4,535,894
Deferred income	5,944,764	—	—	5,944,764
Deferred tax liabilities	235,835	—	—	235,835
Convertible bonds-debt component	3,758,742	—	—	3,758,742
Convertible bonds-derivative component	366,097	—	—	366,097
Other non-current liabilities	995,833	—	—	995,833
	30,278,821	—		30,278,821
Total Equity and Non-current Liabilities	154,083,437	10,960	—	154,094,397
Consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2016:				
Revenue	224,137,964	—	—	224,137,964
Cost of sales	(179,109,812)	—	9	(179,109,803)
Gross profit	45,028,152	—	9	45,028,161
Other income and gains and losses	4,017,071	1,400	(566)	4,017,905
Administrative expenses	(22,426,597)	(9,854)	557	(22,435,894)
Other expenses	(1,623,327)	(7,042)	—	(1,630,369)
Profit for the year	13,909,909	(15,496)	—	13,894,413
Other comprehensive income, net of income tax	497,358	—	—	497,358
Total comprehensive income for the year	14,407,267	(15,496)	—	14,391,771

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

41. BUSINESS COMBINATION *(continued)*

41.2 Acquisition during the year ended 31 December 2016

(a) Acquisitions from independent third parties

(1) CLM

As at 30 April 2016, CRRC KUALA LUMPUR MAINTENANCE SDN BHD ("CKM"), a subsidiary of the Company, obtained control of CKM LANDAS MRO SDN BHD ("CLM ") pursuant to the amendments to the Articles of association of CLM which was previously a joint venture of CKM.

The fair value of CLM at the acquisition date were as follows:

	Fair value RMB'000
Net assets acquired:	
Property, plant and equipment	230
Other intangible assets	16
Trade receivables	11,433
Prepayments, deposits and other receivables	710
Cash and bank balances	2,411
Trade payables	(8,674)
Other payables and accruals	(125)
Tax payable	(1,270)
Deferred tax liabilities	(27)
	4,704
Consideration transferred	—
Plus: Non-controlling interests (51%)	2,399
Fair value of previously held interest	2,305
Less: Net assets acquired	(4,704)
Goodwill arising on acquisition	—

The receivables acquired (primarily comprised of trade and other receivables) with a fair value of RMB12,061,000 at the date of acquisition had gross contractual amounts of RMB12,061,000. The whole amount was expected to be collectible at the acquisition date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

41. BUSINESS COMBINATION *(continued)*

41.2 Acquisition during the year ended 31 December 2016 *(continued)*

(a) Acquisitions from independent third parties *(continued)*

(1) CLM

An analysis of the cash flow in respect of the acquisition of the above subsidiary is as follows:

	RMB'000
Consideration paid in cash	—
Less: Cash and bank balances acquired	(2,411)
Net inflow of cash and bank balances included in cash flows from the acquisition of the subsidiary	2,411

Included in the profit for the year ended 31 December 2016 was a profit of RMB6,559,000 attributable to CLM. Revenue for the year ended 31 December 2016 included RMB46,877,000 attributable to CLM.

Had the acquisition of CLM been completed on 1 January 2016, total group revenue and profit for year ended 31 December 2016 would have been approximately RMB224,137,964,000 and RMB13,908,512,000, respectively. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2016, nor is it intended to be a projection of future results.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

41. BUSINESS COMBINATION *(continued)*

41.2 Acquisition during the year ended 31 December 2016 *(continued)*

(a) Acquisitions from independent third parties *(continued)*

(2) Zhongxin Municipal

As at 11 August 2016, CRRC Construction Engineering Co., Ltd. ("CRRC Engineering"), a subsidiary of the Company, entered into an agreement with shareholders of Zhongxin Suzhou Industrial Park Municipal Utilities Engineering Construction Co., Ltd. ("Zhongxin Municipal") to acquire 100% equity interest of Zhongxin Municipal at a cash consideration of RMB137,733,000. CRRC Engineering obtained control of Zhongxin Municipal on 18 August 2016.

The fair value of recognised net assets has been evaluated by China Tong Cheng Assets Appraisal Co., Ltd.:

	Fair value RMB'000
Net assets acquired:	
Property, plant and equipment	7,869
Investment properties	2,376
Prepaid lease payments	16,427
Other non-current assets	7,090
Inventories	2,140
Trade receivables	160,204
Prepayments, deposits and other receivables	38,790
Cash and bank balances	77,938
Pledged bank deposits	727
Trade payables	(145,818)
Other payables and accruals	(20,540)
Tax payable	(1,488)
Deferred tax liabilities	(12,030)
	133,685
Consideration transferred	137,733
Less: Net assets acquired	(133,685)
Goodwill arising on acquisition	4,048

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

41. BUSINESS COMBINATION *(continued)*

41.2 Acquisition during the year ended 31 December 2016 *(continued)*

(a) Acquisitions from independent third parties *(continued)*

(2) Zhongxin Municipal *(continued)*

Acquisition-related costs relating to the above acquisition are immaterial and have been excluded from the cost of acquisitions and recognised directly as administrative expenses in the consolidated statement of profit or loss and other comprehensive income.

The receivables acquired (primarily comprised of trade and other receivables) with a fair value of RMB176,584,000 at the date of acquisition had gross contractual amounts of RMB176,584,000. The whole amount was expected to be collectible at the acquisition date.

The consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development and the assembled workforce of the acquiree. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

None of the goodwill arising on the acquisition is expected to be deductible for tax purposes.

An analysis of the cash flow in respect of the acquisition of the above subsidiary is as follows:

	RMB'000
Consideration paid in cash	137,733
Less: Cash and bank balances acquired	(77,938)
Net outflow of cash and bank balances included in cash flows from the acquisition of subsidiaries	59,795

Included in the profit for the year ended 31 December 2016 was a profit of RMB11,686,000 attributable to Zhongxin Municipal. Revenue for the year ended 31 December 2016 included RMB21,945,000 attributable to Zhongxin Municipal.

Had the acquisition of Zhongxin Municipal been completed on 1 January 2016, total group revenue and profit for the year ended 31 December 2016 would have been approximately RMB224,195,074,000 and RMB13,898,919,000 respectively. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achived had the acquisiton been completed on 1 January 2016, nor is it intended to be a projection of future results.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

41. BUSINESS COMBINATION *(continued)*

41.2 Acquisition during the year ended 31 December 2016 *(continued)*

(a) Acquisitions from independent third parties *(continued)*

(3) Yongdian Jietong Group

On 15 November 2016, CRRC Yongji Electric Co., Ltd. ("CRRC Yongji"), a subsidiary of the Company, entered into an agreement with other shareholder of Xi'an Yongdian Jietong Electric Co., Ltd. ("Yongdian Jietong", formerly named Hitachi Yongji Electric Equipment (Xi'an) Co., Ltd), which is a joint venture of the Company. According to the agreement, CRRC Yongji acquired 1% equity interest of Yongdian Jietong at a cash consideration of RMB10,298,000. CRRC Yongji obtained control of Yongdian Jietong and its subsidiaries (collectively referred to as "Yongdian Jietong Group") on 9 December 2016 pursuant to the amendments to the Articles of association of Yongdian Jietong.

The fair value of Yongdian Jietong Group at the acquisition date were as follows:

	Fair value RMB'000
Net assets acquired:	
Property, plant and equipment	134,257
Prepaid lease payments	41,403
Deferred tax assets	9,827
Other intangible assets	25
Inventories	454,443
Trade receivables	984,948
Bill receivables	161,103
Prepayments, deposits and other receivables	41,599
Cash and bank balances	31,224
Trade payables	(247,606)
Bills payable	(54,388)
Other payables and accruals	(66,021)
Financial liabilities at fair value through profit or loss	(4,455)
Borrowings	(433,780)
Tax payable	(612)
Provision for warranties	(19,793)
Deferred tax liabilities	(2,366)
	1,029,808
Consideration transferred	10,298
Plus: Non-controlling interests (49%)	504,606
Fair value of previously held interest	514,904
Less: Net assets acquired	(1,029,808)
Goodwill arising on acquisition	—

Gain on fair value adjustment of the Group's previously held interest recognised for the year ended 31 December 2016 is RMB6,204,000.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

41. BUSINESS COMBINATION *(continued)*

41.2 Acquisition during the year ended 31 December 2016 *(continued)*

(a) Acquisitions from independent third parties *(continued)*

(3) Yongdian Jietong Group *(continued)*

Acquisition-related costs relating to the above acquisition are immaterial and have been excluded from the cost of acquisitions and recognised directly as administrative expenses in the consolidated statement of profit or loss and other comprehensive income.

The receivables acquired (primarily comprised of trade and other receivables) with a fair value of RMB1,008,316,000 at the date of acquisition had gross contractual amounts of RMB1,027,204,000. The best estimate at acquisition date of the contractual cash flows not expected to be collected amounted to RMB18,888,000.

An analysis of the cash flow in respect of the acquisition of the above subsidiary is as follows:

	RMB'000
Consideration paid in cash	10,298
Less: Cash and bank balances acquired	(31,224)
Net inflow of cash and bank balances included in cash flows from the acquisition of subsidiaries	20,926

Included in the profit for the year ended 31 December 2016 was a profit of RMB740,000 attributable to Yongdian Jietong Group. Revenue for the year ended 31 December 2016 included RMB86,952,000 attributable to Yongdian Jietong Group.

Had the acquisition of Yongdian Jietong Group been completed on 1 January 2016, total group revenue and profit for the year ended 31 December 2016 would have been approximately RMB224,876,720,000 and RMB13,976,301,000 respectively. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achived had the acquisiton been completed on 1 January 2016, nor is it intended to be a projection of future results.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

41. BUSINESS COMBINATION *(continued)*

41.2 Acquisition during the year ended 31 December 2016 *(continued)*

(a) Acquisitions from independent third parties *(continued)*

(4) Blue Group

CRRC Tangshan Co., Ltd. ("CRRC Tangshan"), a subsidiary of the Company, entered into an agreement with shareholders of Blue Group. According to the agreement, CRRC Tangshan acquired 60% equity interest of Blue Group at a cash consideration of EUR5,400,000 (equivalent to approximately RMB39,633,000). CRRC Tangshan obtained control of Blue Group on 13 December 2016.

The fair value of Blue Group at the acquisition date were as follows:

	Fair value RMB'000
Net assets acquired:	
Property, plant and equipment	1,078
Other intangible assets	1,167
Available-for-sale investments	7
Deferred tax assets	3,151
Other non-current assets	86
Inventories	94
Trade receivables	24,825
Prepayments, deposits and other receivables	23,834
Cash and bank balances	3,182
Trade payables	(7,007)
Bills payable	(1,501)
Other payables and accruals	(14,519)
Borrowings-due within one year	(2,452)
Tax payable	(6,338)
Borrowings-due after one year	(3,035)
Retirement benefit obligations	(13,724)
Deferred tax liabilities	(1,989)
Other non-current liabilities	(1,288)
	5,571
Consideration transferred	39,633
Plus: Non-controlling interests (40%)	2,317
Less: Net assets acquired	(5,571)
Goodwill arising on acquisition	36,379

Acquisition-related costs relating to the above acquisition are immaterial and have been excluded from the cost of acquisitions and recognised directly as administrative expenses in the consolidated statement of profit or loss and other comprehensive income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

41. BUSINESS COMBINATION *(continued)*

41.2 Acquisition during the year ended 31 December 2016 *(continued)*

(a) Acquisitions from independent third parties *(continued)*

(4) Blue Group

The receivables acquired (primarily comprised of trade and other receivables) with a fair value of RMB44,358,000 at the date of acquisition had gross contractual amounts of RMB61,011,000. The best estimate at acquisition date of the contractual cash flows not expected to be collected amounted to RMB16,653,000.

The consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development and the assembled workforce of the acquiree. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

None of the goodwill arising on the acquisition is expected to be deductible for tax purposes.

An analysis of the cash flow in respect of the acquisition of the above subsidiary is as follows:

	RMB'000
Consideration paid in cash	39,633
Less: Cash and bank balances acquired	3,182
Net outflow of cash and bank balances included in cash flows from the acquisition of subsidiaries	36,451

The financial impact of acquisition of Blue Group on the Group was insignificant.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

42. DISPOSAL OF SUBSIDIARIES

42.1 Disposal during the year ended 31 December 2017

(1) Hunan Electric Vehicle

On 30 November 2017, CRRC Zhuzhou Institute Co., Ltd. ("CRRC Zhuzhou") disposed its 51% equity interest of a subsidiary, Hunan CRRC Times Electric Vehicle Co., Ltd. ("Hunan Electric Vehicle") at a cash consideration of RMB926,400,000. After the disposal, the equity interest of Hunan Electric Vehicle retained by the Group was 36.37% and Hunan Electric Vehicle became an associate of the Group.

	RMB'000
Consideration received in cash and cash equivalents	926,400

An analysis of assets and liabilities over which control was lost:

	RMB'000
Net assets disposed of	
Property, plant and equipment	359,550
Other intangible assets	8,049
Prepaid lease payments	19,193
Prepayments, deposits and other receivables	3,293,926
Cash and bank balances	117,022
Trade receivables	4,348,522
Bills receivable	404,913
Inventories	439,466
Interest-bearing bank and other borrowings	(2,620,000)
Trade payables	(3,433,674)
Bills payable	(1,274,549)
Provision for warranties - current portion	(34,000)
Deferred income- current portion	(14,629)
Other payables and accruals	(582,556)
Deferred income- non-current portion	(46,005)
Provision for warranties - non-current portion	(188,888)
	796,340

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

42. DISPOSAL OF SUBSIDIARIES *(continued)*

42.1 Disposal during the year ended 31 December 2017 *(continued)*

(1) Hunan Electric Vehicle *(continued)*

Gain on disposal of a subsidiary

	RMB'000
Consideration received	926,400
Fair valve of investment retained	660,650
Net assets disposed of	(796,340)
Non-controlling interests (12.63%)	100,578
Gain on disposal	891,288

Gain on remeasurement of interest remained in Hunan Electric Vehicle at its fair value when control was lost was RMB371,021,000.

Net cash inflow on disposal of a subsidiary

	RMB'000
Consideration received in cash and cash equivalents	926,400
Less: cash and bank balances disposed of	(117,022)
	809,378

(2) Erqi Vehicle

On 29 December 2017, the Company disposed its 100% equity interest of a subsidiary, CRRC Beijing Erqi Vehicle Co., Ltd. ("Erqi Vehicle") at a cash consideration of RMB1,189,845,000.

	RMB'000
Consideration received in cash and cash equivalents	1,160,600
Deferred cash consideration	29,245
Total consideration received	1,189,845

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

42. DISPOSAL OF SUBSIDIARIES *(continued)*

42.1 Disposal during the year ended 31 December 2017 *(continued)*

(2) Erqi Vehicle *(continued)*

An analysis of assets and liabilities over which control was lost:

	RMB'000
Net assets disposed of	
Property, plant and equipment	175,328
Prepayments, deposits and other receivables	26,531
Pledged bank deposits	207,822
Cash and bank balances	321,380
Trade receivables	447,798
Bills receivable	59,257
Inventories	68,355
Other intangible assets	4,678
Prepaid lease payments - current portion	1,379
Prepaid lease payments - non-current portion	53,783
Deferred tax assets	77
Other non-current assets	4,857
Trade payables	(754,504)
Tax Payable	(234)
Dividends payables	(2,880)
Retirement benefit obligations-current portion	(3,970)
Deferred income-current portion	(612)
Retirement benefit obligations- non-current portion	(19,730)
Deferred income- non-current portion	(26,081)
Other payables and accruals	(98,713)
Provision for warranties	(6,304)
	458,017

Gain on disposal of a subsidiary

	RMB'000
Consideration received	1,189,845
Net assets disposed of	(458,017)
Non-controlling interests	180,334
Gain on disposal	912,162

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

42. DISPOSAL OF SUBSIDIARIES *(continued)*

42.1 Disposal during the year ended 31 December 2017 *(continued)*

(2) Erqi Vehicle *(continued)*

Net cash inflow on disposal of a subsidiary

	RMB'000
Consideration received in cash and cash equivalents	1,160,600
Less: cash and bank balances disposed of	(321,380)
	839,220

(3) Other disposals

During the year, another six subsidiaries were diposed of by the Group, including Hunan CRRC Times Electric Vehicle Co., Ltd., CRRC Beijing Erqi Vehicle Co., Ltd., Zhongyi Huakai Petrochemical Technology Co., Ltd., Shanxi Die Casting Industrial Co., Ltd., Hebei Luyou Railway Locomotive & Rolling Stock Accessories Co., Ltd., and Chongqing Rail Transit Development Co., Ltd.. The summaries information were set out below:

	RMB'000
Consideration received in cash and cash equivalents	5,767

An analysis of assets and liabilities over which control was lost:

	RMB'000
Net assets disposed of	
Property, plant and equipment	13,053
Other intangible assets	155
Prepaid lease payments	37,422
Inventories	15,028
Trade receivables	56,259
Bills receivable	9,300
Prepayments, deposits and other receivables	6,095
Cash and bank balances	15,250
Trade payables	(72,951)
Other payables and accruals	(10,293)
Tax payable	(186)
	69,132

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

42. DISPOSAL OF SUBSIDIARIES *(continued)*

42.1 Disposal during the year ended 31 December 2017 *(continued)*

(3) Other disposals *(continued)*

Gain on disposal of these subsidiaries amounted to RMB5,705,000 among whcih gain on remeasurement of interest remained in other subsidiaries of their fair value when control is lost is RMB2,836,000.

Net cash outflow on disposal of subsidiaries

	RMB'000
Consideration received in cash and cash equivalents	5,767
Less: cash and bank balances disposed of	(15,250)
	(9,483)

42.2 Disposal during the year ended 31 December 2016

(1) Nanjing Tianma Bearing Co, Ltd

On 5 April 2016, CRRC Nanjing Puzhen Co., Ltd. ("CRRC NP") entered into an agreement with Hangzhou Jingzhou Bearing Co., Ltd. According to the agreement, CRRC NP disposed 60% equity interest of Nanjing Tianma Bearing Co., Ltd. at a cash consideration of RMB26,000,000 and assignment of an amount due to a subsidiary of the Company amounting to RMB23,415,000. On 25 April 2016, the transaction was completed and Nanjing Tianma Bearing Co., Ltd was no longer a subsidiary of the Group.

	RMB'000
Consideration received in cash and cash equivalents	26,000

An analysis of assets and liabilities over which control was lost:

	RMB'000
Net assets disposed of	
Property, plant and equipment	6,630
Trade receivables	179
Prepayments, deposits and other receivables	155
Inventories	779
Cash and bank balances	1,520
Other payables and accruals	(23,641)
	(14,378)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

42. DISPOSAL OF SUBSIDIARIES *(continued)*

42.2 Disposal during the year ended 31 December 2016 *(continued)*

(1) Nanjing Tianma Bearing Co, Ltd *(continued)*

Gain on disposal of a subsidiary

	RMB'000
Consideration received	26,000
Net liabilities disposed of	14,378
Non-controlling interests (40%)	(5,751)
Amount due to a subsidiary of the Company	(23,415)
Gain on disposal	11,212

Net cash inflow on disposal of a subsidiary

	RMB'000
Consideration received in cash and cash equivalents	26,000
Less: Cash and bank balances disposed of	(1,520)
	24,480

(2) Jilin Gaoxin

On 30 September 2016, CRRC Changchun Railway Vehicles Co., Ltd. ("CRRC Changchun") disposed all of its 51% equity interest of a subsidiary, Jilin Gaoxin Electric Vehicle Co, Ltd. ("Jilin Gaoxin") at a cash consideration of RMB53,706,000.

	RMB'000
Consideration received in cash and cash equivalents	53,706

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

42. DISPOSAL OF SUBSIDIARIES *(continued)*

42.2 Disposal during the year ended 31 December 2016 *(continued)*

(2) Jilin Gaoxin *(continued)*

An analysis of assets and liabilities over which control was lost:

	RMB'000
Net assets disposed of	
Property, plant and equipment	52,437
Prepaid lease payments	14,759
Other intangible assets	12,290
Trade receivables	477
Prepayments, deposits and other receivables	13,007
Inventories	39,976
Cash and bank balances	360
Trade payables	(23,783)
Borrowings	(8,000)
Other payables and accruals	(129,615)
Deffered income	(7,979)
	(36,071)

Gain on disposal of a subsidiary

	RMB'000
Consideration received	53,706
Net liabilities disposed of	36,071
Non-controlling interests (49%)	(17,675)
Gain on disposal	72,102

Net cash inflow on disposal of a subsidiary

	RMB'000
Consideration received in cash and cash equivalents	53,706
Less: Cash and bank balances disposed of	(360)
	53,346

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

42. DISPOSAL OF SUBSIDIARIES *(continued)*

42.2 Disposal during the year ended 31 December 2016 *(continued)*

(3) Ziyang Electrical

On 23 December 2016, CRRC Ziyang Co., Ltd. ("CRRC Ziyang") disposed its 51% equity interest of a subsidiary, CRRC Ziyang Electrical Technology Co, Ltd ("Ziyang Electrical") at a cash consideration of RMB448,008,000. After the disposal, CRRC Ziyang retains 49% equity interest of Ziyang Electrical, which is accounted for as an interest in associate.

	RMB'000
Consideration received in cash and cash equivalents	448,008

An analysis of assets and liabilities over which control was lost:

	RMB'000
Net assets disposed of	
Property, plant and equipment	21,573
Other Intangible assets	2,127
Deffered tax assets	107
Other non-current assets	8,373
Trade receivables	75,513
Bills receivables	41,327
Prepayments, deposits and other receivables	12,347
Inventories	97,144
Cash and bank balances	20,109
Pledged bank deposits	1,800
Trade payables	(159,761)
Bills payables	(19,340)
Tax payables	(4,191)
Provision for warranties	(1,285)
Other payables and accruals	(3,912)
Deffered income	(600)
	91,331

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

42. DISPOSAL OF SUBSIDIARIES *(continued)*

42.2 Disposal during the year ended 31 December 2016 *(continued)*

(3) Ziyang Electrical *(continued)*

Gain on disposal of a subsidiary

	RMB'000
Consideration received	448,008
Net assets disposed of	(91,331)
Non-controlling interests (49%)	44,752
Gain on disposal	401,429

Gain on remeasurement of interest remained in the Ziyang Electrical at its fair value when control is lost is RMB385,687,000.

Net cash inflow on disposal of a subsidiary

	RMB'000
Consideration received in cash and cash equivalents	448,008
Less: Cash and bank balances disposed of	(20,109)
	427,899

42. DISPOSAL OF SUBSIDIARIES *(continued)*

42.2 Disposal during the year ended 31 December 2016 *(continued)*

(4) Changchun Changke

As at 23 August 2016, CRRC Changchun lost control of Changchun Changke Railway Environmental Protection Equipment Co., Ltd. ("Changchun Changke") pursuant to the amendments to the Articles of association of Changchun Changke. Changchun Changke became a joint venture of CRRC Changchun.

	RMB'000
Consideration received in cash and cash equivalents	—
Net assets disposed of	
Property, plant and equipment	608
Other intangible assets	3
Trade receivables	18,151
Prepayments, deposits and other receivables	262
Inventories	33,805
Cash and bank balances	357
Trade payables	(42,507)
Other payables and accruals	(1,833)
	8,846

Net cash outflow on disposal of a subsidiary

	RMB'000
Consideration received in cash and cash equivalents	—
Less: Cash and bank balances disposed of	(357)
	357

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

43. COMMITMENTS

(a) Operating lease commitments

(i) As lessor

The Group leases certain items of property, plant and equipment under operating lease arrangements negotiated for terms ranging from 1 to 20 years.

At the end of the reporting period, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	2017 RMB'000	2016 RMB'000
Within one year	119,239	145,240
In the second to fifth years, inclusive	400,515	497,870
More than five years	1,454	336,851
	521,208	979,961

(ii) As lessee

The Group's future minimum rental payables under non-cancellable operating leases in respect of plant and machinery and land and buildings at the end of the reporting period are as follows:

	2017 RMB'000	2016 RMB'000
Within one year	248,439	171,179
In the second to fifth years, inclusive	424,850	295,673
More than five years	139,519	82,745
	812,808	549,597

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

43. COMMITMENTS *(continued)*

(b) Capital commitments

The Group had the following capital commitments at the end of the reporting period:

	2017 RMB'000	2016 RMB'000
Contracted, but not provided for:		
– Property, plant and equipment and land use rights	5,837,022	4,985,770
– Other intangible assets	52,868	19,473
	5,889,890	5,005,243

In addition, the Group's share of the joint ventures' or associates' capital commitments, which are not included in the above, is as follows:

	2017 RMB'000	2016 RMB'000
Contracted, but not provided for:		
– Property, plant and equipment	356	6,963

(c) Other commitments

As at 31 December 2017, the Group's commitment for establishment of new entities amounted to RMB2,470,625,000 (31 December 2016: RMB1,830,000,000).

44. RELATED PARTY TRANSACTIONS

In addition to the transactions and balances detailed elsewhere in these consolidated financial statements, the Group had the following material transactions with related parties during the year ended 31 December 2017 and 2016:

	2017 RMB'000	2016 RMB'000 (Restated)
44.1 Purchase of materials and components from:		
– CRRCG and its subsidiaries, excluding the Group (the "CRRCG Group" (Note i))	681,745	246,989
– Joint ventures	1,728,394	3,106,202
– Associates	1,171,408	1,275,824
	3,581,547	4,629,015

Note i: On 30 November 2017, CRRC ZI disposed its 51% equity interest of Hunan Electric Vehicle, previously a subsidiary of the Company, became an associate of the Group and a subsidiary of CRRCG. Therefore, related party transactions with Hunan Electric Vehicle during the period from 30 November 2017 to 31 December 2017 are disclosed in the category "CRRCG Group".

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

44. RELATED PARTY TRANSACTIONS *(continued)*

On 9 December 2016, Yongdian Jietong Group, previously a joint venture of CRRC, became a subsidiary of CRRC (Note 42). Therefore related party transactions with Yongdian Jietong Group during the period from 1 January 2016 to 8 December 2016 are disclosed in the category "Joint ventures".

On 23 December 2016, CRRC Ziyang disposed of its 51% equity interest of Ziyang Electrical to CRRCG. Ziyang Electrical, previously a subsidiary of the Company became an associate of the Group and a subsidiary of CRRCG. Therefore, related party transactions with Ziyang Electrical during the period from 23 December 2016 to 31 December 2016 are disclosed in the category "CRRCG Group".

	2017 RMB'000	2016 RMB'000 (Restated)
44.2 Sale of goods to:		
– CRRCG Group	393,282	209,150
– Joint ventures	999,463	1,812,739
– Associates	1,375,139	1,917,259
	2,767,884	3,939,148
44.3 Provision of service to:		
– CRRCG Group	54,017	31,881
– Joint ventures	3,990	4,571
– Associates	6,685	73,153
	64,692	109,605
44.4 Service fee:		
– CRRCG Group	10,907	23,102
– Joint ventures	30,827	21,933
	41,734	45,035
44.5 Rental of property, plant and equipment from:		
– CRRCG Group	80,929	65,906
44.6 Rental of property, plant and equipment to:		
– CRRCG Group	6,452	1,759
– Joint ventures	2,837	1,502
– Associates	6,244	6,601
	15,533	9,862
44.7 Interest income and fee commission income from:		
– CRRCG Group	9,551	2,552
44.8 Interest income on finance lease from:		
– An associate	25,327	12,920
44.9 Compensation income from:		
– CRRCG Group	2,505	120,000
44.10 Interest expense:		
– CRRCG Group	81,702	123,591
– Joint ventures	15	—
– An associate	127	5
	81,844	123,596

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

44. RELATED PARTY TRANSACTIONS *(continued)*

44.11 Loans from related parties:

Lender	Amounts	Start date	Maturity date
CRRCG Group	33,000	27 July 2017	27 July 2018
CRRCG Group	520,000	11 August 2017	11 August 2018
CRRCG Group	256,830	15 September 2017	15 September 2018
CRRCG Group	1,850,000	25 October 2017	25 October 2018
	2,659,830		

	2017 RMB'000	2016 RMB'000 (Restaed)
44.12 Purchase of property, plant and equipment from:		
– CRRCG Group	–	625
44.13 Sales of property, plant and equipment:		
– CRRCG Group	714	–
44.14 Sales of intangible assets and other related assets:		
– CRRCG Group	1,337,840	–
44.15 Guarantees received from:		
– CRRCG Group	7,701,849	4,671,477

44.16 Outstanding balances with related parties

The Group had the following outstanding balances with related parties:

	2017 RMB'000	2016 RMB'000 (Restated)
(i) Other non-current assets:		
– CRRCG Group	543	372
– Joint ventures	10	10
– Associates	129	129
	682	511

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

44. RELATED PARTY TRANSACTIONS *(continued)*

44.16 Outstanding balances with related parties *(continued)*

		2017 RMB'000	2016 RMB'000 (Restated)
(ii)	Trade receivables:		
	– CRRCG Group	769,609	74,863
	– Joint ventures	761,482	633,823
	– Associates	707,262	1,166,896
		2,238,353	1,875,582
(iii)	Bills receivable:		
	– CRRCG Group	89,494	26,366
	– Joint ventures	1,436	610,089
	– Associates	1,507,345	1,102,505
		1,598,275	1,738,960
(iv)	Prepayments, deposits and other receivables:		
	– CRRCG Group	4,346,498	13,415
	– Joint ventures	123,701	201,498
	– Associates	130,578	79,287
		4,600,777	294,200
(v)	Long-term receivables:		
	– Joint ventures	471	263
	– Associates	428,791	541,551
		429,262	541,814
(vi)	Trade payables:		
	– CRRCG Group	2,046,988	616,090
	– Joint ventures	1,751,390	1,103,797
	– Associates	896,836	642,878
		4,695,214	2,362,765
(vii)	Bills payable:		
	– CRRCG Group	139,750	92,712
	– Joint ventures	93,124	114,460
	– Associates	157,813	86,426
		390,687	293,598
(viii)	Other payables and accruals:		
	– CRRCG Group	66,067	77,375
	– Joint ventures	3,129	44,520
	– Associates	66,726	43,360
		135,922	165,255

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

44. RELATED PARTY TRANSACTIONS *(continued)*

44.16 Outstanding balances with related parties *(continued)*

		2017 RMB'000	2016 RMB'000 (Restated)
(ix)	Borrowings:		
	– CRRCG Group	2,659,830	2,813,705
(x)	Due to customers:		
	– CRRCG Group	3,461,695	2,709,115
	– Joint ventures	1,039	—
	– Associates	16,769	23
		3,479,503	2,709,138

44.17 Compensation of key management personnel of the Group:

	2017 RMB'000	2016 RMB'000
Short-term employee benefits	8,237	10,110
Post-employment benefits	506	639
Total compensation paid/payable to key management personnel	8,743	10,749

44.18 Commitments with related parties:

The Group had the following commitments with related parties at the reporting period, which are contracted for, but not included in the consolidated financial statements:

	2017 RMB'000	2016 RMB'000
Sale of goods to:		
– CRRCG Group	—	2
– Joint ventures	1,055	401,096
– Associates	173	—
	1,228	401,098
Purchase of materials and components from:		
– CRRCG Group	3,698	550
– Joint ventures	—	225,241
– Associates	—	1,089
	3,698	226,880

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

44. RELATED PARTY TRANSACTIONS *(continued)*

44.19 Transactions with other government-related entities in the PRC:

The company is ultimately controlled by the PRC government and the Group operates in an economic environment currently predominated by entities controlled, jointly controlled or under significant influence by the PRC government ("government-related entities"). In addition, the Group itself is part of a larger group of companies under CRRCG which is controlled by the PRC government. During the year, the Group conducts business with other government-related entities, including but not limited to, sales and purchases. The China Railway Corporation and entities invested and managed by local railway departments ("CRC Group") are identified as a single government-related entity by the directors of the Company. The revenue from CRC Group amounted to RMB 100,635,529,000 for the year ended 31 December 2017 (2016: RMB105,759,048,000).

Management considers that transactions with other government-related entities are activities conducted in the ordinary course of business, and that the dealings of the Group have not been significantly or unduly affected by the fact that the Group and those other government-related entities are ultimately controlled or owned by the government. The Group has also established pricing policies for products and services and such pricing policies do not depend on whether or not the customers are government-related entities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

45. FINANCIAL INSTRUMENTS

45.1 Categories of financial instruments

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

As at 31 December 2017

Financial assets

	Loans and receivables RMB'000	Available-for-sale investments RMB'000	Held-to-maturity investments RMB'000	Financial assets at fair value through profit or loss RMB'000	Finance lease receivables RMB'000	Total RMB'000
Financial assets at fair value through profit or loss	–	–	–	2,569,294	–	2,569,294
Available-for-sale investments		3,257,353	–	–	–	3,257,353
Trade receivables	77,672,935	–	–	–	–	77,672,935
Bills receivable	27,071,265	–	–	–	–	27,071,265
Financial assets included in prepayments, deposits and other receivables	14,213,097	–	–	–	–	14,213,097
Pledged bank deposits	4,622,263	–	–	–	–	4,622,263
Cash and bank balances	56,264,129	–	–	–	–	56,264,129
Financial assets included in other non-current assets	468,937	–	–	–	10,682,436	11,151,373
Loans and advances to customers (including amounts due within one year)	3,824,210	–	–	–	–	3,824,210
Held-to-maturity investments (including amounts due within one year)	–	–	1,659,158	–	–	1,659,158
	184,136,836	3,257,353	1,659,158	2,569,294	10,682,436	202,305,077

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

45. FINANCIAL INSTRUMENTS *(continued)*

45.1 Categories of financial instruments *(continued)*

As at 31 December 2016 (Restatded)

Financial assets

	Loans and receivables RMB'000	Available-for-sale investments RMB'000	Held-to-maturity investments RMB'000	Financial assets at fair value through profit or loss RMB'000	Finance lease receivables RMB'000	Total RMB'000
Financial assets at fair value through profit or loss	—	—	—	731,916	—	731,916
Available-for-sale investments	—	3,870,861	—	—	—	3,870,861
Trade receivables	74,052,769	—	—	—	—	74,052,769
Bills receivable	15,099,951	—	—	—	—	15,099,951
Financial assets included in prepayments, deposits and other receivables	14,886,654	—	—	—	—	14,886,654
Pledged bank deposits	4,561,051	—	—	—	—	4,561,051
Cash and bank balances	41,035,974	—	—	—	—	41,035,974
Financial assets included in other non-current assets	219,565	—	—	—	12,134,083	12,353,648
Loans and advances to customers					—	
(including amounts due within one year)	213,033	—	—	—	—	213,033
Held-to-maturity investments	—	—	966,970	—	—	966,970
	150,068,997	3,870,861	966,970	731,916	12,134.83	167,772,827

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

45. FINANCIAL INSTRUMENTS *(continued)*

45.1 Categories of financial instruments *(continued)*

As at 31 December 2017

Financial liabilities

	Financial liabilities at fair value through profit or loss RMB'000	Other financial liabilites RMB'000	Total RMB'000
Trade payables	—	104,354,290	104,354,290
Bills payable	—	23,291,689	23,291,689
Financial liabilities included in other payables and accruals	—	11,000,328	11,000,328
Financial liabilities at fair value through profit or loss	225,240	—	225,240
Borrowings	—	43,997,818	43,997,818
Due to customers	—	3,487,822	3,487,822
Long-term payables (including amounts due within one year)	—	357,885	357,885
Convertible bonds - debt component	—	3,630,772	3,630,772
Convertible bonds - derivative component	511,756	—	511,756
	736,996	190,120,604	190,857,600

As at 31 December 2016 (Restated)

Financial liabilities

	Financial liabilities at fair value through profit or loss RMB'000	Other financial liabilites RMB'000	Total RMB'000
Trade payables	—	91,949,871	91,949,871
Bills payable	—	19,797,275	19,797,275
Financial liabilities included in other payables and accruals	—	10,233,258	10,233,258
Financial liabilities at fair value through profit or loss	16,983	—	16,983
Borrowings	—	37,896,696	37,896,696
Due to customers	—	2,711,367	2,711,367
Long-term payables (including amounts due within one year)	—	303,367	303,367
Convertible bonds - debt component	—	3,758,742	3,758,742
Convertible bonds - derivative component	366,097	—	366,097
	383,080	166,650,576	167,033,656

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

45. FINANCIAL INSTRUMENTS *(continued)*

45.2 Financial risk management objectives and policies

The Group's principal financial instruments comprise bank and other borrowings, convertible bonds, and cash and cash equivalents. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities, such as trade receivables and trade payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are credit risk, liquidity risk and market risk. The board of directors reviews and agrees on policies for managing each of these risks and they are summarised below:

Credit risk

As at 31 December 2017, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties and financial guarantees provided by the Group is arising from:

The carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

The amount of contingent liability in relation to the financial guarantees provided by the Group as disclosed in Note 49.

The Group only transacts with those third parties who are recognised as creditworthy. The Group's policy is to perform credit verification for all customers who have transactions with the Group. Further, credit limits, credit terms and sales methods are determined based on the credit ratings of customers.

For sales under credit terms, a sales contract shall stipulate the payment term and credit amounts. The payment date should not exceed the credit term, and the credit amount in aggregate should not exceed the credit limit.

The Group continuously monitors its trade receivable balances by assigning the salespersons responsible for cash collection. In addition, the Group reviews the recoverable amount of each material individual debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts.

The Group's other financial assets include cash and cash equivalents and other receivables. The credit risk of these financial assets arises from default of counterparties who transact with the Group, with a maximum exposure equal to the carrying amounts of these instruments.

Other than the concentration of credit risk in respect of receivables from CRC Group, the Group does not have any other significant concentration of credit risk.

Liquidity risk

In the management of the liquidity risk, the Group's objectives are to maintain a balance between continuity and flexibility through measures such as bills settlement, loans and short term commercial paper, to adopt an appropriate combination of long term and short term financing, and to improve the financing structure.

The Group has already obtained banking facilities from various commercial banks for its working capital and capital expenditure.

The Group's management monitors the working capital position to ensure that there is adequate liquidity to meet with all the financial obligations when they become due and to maximise the return of the Group's financial resources.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

45. FINANCIAL INSTRUMENTS *(continued)*

45.2 Financial risk management objectives and policies *(continued)*

Liquidity risk *(continued)*

The table below summarises the maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of the reporting period.

As at 31 December 2017

	On demand or less than one year RMB'000	1-2 years RMB'000	3-5 years RMB'000	>5 years RMB'000	Total undiscounted Cash Flows RMB'000	Carrying Amount at 31/12/2017 RMB'000
Non-derivative financial liabilities						
Borrowings	35,334,100	5,366,440	3,521,663	1,761,899	45,984,102	43,997,818
Trade payables	104,354,290	–	–	–	104,354,290	104,354,290
Bills payable	23,291,689	–	–	–	23,291,689	23,291,689
Financial liabilities included in other payables and accruals	11,000,328	–	–	–	11,000,328	11,000,328
Due to customers	3,500,029	–	–	–	3,500,029	3,487,822
Long-term payables (including amounts due within one year)	71,038	112,931	107,062	188,232	479,263	357,885
Convertible bonds	–	3,920,520	–	–	3,920,520	4,142,528
Financial guarantee contract (Note)	7,441,000	–	–	–	7,441,000	–
	184,992,474	9,399,891	3,628,725	1,950,131	199,971,221	190,632,360

Note: The amounts included above for financial guarantee contracts are the maximum amounts the Group could be required to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantee. Based on expectations at the end of the reporting period, the Group considers that it is more likely than not that no amount will be payable under the arrangement. However, this estimate is subject to change depending on the probability of the counterparty claiming under the guarantee which is a function of the likelihood that the financial receivables held by the counterparty which are guaranteed suffer credit losses.

	On demand or less than one year RMB'000	1-2 years RMB'000	3-5 years RMB'000	>5 years RMB'000	Total undiscounted Cash Flows RMB'000	Carrying Amount at 31/12/2017 RMB'000
Derivatives financial liabilities - gross settlement						
Held-for-trading financial liabilities						
– Foreign currency forward contracts						
– inflow	6,621,337	–	–	–	6,621,337	6,621,337
– outflow	(6,846,577)	–	–	–	(6,846,577)	(6,846,577)
	(225,240)	–	–	–	(225,240)	(225,240)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

45. FINANCIAL INSTRUMENTS *(continued)*

45.2 Financial risk management objectives and policies *(continued)*

Liquidity risk *(continued)*

As at 31 December 2016 (Restated)

	On demand or less than one year RMB'000	1-2 years RMB'000	3-5 years RMB'000	>5 years RMB'000	Total undiscounted Cash Flows RMB'000	Carrying Amount at 31/12/2016 RMB'000
Non-derivative financial liabilities						
Borrowings	28,073,766	2,217,699	6,428,185	3,053,465	39,773,115	37,896,696
Trade payables	91,949,871	–	–	–	91,949,871	91,949,871
Bills payable	19,797,275	–	–	–	19,797,275	19,797,275
Financial liabilities included in other payables and accruals	10,233,258	–	–	–	10,233,258	10,233,258
Convertible bonds	–	–	4,162,200	–	4,162,200	4,124,839
Due to customers	2,720,857	–	–	–	2,720,857	2,711,367
Long-term payables (including amounts due within one year)	96,152	139,669	39,362	36,759	311,942	303,367
	152,871,179	2,357,368	10,629,747	3,090,224	168,948,518	167,016,673
Derivatives financial liabilities - gross settlement						
Held-for-trading financial liabilities						
– Foreign currency forward contracts						
– inflow	524,896	–	–	–	524,896	524,896
– outflow	(541,879)	–	–	–	(541,879)	(541,879)
	(16,983)	–	–	–	(16,983)	(16,983)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

45. FINANCIAL INSTRUMENTS *(continued)*

45.2 Financial risk management objectives and policies *(continued)*

Market risk

Interest rate risk

The Group is exposed to fair value interest rate risk primarily in relation to the Group's fixed-rate borrowings, long-term receivables and convertible bonds. The Group's exposure to the cash flow interest rate risk of changes in market interest rates relates primarily to the Group's short term and long term debts with a floating interest rate.

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

	2017	2016
Reasonably possible change in interest rate	100 basis points	100 basis points

	2017 RMB'000	2016 RMB'000
Increase (decrease) in profit after taxation for the year		
as a result of increase in interest rate	(48,605)	(65,271)
as a result of decrease in interest rate	48,605	65,271

The sensitivity analysis in interest rate does not affect other components of equity.

Other price risk

The Group is exposed to equity securities price risk in relation to its listed equity investments which are measured based on quoted prices as detailed in Note 22. The management closely monitors such risk by maintaining a portfolio of investments with different risks.

The Group is also exposed to other price risk through its investments in certain corporate wealth management products measured at fair value. The management manages this exposure by only investing in investments operated by banks with good reputation. The management of the Group considers the fluctuation in fair value changes on these investments in corporate wealth management products is insignificant, taking into account the short- term duration of such financial products.

The sensitivity analyses below have been determined based on the exposure to equity price risks for its listed equity investments at the reporting date assuming all other variables were held constant.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

45. FINANCIAL INSTRUMENTS *(continued)*

45.2 Financial risk management objectives and policies *(continued)*

Market risk *(continued)*

Other price risk (continued)

	2017	2016
Reasonably possible change in equity price	5%	5%

	2017 RMB'000	2016 RMB'000
Increase (decrease) in other comprehensive income for the year (after net of related tax effect)		
as a result of increase in equity price	79,178	112,022
as a result of decrease in equity price	(79,178)	(112,022)

Foreign currency risk

The Group's foreign currency risk mainly arise from sales or purchases by operating entities in currencies other than the entities' respective functional currencies.

The Group's businesses are mainly located in the PRC and are mainly transacted and settled in RMB. Certain sales, purchases and borrowings are settled in foreign currencies. The fluctuation of the exchange rates of foreign currencies against RMB will affect the Group's results of operations.

The Group endeavours to reduce foreign currency risk to a minimum mainly by closely monitoring market exchange rate changes and actively adopting measures.

For business contracts denominated in foreign currencies under negotiation, the Group requires price quotations to be based on the expected exchange rate changes and the relevant terms clearly state the range of exchange rate fluctuations so as to have the related risk to be shared by both the seller and buyer. For import activities, the relevant import entities are required to monitor the timing of settlement to reduce the foreign currency risk.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the Euro and US dollar exchange rates against RMB, with all other variables held constant, of the Group's profit after taxation (due to changes in the foreign currency denominated monetary assets and liabilities). In the opinion of the directors of the Company, as the currency exposures arising from possible changes in other currencies will not have any significant financial impact on the Group, the sensitivity analysis is not disclosed.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

45. FINANCIAL INSTRUMENTS *(continued)*

45.2 Financial risk management objectives and policies *(continued)*

Market risk *(continued)*

Foreign currency risk (continued)

	Increase/ in (decrease) exchange rate %	Increase/ (decrease) in profit after tax RMB'000
Year ended 31 December 2017		
If RMB strengthens against Euro	(8.64)	11,827
If RMB weakens against Euro	8.64	(11,827)
If RMB strengthens against US dollar	(5.59)	264,675
If RMB weakens against US dollar	5.59	(264,675)

	Increase/ in (decrease) exchange rate %	Increase/ (decrease) in profit after tax RMB'000
Year ended 31 December 2016		
If RMB strengthens against Euro	(4.68)	(45,526)
If RMB weakens against Euro	4.68	45,526
If RMB strengthens against US dollar	(7.40)	(8,367)
If RMB weakens against US dollar	7.40	8,367

Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for equity shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to financing at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher equity shareholders returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The Group monitors its capital structure on the basis of liability-to-asset ratio, which is calculated as total liabilities divided by total assets. The liability-to-asset ratio of the Group at 31 December 2017 was 62.19% (at 31 December 2016: 63.40%).

There were no changes in the Group's approach to capital management during the reporting period. Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

45. FINANCIAL INSTRUMENTS *(continued)*

45.3 Fair value measurements of financial instruments

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

Some of the Group's financial assets and liabilities are measured at fair value at the end of each reporting period.

	Fair value as at				
	At 31 December 2017 (RMB'000)	At 31 December 2016 (RMB'000)	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)
Financial assets					
Foreign currency forward contracts classified as financial assets at fair value through profit or loss	2,563	2,986	Level 2	Discounted cash flow. Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contracted forward rates, discounted at a rate that reflects the credit risk of various counterparties.	/
Corporate wealth management products classified as financial assets at fair value through profit or loss-	2,139,563	514,527	Level 2	Discounted cash flow. Future cash flows are estimated based on expected return, discounted at a rate that reflects the credit risk of issuers.	/
Financial assets designated as at fair value through profit or loss	427,168	214,403	Level 3	Discounted cash flow key inputs: the revenue growth rate, the systematic risk coefficient	The revenue growth rate is based on the forecast of the management of the invested company. The systematic risk coefficient is based on the historical systematic risk coefficients of comparable companies..
Listed perpetual bond investment classified as available-for-sale financial assets	190,625	208,110	Level 1	Quoted market price	/

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

45. FINANCIAL INSTRUMENTS *(continued)*

45.3 Fair value measurements of financial instruments *(continued)*

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis *(continued)*

	Fair value as at				
	At 31 December 2017 (RMB'000)	At 31 December 2016 (RMB'000)	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)
Listed preference share investment classified as available-for-sale financial assets	415,328	236,490	Level 1	Quoted market price	/
Listed equity security classified as available-for-sale financial assets	1,843,257	2,426,580	Level 1	Quoted market price	/
Corporate wealth management products classified as available-for-sale financial assets	451,497	51,699	Level 2	Discounted cash flow. Future cash flows are estimated based on expected return, discounted at a rate that reflects the credit risk of issuers	/
Financial liabilities					
Foreign currency forward contracts classified as financial liabilities at fair value through profit or loss	225,240	16,983	Level 2	Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contracted forward rates, discounted at a rate that reflects the credit risk of various counterparties.	/
Derivative component in relation to the 2016 Convertible Bonds	511,756	366,097	Level 3	The fair value of derivative component is calculated using Binominal Option Pricing Model. key inputs: the volatilities	The volatilities were determined based on the historical price volatilities of comparable companies under the same periods of the expected life. (Note)

Note: An increase in the volatilities of the Company's share price would result in an increase in the fair value measurement of the convertible bonds-derivative component, and vice versa. A 1% increase in the volatilities holding all other variables constant would increase the carrying amount of the convertible bonds-derivative component by RMB5,168,000. A 1% decrease in the volatilities holding all other variables constant would decrease the carrying amount of the convertible bonds-derivative component by RMB5,067,000.

During the year ended 31 December 2017 and 2016, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

45. FINANCIAL INSTRUMENTS *(continued)*

45.3 Fair value measurements of financial instruments *(continued)*

Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis

Except as detailed in the following table, the directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate to their fair values.

	31 December 2017		31 December 2016	
	Carrying amount RMB'000	Fair value RMB'000	Carrying amount RMB'000	Fair value RMB'000
Held-to-maturity investment	1,429,188	1,453,704	966,970	977,897
Long-term receivables - with fixed rate	10,365,326	9,687,014	11,012,361	10,149,290
Other non-current assets- with fixed rate	786,047	676,391	1,341,287	1,160,390
Borrowings - due after one year – with fixed rate	936,446	892,966	2,089,337	1,693,300
Long-term bonds-due after one year	5,495,168	5,212,867	6,991,168	6,901,527
Convertible bonds (including the derivative component)	4,142,528	3,607,458	4,124,839	3,865,473

The held-to-maturity investments are traded in an active market and included in level 1 category. The convertible bonds (including the derivative component) are included in level 2 category and their fair value has been determined with reference to the price released by Bloomberg Limited Partnership. Long-term bonds, long-term receivables, borrowings and other non-current assets are included in level 2 category and have been determined based on a discounted cash flow analysis, with the discount rate that reflects the credit risk of debtors.

45.4 Reconciliation of Level 3 fair value measurements

	Financial assets designated as at fair value through profit or loss RMB'000
As at 1 January 2017	214,403
Purchase of financial assets designated as at fair value through profit or loss	253,811
Disposals	(18,822)
Changes in fair value during the year	20,093
Exchange adjustments during the year	(42,317)
As at 31 December 2017	427,168

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

45. FINANCIAL INSTRUMENTS *(continued)*

45.4 Reconciliation of Level 3 fair value measurements *(continued)*

	Convertible bonds - derivative component RMB'000
As at 1 January 2017	366,097
Changes in fair value during the year (Note 40)	166,960
Exchange adjustments during the year (Note 40)	(21,301)
As at 31 December 2017	511,756

45.5 Transfers of financial assets

At 31 December 2017, the Group endorsed certain bills receivable with a carrying amount of RMB 5,192,291,000 (31 December 2016: RMB5,198,692,000) to certain of its suppliers in order to settle the trade payables due to such suppliers and discounted certain bills receivable with a carrying amount of RMB667,240,000 (31 December 2016: RMB851,888,000) to banks which were derecognised by the Group (the "Derecognised Bills"). In accordance with the Law of Negotiable Instruments in the PRC, the holders of the Derecognised Bills have a right of recourse against the Group if the acceptor default (the "Continuing Involvement"). In the opinion of the directors of the Company, the Group has transferred substantially all risks and rewards relating to the Derecognised Bills. Accordingly, it has derecognised the full carrying amounts of the Derecognised Bills and the associated trade payables. The maximum exposure to loss from the Group's Continuing Involvement in the Derecognised Bills and the undiscounted cash flows to repurchase these Derecognised Bills equal to the amounts disclosed above. In the opinion of the directors of the Company, the fair values of the Group's Continuing Involvement in the Derecognised Bills are not significant.

At 31 December 2017, the Group endorsed certain bills receivable (the "Endorsed Bills") with a carrying amount of RMB3,189,939,000 (31 December 2016: RMB1,835,639,000) to certain of its suppliers in order to settle the trade payables due to such suppliers (the "Endorsement") and discounted certain bills receivable (the "Discounted Bills") with a carrying amount of RMB 35,400,000 (31 December 2016: RMB105,994,000) to banks. In the opinion of the directors of the Company, the Group has retained the substantial risks and rewards, which include default risks relating to such Endorsed Bills and Discounted Bills, and accordingly, it continued to recognise the full carrying amounts of the Endorsed Bills and Discounted Bills and the associated trade payables. Subsequent to the Endorsement and discounting, the Group does not retain any rights on the use of the Endorsed Bills and Discounted Bills, including sale, transfer or pledge of the bills to any other third parties.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

45. FINANCIAL INSTRUMENTS *(continued)*

45.5 Transfers of financial assets *(continued)*

At 31 December 2017, trade receivables amounted to RMB3,592,859,000 (31 December 2016: RMB1,216,823,000) had been factored to a bank on a non-recourse basis. These receivables were derecognised as the Group had transferred the significant risks and rewards relating to the receivables to the bank under the non-recourse factoring agreements. The loss related to derecognition of trade receivables was RMB77,153,000 (2016: RMB38,718,000) in total and charged to profit and loss.

At 31 December 2017, trade receivables amounted to RMB452,255,000 (31 December 2016: RMB337,995,000) had been factored to a bank. The Group has retained the substantial risks and rewards relating to the trade receivables and continue to recognise the trade receivables. Associated liabilities have been recognised and included in borrowings.

At 31 December 2017, trade receivables amounted to RMB Nil (31 December 2016: RMB2,498,313,000) had been securitised and of which securities of RMB Nil (31 December 2016: RMB121,000,000) were purchased by CRRCG. In the opinion of the directors of the Company, the Group had transferred the substantial risks and rewards relating to the trade receivables to the trust company under the securitization agreement, and accordingly, the full carrying amounts of the trade receivables were derecognised. The loss related to derecognition of trade receivables was RMB Nil (2016: RMB92,145,000) in total and charged to profit and loss.

46. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below shows the detailed changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Borrowings RMB000 Note 35	Convertible bonds RMB000 Note 40	Interest payable RMB000 Note 34	Total RMB000
At 1 January 2017	37,896,696	4,124,839	363,903	42,385,438
Repayment of borrowings	(88,862,820)	—	—	(88,862,820)
Proceeds from borrowings	91,926,294	—	—	91,926,294
Foreign exchange	15,380	(242,668)	56,313	(170,975)
Changes in fair value	—	166,960	—	166,960
Interest paid	—	—	(1,442,666)	(1,442,666)
Interest expenses	98,000	93,397	1,384,845	1,576,242
Non-cash items	2,924,268	—	—	2,924,268
At 31 December 2017	43,997,818	4,142,528	362,395	48,502,741

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

47. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

Details of the Company's subsidiaries at the end of the reporting period are set out below:

Company name	Place and date of incorporation/ establishment and place of operations	Paid-up capital	Percentage of equity interests attributable to the Company Direct (%)		Indirect (%)		Principal activities
		'000	2017	2016	2017	2016	
CRRC Changchun * 中車長春軌道客車股份有限公司	PRC 18 March 2002	RMB5,807,947	93.54	93.54	–	–	Designing and manufacturing passenger coaches, high-speed MUs, rapid transit vehicles and components
CRRC Zhuzhou Locomotive Co., Ltd. * 中車株洲電力機車有限公司	PRC 31 August 2005	RMB4,401,366	100.00	100.00	–	–	Manufacturing, selling and repairing of locomotives
CRRC ZI* 中車株洲電力機車研究所有限公司	PRC 9 September 1992	RMB5,264,500	100.00	100.00	–	–	Investment holding, manufacturing and selling of wind turbines
CRRC Qingdao Sifang Co., Ltd.* 中車青島四方機車車輛股份有限公司	PRC 22 July 2002	RMB4,003,794	97.81	97.81	–	–	Manufacturing, selling and repairing of locomotives
CRRC Tangshan * 中車唐山機車車輛有限公司	PRC 10 July 2007	RMB3,990,000	100.00	100.00	–	–	Manufacturing railway transportation equipment, high-speed MUs, rapid transit vehicles and components
CRRC Dalian Co., Ltd.* 中車大連機車車輛有限公司	PRC 1 January 1981	RMB3,600,000	100.00	100.00	–	–	Manufacturing and refurbishing locomotives and components
CRRC Qiqihar Rolling Stock Co., Ltd.* 中車齊齊哈爾交通裝備有限公司	PRC 26 December 2012	RMB3,100,000	100.00	100.00	–	–	Manufacturing railway transportation equipment and components
CRRC Yangtze Co., Ltd.* 中車長江車輛有限公司	PRC 14 September 2006	RMB2,383,869	100.00	100.00	–	–	Manufacturing, selling and repairing of rolling stock
CRRC Investment & Leasing Co., Ltd.* 中車投資租賃有限公司	PRC 26 April 1999	RMB2,300,000	100.00	100.00	–	–	Trading and finance leasing
CRRC Qishuyan Co., Ltd.* 中車戚墅堰機車有限公司	PRC 26 June 2007	RMB2,092,743	100.00	100.00	–	–	Manufacturing, selling and repairing of locomotives
CRRC Qishuyan Institute Co., Ltd.* 中車戚墅堰機車車輛工藝研究所有限公司	PRC 15 May 1992	RMB2,060,000	100.00	100.00	–	–	Research and development of train- related products
CRRC NP * 中車南京浦鎮車輛有限公司	PRC 27 June 2007	RMB1,759,840	100.00	100.00	–	–	Manufacturing, selling and repairing of rolling stock
CRRC Hong Kong Capital Management Co., Ltd.* 中國中車香港資本管理有限公司	PRC 25 August 2010	RMB1,564,939	100.00	100.00	–	–	Manufacturing and refurbishing railway vehicles (including MUs), rapid transit vehicles and merger and acquisition

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47. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY *(continued)*

Company name	Place and date of incorporation/ establishment and place of operations	Paid-up capital	Percentage of equity interests attributable to the Company Direct (%)		Indirect (%)		Principal activities
		'000	2017	2016	2017	2016	
CRRC Engineering * 中車建設工程有限公司	PRC 10 February 2012	RMB1,500,000	100.00	100.00	–	–	Project management contracting, sales of machinery and construction materials and leasing of machinery equipment vehicles
CRRC Yongji * 中車永濟電機有限公司	PRC 9 July 2007	RMB1,290,000	100.00	100.00	–	–	Manufacturing and refurbishing general mechanical and electrical equipment
CRRC Sifang Rolling Stock Research Institute Co., Ltd.* 中車青島四方車輛研究所有限公司	PRC 10 June 1994	RMB1,290,000	100.00	100.00	–	–	Researching and developing and manufacturing vehicles components and related equipment
CRRC Shandong Co., Ltd.* 中車山東機車車輛有限公司	PRC 9 July 2007	RMB1,260,000	100.00	100.00	–	–	Manufacturing and refurbishing locomotives, freight wagons and components
Finance Company* (i) 中車財務有限公司	PRC 30 November 2012	RMB2,200,000	91.36	91.36	–	–	Taking deposits and providing entrusted loans
CRRC Zhuzhou Electric Co., Ltd.* 中車株洲電機有限公司	PRC 14 April 2004	RMB1,043,180	100.00	100.00	–	–	Manufacturing and selling of electric motors
CNR Investment & Leasing Corp., Ltd.* ("I&L Co") 北車投資租賃有限公司.	PRC 11 January2008	RMB1,000,000	100.00	100.00	–	–	Leasing and selling of transportation vehicles and machinery equipment
CNR Shenyang Co., Ltd.* 中車沈陽機車車輛有限公司	PRC 25 November 1979	RMB951,532	100.00	100.00	–	–	Manufacturing and refurbishing freight wagons
CRRC Xi'an Co., Ltd.* 中車西安車輛有限公司	PRC 9 July 2007	RMB860,000	100.00	100.00	–	–	Refurbishing passenger coaches, and freight wagons; researching and developing and manufacturing railway box wagons
CRRC Ziyang * 中車資陽機車有限公司	PRC 12 May 2006	RMB834,226	99.61	99.61	–	–	Manufacturing, selling and repairing of locomotives
CRRC Beijing Nankou Co., Ltd.* 中車北京南口機械有限公司	PRC 9 July 2007	RMB805,000	100.00	100.00	–	–	Manufacturing locomotives components

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FOR THE YEAR ENDED 31 DECEMBER 2017

47. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY *(continued)*

Company name	Place and date of incorporation/ establishment and place of operations	Paid-up capital	Percentage of equity interests attributable to the Company Direct (%)		Indirect (%)		Principal activities
		'000	2017	2016	2017	2016	
CRRC Datong Co., Ltd.* 中車大同電力機車有限公司	PRC 18 February 2003	RMB656,000	100.00	100.00		–	Manufacturing and refurbishing locomotives and components
CRRC Chengdu Co., Ltd.* 中車成都機車車輛有限公司	PRC 28 June 2007	RMB655,228	64.52	64.52	35.48	35.48	Repairing locomotives and rolling stock
CRRC Hong Kong Co., Ltd.* 中國中車(香港)有限公司	HK 7 April 2008	HK$800,000	100.00	100.00	–	–	Trading and investment management
CRRC Guiyang Co., Ltd. * 中車貴陽車輛有限公司	PRC 30 September 2014	RMB1,030,000	100.00	100.00	–	–	Manufacturing, selling and repairing of rolling stock
CRRC Shenzhen Capital Management Co.,Ltd.* 中車深圳資本管理有限公司	PRC 27 September 2013	RMB500,000	100.00	100.00	–	–	Researching and developing, designing and selling railway vehicles (including Mus) and rapid transit vehicles
CRRC Dalian R&D Co., Ltd.* 中車大連電力牽引研發中心有限公司	PRC 16 October 2013	RMB388,000	100.00	100.00	–	–	Researching and developing electric traction and control technologies and selling applicant services and related products
CRRC Dalian Institute Co., Ltd.* 中車大連機車研究所有限公司	PRC 24 September 1995	RMB350,000	100.00	100.00	–	–	Researching and developing and manufacturing locomotives machinery and electronic devices
Sifang Co* 中車四方車輛有限公司	PRC 4 September 1980	RMB343,096	100.00	100.00	–	–	Repairing locomotives and rolling stock
CRRC Meishan Co., Ltd.* 中車眉山車輛有限公司	PRC 28 June 2007	RMB437,849	100.00	100.00	–	–	Manufacturing and selling of rolling stock
CRRC Taiyuan Co., Ltd.* 中車太原機車車輛有限公司	PRC 9 July 2007	RMB327,000	100.00	100.00	–	–	Manufacturing and refurbishing locomotives and components
CRRC Logistics Co., Ltd.* 中車物流有限公司	PRC 4 April 2002	RMB300,000	96.84	92.00	3.16	8.00	Logistics services, agent of international freight and trading of raw materials
CRRC Shijiazhuang Co., Ltd.* 中車石家莊車輛有限公司	PRC 28 June 2007	RMB204,622	100.00	100.00	–	–	Repairing locomotives and rolling stock
CRRC (AUSTRALIA) Company Limited 中車澳大利亞有限公司	Australia 10 July 2012	Australian Dollar ("AUD") 1,000	100.00	100.00	–	–	Trading and after-sale maintaining

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

47. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY *(continued)*

Company name	Place and date of incorporation/ establishment and place of operations	Paid-up capital	Percentage of equity interests attributable to the Company Direct (%)		Indirect (%)		Principal activities
		'000	2017	2016	2017	2016	
CRRC Industrial Institute Co., Ltd.* 中車工業研究院有限公司	PRC 25 August 2014	RMB200,000	100.00	100.00	–	–	Research and development train - related products
CRRC International Co., Ltd.* 中車國際有限公司	PRC 1 June 1998	RMB100,000	100.00	100.00	–	–	Selling rolling stock equipment
Beijing CNR CR Transportation Equipment Co., Ltd.* 北京北車中鐵軌道交通裝備有限公司	PRC 6 January 2009	RMB20,000	51.00	51.00	–	–	Manufacturing locomotive components; importing and exporting goods and project management contracting
CRRC Information Technology Co., Ltd.* 中車信息技術有限公司	PRC 8 July 1998	RMB17,000	51.00	51.00	–	–	Providing training of computer technology, basic software related services, applicant software related services, computer systematic service and data processing services
CRRC SA Rolling Stock (Pty) Ltd. 南非中車車輛有限公司	Republic of South Africa 27 January 2014	ZAR1	66.00	66.00	–	–	Technology service, technology consulting related to railway locomotives, project planning, project service, procurement, sales, leasing of railway locomotives and components
CRRC Capital Management Co., Ltd. * 中車資本管理有限公司	PRC 8 January 2016	RMB2,000,000	100.00	100.00	–	–	Assets management, investment management, industrial investment, etc.
ZTE* (ii) 株洲中車時代電氣股份有限公司	PRC 26 September 2005	RMB1,175,477	–	–	52.03	51.81	Manufacturing of train - bore systems and components
ZTNM* (iii) 株洲時代新材料科技股份有限公司	PRC 24 May 1994	RMB802,798	–	–	39.55	39.55	Manufacturing and selling of polymer compounds, etc.

* The English name of certain companies above represents the direct translation of the Chinese name of these companies as no English name have been registered.

(i) In 2016, the CNR Finance Co., Ltd. ("CNR Finance") merged with CSR Finance Co., Ltd. ("CSR Finance") by way of absorption. CSR Finance was de-registered, and CNR Finance was renamed as "CRRC Finance Co., Ltd.". After the absorption, the Finance Company was held by CRRC as to 91.36% and CRRCG as to 8.64%.

(ii) As at 31 December 2016, the ownership interests held by the CRRCG was 0.80%, the voting rights of which the CRRCG has authorised the Company to exercise, accordingly, the voting rights of ZTE held by the Company was 52.61%.

In January 2017, the CRRCG disposed its 0.80% equity interests in ZTE, the voting rights of which have previously been authorised to the Company, thus then the voting rights of ZTE held by the Company was decreased to 51.81%. In July 2017, CRRC HK Capital Management Co, a subsidiary of the Company, purchased 2,606,800 shares of ZTE in public market, thus then the equity interests of ZTE held by the Company was increased to 52.03% as at 31 December 2017 (31 December 2016: 51.81%).

(iii) In 2016, Sifang Co, a subsidiary of the Company, disposed of 10,393,435 shares of ZTNM, thus the equity interests of ZTNM held by the Company was decreased to 39.55%.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

47. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY *(continued)*

The proportion of ownership interests held by the CRRCG was 11.47% the voting rights of which the CRRCG has authorised the Company to exercise, accordingly, the voting rights of ZTNM held by the Company was 51.02% as at 31 December 2017 (31 December 2016: 51.02%).

The above table lists the subsidiaries of the Group which, in the opinion of the directors of the Company, principally affected the results for the year or formed a substantial portion of the net assets of the Group as at 31 December 2017. To give details of other subsidiaries would, in the opinion of the directors of the Company, result in particulars of excessive length.

None of the subsidiaries had issued debt securities during the year ended 31 December 2016 and 31 December 2017.

Details of non-wholly owned subsidiaries that have material non-controlling interests

The table below shows details of non-wholly-owned subsidiaries of the Group that have material non-controlling interests:

Name of subsidiary	Place of establishment and principal place of business	Proportion of ownership interest held by non-controlling interests		Profit allocated to non-controlling interests		Accumulated non-controlling interests	
		2017	2016	2017 RMB'000	2016 RMB'000 (Restated)	2017 RMB'000	2016 RMB'000 (Restated)
ZTE and its subsidiaries	PRC	47.97%	48.19%	1,248,023	1,399,897	8,769,690	7,839,175
ZTNM and its subsidiaries	PRC	60.45%	60.45%	39,392	134,286	3,085,395	3,036,688
CRRC Changchun and its subsidiaries	PRC	6.46%	6.46%	187,034	225,114	1,865,334	1,808,139
Individually immaterial subsidiaries with non-controlling interests				738,545	844,979	6,590,393	6,271,104
Total				2,212,994	2,604,276	20,310,812	18,955,106

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

47. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY *(continued)*

Details of non-wholly owned subsidiaries that have material non-controlling interests *(continued)*

Summarised financial information in respect of each of the Company's subsidiaries that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

ZTE and its subsidiaries

	2017 RMB'000	2016 RMB'000 (Restated)
Current assets	21,612,648	18,868,287
Non-current assets	5,037,000	4,866,989
Current liabilities	7,623,291	6,752,049
Non-current liabilities	969,792	912,320
Equity attributable to owners of ZTE	17,764,353	15,807,234
Non-controlling interests of ZTE's subsidiaries	292,212	263,673

	2017 RMB'000	2016 RMB'000 (Restated)
Revenue	15,143,709	14,657,820
Expenses	12,623,703	11,769,293
Profit for the year	2,562,210	2,902,686
Profit attributable to owners of ZTE	2,523,471	2,893,142
Profit attributable to the non-controlling interests of ZTE's subsidiaries	38,739	9,544
Other comprehensive expense for the year	(27,037)	(52,977)
Total comprehensive income attributable to owners of ZTE	2,496,641	2,844,896
Total comprehensive income attributable to the non-controlling interests of ZTE's subsidiaries	38,532	4,813
Total comprehensive income for the year	2,535,173	2,849,709
Dividends paid to non-controlling interests	8,122	6,481
Net cash inflow from operating activities	1,469,188	1,448,091
Net cash outflow from investing activities	(604,129)	(499,420)
Net cash outflow from financing activities	(504,080)	(1,335,570)
Effect of foreign exchange rate changes	(4,631)	3,353
Net cash inflow (outflow)	356,348	(383,546)

Note: In August 2017, the 100% equity interest of Shanghai Yongdian was transferred to ZTE. As both ZTE and Shanghai Yongdian are controlled by CRRCG before and after the acquistion, the transaction is regarded as a business combination under common control. Therefore ZTE restated its consolidated financial statements for the year ended 31 December 2016.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

47. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY *(continued)*

Details of non-wholly owned subsidiaries that have material non-controlling interests *(continued)*

ZTNM and its subsidiaries

	2017 RMB'000	2016 RMB'000 (Restated)
Current assets	8,714,547	8,508,836
Non-current assets	5,611,264	5,076,947
Current liabilities	5,940,821	5,601,551
Non-current liabilities	3,370,496	3,003,508
Equity attributable to owners of ZTNM	4,877,620	4,915,388
Non-controlling interests of ZTNM's subsidiaries	136,874	65,336

	2017 RMB'000	2016 RMB'000 (Restated)
Revenue	11,399,613	11,739,491
Expenses	11,387,704	11,598,865
Profit for the year	66,770	233,806
Profit attributable to owners of ZTNM	69,224	243,683
Profit attributable to the non-controlling interests of ZTNM's subsidiaries	(2,454)	(9,877)
Other comprehensive income (expense) for the year	60,735	(34,944)
Total comprehensive income attributable to owners of ZTNM	129,959	208,739
Total comprehensive expense attributable to the non-controlling interests of ZTNM's subsidiaries	(2,454)	(9,877)
Total comprehensive income for the year	127,505	198,862
Dividends paid to non-controlling interests	—	127
Net cash (outflow) inflow from operating activities	(90,562)	645,234
Net cash outflow from investing activities	(266,723)	(970,987)
Net cash outflow from financing activities	(85,917)	(646,698)
Effect of foreign exchange rate changes	14,121	26,463
Net cash outflow	(429,081)	(945,988)

Note: In October 2017, the 100% equity interest of Xiangyang China Railway Hongji Engineering Technology Co. Ltd ("China Railway Hongji") held by CRRC ZI, a subsidiary of the Company, was transferred to ZTNM, a subsidiary of CRRC ZI. As both ZTNM and China Railway Hongji are controlled by CRRC ZI before and after the acquistion, the transaction is regarded as a business combination under common control. Therefore ZTNM restated its consolidated financial statements for the year ended 31 December 2016.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

47. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY *(continued)*

Details of non-wholly owned subsidiaries that have material non-controlling interests *(continued)*

CRRC Changchun and its subsidiaries

	2017 RMB'000	2016 RMB'000 (Restated)
Current assets	43,919,193	36,459,211
Non-current assets	11,620,313	11,526,506
Current liabilities	37,101,147	30,106,403
Non-current liabilities	1,511,108	1,600,184
Equity attributable to owners of CRRC Changchun	15,988,791	15,467,090
Non-controlling interests of CRRC Changchun 's subsidiaries	938,460	812,040

	2017 RMB'000	2016 RMB'000 (Restated)
Revenue	30,516,611	33,831,880
Expenses	27,946,916	30,200,907
Profit for the year	2,284,999	3,267,571
Profit attributable to owners of CRRC Changchun	2,259,024	3,251,809
Profit attributable to the non-controlling interests of CRRC Changchun 's subsidiaries	25,975	15,762
Other comprehensive (expense) income for the year	(33,224)	22,066
Total comprehensive income attributable to owners of CRRC Changchun	2,225,809	3,273,126
Total comprehensive income attributable to the non-controlling interests of CRRC Changchun 's subsidiaries	25,966	16,511
Total comprehensive income for the year	2,251,775	3,289,637
Dividends paid to non-controlling interests	106,073	77,520
Net cash inflow from operating activities	2,630,396	5,270,949
Net cash inflow (outflow) from investing activities	2,945,485	(4,371,423)
Net cash outflow from financing activities	(1,233,693)	(1,162,378)
Effect of foreign exchange rate changes	(22,051)	9,033
Net cash inflow (outflow)	4,320,137	(253,819)

Note: During the year, CRRC Changchun, a subsidiary of the Company, obtained control of Beijing Erqi CRRC Railway Equipment Co. Ltd ("Erqi Track") and CRRC MA Corporation ("CRRC MA") through capital injections. As CRRC Changchun, Erqi Track and CRRC MA are controlled by the Company before and after the acquisitons, the transactions are regarded as business combinations under common control. Therefore CRRC Changchun restated its consolidated financial statements for the year ended 31 December 2016.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

48. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	2017 RMB'000	2016 RMB'000
Non-current assets		
Property, plant and equipment	53,837	53,414
Other intangible assets	108,324	112,282
Interests in subsidiaries	404,102,748	403,653,751
Interests in an associate	5,336,278	5,336,278
Available-for-sale investments	—	422,163
Other non-current assets	—	524,000
	409,601,187	410,101,888
Current assets		
Trade receivables	186,998	48,440
Bills receivable	—	2,000
Prepayments, deposits and other receivables	31,643,868	27,986,701
Financial assets at fair value through profit or loss	2,139,563	514,527
Available-for-sale investments	439,497	51,699
Pledged bank deposits	1,001,564	1,005,988
Cash and bank balances	17,729,650	7,781,156
	53,141,140	37,390,511
Current liabilities		
Trade payables	264,403	98,547
Financial liabilities at fair value through profit or loss	181,755	—
Other payables and accruals	22,496,531	26,629,083
Borrowings - due within one year	25,425,236	15,286,577
Retirement benefit obligations	980	1,200
	48,368,905	42,015,407
Net current assets/(liabilities)	4,772,235	(4,624,896)
Total assets less current liabilities	414,373,422	405,476,992
Capital and reserves		
Share capital	28,698,864	27,288,758
Reserves	375,032,032	365,213,573
Total equity	403,730,896	392,502,331
Non-current liabilities		
Borrowings - due after one year	6,495,168	8,842,693
Retirement benefit obligations	4,830	7,129
Convertible bonds- debt component	3,630,772	3,758,742
Convertible bonds-derivative component	511,756	366,097
	10,642,526	12,974,661
Total equity and non-current liabilities	414,373,422	405,476,992

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

48. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY *(continued)*

Movement in the Company's reserves

	Capital reserve RMB'000	Retirement benefit obligations re-measurement reserve RMB'000	Available-for-sale investment revaluation reserve RMB'000	Statutory surplus reserve RMB'000	Retained profits RMB'000	Total RMB'000
At 1 January 2016	356,288,472	(10,807)	–	1,801,679	6,645,303	364,724,647
Profit for the year	–	–	–	–	4,556,337	4,556,337
Re-measurement gain on retirement benefit obligations	–	2,040	–	–	–	2,040
Change in fair value of available-for-sale investments	–	–	23,863	–	–	23,863
Appropriation of statutory surplus reserves	–	–	–	472,128	(472,128)	–
Dividends distributed	–	–	–	–	(4,093,314)	(4,093,314)
At 31 December 2016	356,288,472	(8,767)	23,863	2,273,807	6,636,198	365,213,573
Profit for the year	–	–	–	–	5,303,255	5,303,255
Non-public issuance of A shares	10,523,999	–	–	–	–	10,523,999
Re-measurement gain on retirement benefit obligations	–	2,331	–	–	–	2,331
Change in fair value of available-for-sale investments	–	–	15,635	–	–	15,635
Appropriation of statutory surplus reserves	–	–	–	547,755	(547,755)	–
Dividends distributed	–	–	–	–	(6,026,761)	(6,026,761)
At 31 December 2017	366,812,471	(6,436)	39,498	2,821,562	5,364,937	375,032,032

49. CONTINGENT LIABILITIES

(i) The Group has provided financial guarantees to Wuhu Yun Da rail transportation construction and operation Co., Ltd. in the first-stage of project of Wuhu Rail Transit Line 1 and line 2. The maximum exposure of these financial guarantees to the Group is RMB7,441,000,000.

(ii) In the course of its normal operations, the Group, due to various factors, may be exposed to potential legal proceedings or investigations in connection with its sales or services.

The Group has learned through relevant media reports of the appointment of a Judicial Commission of Inquiry in South Africa into Allegations of State Capture, Corruption and Fraud in the Public Sector, including organs of state ("Inquiry") for which the terms of reference were published by presidential proclamation on January 25, 2018. In the same context, media reports in South Africa also make reference to violation of laws related to multiple procurements for the supply of locomotives by South African train operator, Transnet. The Group has not received any letter or request for information from the authorities conducting the Inquiry. Based on the information known to the Group at this time, the Group considers that this matter will not have a material adverse effect on its financial position as at 31 December 2017. The Group will continue to monitor and to make appropriate enquiries into the development of this matter and its potential effects, if any.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

50. EVENTS AFTER THE REPORTING PERIOD

(i) Temporarily using non-public raised funds supplementing working capital

On 19 Januay 2018, the Board of Directors approved the proposal of temporarily using non-public raised funds to supplement working capital. The Board of Directors agrees to use no more than RMB1,500,700,000 to temporarily supplement working capital during the idle period of the raised funds. The using period is no more than 12 months beginning from the date of approval by the Board of Directors.

(ii) On 28 March 2018, the Board of Directors proposed a final dividend of RMB0.15 per ordinary share totaling RMB4,304,830,000 in respect of the year ended 31 December 2017, based on 28,698,864,000 shares to shareholders of the Company, and the proposal is subject to the approval by the shareholders in the forthcoming annual general meeting.

DEFINITION

Articles of Association	the Articles of Association of the Company
A Share(s)	the Company's domestic share(s) listed on the Shanghai Stock Exchange
Board	the board of directors of the Company, unless the context requires otherwise
BOGE	BOGE Rubber & Plastics
China Energy Reserve	China Energy Reserve and Chemicals Group Company Limited (中國國儲能源化工集團股份公司)
China United Insurance	China United Insurance Holding Corporation (中華聯合保險集團股份有限公司)
CNR	former China CNR Corporation Limited (中國北車股份有限公司)
CNRG	former China Northern Locomotive & Rolling Stock Industry (Group) Corporation (中國北方機車車輛工業集團公司)
CRRC Changchun	CRRC Changchun Railway Vehicles Co., Ltd. (中車長春軌道客車股份有限公司)
CRRC or Company	CRRC Corporation Limited (中國中車股份有限公司)
CRRC Sifang	CRRC Qingdao Sifang Co., Ltd. (中車青島四方機車車輛股份有限公司)
CRRC Tangshan	CRRC Tangshan Co., Ltd. (中車唐山機車車輛有限公司)
CRRC ZELRI	CRRC Zhuzhou Institute Co., Ltd. (中車株洲電力機車研究所有限公司)
CRRC Zhuzhou	CRRC Zhuzhou Locomotive Co., Ltd. (中車株洲電力機車有限公司)
CRRCG or CRRC GROUP	CRRC GROUP Co., Ltd. (中國中車集團有限公司)
CSR	former CSR Corporation Limited (中國南車股份有限公司)
CSR and CNR	CSR and CNR
CSRC	China Securities Regulatory Commission (中國證券監督管理委員會)
CSRG	former CSR Group (中國南車集團公司)
Director(s)	director(s) of the Company, unless the context requires otherwise
Finance Company	CRRC Finance Co., Ltd. (中車財務有限公司)
Financial Leasing Company	CRRC Financial Leasing Co., Ltd. (中車金融租賃有限公司) (temporary name)
H Share(s)	the Company's domestic share(s) listed on the Stock Exchange
Group	the Company and its subsidaries
Hong Kong Listing Rules	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited

DEFINITION

Model Code	Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Hong Kong Listing Rules
SASAC	State-owned Asset Supervision and Administration Commission of the State Council (國務院國有資產監督管理委員會)
Senior Management	senior management of the Company, unless the context requires otherwise
SFO	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
SMD	Soil Machine Dynamics Ltd.
SSE	Shanghai Stock Exchange
Supervisor(s)	supervisor(s) of the Company, unless the context requires otherwise
Supervisory Committee	the supervisory committee of the Company, unless the context requires otherwise
Stock Exchange	The Stock Exchange of Hong Kong Limited
Tianjin Trust	Tianjin Trust Co., Ltd. (天津信托有限責任公司)
Times Electric	Zhuzhou CRRC Times Electric Co., Ltd. (株洲中車時代電氣股份有限公司)
Times New Material	Zhuzhou Times New Material Technology Co., Ltd. (株洲時代新材料科技股份有限公司)

COMPANY PROFILE

CHINESE NAME	中國中車股份有限公司
ENGLISH NAME	CRRC Corporation Limited
REGISTERED OFFICE	No. 16 Central West Fourth Ring Road, Haidian District, Beijing 100036, the PRC
BUSINESS ADDRESS OF THE HEAD OFFICE	No. 16 Central West Fourth Ring Road, Haidian District, Beijing 100036, the PRC
PRINCIPAL PLACE OF BUSINESS IN HONG KONG	Unit H, 41/F., Office Tower, Convention Plaza, No. 1 Harbour Road, Wanchai, Hong Kong
LEGAL REPRESENTATIVE	Liu Hualong
EXECUTIVE DIRECTORS	Liu Hualong Sun Yongcai Xu Zongxiang
NON-EXECUTIVE DIRECTOR	Liu Zhiyong
INDEPENDENT NON-EXECUTIVE DIRECTORS	Li Guo'an Wu Zhuo Sun Patrick Chan Ka Keung, Peter
AUTHORIZED REPRESENTATIVE	TANG Tuong Hock
JOINT COMPANY SECRETARIES	Xie Jilong TANG Tuong Hock
SECRETARY TO THE BOARD	Xie Jilong
SECURITIES REPRESENTATIVE	Tan Mu
TELEPHONE FOR INFORMATION INQUIRY	(8610) 5186 2188
FAX	(8610) 6398 4785
WEBSITE	http://www.crrcgc.cc
E-MAIL ADDRESS	crrc@crrcgc.cc
H SHARE REGISTRAR	Computershare Hong Kong Investor Services Limited 17M Floor, Hopewell Centre 183 Queen's Road East Wanchai Hong Kong

COMPANY PROFILE

PLACES OF LISTING	The Stock Exchange of Hong Kong Limited Shanghai Stock Exchange
STOCK NAME	中國中車(CRRC)
STOCK CODE	1766 (Hong Kong) 601766 (Shanghai)
PRC INDEPENDENT AUDITORS	Deloitte Touche Tohmatsu Certified Public Accountants LLP Certified Public Accountants 30th Floor, Bund Center 222 Yan An Road East Shanghai the PRC KPMG Huazhen LLP Certified Public Accountants 8th Floor, Office Tower II (East), Oriental Plaza, Dongcheng District, Beijing, the PRC
INTERNATIONAL INDEPENDENT AUDITOR	Deloitte Touche Tohmatsu Certified Public Accountants 35th Floor, One Pacific Place 88 Queensway, Admiralty Hong Kong
LEGAL ADVISERS	As to Hong Kong laws: Baker & McKenzie 14th Floor, Hutchison House, 10 Harcourt Road, Central, Hong Kong As to PRC laws: Jia Yuan Law Firm F408 Ocean Plaza, 158 Fuxing Men Nei Avenue, Beijing, the PRC