

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

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

2016 INTERIM RESULTS ANNOUNCEMENT

The board of directors of CRRC Corporation Limited (the “**Company**”) is pleased to announce the unaudited results of the Company and its subsidiaries for the six months ended 30 June 2016. This announcement, containing the main text of the 2016 interim 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 “**Hong Kong Stock Exchange**”) in relation to information to accompany preliminary announcements of interim results. The 2016 interim 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 Hong Kong Stock Exchange at <http://www.hkex.com.hk> and of the Company at <http://www.crrcgc.cc> on or before 30 September 2016.

By order of the Board
CRRC Corporation Limited
Cui Dianguo
Chairman

Beijing, the PRC
22 August 2016

As at the date of this announcement, the executive directors of the Company are Mr. Cui Dianguo, Mr. Zheng Changhong, Mr. Liu Hualong and Mr. Xi Guohua; the non-executive director is Mr. Liu Zhiyong; and the independent non-executive directors are Mr. Li Guo'an, Mr. Zhang Zhong, Mr. Wu Zhuo, Mr. Sun Patrick and Mr. Chan Ka Keung, Peter.

IMPORTANT

- I. The board of directors (the “Board”) and the supervisory committee (the “Supervisory Committee”) of the Company and its director(s) (the “Director(s)”), supervisor(s) (the “Supervisor(s)”) and senior management (the “Senior Management”) hereby warrant the truthfulness, accuracy and completeness of the contents of this interim results announcement and that there is no false representation, misleading statement or material omission in this results announcement, for which they will assume, severally and jointly, legal responsibility.
- II. This interim results announcement is considered and approved by the sixteenth meeting of the first session of the Board and all the Directors attended the meeting of the Board.
- III. The interim condensed consolidated financial report of the Company was unaudited.
- IV. Cui Dianguo, Chairman of the Company, Zhan Yanjing, the Chief Financial Officer and Wang Jian, the head of accounting department (person in charge of accounting affairs), hereby state to guarantee the truthfulness, accuracy and completeness of the interim condensed consolidated financial report in the interim results announcement.
- V. Proposal on profit distribution or transfer of capital reserve fund during the reporting period considered and approved by the Board

Nil
- VI. Risk disclaimer in the forward-looking statements

Forward-looking statements involved in this interim results announcement, including future plans and development strategies, do not constitute a substantive commitment to investors by the Company. Investors should be aware of such investment risks.
- VII. There are no appropriation of funds by the substantial shareholders and its associates for non-operating purposes.
- VIII. There was no provision of guarantee by the Company in favour of any external party in violation of the prescribed decision-making procedures.

CONTENTS

2	Company Information
4	Results Highlights
5	Report of the Directors
23	Significant Events
34	Change in Shares and Particulars of Shareholders
42	Directors, Supervisors and Senior Management
43	Relevant Information of Corporate Bonds
46	Financial Report
92	Definitions

COMPANY INFORMATION

1.	Name of Company in Chinese	中國中車股份有限公司
	Short name of Company in Chinese	中國中車
	Name of Company in English	CRRC Corporation Limited
	Short name of Company in English	CRRC
	Legal representative of Company	Cui Dianguo
2.		
	Secretary to the Board	Securities Affairs Representative
	Name	Xie Jilong
	Contact address	Ding Youjun
		No. 16, Central West Fourth Ring Road, Haidian District, Beijing
	Telephone	010-51862188
	Facsimile	010-63984785
	E-mail	crrc@crrcgc.cc
3.	Registered address of the Company	No. 16, Central West Fourth Ring Road, Haidian District, Beijing
	Postal code of registered address of the Company	100036
	Business address of the Company	No. 16, Central West Fourth Ring Road, Haidian District, Beijing
	Postal code of business address of the Company	100036
	Company website	www.crrcgc.cc
	E-mail	crrc@crrcgc.cc
4.	Newspapers designated for A-share information disclosure by the Company	China Securities Journal, Shanghai Securities News, Securities Times and Securities Daily
	Website designated by the CSRC for publication of A-share interim report	www.sse.com.cn
	Website designated by the Stock Exchange for publication of H-share interim report	www.hkex.com.hk
	Place where interim report of the Company is available for inspection	the Board office at No. 16, Central West Fourth Ring Road, Haidian District, Beijing

COMPANY INFORMATION

5.	Type of shares	Place of listing of the shares	Stock abbreviation	Stock Code	Stock abbreviation before change
	A shares	SSE	中國中車	601766	中國南車
	H shares	HKSE	CRRC	1766	CSR
6.	During the reporting period, there was no change in the registration details of the Company.				
7.	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		
8.	Joint company secretary		Xie Jilong, Wong Kai Yan, Thomas		
9.	Authorized representative		Xi Guohua, Wong Kai Yan, Thomas		
10.	Legal adviser				
	As to Hong Kong law		Baker & McKenzie 14th Floor, Hutchison House, 10 Harcourt Road, Central, Hong Kong		
	As to the PRC law		Beijing Jiayuan Law Firm F408 Ocean Plaza, 158 Fuxingmennei Avenue, Beijing, PRC		
11.	Principal place of business in Hong Kong		Unit H, 41st Floor, Office Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong		
12.	Domestic registrar and transfer office		China Securities Depository and Clearing Corporation Limited Shanghai Branch		
	Correspondence address		36/F, China Insurance Building, 166 Lujiazui East Avenue, Pudong New District, Shanghai		
13.	Hong Kong registrar and transfer office		Computershare Hong Kong Investors Services Limited		
	Correspondence address		17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong		

RESULTS HIGHLIGHTS

From January to June 2016, the Company achieved revenue of RMB92,321 million, representing a year-on-year growth of 0.55%, profit after tax of RMB6,074 million, representing a year-on-year growth of 7.04%, profit attributable to the owners of the Company of RMB4,795 million, representing a year-on-year growth of 2.04%, and basic earnings per share of RMB18 cents.

Currency: RMB

Item	From January to June 2016 Amount (RMB'000)	From January to June 2015 Amount (RMB'000)	Growth rate %
Revenue	92,321,137	91,816,294	0.55
Profit after tax	6,074,383	5,674,836	7.04
Profit attributable to owners of the Company	4,794,773	4,698,880	2.04
Basic earnings per share (RMB/share)	0.18	0.17	5.88

Currency: RMB

Item	30 June 2016 Amount (RMB'000)	31 December 2015 Amount (RMB'000)	Growth rate %
Total assets	330,737,648	311,693,729	6.11
Total liabilities	215,799,395	198,119,156	8.92
Total equity	114,938,253	113,574,573	1.20
Including: Equity attributable to owners of the Company	97,603,183	96,900,316	0.73
Shareholders' interest per share (RMB/share)	3.58	3.55	0.82

REPORT OF THE DIRECTORS

I. DISCUSSION AND ANALYSIS OF THE BOARD ON THE OPERATION OF THE COMPANY DURING THE REPORTING PERIOD

In the first half of 2016, CRRC proactively adapted to the new norm of economic development, insisted on strengthening integration, promoting reform, planning development, and recorded stable growth in its operating result. The Company generated RMB92,321 million in revenue, representing an increase of 0.55% as compared to the corresponding period of the previous year; and RMB4,795 million in profit attributable to owners of the Company, representing an increase of 2.04% as compared to the corresponding period of the previous year.

(I) Analysis of core businesses

1. Analysis of changes in relevant items in the financial statements

Item	From January to June 2016	From January to June 2015	Growth rate %
	Amount (RMB'000)	Amount (RMB'000)	
Revenue	92,321,137	91,816,294	0.55
Cost of sales	71,678,953	72,309,769	-0.87
Selling and distribution expenses	3,178,659	3,372,206	-5.74
Administrative expenses	9,987,283	9,532,972	4.77
Finance costs	608,618	584,784	4.08
Net cash flow from operating activities	-8,118,373	-10,780,214	—
Net cash flow from investing activities	-9,855,186	2,274,373	—
Net cash flow from financing activities	13,604,525	-1,441,329	—
Research and development expenses	4,012,378	3,,771,514	6.39

Reasons for the change in revenue: achieved an increase of 0.55% as compared to the corresponding period of the previous year, mainly due to the slight increase in the delivery of key products of the Company during the reporting period.

Reasons for the change in the cost of sales: achieved a decrease of 0.87% as compared to the corresponding period of the previous year, which was not significant and reflected a steady trend.

Reasons for the change in the selling and distribution expenses: achieved a decrease of 5.74% as compared to the corresponding period of the previous year, mainly due to the decrease in overseas selling expenses and transportation costs.

Reasons for the change in the administrative expenses: achieved an increase of 4.77% as compared to the corresponding period of the previous year, mainly due to the increase in employee benefits, technology research and development and amortization of intangible assets.

Reasons for the change in the finance costs: achieved an increase of 4.08% as compared to the corresponding period of the previous year, mainly due to the increase in interest bearing liabilities and decrease in foreign exchange gains.

REPORT OF THE DIRECTORS

Reasons for the change in the net cash flow from operating activities: The net cash outflow from operating activities was RMB8,118 million, representing a decrease of RMB2,662 million in the net cash outflow as compared to the corresponding period of the previous year, mainly due to the fact that the increase in cash received from sales of goods and services as compared with the corresponding period of the previous year was greater than the increase in cash paid for the purchases of goods and services as compared with the corresponding period of the previous year during the reporting period.

Reasons for the change in the net cash flow from investing activities: The net cash outflow from investing activities was RMB9,855 million, as compared to a net cash inflow of RMB2,274 million in the corresponding period of the previous year, mainly due to the increase in the investment in China United Insurance and the increase in the short-term investments products during the reporting period.

Reasons for the change in the net cash flow from financing activities: The net cash inflow from financing activities was RMB13,605 million, as compared to a net cash outflow of RMB1,441 million in the corresponding period of the previous year, mainly due to the issuance of bonds and the decrease in debt repayment during the reporting period.

Reasons for the change in the research and development expenses: representing an increase of 6.39% as compared with the corresponding period of the previous year, mainly due to an increase in development efforts invested in the products such as China's standard railway MUs as well as the fundamental, forward-looking and core technologies of the Company during the reporting period.

2. Others

(1) Detailed explanations on material changes in composition and sources of the Company's profit

During the reporting period, there was no material change in composition and sources of the Company's profit.

(2) Analysis on implementation progress of various financing and material asset reorganization events

- ① Corporate bonds: please refer to the section headed "Relevant Information of Corporate Bonds" in this results announcement.
- ② H Share convertible bonds: please refer to "VIII. Information on the Convertible Corporate Bonds" in the section headed "Significant Events" in this results announcement.
- ③ For details of the implementation progress of the Company's equity financing projects, please refer to the interim announcement "the Special Report of CRRC Corporation Limited on Deposit and Actual Use of A Share Proceeds for the First Half of 2016" (《中國中車股份有限公司2016年上半年A股募集資金存放與實際使用情況的專項報告》) dated 22 August 2016 published by the Company on the website of SSE.

- ④ Non-public issuance of A shares: On 27 May 2016, the Company considered and approved the “Resolution 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 resolutions relating to the non-public issuance of A Shares at the 14th meeting of the first session of the Board. Pursuant to the resolutions, 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, SASAC 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 has in principle approved the plan relating to the non-public issuance of A shares by the Company. On 16 June 2016, the Company held a general meeting to consider and approve the “Resolution 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 resolutions 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 of CSRC Feedbacks on Administrative Licensing Items issued by CSRC. (NO. 161634) (《中國證監會行政許可項目審查反饋意見通知書》(161634號)). For details, please refer to the relevant announcements dated 27 May 2016, 13 June 2016, 16 June 2016, 5 August 2016 and 17 August 2016 published by the Company on the website of SSE and the website of Stock Exchange.
- ⑤ Super short-term commercial paper: During the reporting period, the Company has successfully issued two tranches of super short-term commercial paper with an aggregate amount of RMB6 billion on 23 June 2016 and 24 June 2016, respectively.
- ⑥ Proposed issuance of corporate bonds in 2016: Pursuant to the Resolution on the Issuance of Bond Financing Instruments by CRRC Corporation Limited in 2016 (《關於中國中車股份有限公司2016年度發行債券類融資工具的議案》) considered and approved at the 12th meeting of the first session of the Board of Directors convened on 29 March 2016 and the 2015 annual general meeting convened on 16 June 2016, the Company intends to issue corporate bonds no more than RMB9 billion (including RMB9 billion) by multi-tranche offering. The matter has been approved by the CSRC on 19 August 2016. For details, please refer to the relevant announcements dated 22 August 2016 published by the Company on the website of SSE and the website of Stock Exchange.

(3) Progress of business plan

During the first half of 2016, the Company actively implemented its business plan for the year, focused on the three areas of “integration, reform and upgrading”, continuously facilitated all tasks, achieved steady growth in operating results and outstanding results in various projects. 1. Achieved overall stable operation results. The Company conscientiously implemented key tasks and strengthened operation monitoring, uncovered problems and accurately targeted solutions. During the first half of 2016, the revenue of the Company amounted to RMB92,321 million, representing an increase of 0.55% as compared to the corresponding period of the previous year; while profit attributable to owners of the Company amounted to RMB4,795 million, representing an increase of 2.04% as compared to the corresponding period of the previous year. 2. Integrated and synergized to release more energy. The strategy of “One CRRC (同一個中車)” was enhanced throughout the Company; businesses were integrated smoothly and deeply; business synergy, market synergy and regional

REPORT OF THE DIRECTORS

synergy among its subordinate enterprises were significantly enhanced; and collaborative development platform was initially formed. Connotative development achieved new progress, and the tasks of reducing purchase cost and enlarging internal support were firmly pushed forward. Sharing mechanism of technologies, talents and resources among subordinate enterprises were initially established; Driving of weak enterprises by strong enterprises was continuously enhanced; and synergistic effect was gradually released. 3. Improved quality and efficiency firmly and thoroughly. According to the requirements to improve quality and efficiency, the Company sought for efficiency in increasing quantity, increasing inventory and improving management. The Company relied on itself to carry out costs and expenses management across the whole value chain and the whole life cycle in terms of labor, finance, procurement, sales and operations, improve its cost control responsibility system and target assessment mechanism, cut down its non-production expenditure, and made efforts to improve its overall cost-profit ratio. 4. Achieved substantial growth in overseas orders. The Company was awarded the project of 846 metro vehicles from Chicago and set the new record in China for exporting metro vehicles to developed countries, such that exporting its products into market of developed countries had become the norm. It also received an order for 56 diesel locomotives from Kenya, an order for 96 metro vehicles from Thailand, an order for 76 metro vehicles from Delhi, and won biddings in established markets such as Pakistan and Vietnam successively, thus further consolidating its traditional market position. In the first half year, newly signed overseas orders amounted to RMB14.88 billion, representing an increase of 126% as compared to the corresponding period of the previous year. 5. Achieved significant business management performance. The Company developed the “13th Five Year” strategic plan, further strengthened its strategic guiding effect. The Company continuously deepened construction of lean demonstration zone (line) and lean workshop. The lean system framework was formed initially and the lean management system featured by CRRRC has taken shape. The Company highlighted the performance evaluation and incentive guidance, the uniform performance assessment system and the well-functioning rewards and punishments mechanism. Operational analysis mechanism worked efficiently, and dynamic monitoring and operation control capacity continued to improve. Through continuous improvement of quality management, general stability of safety production and orderly promotion of energy conservation and emission reduction, the enterprise realized developments that are safe and green.

Overall development of the rolling stock industry showed a trend of long-term growth and short-term volatility. In the long run, The “Mid-to-Long Term Railway Network Plan” (revised in 2016) (《中長期鐵路網規劃》(2016年調整)) specified that in order to meet rapidly increasing passenger demand, we should optimize and expand regional development space, increase high-speed railways with supporting passenger flow, applicable standards and development requirements based on “Four Horizontal and Four Vertical High-speed Railway Corridors”, partly utilize railways with a speed of 350km/h to form a high speed railway network that uses “Eight Horizontal and Eight Vertical High-speed Railway Corridors” as a framework, is linked by regional connecting lines and is supplemented with intercity railways, and realize accessibility of high-speed railway among provincial capitals and efficient and convenient connection among regions. According to “Mid-to-Long Term Railway Network Plan” (revised in 2016), by 2020, the total length of the railway network will reach 150,000 kilometers, including high-speed railways of 30,000 kilometers, covering more than 80 percent of large cities; by 2025, the total length of the railway network will reach approximately 175,000 kilometers, including high-speed railways of approximately 38,000 kilometers, with the network coverage further expanded; by 2030, interconnection of internal and external railways, connection by multi-channels among regions, high-speed rail connection among provincial capitals, rapid access to prefecture-level cities and basic coverage of counties will be achieved. However, in the first half of 2016, under the influence of slow

REPORT OF THE DIRECTORS

world economic recovery and enlarged downward pressure on the domestic economics, the national economy stepped into a new situation of incremental slowdown and the pursuit of steady growth; and market demand was very uneven and the imbalance in supply and demand was very prominent in the rolling stock industry. Facing such a condition, the Company is encountering unprecedented challenges and continuous operational pressure, such that the operating trends are not optimistic.

In the second half of 2016, adhering to the overall work requirements and business targets of 2016, the Company will proactively build the operating model of “strategically-lead, business-dominant, management-support, globally-orientated” to constantly improve its operation quality and profitability. Aiming at improving quality and enhancing efficiency, the Company will complete the operation tasks of the year. It will focus on the implementation of the following measures: 1. To explore the market with more efforts and expand space for growth. We will implement the marketing strategy of “One CRRC”, to control and minimize disordered competition. We will further promote vertical integration along the industrial chain and internal support among group members. The Company will constantly devote efforts to develop new industries, service industry and integration of industry and finance. In addition, we will actively expand the prospective and strategic emerging industries, service industry and financial related industries, so as to explore new economy growth point. 2. To drive strategic adjustment and stimulate organic growth. The company will formulate the “13th Five Year” development plan. Through strategic guidance for each business segment and the formulation and implementation of the plan in each subsidiary, we will achieve overall upgrade and coordinated development. We will promote integration and restructuring at the corporate level and industrial chain level through equity and asset restructuring. We will make full use of the existing resources of our subsidiaries, to promote internal integration, regional integration and global integration, and to build an integrated operation platform of “One CRRC”. 3. To carry forward cost reducing and efficiency, improve program and to enhance management efficiency. We will carry out quality and efficiency improving activities with a focus on “further reduce cost and improve efficiency, outstrip business objectives”. We will implement our cost reducing and saving program and achieve our business objectives of the year step by step, and will establish a work progress mechanism with tasks and pressures distributed in each level, which can be quantified, reviewed and assessed, to ensure the achievement of the annual goals. 4. To carry out science and technology innovation and promote technology upgrading. We will strictly monitor innovation works for the year, foster technology and product advantages, and improve our innovation capacity. We will fully promote technology and management innovation and strive to enhance our technology management capabilities. 5. To enhance lean management and improve management level. We will continue to establish our lean management system and construct a unique lean management platform with CRRC characteristics. The Company will gradually establish a quality management system covering all products, full processes and whole industry chain, to strengthen comprehensive quality management, improve product quality and enhance after-sales service.

REPORT OF THE DIRECTORS

(II) Analysis of operation by industry, products or geographical locations

1. Core businesses by industry and by business type

Unit: '000 Currency: RMB

Core businesses by industry

By industry	Revenue	Cost of sales	Gross profit margin (%)	Increase/ (decrease) in revenue as compared to the corresponding period of the previous year (%)	Increase/ (decrease) in cost of sales as compared to the corresponding period of the previous year (%)	Increase/ (decrease) in gross profit margin as compared to the corresponding period of the previous year
Rolling stock and its extension industry	92,321,137	71,678,953	22.36	0.55	-0.87	Increased by 1.11 percentage points

Core businesses by business type

By business	Revenue	Cost of sales	Gross profit margin (%)	Increase/ (decrease) in revenue as compared to the corresponding period of the previous year (%)	Increase/ (decrease) in cost of sales as compared to the corresponding period of the previous year (%)	Increase/ (decrease) in gross profit margin as compared to the corresponding period of the previous year
Railway equipment	47,326,661	35,316,932	25.38	-0.07	-0.84	Increased by 0.59 percentage points
Rapid transit vehicles and urban infrastructure	9,949,806	8,465,097	14.92	6.90	7.56	Decreased by 0.53 percentage points
New businesses	24,640,972	18,088,125	26.59	17.67	14.90	Increase by 1.76 percentage points
Modern services	10,403,698	9,808,799	5.72	-26.77	-25.01	Decreased by 2.21 percentage points
Total	92,321,137	71,678,953	22.36	0.55	-0.87	Increased by 1.11 percentage points

REPORT OF THE DIRECTORS

Revenue from railway equipment business was substantially the same as compared to the corresponding period of the previous year. Cost of sales decreased by 0.84% as compared to the corresponding period of the previous year, primarily due to the enhanced cost control during the reporting period.

Revenue from rapid transit vehicles and urban infrastructure business increased by 6.90% as compared to the corresponding period of the previous year, primarily due to the delivery of vehicles for a number of transit lines and the successive delivery of urban infrastructure construction projects during the reporting period. Cost of sales increased by 7.56% as compared to the corresponding period of the previous year, which was consistent with the increase in revenue.

Revenue from new businesses increased by 17.67% as compared to the corresponding period of the previous year, primarily due to an increase in revenue from diversified products such as high-end parts and components, generators as well as automobile equipment. Cost of sales increased by 14.90% as compared to the corresponding period of the previous year, which was lower than the increase in revenue primarily due to the enhanced cost control during the reporting period.

Revenue from modern services decreased by 26.77% as compared to the corresponding period of the previous year, primarily due to a decrease in revenue from logistics trading. Cost of sales decreased by 25.01% as compared to the corresponding period of the previous year, which was consistent with the decrease in revenue.

The Company's revenue increased by 0.55% as compared to the corresponding period of the previous year, of which railway equipment business, rapid transit vehicles and urban infrastructure business, new businesses and modern services accounted for 51.26%, 10.78%, 26.69% and 11.27% of total revenue, respectively. Among railway equipment business, revenue from locomotives, passenger carriage, MUs and freight wagon amounted to RMB3,385 million, RMB3,056 million, RMB38,010 million and RMB2,876 million respectively.

2. Core businesses by regions

Regions	Income (RMB'000)	Increase/(decrease) in income as compared to the corresponding period of the previous year (%)
Mainland China	83,212,719	3.09
Other countries and regions	9,108,418	-17.92

During the reporting period, the Company's revenue from mainland China increased by 3.09%, whereas revenue from other countries or regions decreased by 17.92%, mainly due to the decrease in delivery during the reporting period according to the export order delivery cycle.

(III) DEBT STRUCTURE, LIQUIDITY AND CASH FLOW

1. Capital structure

As at 30 June 2016, the gearing ratio of the Company increased to 65.25% from 63.56% at the beginning of the year.

REPORT OF THE DIRECTORS

2. Significant capital expenses and capital commitments

(1) Significant capital expenses

From January to June 2016, the significant capital expenses of the Company are set out in the following table:

Item	January to June 2016 Amount (RMB'000)	January to June 2015 Amount (RMB'000)
Property, plant and equipment	3,710,449	2,998,861
Prepaid land lease payments	27,444	849,347
Other intangible assets	640,833	—
Total capital expenses	4,378,726	3,848,208

(2) Capital commitments

As at 30 June 2016, the Group had capital commitments of RMB4,518 million contracted for but not yet incurred, which would be mainly used for properties, plants and equipment and prepaid land lease payments.

3. Particulars of contingent liabilities of the Company

Save as the guarantees provided by the Company as stated in the section headed "Significant Events" in this interim results announcement, the Company had no other material contingent liabilities.

4. Particulars of pledge of assets of the Company

As at the end of the reporting period, the following assets of the Company with a total book value of RMB4,682 million were charged to obtain bank loans and other banking facilities. Such assets included cash and cash equivalents of RMB3,824 million, bills receivable of RMB778 million, property, plant and equipment of RMB45 million and prepaid land lease payments of RMB35 million.

5. Borrowings, Corporate Bonds and Notes

As at 30 June 2016, the Group had total borrowings of approximately RMB44,187 million, which increased by 49.40% from RMB29,576 million as at 31 December 2015, primarily due to the increase in convertible bonds and short-term borrowings.

As at 30 June 2016, out of the total borrowings of the Group, RMB35,491 million was denominated in Renminbi, RMB5,316 million was denominated in US dollar, and RMB3,266 million was denominated in Euro.

The Group's long-term interest-bearing borrowings and short-term interest-bearing borrowings as at 30 June 2016 were RMB15,188 million and RMB28,999 million, respectively.

The following table sets forth the maturity profile of the loans repayable of the Group as at 31 December 2015 and 30 June 2016:

	30 June 2016 Amount (RMB'000)	31 December 2015 Amount (RMB'000)
Within one year, inclusive	28,998,571	15,259,583
One to two years	3,654,190	5,153,230
Two to five years	8,753,538	6,369,602
Over five years	2,780,262	2,793,421
Total	44,186,561	29,575,836

As at 30 June 2016, the Group's total interest-bearing bank and other borrowings at floating interest rate amounted to RMB16,550 million, as compared to RMB11,248 million as at 31 December 2015.

As of 30 June 2016, the Group issued short-term inter-bank corporate bonds with an aggregate principal amount of RMB6,000 million, which were interest-bearing at fixed interest rate, as well as medium-term notes with an aggregate principal amount of RMB4,687 million, which were interest-bearing at fixed interest rate.

6. Cash Flow

As at 30 June 2016, the Group had cash and cash equivalents of approximately RMB25,758 million, out of which RMB18,921 million was denominated in Renminbi, RMB5,641 million was denominated in US dollar, and RMB339 million was denominated in Euro.

(IV) Analysis of core competitiveness

CRRC is a leading enterprise in the rolling stock industry in China and a leader of the world's rolling stock manufacturing industry. According to reports of relevant rating agencies, in 2016, CRRC ranked No. 22 among the top 500 Chinese enterprise, No. 179 among the world's top 500 brands, and No. 266 among the world's top 500 enterprises, occupying a leading position in aspects such as large-scale operations, core technology research and development, industrialization ability and production process in the international market.

Technological innovation leading to rapid development has achieved significant results. China's standard railway MUs with a speed of 350 km per hour has successfully completed its operating assessment. The low and medium speed maglev train with independent intellectual property rights has commenced trial operation with passengers, while the world's leading super capacity 100% low-floor tram (超級電容100%低地板有軌電車) has been trialled by passengers for the first time. The world's first commercial fuel cell/super capacity mixed power 100% low-floor modern tram (燃料電池/超級電容混合動力100%低地板現代有軌電車) with a speed of 350 km per hour and suitable for operation in Alpine region of -40°C , and supported by the National Science and Technology Support Program Project (國家科技支撐計畫專案), and the world's first permanent magnet row straddle – type monorail trains (永磁跨座式單軌列車) etc., have successfully launched one after another. The firm promotion of research and development of a series of high-end rail transportation equipment (軌道交通裝備), including the 350 km per hour Alpine EMU (高寒動車組), the 350 km per hour Sleeper EMU (臥鋪動車組), the High Speed EMU for export to Russia, the High-speed Maglev Train (磁懸浮列車), the Fast Truck with speed of 160 to 200 km per hour, the Humpback Truck (馱背運輸車) and the Carrier for Refrigerated Cargoes, etc., will further consolidate our competitive advantage within the industry. The development of a series of core technologies has demonstrated success, including the deep-sea robot operated at depth under 6,000 m (6000米作業級深海機器人), the village decentralized wastewater treatment demonstration project (村鎮分散式污水治理示範工程), the 2MW ultra-low wind speed wind turbine unit (2MW超低風速風力發電機組), the distributed network intelligence module locomotive brake system (分散式網路智慧模組機車制動系統), the new generation of high energy and density supercapacitors and control system (新一代高能量密度超級電容器及控制系統), and the rail transit passenger information service system (軌道交通乘客資訊服務系統). China's first science and technology system project, the "National Key Research Project - Advanced Rail Transit Special Project (國家重點研發計畫—先進軌道交通重點專項)", an initiative led by CRRC, has commenced its implementation; the construction of the "High-speed Train National Innovation Center (高速列車國家創新中心)" has commenced in full swing, the "National Engineering Laboratory for Rail Vehicle Systems Integration (軌道交通車輛系統集成國家工程實驗室) has commenced construction, and the China-U.S. Joint R&D Center for Rail Transit (中美軌道交通聯合研發中心) has been established, all of which will further enhance our scientific and technological innovation.

Our standard of manufacturing rolling stock (軌道交通裝備) has reached international advanced level. Through on-going building of innovation capability and technological innovation, we have established a number of rolling stock (軌道交通裝備) manufacturing bases for production of world-class EMUs, locomotive, urban rail vehicles (城市軌道車輛), railway passenger cars (鐵路客車) and trucks, etc., which not only can meet volatile domestic market demand, but also can respond quickly to global market demand for rolling stock (軌道交通裝備), with manufacturing technology reaching international advanced level. We have further promoted integration of informatization and industrialization, vigorously implemented projects of design and manufacture integration, and with lean management as the theme, firmly promoted management enhancement activities to increase production efficiency. We have also improved system construction, strengthened implementation of accountability to realise developments that are safe and green.

We optimize resources allocation on an on-going basis and promote transfer of corporate resources towards strategic emerging industries and the high-end of the value chains. Being market-oriented, we seize the great development opportunities arising from the railway reform and urbanization in China and leverage our core technology for rail transit (軌道交通) to actively develop the four business segments of railway equipment (鐵路裝備), urban infrastructure, new industries and modern services; and adjust and optimize the maintenance business and capacity allocation for locomotives, freight wagon and EMUs. We have established strategic cooperation system through cooperation between government and enterprises, joint ventures and supply chain integration to constantly optimize the layout of the urban transit (城市軌道交通) business; actively promoted new energy vehicles, wind power and other new energy equipment; promoted the development of emerging industries such as environmental protection and new materials; and accelerated industrial restructuring to realize transformation and upgrade.

Our international competitiveness have continued to increase. The first batch of DMUs exported to Argentina have been delivered smoothly, while the narrow-gauge diesel locomotives with the largest power in the world and the high-power diesel locomotives have successively arrived at South Africa, the aerial vehicles have been delivered to the SRS Rail in the UK, and the metro light rail vehicles exported to Nigeria have completed commissioning. Besides, we have successively seized opportunities in overseas orders, for example, we have succeeded in winning the order of 56 diesel locomotives from the Kenya Railways, and have for the first time won the order for rail engineering vehicles from Chile and Australia, two developed countries. Following the Boston project, we once again succeeded in winning the purchase order of 846 metro vehicles, which is the largest order in the U.S. history, and have again secured order for export of metro vehicles to Delhi and order for export of railway wagons to Pakistan. The production base for rapid transit vehicles (城軌車輛) in the U.S. has commenced construction, the advanced manufacturing research center jointly established with the University of Michigan has opened, the China-U.S. Joint R&D Center for Rail Transit (中美軌道交通聯合研發中心) has been established, and CRRC USA Corporation (中車(美國)公司) has been founded, making the beginning of China's high-end equipment manufacturing company in the U.S. market. The ASEAN manufacturing center invested in Malaysia has become the highlight of China - ASEAN economic and trade cooperation and the first series of demonstration bases for the "One Belt One Road" strategy.

REPORT OF THE DIRECTORS

(V) Analysis on Investment

1. General analysis of external investment in equity

As at 30 June 2016, the Company's long-term equity investment was RMB8,451 million, representing an increase of RMB4,838 million or 133.91% as compared to the beginning of the year, which is mainly due to the fact that the Company succeeded in the bidding for 2 billion shares in China United Insurance at a consideration of RMB4,455 million.

(1) Equity interests in other listed companies held by the Company

Unit: '000 Currency: RMB

Stock Code	Stock Short Name	Initial Investment Amount	Shareholding percentage at the beginning of the Reporting Period (%)	Shareholding percentage at the end of the Reporting Period (%)	Invested Carrying Amount at the End of the Reporting Period	Gain or Loss Occurred during the Reporting Period	Changes in Owner's Equity during the Reporting Period	Accounting Item	Source of Equity Interest
00816.HK	HUADIAN FUXIN	168,070	1.21	1.21	147,914	—	-40,633	Available-for-sale financial assets	Purchase
01816.HK	CGN POWER	120,526	Less than1%	Less than1%	75,313	151	-24,301	Available-for-sale financial assets	Purchase
01530.HK	3SBIO	2,826	Less than1%	Less than1%	2,250	—	-757	Available-for-sale financial assets	Purchase
01786.HK	CRCCE	196,355	2.91	2.91	127,162	1,771	-49,071	Available-for-sale financial assets	Purchase
02200.HK	HOSA INT'L	33,450	Less than1%	Less than1%	22,275	354	-763	Available-for-sale financial assets	Purchase
01829.HK	CMEC	27,349	—	Less than1%	21,495	895	-5,854	Available-for-sale financial assets	Purchase
01599.HK	UCD	62,757	1.98	1.98	90,537	1,900	-15,538	Available-for-sale financial assets	Purchase
01478.HK	Q TECH	23,797	1.04	1.04	14,595	—	288	Available-for-sale financial assets	Purchase
06869.HK	YOFC	68,611	1.60	1.60	81,666	1,704	-4,039	Available-for-sale financial assets	Purchase
01776.HK	GF SEC	328,131	Less than1%	Less than1%	309,430	14,811	-25,940	Available-for-sale financial assets	Purchase
00656.HK	FOSUN INTL	255,892	Less than1%	Less than1%	128,201	-125,787	103,835	Available-for-sale financial assets	Purchase
06886.HK	HTSC	11,815	Less than1%	Less than1%	7,930	253	-598	Available-for-sale financial assets	Purchase
03396.HK	LEGENDHOLDING	166,614	Less than1%	Less than1%	71,727	-93,980	60,881	Available-for-sale financial assets	Purchase
01456.HK	GUOLIAN SEC	98,697	Less than1%	Less than1%	52,458	5,249	-6,414	Available-for-sale financial assets	Purchase
02666.HK	UNI MEDICAL	196,795	1.66	1.66	134,369	4,628	-8,301	Available-for-sale financial assets	Purchase
03969.HK	CHINA CRSC	196,823	Less than1%	Less than1%	162,501	831	3,211	Available-for-sale financial assets	Purchase
01508.HK	CHINA RE	196,493	Less than1%	Less than1%	130,098	3,561	-40,658	Available-for-sale financial assets	Purchase
03908.HK	CICC	196,744	Less than1%	Less than1%	227,702	—	-11,416	Available-for-sale financial assets	Purchase
01565.HK	VIRSCEND EDU	78,355	—	1.05	127,350	—	48,995	Available-for-sale financial assets	Purchase
00580.HK	SUN.KING ELEC	27,854	3.70	3.69	49,010	434	-5,467	Available-for-sale financial assets	Purchase
Total		2,457,954	/	/	1,983,983	-183,225	-22,540	/	/

REPORT OF THE DIRECTORS

Unit: '000 Currency: RMB

Stock Code	Stock Short Name	Initial Investment Amount	Shareholding percentage at the beginning of the Reporting Period (%)	Shareholding percentage at the end of the Reporting Period (%)	Invested Carrying Amount at the End of the Reporting Period	Gain or Loss Occurred during the Reporting Period	Changes in Owner's Equity during the Reporting Period	Accounting Item	Source of Equity Interest
000065	Norinco International Cooperation Ltd	120,000	1.15	1.15	101,646	—	5,615	Available-for-sale financial assets	Purchase
601328	Bank of Communications Co., Ltd.	2,096	Less than 1%	Less than 1%	2,898	—	-417	Available-for-sale financial assets	Purchase
400010	Beijing Jiufeng Science and Technology Development Co., Ltd.	55	Less than 1%	Less than 1%	222	—	-51	Available-for-sale financial assets	Purchase
Total		122,151	/	/	104,766	/	5,147		/

(2) Equity interests in non-listed financial enterprises held by the Company

Name of Institution	Initial Investment Amount (RMB'000)	Shareholding percentage at the beginning of the Reporting Period (%)	Shareholding percentage at the end of the Reporting Period (%)	Invested Carrying Amount at the End of the Reporting Period (RMB'000)	Gain or Loss Occurred during the Reporting Period (RMB'000)	Changes in Owner's Equity during the Reporting Period (RMB'000)	Accounting Item	Source of Equity Interest
Bank of Jiangsu	74	less than 1%	less than 1%	74	—	—	Available-for-sale financial assets	Purchase
Donghai Securities	19,543	1.20	1.20	19,543	2,000	—	Available-for-sale financial assets	Purchase
Huarong Xiangjiang Bank	1,006	less than 1%	less than 1%	786	—	—	Available-for-sale financial assets	Purchase
Guangzhou Metro Small-Loan Co., Ltd. (廣州地鐵小額貸款有限公司)	30,000	10.00	10.00	31,414	685	—	Long-term equity investment —by equity method	Purchase
China United Insurance Holding Corporation (中華聯合保險控股股份有限公司)	4,515,857	—	13.0633	4,717,544	167,784	—	Long-term equity investment —by equity method	Purchase
Total	4,566,480	/	/	4,769,361	170,469	—	/	/

REPORT OF THE DIRECTORS

2. Entrusted wealth management and investment in derivatives with non-financial corporations

Unit: '000 Currency: RMB

Name of Partner	Entrusted Wealth Management Product	Entrusted Wealth Management Amount	Starting		Method of Reward Determination	Expected yield	Amount of Actually Retracted Principal of Entrusted Wealth Management	Actually Gained Income of Entrusted Wealth Management	Does the Entrusted Wealth Management Pass the Legal Procedure?	Total Amount Of Depreciation Reserves of Entrusted Wealth Management	Is Entrusted Management a Related Transaction?	Whether Any Lawsuit Is Involved	Source of Fund, and explain that it is Raised Funds	Related Party
			Date of Entrusted Wealth Management	Ending Date of Entrusted Wealth Management										
Shanghai Pudong Development Bank Zhuzhou Branch	Capital Guaranteed and Return Guaranteed	100,000	2015/12/16	2016/02/14	Payment of due interest and principal	-	100,000	518	Yes	-	No	No	Own Fund	-
Agricultural Bank of China Zhuzhou Hi-Tech Zone Branch	Capital Guaranteed and Return Guaranteed	100,000	2015/12/16	2016/02/17	Payment of due interest and principal	-	100,000	527	Yes	-	No	No	Own Fund	-
Bank of China Baoji Branch	Capital Guaranteed and Return Guaranteed	100,000	2015/12/15	2016/02/16	Payment of due interest and principal	-	100,000	631	Yes	-	No	No	Own Fund	-
Bank of Changsha Zhuzhou Branch	Capital Guaranteed and Return Guaranteed	200,000	2015/12/17	2016/03/15	Payment of due interest and principal	-	200,000	1,634	Yes	-	No	No	Own Fund	-
Bank of Communications Zhuzhou Branch	Capital Guaranteed and Return Guaranteed	200,000	2015/12/21	2016/03/22	Payment of due interest and principal	-	200,000	2,042	Yes	-	No	No	Own Fund	-
Guangdong Development Bank Zhuzhou Sub-branch	Capital Guaranteed and Return Guaranteed	200,000	2015/12/17	2016/06/17	Payment of due interest and principal	-	200,000	3,911	Yes	-	No	No	Own Fund	-
CITIC Bank Zhuzhou Branch	Capital Guaranteed and Return Guaranteed	100,000	2015/12/17	2016/06/17	Payment of due interest and principal	-	100,000	1,705	Yes	-	No	No	Own Fund	-
Bank of China Zhuzhou Branch	Capital Guaranteed and Return Guaranteed	200,000	2015/12/24	2016/01/13	Payment of due interest and principal	-	200,000	403	Yes	-	No	No	Own Fund	-
Bank of Changsha Zhuzhou Branch	Capital Guaranteed and Return Guaranteed	200,000	2015/12/28	2016/06/27	Payment of due interest and principal	-	200,000	3,540	Yes	-	No	No	Own Fund	-
CITIC Bank Zhuzhou Branch	Capital Guaranteed and Return Guaranteed	400,000	2015/12/30	2016/07/02	Payment of due interest and principal	6,995	-	-	Yes	-	No	No	Own Fund	-
Guangdong Development Bank Zhuzhou Sub-branch	Capital Guaranteed and Return Guaranteed	200,000	2015/12/29	2016/06/30	Payment of due interest and principal	-	200,000	3,911	Yes	-	No	No	Own Fund	-
Shanghai Pudong Development Bank Zhuzhou Branch	Capital Guaranteed and Return Guaranteed	200,000	2015/12/30	2016/06/27	Payment of due interest and principal	-	200,000	3,255	Yes	-	No	No	Own Fund	-
Bank of Communications Zhuzhou Branch	Capital Guaranteed and Return Guaranteed	300,000	2015/12/31	2016/05/28	Payment of due interest and principal	-	300,000	3,877	Yes	-	No	No	Own Fund	-
Huarong Xiangjiang Bank Dongyi Road Branch	Capital Guaranteed and Return Guaranteed	200,000	2015/12/31	2016/05/30	Payment of due interest and principal	-	200,000	2,896	Yes	-	No	No	Own Fund	-
Agricultural Bank of China Zhuzhou Hi-Tech Zone Branch	Capital Guaranteed and Return Guaranteed	200,000	2015/12/31	2016/06/29	Payment of due interest and principal	-	200,000	3,322	Yes	-	No	No	Own Fund	-

REPORT OF THE DIRECTORS

Name of Partner	Entrusted Wealth Management Product	Entrusted Wealth Management Amount	Starting Date of Entrusted Wealth Management	Ending Date of Entrusted Wealth Management	Method of Reward Determination	Expected yield	Amount of Actually Retracted Principal of Entrusted Wealth Management	Actually Gained Income of Entrusted Wealth Management	Does the Entrusted Wealth Pass the Legal Procedure?	Total Amount Of Depreciation Reserves of Entrusted Wealth	Is Entrusted Wealth a Related Transaction?	Whether Any Lawsuit Is Involved	Source of Fund, and explain that whether it is Raised Funds	Related Party Relationship
Shanghai Pudong Development Bank Baiji Branch	Mixed Guaranteed Return	60,000	2015/12/29	2016/03/29	Payment of due interest and principal	-	60,000	525	Yes	-	No	No	Own Fund	-
Bank of China, Baiji Dongcheng Branch	Capital Guaranteed and Return Guaranteed	70,000	2015/12/28	2016/03/03	Payment of due interest and principal	-	70,000	387	Yes	-	No	No	Own Fund	-
OTIC Bank Baiji Branch	Capital Guaranteed and Return Guaranteed	20,000	2015/12/29	2016/02/03	Payment of due interest and principal	-	20,000	55	Yes	-	No	No	Own Fund	-
Industrial Bank Zhuzhou Branch	Capital Guaranteed and Return Guaranteed	50,000	2015/12/28	2016/01/29	Payment of due interest and principal	-	50,000	82	Yes	-	No	No	Own Fund	-
Bank of China, Baiji Dongcheng Branch	Capital Guaranteed and Return Guaranteed	50,000	2015/12/31	2016/02/04	Payment of due interest and principal	-	50,000	39	Yes	-	No	No	Own Fund	-
Agricultural Bank of China Guangzhou Branch Biguiyuan Sub-branch	Capital Guaranteed and Return Guaranteed	10,000	2015/12/26	2016/01/26	Payment of due interest and principal	-	10,000	-	Yes	-	No	No	Own Fund	-
Industrial and Commercial Bank of China Shida Branch	Capital Guaranteed and Return Guaranteed	49,000	2015/12/22	2016/01/15	Payment of due interest and principal	-	49,000	146	Yes	-	No	No	Own Fund	-
Shanghai Pudong Development Bank	Capital Guaranteed and Return Guaranteed	45,000	2015/12/18	2016/01/17	Payment of due interest and principal	-	45,000	-	Yes	-	No	No	Own Fund	-
Ping An Bank	Capital Guaranteed and Return Guaranteed	5,000	2015/09/25	2016/01/11	Payment of due interest and principal	-	5,000	-	Yes	-	No	No	Own Fund	-
Guangdong Development Bank Zhuzhou Sub-branch	Capital Guaranteed and Floating Return	200,000	2016/02/03	2016/05/04	Payment of due interest and principal	-	200,000	1,845	Yes	-	No	No	Fund raised by Times New Material	-
OTIC Bank Zhuzhou Branch	Capital Guaranteed and Floating Return	100,000	2016/02/04	2016/03/07	Payment of due interest and principal	-	100,000	263	Yes	-	No	No	Fund raised by Times New Material	-
Huarong Xiangjiang Bank Dongyi Road Branch	Capital Guaranteed and Floating Return	100,000	2016/02/04	2016/04/06	Payment of due interest and principal	-	100,000	578	Yes	-	No	No	Fund raised by Times New Material	-
Bank of China Zhuzhou Branch	Capital Guaranteed and Return Guaranteed	350,000	2016/02/04	2016/06/24	Payment of due interest and principal	-	350,000	4,361	Yes	-	No	No	Fund raised by Times New Material	-
Huarong Xiangjiang Bank Dongyi Road Branch	Capital Guaranteed and Floating Return	100,000	2016/04/18	2016/06/22	Payment of due interest and principal	-	100,000	588	Yes	-	No	No	Fund raised by Times New Material	-
Guangdong Development Bank Zhuzhou Sub-branch	Capital Guaranteed and Floating Return	100,000	2016/05/05	2016/06/06	Payment of due interest and principal	-	100,000	281	Yes	-	No	No	Fund raised by Times New Material	-
Bank of Nanjing Co., Ltd.	Non-Capital Guaranteed and Return Guaranteed	50,000	2016/04/12	2017/04/11	Payment of due interest and principal	2,319	-	-	Yes	-	No	No	Own Fund	-

REPORT OF THE DIRECTORS

Name of Partner	Entrusted Wealth Management Product	Entrusted Wealth Management Amount	Starting Date of Entrusted Wealth Management	Ending Date of Entrusted Wealth Management	Method of Reward Determination	Expected yield	Amount of Actually Retracted Principal of Entrusted Wealth Management	Actually Gained Income of Entrusted Wealth Management	Does the Entrusted Wealth Management Pass the Legal Procedure?	Total Amount Of Depreciation Reserves of Entrusted Wealth Management	Is Entrusted Wealth a Related Transaction?	Whether Any Lawsuit Is Involved	Source of Fund, and explain that it is Raised Funds	Related Party Relationship
Bank of Nanjing Co., Ltd.	Non-Capital Guaranteed and Return Guaranteed	100,000	19/04/2016	18/10/2016	Payment of due interest and principal	2,244	-	-	Yes	-	No	No	Own Fund	-
Bank of Nanjing Co., Ltd.	Non-Capital Guaranteed and Return Guaranteed	50,000	26/04/2016	25/10/2016	Payment of due interest and principal	1,097	-	-	Yes	-	No	No	Own Fund	-
Bank of Nanjing Co., Ltd.	Non-Capital Guaranteed and Return Guaranteed	50,000	03/05/2016	01/11/2016	Payment of due interest and principal	1,097	-	-	Yes	-	No	No	Own Fund	-
Huarong Xiangjiang Bank Dongyi Road Branch	Capital Guaranteed and Floating Return	200,000	23/06/2016	23/09/2016	Payment of due interest and principal	1,512	-	-	Yes	-	No	No	Own Fund	-
Bank of Communications Zhuzhou Branch	Capital Guaranteed and Return Guaranteed	100,000	24/06/2016	25/07/2016	Payment of due interest and principal	255	-	-	Yes	-	No	No	Own Fund	-
Bank of Changsha Zhuzhou Branch	Capital Guarantee and Return Guaranteed	90,000	30/06/2016	02/08/2016	Payment of due interest and principal	236	-	-	Yes	-	No	No	Own Fund	-
Guangdong Development Bank Zhuzhou Branch	Capital Guaranteed and Return Guaranteed	200,000	30/06/2016	29/07/2016	Payment of due interest and principal	524	-	-	Yes	-	No	No	Own Fund	-
Shanghai Pudong Development Bank Zhuzhou Branch	Capital Guaranteed and Return Guaranteed	100,000	01/07/2016	30/08/2016	Payment of due interest and principal	477	-	-	Yes	-	No	No	Own Fund	-
Minsheng Royal Asset Management Co., Ltd.	Non-Capital Guaranteed and Floating Return	700,000	11/04/2016	10/04/2017	Payment of due interest and principal	32,200	-	-	Yes	-	No	No	Own Fund	-
Minsheng Royal Asset Management Co., Ltd.	Non-Capital Guaranteed and Floating Return	300,000	11/04/2016	10/04/2017	Payment of due interest and principal	13,800	-	-	Yes	-	No	No	Own Fund	-
CITIC Securities Company Limited	Non-Capital Guaranteed and Floating Return	220,000	09/05/2016	09/05/2017	Payment of due interest and principal	12,386	-	-	Yes	-	No	No	Own Fund	-
CITIC Securities Company Limited	Non-Capital Guaranteed and Floating Return	40,000	13/06/2016	15/09/2016	Payment of due interest and principal	627	-	-	Yes	-	No	No	Own Fund	-
Beijing International Trust Co., Ltd.	Non-Capital Guaranteed and Floating Return	400,000	19/05/2016	29/04/2018	Installment interest, payment of due principal	47,333	-	-	Yes	-	No	No	Own Fund	-
Total	/	6,809,000	/	/	/	123,102	3,809,000	41,322	/	/	/	/	/	/

Accumulated Amount of Overdue Principal and Income not recovered (RMB) —

Description of Entrusted Wealth Management

The entrusted wealth management balance of the Company as of the end of this period was RMB3,000 million, representing a decrease of 7.95% as compared to the end of last year, which was mainly attributed to the redemption of the bank capital guaranteed wealth management products purchased by the Company at maturity for credit into the account.

3. Use of proceeds

(1) A shares

For details of the use of proceeds raised from A share offering and issuance of the Company during the reporting period, please refer to the interim announcement of Specific Report on Deposit and Actual Use of A Share Proceeds of CRRC Corporation Limited in the First Half of 2016 (《中國中車股份有限公司2016年上半年A股募集資金存放與實際使用情況的專項報告》) dated 22 August 2016 published by the Company on the website of SSE.

(2) H shares

Pursuant to “The Approval on the Issue of Overseas Listed Foreign Shares of China CNR Corporation Limited” (Zheng Jian Xu Ke [2014]No.404) (《關於核准中國北車股份有限公司發行境外上市外資股的批復》(證監許可[2014]404號)) issued by the CSRC, in May 2014, CNR made a public offering of 1,939,724,000 overseas listed foreign shares (H Shares) (including over-allotment) and the total proceeds raised were HKD10,028 million.

As at 30 June 2016, an accumulated amount of approximately HKD9,050 million out of the H share proceeds has been put into use, while interest from bank deposits accumulating HKD115 million has been received. The Company’s unused H share proceeds was HKD1,093 million as at 30 June 2016.

4. Analysis on principal subsidiaries and investees (figures below are prepared under the PRC GAAP)

Unit: '000 Currency: RMB

Company name	Principal products and business scope	Registered Capital	Total assets as at the end of the period	Net assets	Profit	Revenue in January to June 2016	Operating profit in January to June 2016
				attributable to shareholders of the Company as at the end of the period	attributable to shareholders of the Company in January to June 2016		
CRRC Qingdao Sifang Locomotive & Rolling Stock Co., Ltd.* (中車青島四方機車車輛股份有限公司)	Research and development and manufacture of railway MUs, passenger carriages and rapid transit vehicles; provision of maintenance services of railway MUs and high-end passenger carriages	4,003,794	44,466,080	10,312,265	1,674,967	20,241,260	1,898,573
CRRC Changchun Railway Vehicle Co., Ltd.* (中車長春軌道客車股份有限公司)	Design, manufacture, repair, sales and lease of railway passenger coaches, MUs, rail transit vehicles and related components, and provision of technical services and technical consulting in such sectors	5,807,947	45,627,949	13,728,858	1,502,563	14,545,310	1,706,274

REPORT OF THE DIRECTORS

Company name	Principal products and business scope	Registered Capital	Total assets as at the end of the period	Net assets	Profit	Revenue in January to June 2016	Operating profit in January to June 2016
				attributable to shareholders	attributable to shareholders		
CRRC Zhuzhou Electric Locomotive Research Institute Co., Ltd* (中車株洲電力機車研究所有限公司)	Research and development and manufacture of railway electric powered motors and control technology and related electric equipment; research and development and manufacture of railway vehicle accessories	5,264,500	48,378,175	10,493,322	682,463	14,096,759	1,325,270
CRRC Tangshan Railway Vehicle Co., Ltd.* (唐山軌道客車有限責任公司)	Manufacture of railway transportation equipment; sales and lease of railway vehicles, electric MUs, DMUs, maglev train, special purpose vehicles, test vehicles, rail transit vehicles and related components and provision of technical consulting services	3,990,000	25,237,131	9,397,276	967,559	8,469,802	1,126,674

II. PROPOSAL FOR PROFIT DISTRIBUTION OR TRANSFER OF CAPITAL RESERVE TO SHARE CAPITAL

(I) Implementation or Adjustment of Profit Distribution Plan During the Reporting Period

The Company considered and approved the 2015 profit distribution plan of the Company at the 2015 general meeting convened on 16 June 2016, pursuant to which it was agreed that the Company would distribute cash dividend of RMB0.15 (tax inclusive) per Share to all Shareholders based on the total share capital of 27,288,758,333 Shares of the Company as at 31 December 2015, representing a distribution of dividend of approximately RMB4,093,313,750 in aggregate. The implementation of the profit distribution plan was completed on 5 August 2016.

(II) Interim Profit Distribution Proposal and Proposal for Capital Increase by Way of Transfer from Reserves

The Company was not involved in any distribution and increase by way of transfer proposal during the reporting period.

SIGNIFICANT EVENTS

I. MATERIAL LITIGATION, ARBITRATION AND MATTERS WIDELY CONTESTED BY THE MEDIA

The Company was not involved in any material litigation, arbitration or matters widely contested by the media during the reporting period.

II. MATTERS RELATED TO BANKRUPTCY AND REORGANISATION

The Company was not involved in any matters related to bankruptcy and reorganization during the reporting period.

III. MATTERS RELATED TO ASSETS TRANSACTIONS AND MERGER OF COMPANIES

(i) Asset acquisitions

The Company was not involved in any material asset acquisition during the reporting period.

(ii) Asset disposals

The Company was not involved in any material asset disposal during the reporting period.

(iii) Asset swap

The Company was not involved in any asset swap during the reporting period.

(iv) Merger of companies

For information on the Company's merger of companies, please refer to note 26 to the financial statements of this results announcement.

IV. THE COMPANY'S SHARE OPTION INCENTIVE SCHEME AND ITS EFFECTS

The company was not involved in any share option incentive scheme during the reporting period.

SIGNIFICANT EVENTS

V. MATERIAL CONTRACTS AND THEIR PERFORMANCE

(i) Guarantees

Unit: '000 Currency: RMB

Guarantees provided by the Company to external parties (excluding guarantees provided by the Company in favour of its subsidiaries)	
Total guarantee amount provided during the reporting period (excluding guarantees provided by the Company in favour of its subsidiaries)	—
Total guarantee balance at the end of the reporting period (A) (excluding guarantees provided by the Company in favour of its subsidiaries)	—
Guarantees provided by the Company in favour of its subsidiaries	
Total guarantee amount provided to the Company's subsidiaries during the reporting period	6,420,528
Total guarantee balance provided to the Company's subsidiaries at the end of the reporting period (B)	34,924,060
Aggregate guarantee amount provided by the Company (including guarantees provided by the Company in favour of its subsidiaries)	
Total guarantee amount (A+B)	34,924,060
Percentage of total guarantee amount to net assets of the Company (%)	35.78
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)	18,483,794
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)	18,483,794

SIGNIFICANT EVENTS

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= Guarantee amount/ equity attributable to owners of the Company. During the reporting period, total guarantee amount provided by the Company in favour of its subsidiaries was RMB6,421 million. As at 30 June 2016, total guarantee balance was RMB34,924 million representing 35.78% of the Company's net assets. Out of such guarantee balance, RMB19,502 million and RMB15,422 million were provided to the Company's wholly-owned subsidiaries and non wholly-owned subsidiaries, respectively. As far as guarantee type is concerned, RMB3,306 million was provided for bank acceptance drafts, RMB5,302 million was provided for loans and medium-term notes, and RMB26,316 million 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 RMB18,484 million. 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%.

(ii) Other Material Contracts or Transactions

During the reporting period, the Company signed several material sales contracts. For details, please refer to the announcements dated 21 June 2016 published by the Company on the websites of SSE and the Stock Exchange.

SIGNIFICANT EVENTS

VI. PERFORMANCE OF UNDERTAKINGS

(i) Undertakings by the listed company or its shareholders holding more than 5% of shares, the controlling shareholder and the ultimate controller during or up to the reporting period

§ Undertakings by the Company

1. 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.).

During the reporting period, CRRC complied with its undertakings as stated above.

2. 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.

During the reporting period, CRRC complied with the undertakings as stated above.

§ Undertakings by CRRCG

1. Undertakings in relation to the initial public offering

The following undertakings have been made by CNRG and CSRG respectively upon the listing of CSR and CNR. Following the merger between CSR and CNR, the following undertakings made by CNRG to CNR shall remain valid for CRRCG. Following the merger between CNRG and CSRG, the following undertakings will continue to be performed by CRRCG.

(1) Undertakings on property ownership issues

CSR 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 undertook that 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 CSR by CSRG, CSR undertook that such properties satisfy the usage requirements necessary for the production and operations of CSR. Moreover, if there is any loss incurred to CSR due to such properties, CSRG shall undertake all compensation liabilities and all economic losses that CSR incurred.

During the reporting period, CRRCG complied with the undertakings as stated above.

(2) Undertakings on the state-owned land use certificate without specifying the land use terms or termination date

CNR 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. CNRG undertook to compensate the relevant wholly-owned subsidiaries of CNR 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.

During the reporting period, CRRCG complied with the undertakings as stated above.

SIGNIFICANT EVENTS

2. Non-competition undertakings

As of the time of the listing of CSR and CNR, CSRG and CNRG have respectively undertaken not to have competition. As of the time of the merger between CSR and CNR, CSRG and CNRG have undertaken not to have competition with the post-merger company. As of the time of the merger between CNRG and CSRG, CNRG, by assuming the aforesaid undertakings, 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. The specific undertakings are as follows: (1) CNRG undertook that CNRG will not and will, through legal procedures, procure its wholly-owned and non-wholly 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 CNRG (including its wholly-owned subsidiaries and non-wholly 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, CNRG 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 CNRG. (3) subject to the aforesaid undertaking (1), CNRG 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. (4) CNRG should compensate CRRC for its actual losses arising from any failure to comply with the aforesaid undertakings.

During the reporting period, CRRCG complied with the undertakings stated above.

3. Undertaking to maintain the independence of a listed company

As of the time of the merger between CSR and CNR, CSRG and CNRG have respectively undertaken to maintain the independence of the post-merger company. As of the time of the merger between CNRG and CSRG, CNRG, by assuming the aforesaid undertakings, 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. The specific undertakings are as follows: CNRG 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 China Securities Regulatory Commission, 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. CNRG and other companies under its control undertook not to, by any means, use the funds of CRRC and companies under its control.

During the reporting period, CRRCG complied with the undertakings as stated above.

4. Undertaking to regulate connected transactions

As of the time of the merger between CSR and CNR, CSRG and CNRG have respectively undertaken to regulate the connected transactions with the post-merger company. As of the time of the merger between CNRG and CSRG, CNRG, by assuming the aforesaid undertakings, 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. The specific undertakings are as follows: CNRG and other companies controlled by CNRG 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, CNRG will continue to perform the obligations under the connected transaction framework agreements entered into between CNRG and CNR and succeeded by the post-merger company as well as the related party transaction framework agreements entered into between CSRG and CSR (the rights and obligations of CSR and CNR under these related party transaction framework agreements will be succeeded by 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 in accordance to the principle of fairness and reasonableness.

During the reporting period, CRRCG complied with undertakings as stated above.

SIGNIFICANT EVENTS

VII. APPOINTMENT AND REMOVAL OF AUDITORS

The Company considered and approved the Resolution in Relation to the Engagement of Audit Firms for 2016 at the 2015 annual general meeting held on 16 June 2016. It was resolved that Deloitte Touche Tohmatsu was appointed as the auditor in respect of the Company's financial reports for the year 2016 prepared in accordance with overseas financial reporting standards; Deloitte Touche Tohmatsu CPA LLP and KPMG Huazhen (Special General Partnership) were appointed as the auditors in respect of the Company's financial reports for the year 2016 prepared in accordance with domestic financial reporting standards and the internal control system. Deloitte Touche Tohmatsu CPA LLP is the principal auditor.

VIII. INFORMATION ON THE CONVERTIBLE CORPORATE BONDS

On 5 February 2016, the Company issued H Share convertible bonds in an aggregate principal amount of US\$600,000,000 (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\$9.50 per H Share.

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

(I) Dilution Impact of the Convertible Bonds on Shares

As at 30 June 2016, the outstanding principal amount of the Convertible Bonds was US\$600,000,000. Based on the adjusted conversion price of HK\$9.50 per H Share, the maximum number of H Shares issuable by the Company upon full conversion of the Convertible Bonds will be 492,012,631 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 30 June 2016 and assuming no further issuance of Shares by the Company:

Name of shareholder	Numbers of Shares	% of total issued Shares
CRRCG and its associates ^{Note}	15,259,580,738 A Shares	54.93
Public shareholders:		
Subscribers of the Bonds	492,012,631 H Shares	1.77
Other public shareholders	4,371,066,040 H Shares	15.73
	7,658,111,555 A Shares	27.57
Total issued shares	27,780,770,964 Shares	100

Note: CRRCG held 93,085,715 A Shares through CSR Capital Company and 380,172,012 A Shares through CRRC Financial and Securities Investment Co., Ltd..

An analysis of the dilution impact on the earnings per share if the Convertible Bonds were fully converted into shares of the Company as at 30 June 2016 is set out in note 10 to the financial statements of this results announcement.

(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 convert 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) to require the Company to redeem such bonds.

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 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 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.

2. Redemption option of the issuer**(1) Redemption at maturity**

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

(2) Conditional redemption

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

- a. within 7 business days after 5 February 2019 but prior to the maturity date, provided that the closing price of H Shares translated into US dollar at the prevailing rate applicable to each Stock Exchange business day, for any 20 days within a period of 30 consecutive trading days prior to the date upon which such notice of redemption is given, is at least 130 percent of the prevailing conversion price of the Convertible Bonds;
- b. if the aggregate outstanding principal of the Convertible Bonds is less than 10 percent 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 holders of the Convertible Bonds by giving a notice of not less than 30 nor more than 60 days before redemption option date (i.e. 5 February 2019), the issuer will have the right, at the option of the holders of the Convertible Bonds, require the Company to redeem all or some of that holders' Convertible Bonds at 100 percent of their outstanding principal amount on the redemption option date.

SIGNIFICANT EVENTS

(III) Accounting for the Convertible Bonds

The Convertible Bonds are comprised of liability component of master contract and embedded derivative financial instrument with redemption option, conversion option and put-back option.

- (1) Liability component of master contract 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.
- (2) Embedded derivative financial instrument was initially recognized and subsequently measured at fair value, relevant transaction costs were charged to current profit or loss.

Underwriting fees and other issue costs relating to the Convertible Bonds were charged to the bond cost and current profit or loss respectively in proportion to the fair values of liability component of master contract and embedded derivative financial instrument. Underwriting fees and other issue costs amounting to approximately RMB28,745,000 relating to the liability component of master contract were included in the initial carrying amount of the bonds 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 the embedded derivative financial instrument were charged to current finance costs directly.

The movements of the liability component and embedded derivative financial instrument of the Convertible Bonds for the period are set out below:

		Unit: '000 Currency: RMB	
	Liability component	Compound derivative component	Total
Issue date of Convertible bonds (5 February 2016)	3,488,045	430,795	3,918,840
Transaction costs	-28,745	—	-28,745
Accrued Interest during the period (5 February 2016 to 30 June 2016)	35,302	—	35,302
Exchange gains or losses (5 February 2016 to 30 June 2016)	53,126	6,556	59,682
Gains or losses on changes in fair value (5 February 2016 to 30 June 2016)	—	-3,485	-3,485
Balance at the end of the period (30 June 2016)	3,547,728	433,866	3,981,594

(IV) Others

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

As at 30 June 2016, no conversion right has been exercised and no redemption has been made by the holders of the Convertible Bonds and no redemption has been made by the Company.

IX. CORPORATE GOVERNANCE

During the reporting period, the Company has implemented its corporate governance in stringent compliance with requirements of the Company Law of the PRC, the Securities Law of the PRC and the Code of Corporate Governance for Listed Companies, as well as the relevant requirements of the SSE and the Stock Exchange. The Company has established a modern corporate governance structure featuring “three meetings and one management”. Through the establishment of an effective corporate governance mechanism, corporate governance and operation management were improved in a continuous manner, thus perfecting the corporate governance of the Company.

(i) Compliance with the Corporate Governance Code

After reviewing the corporate governance documents adopted by the Company, the Board is of the opinion that during the reporting period, the Company was in strict compliance with all the principles and code provisions in the Corporate Governance Code, and adopted part of the recommended best practices specified therein. In certain aspects, the corporate governance practices adopted by the Company are more stringent than the code provisions set out in the Corporate Governance Code.

(ii) Securities Transactions by Directors and Supervisors

The Company has strictly complied with the relevant requirements of the Hong Kong Listing Rules (especially the Model Code) and the Rules Governing the Listing of Stocks on Shanghai Stock Exchange (《上海證券交易所股票上市規則》), and published notices on a regular basis to inform important notes for securities transaction by the Directors and Supervisors. The Company also imposed similar requirements on those key personnel who may have knowledge of insider information. The Company has confirmed that, during the reporting period, all the Directors and Supervisors have complied with the requirements for securities transactions mentioned above.

(iii) Review of the Interim Report by the Audit and Risk Management Committee

The Audit and Risk Management Committee has reviewed the Company’s unaudited interim condensed consolidated financial statements and the interim report for the six months ended 30 June 2016, and has agreed on their submission to the Board for consideration and approval.

X. OTHER SIGNIFICANT EVENTS

(i) Acquisition of certain equity interests in China United Insurance

On 7 and 8 January 2016, the Company participated and succeeded in the bidding for 2 billion shares (the “Transaction”) in China United Insurance held by China Insurance Security Fund Co., Ltd. and listed for transfer at the Beijing Financial Assets Exchange for RMB4.455 billion.

For details of the Transaction, please refer to announcements dated 8 January 2016, 12 January 2016 and 5 February 2016 published by the Company on the websites of the SSE and the Stock Exchange.

(ii) Issuance of exchangeable bonds by CRRCG

CRRCG, the controlling shareholder of the Company, proposed to publicly issue exchangeable corporate bonds of up to a total nominal value of RMB7 billion that are exchangeable into A shares of the Company, including any interests derived thereof (such as share capital converted from capital reserves, bonus shares and dividend distribution etc.). For details, please refer to the announcements dated 22 March 2016 and 11 April 2016 published by the Company on the websites of the SSE and the Stock Exchange.

CHANGE IN SHARES AND PARTICULARS OF SHAREHOLDERS

I. CHANGES IN SHARE CAPITAL

(i) Changes in Shares

1. Changes in the shares

The total number of shares and the shareholding structure of the Company did not change during the reporting period.

2. Particulars of changes in shares

There was no change in the shares of the Company during the reporting period.

3. Public float

During the reporting period, the public float of the Company satisfied the requirement under Rule 8.08 of the Hong Kong Listing Rules.

4. Purchase, sale or redemption of securities of the Company

During the reporting period, neither the Company nor its subsidiaries purchased, sold or redeemed any of the Company's securities under the Hong Kong Listing Rules.

II. PARTICULARS OF SHAREHOLDERS

(i) Total number of shareholders

Total number of shareholders as at the end of the reporting period (shareholder) ^{Note}	1,120,213
--	-----------

Note: As at the end of the reporting period, the Company had 1,117,647 holders of A shares and 2,566 registered holders of H shares.

CHANGE IN SHARES AND PARTICULARS OF SHAREHOLDERS

(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: shares

Name of shareholder(full name)	Change during the reporting period	Number of shares held at the end of the reporting period	Percentage (%)	Shareholdings of the top ten shareholders		Nature of shareholder	
				Number of shares subject to trading moratorium held	Shares pledged or frozen		
CRRCG ^{Note 1}	0	14,786,323,011	54.18	0	Nil	0	State-owned legal person
HKSCC NOMINEES LIMITED ^{Note 2}	-601,550	4,360,979,009	15.98	0	Unknown	—	Overseas legal person
China Securities Finance Corporation Limited (中國證券金融股份有限公司)	148,204,125	768,295,394	2.82	0	Unknown	—	State-owned legal person
CRRC Financial and Securities Investment Co., Ltd. (中車金證投資有限公司)	0	380,172,012	1.39	0	Nil	0	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	1.12	0	Unknown	—	State-owned legal person
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)	0	125,366,000	0.46	0	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)	0	125,366,000	0.46	0	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)	0	125,366,000	0.46	0	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)	0	125,366,000	0.46	0	Unknown	—	Unknown

CHANGE IN SHARES AND PARTICULARS OF SHAREHOLDERS

Name of shareholder(full name)	Change during the reporting period	Number of shares held at the end of the reporting period	Percentage (%)	Shareholdings of the top ten shareholders			
				Number of shares subject to trading moratorium held	Shares pledged or frozen	Pledged or frozen	Nature of shareholder
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)	0	125,366,000	0.46	0	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)	0	125,366,000	0.46	0	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)	0	125,366,000	0.46	0	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)	0	125,366,000	0.46	0	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)	0	125,366,000	0.46	0	Unknown	—	Unknown
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)	0	125,366,000	0.46	0	Unknown	—	Unknown

CHANGE IN SHARES AND PARTICULARS OF SHAREHOLDERS

Shareholdings of the top ten holders of shares not subject to trading moratorium

Name of shareholder	Number of circulating shares not subject to trading moratorium held	Type and number of shares	
		Type	Number
CRRCG ^{Note 1}	14,786,323,011	Ordinary shares denominated in RMB	14,786,323,011
HKSCC NOMINEES LIMITED ^{Note 2}	4,360,979,009	Overseas listed foreign shares	4,360,979,009
China Securities Finance Corporation Limited (中國證券金融股份有限公司)	768,295,394	Ordinary shares denominated in RMB	768,295,394
CRRC Financial and Securities Investment Co., Ltd. (中車金證投資有限公司)	380,172,012	Ordinary shares denominated in RMB	380,172,012
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)	125,366,000	Ordinary shares denominated in RMB	125,366,000
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)	125,366,000	Ordinary shares denominated in RMB	125,366,000
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)	125,366,000	Ordinary shares denominated in RMB	125,366,000
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)	125,366,000	Ordinary shares denominated in RMB	125,366,000

CHANGE IN SHARES AND PARTICULARS OF SHAREHOLDERS

Shareholdings of the top ten holders of shares not subject to trading moratorium			
Name of shareholder	Number of circulating shares not subject to trading moratorium held	Type and number of shares	
		Type	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)	125,366,000	Ordinary shares denominated in RMB	125,366,000
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)	125,366,000	Ordinary shares denominated in RMB	125,366,000
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)	125,366,000	Ordinary shares denominated in RMB	125,366,000
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)	125,366,000	Ordinary shares denominated in RMB	125,366,000
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)	125,366,000	Ordinary shares denominated in RMB	125,366,000

CHANGE IN SHARES AND PARTICULARS OF SHAREHOLDERS

Shareholdings of the top ten holders of shares not subject to trading moratorium

Name of shareholder	Number of circulating shares not subject to trading moratorium held	Type and number of shares	
		Type	Number
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)	125,366,000	Ordinary shares denominated in RMB	125,366,000
Connections or parties acting in concert among the aforesaid shareholders		CRRC Financial and Securities Investment Co., Ltd.* (中車金證投資有限公司) is a wholly-owned subsidiary of the 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 1: Among the 14,786,323,011 A shares of the Company actually held by the CRRCG, 7,796,321,142 A shares are registered in the name of CSRG and the securities registration procedures for the shares held by CSRG to be transferred to CRRCG are still pending; 6,990,001,869 A shares are registered in the name of CNRG and the procedures for the registered shareholder's change of its name to CRRC Group are still pending.

Note 2: H shares held by HKSCC NOMINEES LIMITED are held on behalf of its various clients.

CHANGE IN SHARES AND PARTICULARS OF SHAREHOLDERS

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

As at 30 June 2016, 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 A shares (%)
CRRCG	Beneficial owner	A Shares	Long position	14,786,323,011	64.51
	Interest of corporation controlled by the substantial shareholder	A Shares	Long position	473,257,727	2.06
JP Morgan Chase & Co.	Beneficial owner/Investment manager/ Custodian				
	– corporation/ Approved lending agent	H Shares	Long position	304,681,557	6.97
	Beneficial owner	H Shares	Short position	8,586,651	0.19
	Custodian-corporation/Approved lending agent	H Shares	Lending pool	139,374,786	3.18
Himalaya Capital Investors, L.P.	Beneficial owner	H Shares	Long position	267,904,000	6.13
Li Lu	Interest of corporation controlled by the substantial shareholder	H Shares	Long position	267,904,000	6.13
LL Group, LLC	Interest of corporation controlled by the substantial shareholder	H Shares	Long position	267,904,000	6.13
BlackRock, Inc.	Interest of corporation controlled by the substantial shareholder	H Shares	Long position	238,860,104	5.46
	Interest of corporation controlled by the substantial shareholder	H Shares	Short position	3,336,000	0.08

Notes:

- (1) CRRCG held 93,085,715 A Shares through CSR Capital Company and held 380,172,012 A Shares through CRRC Financial and Securities Investment Co., Ltd. On 27 May 2016, the Company and CRRCG entered into a subscription agreement subject to certain conditions. If the conditions are fulfilled and the Company completes its non-public issuance of A Shares, CRRCG will subscribe 692,840,646 A Shares, and will hold, directly and indirectly, a total of 15,952,421,384 A Shares.
- (2) Except for the 15,259,580,738 A Shares of the Company held by CRRCG and the proportion details, other information disclosed hereby is based on the information available on the website of the Stock Exchange at (www.hkex.com.hk).

CHANGE IN SHARES AND PARTICULARS OF SHAREHOLDERS

Save as disclosed above, as far as the Directors are aware, as at 30 June 2016, 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) Strategic investors or ordinary legal persons who became top ten shareholders due to placing of shares

During the reporting period, no strategic investors or ordinary legal persons became top ten shareholders due to the placing of shares.

III. CHANGES IN THE CONTROLLING SHAREHOLDER OR THE ULTIMATE CONTROLLER

During the reporting period, there was no change in the controlling shareholder or the ultimate controller.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

I. CHANGES IN SHAREHOLDING

(i) Changes in shareholding by current and retired Directors, Supervisors and Senior Management during the reporting period

During the reporting period, there was no change in the shareholding of current and retired Directors, Supervisors and Senior Management.

(ii) Share options granted to Directors, Supervisors and Senior Management during the reporting period

During the reporting period, no share option was granted to Directors, Supervisors or Senior Management.

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

As at 30 June 2016, the following Directors and Supervisors had interests in the A shares of the Company and relevant details are set out as follows:

Name	Position	Capacity	Type of shares held	Number of shares held
Cui Dianguo	Chairman, Executive Director	Beneficial owner	A shares	137,500
Zheng Changhong	Vice chairman, Executive Director	Beneficial owner	A shares	60,000
Liu Hualong	Vice chairman, Executive Director	Beneficial owner	A shares	50,000
Xi Guohua	Executive Director, President	Beneficial owner	A shares	231,800
Fu Jianguo ^{Note}	Executive Director	Beneficial owner	A shares	50,000
Qiu Wei	Employee Representative Supervisor	Beneficial owner	A shares	30,000

Note: Mr. Fu Jianguo tendered his resignation letter to the Board of the Company due to other work commitment. Mr. Fu Jianguo's resignation as the Executive Director of the Company and a member of the Strategic Committee of the Board was effective on 22 July 2016, being the date that the resignation letter was delivered to the Board of the Company.

Save as disclosed above, as at 30 June 2016, 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.

II. OTHER EXPLANATION

Mr. Fu Jianguo tendered his resignation letter to the Board of the Company due to other work commitment. Mr. Fu Jianguo's resignation as the Executive Director of the Company and a member of the Strategic Committee of the Board was effective on 22 July 2016, being the date that the resignation letter was delivered to the Board of the Company. For more details, please refer to the announcement dated 22 July 2016 published by the Company on the websites of SSE and the Stock Exchange.

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) and a 2013 ten-year corporate bond of CSR 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.

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

On 5 August 2015, with the approval from SASAC, 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 post-merger 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 a meeting of bondholders, at which 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. After counting the final voting results, in respect of the votes at this meeting of bondholders, bondholders who have voted for the merger represented 100% of the total bonds held by those bondholders or their proxies presenting at this meeting of bondholders. 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.

From 2013 to 2015, there was no material default in the course of business of CRRCG with its major customers or any delay in the repayment of principal and interest on debt financing instruments.

RELEVANT INFORMATION OF CORPORATE BONDS

III. ACCOUNTING DATA AND FINANCIAL INDICATORS OF THE COMPANY AS AT THE END OF THE REPORTING PERIOD AND THE END OF LAST YEAR (OR THE REPORTING PERIOD AND THE SAME PERIOD LAST YEAR)

Major indicator	End of the reporting period	End of last year	Change between the end of the reporting period and the end of last year (%)	Reasons of the change
Current ratio	1.18	1.21	-2.48	—
Quick ratio	0.69	0.75	-8.00	—
Gearing ratio	65.25%	63.56%	Increased by 1.69 percentage points	—
Loan repayment rate	1.00	1.00	—	—
Major indicator	Reporting period (January to June)	Same period last year	Change between the reporting period and the same period last year (%)	Reasons of the change
EBITDA interest coverage multiple	20.35	15.25	33.44	EBITDA increased and interest expense decreased slightly as compared to the same period last year
Interest coverage	1.39	1.93	-27.98	—

IV. ASSETS OF THE COMPANY AT THE END OF THE REPORTING PERIOD

As at 30 June 2016, details of the Company's assets with restrictions on title are as follows:

Unit: '000 Currency: RMB

Assets with restrictions on title	Carrying amount
Time deposits and bank balances	3,823,874
Bills receivable	778,374
Property, plant and equipment	44,587
Prepaid lease payments	34,819
Total	4,681,654

RELEVANT INFORMATION OF CORPORATE BONDS

V. BANK CREDIT FACILITIES OF THE COMPANY DURING THE REPORTING PERIOD

As at 30 June 2016, 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
Banking department of Export-import Bank of China Head Office	24,000,000	2,392,000	21,608,000
Bank of Beijing Beichen Road sub-branch	7,000,000	—	7,000,000
Bank of Communications Beijing Fangqunyuan sub-branch	6,500,000	—	6,500,000
China Development Bank Corporation Beijing branch	13,450,205	4,140,105	9,310,100
Beijing Rural Commercial Bank CBD sub-branch	3,500,000	—	3,500,000
Bank of Communications Beijing Shijicheng sub-branch	6,500,000	—	6,500,000
China Minsheng Bank Beijing Shouti South Road sub-branch	8,500,000	5,679,235	2,820,765
China Merchants Bank Beijing Chongwenmen sub-branch	10,000,000	—	10,000,000
Banking department of China Merchants Bank Beijing branch	10,000,000	—	10,000,000
Ping An Bank Beijing branch	12,000,000	—	12,000,000
China Everbright Bank Beijing branch	3,100,000	—	3,100,000
Beijing West Railway Station sub-branch	5,000,000	—	5,000,000
China Construction Bank Beijing Huicheng sub-branch	4,000,000	—	4,000,000
Bank of China Beijing Fangzhuang Centre sub-branch	17,500,000	—	17,500,000
Bank of Kunlun	2,000,000	—	2,000,000
China Construction Bank Chaoyang sub-branch	11,500,000	—	11,500,000
Total	144,550,205	12,211,340	132,338,865

VI. DESCRIPTION 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) and the 2013 ten-year corporate bond of CSR 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.

VII. SIGNIFICANT EVENTS OF THE COMPANY AND THEIR IMPACT ON THE OPERATION AND SOLVENCY OF THE COMPANY

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

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2016

	Notes	Six months ended 30 June	
		2016 RMB'000	2015 RMB'000
Revenue	4	92,321,137	91,816,294
Cost of sales		(71,678,953)	(72,309,769)
Gross profit		20,642,184	19,506,525
Other income and gains and losses	4	1,193,497	1,156,893
Distribution and selling expenses		(3,178,659)	(3,372,206)
Administrative expenses		(9,987,283)	(9,532,972)
Other expenses	5	(837,089)	(378,517)
Finance costs	6	(608,618)	(584,784)
Share of profits of:			
Joint ventures		98,361	137,741
Associates		234,938	71,408
Profit before taxation	7	7,557,331	7,004,088
Income tax expense	8	(1,482,948)	(1,329,252)
Profit for the period		6,074,383	5,674,836
Other comprehensive income, net of income tax			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Net (loss) gain on revaluation of available-for-sale financial assets		(1,196)	155,837
Income tax relating to items that may be reclassified subsequently		(1,020)	(16,293)
Share of other comprehensive income of associates		33,903	—
Exchange differences arising on translation		(68,340)	(164,429)
Other comprehensive income for the period, net of income tax		(36,653)	(24,885)
Total comprehensive income for the period		6,037,730	5,649,951
Profit for the period attributable to:			
Owners of the Company		4,794,773	4,698,880
Non-controlling interests		1,279,610	975,956
		6,074,383	5,674,836
Total comprehensive income for the period attributable to:			
Owners of the Company		4,787,576	4,784,863
Non-controlling interests		1,250,154	865,088
		6,037,730	5,649,951
Earnings per share (RMB)	10		
– Basic		0.18	0.17
– Diluted		0.18	0.17

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2016

	Notes	30 June 2016 RMB'000	31 December 2015 RMB'000
Non-current Assets			
Property, plant and equipment	11	63,282,005	62,179,704
Investment properties		934,671	938,763
Prepaid lease payments	12	14,296,581	14,428,338
Goodwill		1,293,524	1,315,234
Other intangible assets		3,013,039	3,259,885
Interests in joint ventures		1,785,390	1,637,636
Interests in associates	13	6,665,299	1,975,241
Loans and advances to customers		207,890	170,874
Available-for-sale investments		3,475,918	3,156,509
Held to maturity investment		387,102	197,928
Deferred tax assets		3,041,187	2,743,530
Other non-current assets	14	14,397,285	14,163,863
		112,779,891	106,167,505
Current Assets			
Prepaid lease payments	12	353,147	348,194
Inventories	15	70,071,074	59,746,569
Available-for-sale investments		1,349,395	3,259,000
Trade receivables	16	79,609,574	72,514,398
Bills receivable		8,297,361	10,166,491
Prepayments, deposits and other receivables	17	21,576,414	18,787,454
Financial assets at fair value through profit or loss		1,278,469	3,424
Amounts due from customers for contract work	18	8,211	39,632
Tax recoverable		110,582	92,375
Pledged bank deposits	19	3,823,874	4,613,695
Cash and bank balances	19	31,479,656	34,754,992
Placements with financial institutions		—	1,200,000
		217,957,757	205,526,224

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2016

	Notes	30 June 2016 RMB'000	31 December 2015 RMB'000
Current Liabilities			
Trade payables	20	92,872,673	83,179,106
Bills payable	21	15,419,723	22,790,082
Other payables and accruals	22	42,624,343	41,244,977
Financial liabilities at fair value through profit or loss		4,213	359
Borrowings - due within one year	23	28,998,571	15,259,583
Retirement benefit obligations		290,034	351,648
Tax payable		1,187,472	1,534,414
Due to customers		775,595	1,861,947
Long-term payable - current portion		73,326	76,896
Provision for warranties		2,374,233	2,279,999
Deferred income		473,163	511,895
		185,093,346	169,090,906
Net Current Assets		32,864,411	36,435,318
Total Assets less Current Liabilities		145,644,302	142,602,823
Capital and Reserves			
Share capital	24	27,288,758	27,288,758
Reserves		70,314,425	69,611,558
Equity attributable to owners of the Company		97,603,183	96,900,316
Non-controlling interests		17,335,070	16,674,257
Total Equity		114,938,253	113,574,573
Non-current Liabilities			
Borrowings - due after one year	23	11,640,262	14,316,253
Long-term payable		281,822	275,924
Retirement benefit obligations		4,118,466	4,054,445
Provision for warranties		4,008,610	3,741,417
Deferred income		5,534,346	5,556,354
Deferred tax liabilities		216,297	241,975
Convertible bonds-liability component	25	3,547,728	—
Convertible bonds-derivative component	25	433,866	—
Other non-current liabilities		924,652	841,882
		30,706,049	29,028,250
Total Equity and Non-current Liabilities		145,644,302	142,602,823

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2016

	Attributable to owners of the Company											Total equity RMB'000	
	Share capital RMB'000	Capital reserve RMB'000	Available-for-sale investments revaluation reserve RMB'000	Share options reserve RMB'000	Retirement benefit obligations re-measurement reserve RMB'000	Statutory surplus reserve RMB'000 (Note i)	Special reserve RMB'000 (Note ii)	General risk reserve RMB'000 (Note iii)	Translation reserve RMB'000	Retained earnings RMB'000 (Note iv)	Total RMB'000		Non-controlling interests 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
Profit for the period	–	–	–	–	–	–	–	–	–	4,794,773	4,794,773	1,279,610	6,074,383
Other comprehensive income for the period													
Change in fair value of available-for-sale investments, net of tax	–	–	(2,318)	–	–	–	–	–	–	–	(2,318)	102	(2,216)
Share of other comprehensive income of associates	–	–	33,903	–	–	–	–	–	–	–	33,903	–	33,903
Exchange differences arising on translation of foreign operations	–	–	–	–	–	–	–	–	(38,782)	–	(38,782)	(29,558)	(68,340)
Total comprehensive income for the period	–	–	31,585	–	–	–	–	–	(38,782)	4,794,773	4,787,576	1,250,154	6,037,730
Acquisition of a subsidiary	–	–	–	–	–	–	–	–	–	–	–	2,399	2,399
Disposal of a subsidiary	–	–	–	–	–	–	–	–	–	–	–	5,751	5,751
Acquisition of non-controlling interests (Note v)	–	6,235	–	–	–	–	–	–	–	(556)	5,679	(82,740)	(77,061)
Capital contribution from non-controlling shareholders	–	687	–	–	–	–	–	–	–	–	687	89,747	90,434
Dividends declared to non-controlling shareholders of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	(604,919)	(604,919)
Dividends distributed	–	–	–	–	–	–	–	–	–	(4,093,314)	(4,093,314)	–	(4,093,314)
Appropriation of special reserves	–	–	–	–	–	–	151,924	–	–	–	151,924	5,913	157,837
Utilisation of special reserves	–	–	–	–	–	–	(151,924)	–	–	–	(151,924)	(5,913)	(157,837)
Others	–	2,239	–	–	–	–	–	–	–	–	2,239	421	2,660
At 30 June 2016	27,288,758	29,969,270	(178,206)	–	(524,230)	1,801,679	49,957	339,689	(155,848)	39,012,114	97,603,183	17,335,070	114,938,253

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE 2016

	Attributable to owners of the Company											Total equity RMB'000	
	Share capital RMB'000	Capital reserve RMB'000	Available-for-sale investments revaluation reserve RMB'000	Share options reserve RMB'000	Retirement benefit obligations re-measurement reserve RMB'000	Statutory surplus reserve RMB'000 (Note i)	Special reserve RMB'000 (Note ii)	General risk reserve RMB'000 (Note iii)	Translation reserve RMB'000	Retained earnings RMB'000 (Note iv)	Total RMB'000		Non-controlling interests RMB'000
At 31 December 2014	13,803,000	9,914,064	163,751	47,584	28,490	1,123,312	–	136,668	(64,015)	15,357,677	40,510,531	11,011,198	51,521,729
Add: effect of business combination under common control	–	33,888,861	(6,326)	–	(525,148)	–	49,967	38,039	(24,627)	15,342,525	48,763,281	1,817,307	50,580,588
At 1 January 2015 (restated)	13,803,000	43,802,925	157,425	47,584	(496,658)	1,123,312	49,967	174,707	(88,642)	30,700,202	89,273,812	12,828,506	102,102,317
Profit for the period	–	–	–	–	–	–	–	–	–	4,698,880	4,698,880	975,956	5,674,836
Other comprehensive income for the period	–	–	–	–	–	–	–	–	–	–	–	–	–
Change in fair value of available-for-sale investments, net of tax	–	–	139,236	–	–	–	–	–	–	–	139,236	308	139,544
Exchange differences arising on translation of foreign operations	–	–	–	–	–	–	–	–	(53,253)	–	(53,253)	(111,176)	(164,429)
Total comprehensive income for the period	–	–	139,236	–	–	–	–	–	(53,253)	4,698,880	4,784,863	865,088	5,649,951
Issuance of shares for 2015 Business Combination under common control	13,485,758	(13,485,758)	–	–	–	–	–	–	–	–	–	–	–
Acquisition of a subsidiary	–	–	–	–	–	–	–	–	–	–	–	1,425,518	1,425,518
Acquisition of additional interest in subsidiaries	–	(12,803)	–	–	–	–	–	–	–	–	(12,803)	(94,103)	(106,906)
Capital contribution from non-controlling shareholders	–	–	–	–	–	–	–	–	–	–	–	165,787	165,787
Dividends declared to non-controlling shareholders of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	(275,093)	(275,093)
Recognition of equity-settled share based payments	–	–	–	(47,584)	–	–	–	–	–	–	(47,584)	–	(47,584)
Appropriation of reserve	–	–	–	–	–	–	–	54,996	–	(54,996)	–	–	–
Appropriation of special reserves	–	–	–	–	–	–	125,401	–	–	–	125,401	2,847	128,248
Utilisation of special reserves	–	–	–	–	–	–	(125,401)	–	–	–	(125,401)	(2,847)	(128,248)
Others	–	4,209	–	–	–	–	–	–	–	–	4,209	791	5,000
At 30 June 2015	27,288,758	30,308,573	296,661	–	(496,658)	1,123,312	49,967	229,703	(141,895)	35,344,086	94,002,497	14,916,493	108,918,990

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2016

- Note i: According to relevant laws and regulations of the People's Republic of China ("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 reached 50 percent of the registered capital of that entity. The reserve appropriated can only make up losses or use to increase the registered capital of that entity and is not distributable.
- Note ii: 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 iii: According to the relevant provisions of the Ministry of Finance, CSR Finance Co., Ltd. and CNR Finance Co., Ltd. ("Finance Companies"), subsidiaries of the Company, are 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 30 June 2016. According to the resolution of board of directors, Finance Companies made no provision for general risk reserve (six months ended 30 June 2015: RMB54,996,000).
- Note iv: It included statutory surplus reserve provided by subsidiaries amounting to RMB7,322,071,000 (six months ended 30 June 2015: RMB5,163,870,000) as at 30 June 2016.
- Note v: In the current interim period, CRRC Nanjing Puzhen Co., Ltd. ("CRRC NP"), a wholly owned subsidiary of the Company, obtained 20% equity interest of Nanjing Puzhen Haitai Braking Equipment Co., Ltd, a subsidiary of the Group, at a cash consideration of RMB77,061,000, which caused an increase of RMB6,235,000 in capital reserve and a decrease of RMB83,296,000 in non-controlling interests. In the current interim period, both CRRC Zhuzhou Institute Co., Ltd ("CRRC ZI"), a wholly owned subsidiary of the Company, and the non-controlling shareholders of CRRC Hunan Times Electromobile Co., Ltd ("HTE"), a subsidiary of the Group, made a capital contribution to HTE not on the original proportion of equity interest and resulted in increasing CRRC ZI's equity interest of HTE by 1.3%, which caused a decrease of RMB556,000 in retained earnings and an increase of RMB556,000 in non-controlling interests.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2016

	Six months ended 30 June	
	2016 RMB'000	2015 RMB'000
Net cash used in operating activities	(8,118,373)	(10,780,214)
Net cash (used in)/generated from investing activities	(9,855,186)	2,274,373
Net cash generated from/(used in) financing activities	13,604,525	(1,441,329)
Net (decrease) in cash and cash equivalents	(4,369,034)	(9,947,170)
Cash and cash equivalents at 1 January	29,944,221	37,034,186
Effect of foreign exchange rate changes	182,559	(46,194)
Cash and cash equivalents at 30 June, represented by Bank balances and cash	25,757,746	27,040,822

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2016

1. GENERAL AND BASIS OF PREPARATION

CRRC Corporation Limited (formerly known as CSR Corporation Limited (“CSR”)) (“CRRC” or “the Company”) was incorporated in the PRC on 28 December 2007 as a joint stock company with limited liability under the Company Law of the PRC. CRRC’s A shares were listed on the Shanghai Stock Exchange (the “SSE”) on 18 August 2008 and the CRRC’s H shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “HKSE”) on 21 August 2008. In 2012, the CRRC completed the non-public offering and the total number of shares became 13,803,000,000 after the offering. In 2015, the CSR merged China CNR Corporation Limited (“CNR”) by adoption 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 “2015 Business Combination”). The details of the A shares and H shares’ issuance are set out in Note 24.

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, manufacturing, 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.

The condensed consolidated financial statements of the Group have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the HKSE and with International Accounting Standard 34, Interim Financial Reporting (the “IAS 34”).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2016

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values, as appropriate.

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2016 are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2015.

In the current interim period, the Group has applied, for the first time, the following new interpretation and amendments ("new and revised IFRSs") issued by the International Accounting Standards Board ("IASB") that are relevant for the preparation of the Group's condensed consolidated financial statements:

IFRS14	Regulatory deferral accounts
Amendments to IFRS 11	Accounting for Acquisitions of Interests in Joint Operations
Amendments to IAS 1	Disclosure Initiative
Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to IAS 16 and IAS 41	Agriculture: Bearer Plants
Amendments to IAS 27	Equity method in separate financial statements
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
Amendments to IFRSs	Annual Improvements to IFRSs 2012-2014 Cycle

The application of the above new and revised IFRSs in the current interim period has no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

In addition, the Group issued convertible bonds with a principal amount of US\$600,000,000 (see Note 25) in the current interim period. The accounting policy is set out as below:

Convertible bonds issued by the Group that contain both liability and multiple embedded derivatives (including conversion option that will be settled other than by the exchange of fixed amount of cash or another financial instrument for a fixed number of the Company's own equity instruments and redemption options) are classified separately into respective items on initial recognition in accordance with the substance of the contractual arrangements and the definitions of a financial liabilities and an equity instrument. Multiple embedded derivatives are generally treated as a single compound derivative. At the date of issue, both the liability and the compound derivative components are recognised at fair value.

In subsequent periods, the liability component of the convertible bonds is carried at amortised cost using the effective interest method. The compound 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 liability and compound derivative components in proportion to their relative fair values. Transaction costs relating to the compound derivative component is charged to profit or loss immediately. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible bonds using the effective interest method.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2016

3. SEGMENT INFORMATION

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial statements provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2016

4. 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 is as follows:

	Six months ended 30 June	
	2016 RMB'000	2015 RMB'000
Revenue		
Sales of goods and services	92,210,752	91,479,704
Interest income arising from Finance Companies	109,446	323,542
Fee and commission income	939	13,048
	92,321,137	91,816,294
Other income		
Government grants	449,237	243,148
Interest income from banks	154,169	271,399
Value-added tax refunds	206,446	49,985
Income from sundry operations	120,868	20,535
Rental of properties	11,583	123,785
Dividend income	39,349	5,814
Interest from available-for-sale investments	49,110	—
Technical service income	80,781	41,265
	1,111,543	755,931
Other gains and losses		
(Loss) gain on fair value change of derivative financial instrument	(790)	680
Loss on disposal of property, plant and equipment	(5,298)	(5,164)
Gain on disposal of lease prepayments	—	4,406
Gain on disposal of other intangible assets	11	—
Gain on disposal of available-for-sale investments	2,391	188,277
Net foreign exchange gain	21,524	145,913
Gain (loss) on disposal of a subsidiary (Note 27)	11,212	(7,702)
Gain on adjustment of fair value of previously held interest	—	55,108
Others	52,904	19,444
	81,954	400,962
	1,193,497	1,156,893

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2016

5. OTHER EXPENSES

	Six months ended 30 June	
	2016 RMB'000	2015 RMB'000
Included in other expenses, net:		
Impairment of trade receivables	511,205	408,610
Impairment of available-for-sale investments	222,579	—
Impairment (reversal) of prepayments, deposits and other receivables	89,152	(64,676)
Impairment of other non-current assets	7,167	2,246
Relocation expense	5,201	—
Provision of onerous contracts	3,199	—
Impairment of property, plant and equipment	—	32,337
Reversal of loans and advances to customers	(1,414)	—
	837,089	378,517

6. FINANCE COSTS

An analysis of finance costs is as follows:

	Six months ended 30 June	
	2016 RMB'000	2015 RMB'000
Interest expenses on borrowings	587,995	668,437
Interest expenses on convertible bonds (Note 25)	35,302	—
Interest expenses on bills discounted	31,211	18,876
Interest expenses recognised in respect of defined benefit obligations	55,272	—
Transaction cost for convertible bonds	3,550	—
Interest expenses on finance lease	3,990	7,576
Less: Interest expenses capitalised in construction in progress	(108,702)	(110,105)
Total	608,618	584,784

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2016

7. PROFIT BEFORE TAXATION

Profit before taxation has been arrived at after charging:

	Six months ended 30 June	
	2016 RMB'000	2015 RMB'000
Cost of inventories sold (Note)	71,644,437	72,309,769
Depreciation of items of property, plant and equipment	2,464,711	2,385,531
Depreciation of investment properties	13,949	1,539
Depreciation of other non-current assets	28,990	21,194
Amortisation of prepaid lease prepayments	171,035	169,724
Amortisation of other intangible assets	400,318	237,614
Provision for warranties	1,488,030	1,414,213
Minimum lease payments under operating leases:		
Plant and machinery	252,251	215,709
Land and buildings	87,446	104,909
Research and development costs	4,012,378	3,771,514
Less: amount capitalised	(1,207)	(73,530)
	4,011,171	3,697,984

Note: Provision against obsolete inventories amounted to RMB248,776,000 (six months ended 30 June 2015: RMB153,223,000) in the interim period and was included in "Cost of sales" on the condensed consolidated statement of profit or loss and other comprehensive income.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2016

8. INCOME TAX EXPENSE

The major components of income tax expense included in profit or loss are:

	Six months ended 30 June	
	2016 RMB'000	2015 RMB'000
Current tax charge comprises		
PRC enterprise income tax	1,763,148	1,407,109
Hong Kong Profits Tax	6,709	64,427
Other jurisdictions	17,105	9,990
	1,786,962	1,481,526
Under provision in previous year		
PRC enterprise income tax	20,368	—
Deferred tax credit	(324,382)	(152,274)
	1,482,948	1,329,252

Pursuant to the relevant laws and regulations in the PRC, the statutory enterprise income tax rate of 25% is applied to the Group, except for certain subsidiaries which were either exempted from tax or entitled to different preferential tax rates during the years. Certain subsidiaries of the Company are entitled to the preferential tax rate of 15% (six months ended 30 June 2015: 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% (six months ended 30 June 2015: 16.5%) on the estimated assessable profits arising in Hong Kong for the period.

Taxation arising in the jurisdictions other than the PRC and Hong Kong is calculated at rates prevailing in the relevant jurisdictions.

9. DIVIDENDS

Dividends recognised as distribution in the interim period:

	Six months ended 30 June	
	2016 RMB'000	2015 RMB'000
Dividend paid:		
RMB0.15 per share by the Company	4,093,314	—

The 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 2016. The directors of the Company do not recommend the payment of an interim dividend for the six months ended 30 June 2016 (six months ended 30 June 2015: Nil).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2016

10. 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:

	Six months ended 30 June	
	2016 RMB'000	2015 RMB'000
Earnings		
Earnings for the purpose of basic earnings per share (profit for the period attributable to owners of the Company)	4,794,773	4,698,880
Effect of effective interest on the liability component of convertible bonds (Note 25)	26,477	—
Effect of gain recognised on the embedded derivative financial instrument component of convertible bonds (Note 25)	(2,614)	—
Effect of exchange adjustments recognised on the convertible bonds (Note 25)	44,762	—
Earnings for the purpose of diluted earnings per share	4,863,398	4,698,880

	Six months ended 30 June	
	2016 '000 shares	2015 '000 shares
Weighted average number of shares		
Number of ordinary shares		
For the purpose of basic earnings per share	27,288,758	27,288,758
Effect of conversion of convertible bonds	391,344	—
Weighted average number of ordinary shares for the purpose of diluted earnings per share	27,680,102	27,288,758

The weighted average number of shares for the purpose of basic and diluted earnings per share for the six months ended 30 June 2015 has taken into account the issue of 13,485,758,333 new shares in exchange of the entire equity interest in CNR arising from the 2015 Business Combination.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2016

11. PROPERTY, PLANT AND EQUIPMENT

In the current interim period, the Group acquired property, plant and equipment of RMB380,134,000, including RMB230,000 through acquisition of a subsidiary (six months ended 30 June 2015: RMB1,583,476,000, including RMB1,011,197,000 through acquisition of Subsidiaries).

In addition, the Group incurred costs for construction in progress of RMB3,330,545,000 (six months ended 30 June 2015: RMB2,426,585,000).

In the current interim period, the Group disposed of property, plant and equipment with a net book value of RMB113,433,000 (six months ended 30 June 2015: RMB135,791,000) which resulted in a net loss on disposal of RMB5,298,000 (six months ended 30 June 2015: net loss on disposal of RMB5,164,000).

The amount of borrowing costs capitalised in the six months ended 30 June 2016 was RMB108,702,000 (six months ended 30 June 2015: RMB107,630,000). The weighted average rate used to determine the amount of borrowing costs eligible for capitalisation was 1.08%-6.88% (six months ended 30 June 2015: 4.27%-7.00%).

Property, plant and equipment with an aggregate carrying amount of RMB44,587,000 (31 December 2015: RMB50,958,000) are pledged for acquiring bank borrowings.

The Group is in the process of applying for the title certificates for certain of its buildings with an aggregate carrying amount of RMB6,958,963,000 (31 December 2015: RMB7,054,874,000) at 30 June 2016. The directors of the Company are of the opinion that the Group is entitled to lawfully and validly occupy or use these buildings.

12. PREPAID LEASE PAYMENTS

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 RMB8,855,000 (31 December 2015: RMB8,260,000) are located in the Malaysia. Land use rights with carrying amount of RMB362,985,000 (31 December 2015: RMB361,071,000) located in the PRC which the Group is in the process of obtaining the land use right certificates. The directors of the Company are of the opinion that the Group is entitled to lawfully and validly occupy or use these leasehold lands.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2016

13. INTERESTS IN ASSOCIATES

	30 June 2016 RMB'000	31 December 2015 RMB'000
Cost of investments, unlisted	6,223,603	1,645,799
Share of post-acquisition profit and other comprehensive income, net of dividends received	441,696	329,442
Carrying amount	6,665,299	1,975,241

All of the Group's associates are accounted for using the equity method in these condensed consolidated financial statements.

Particulars of the principal associate of the Group at 30 June 2016 are as follow:

Company name	Date of establishments	Place of operation	Fully paid up registered capital	Proportion of ownership interest and voting rights held		Principal activities
				30 June 2016	31 December 2015	
China United Insurance Holding Corporation ("China United Insurance") 中華聯合保險控股股份有限公司	5 June 2006	PRC	RMB15,310,000,000	13.0633% (Note)	—	Insurance

The English name of the above company represents direct translation of the Chinese name of the company as no English name has been registered.

Note:

The Group is able to exercise significant influence over China United Insurance because it has the power to appoint one of the nine directors of that company under the Articles of Association of that company and participate in the operating policy-making process including the dividend distribution policy.

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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2016

13. INTERESTS IN ASSOCIATES *(continued)*

Summarised financial information of material associate

China United Insurance

	30 June 2016 RMB'000
Total assets	62,289,893
Total liabilities	48,245,285
	Period from date of purchase to 30 June 2016 RMB'000
Revenue	13,263,961
Profit for the period from date of purchase to 30 June 2016	1,284,392
Other comprehensive income for the period from date of purchase to 30 June 2016	259,529
Total comprehensive income for the period from date of purchase to 30 June 2016	1,543,921
Dividends received from the associate in the period from date of purchase to 30 June 2016	—

Reconciliation of the above summarised financial information to the carrying amount of the interest in the associate recognised in the consolidated financial statements:

	30 June 2016 RMB'000
Net assets of China United Insurance	1,735,179
Adjustments	
Goodwill	2,982,365
Carrying amount of the Group's interest in China United Insurance	4,717,544

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2016

13. INTERESTS IN ASSOCIATES *(continued)*

Aggregate information of associates that are not individually material:

	Six months ended 30 June	
	2016 RMB'000	2015 RMB'000
The Group's share of profit and total comprehensive income for the current interim period	67,154	71,890
	30 June 2016 RMB'000	31 December 2015 RMB'000
Aggregate carrying amount of the Group's interests in these associates	1,947,755	1,975,241

14. OTHER NON-CURRENT ASSETS

	30 June 2016 RMB'000	31 December 2015 RMB'000
Deposits for acquisition of land use rights	1,629,790	1,559,853
Prepayments for other intangible assets	143,232	128,748
Long-term prepaid expenses	169,311	170,908
Deposits for acquisition of property, plant and equipment	1,013,803	1,113,099
Build-Transfer project	344,692	405,978
Long-term receivables	10,749,461	10,623,522
Guaranteed notes	197,459	—
Others	149,537	161,755
	14,397,285	14,163,863

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2016

15. INVENTORIES

	30 June 2016 RMB'000	31 December 2015 RMB'000
Cost, net of provision		
Raw materials	22,088,710	20,362,718
Work in progress	32,859,335	26,077,124
Finished goods	15,123,029	13,306,727
	70,071,074	59,746,569

16. TRADE RECEIVABLES

	30 June 2016 RMB'000	31 December 2015 RMB'000
Trade receivables	84,455,053	76,858,677
Less: allowance for doubtful debts	(4,845,479)	(4,344,279)
	79,609,574	72,514,398

An aged analysis of the trade receivables as at the condensed consolidated statement of financial position date based on the revenue recognition date and net of provision for impairment of receivables, is as follows:

	30 June 2016 RMB'000	31 December 2015 RMB'000
Within 6 months	51,178,104	55,938,509
6 months to 1 year	17,947,490	7,131,606
Over 1 year	10,483,980	9,444,283
	79,609,574	72,514,398

The amounts due from the related parties of the Group are included in Note 29.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2016

17. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	30 June 2016 RMB'000	31 December 2015 RMB'000
Prepayments	11,053,386	9,533,803
Deposits and other receivables	11,331,906	9,971,914
Less: allowance for doubtful debts	(808,878)	(718,263)
	21,576,414	18,787,454

An analysis of prepayments, deposits and other receivables is as follows:

	30 June 2016 RMB'000	31 December 2015 RMB'000
Prepayments	10,643,786	9,194,629
Other receivables	3,819,047	2,870,805
Dividends receivable	93,259	7,363
Interest receivables	22,125	7,791
Long-term receivables - due within one year	4,199,996	4,410,793
Value added tax recoverables	2,224,311	2,164,366
Others	573,890	131,707
	21,576,414	18,787,454

The amounts due from the related parties included in the prepayments, deposits and other receivables are disclosed in Note 29.

18. AMOUNTS DUE FROM CUSTOMERS FOR CONTRACT WORK

	30 June 2016 RMB'000	31 December 2015 RMB'000
Contract costs incurred plus recognised profits less recognised losses in connection with construction contracts in progress	695,029	912,732
Less: progress billings	(686,818)	(873,100)
Gross amounts due from customers for contract work	8,211	39,632

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2016

19. CASH AND BANK BALANCES AND PLEDGED BANK DEPOSITS

Cash and cash equivalents are comprised of the following:

	30 June 2016 RMB'000	31 December 2015 RMB'000
Cash and bank balances	35,303,530	39,368,687
Less: Pledged bank deposits	(3,823,874)	(4,613,695)
Cash and bank balances in the condensed consolidated statement of financial position	31,479,656	34,754,992
Less: Non-pledged time deposits with original maturity of three months or more when acquired	(5,721,910)	(4,810,771)
Cash and cash equivalents in the condensed consolidated statement of cash flows	25,757,746	29,944,221

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 balances represented 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.

20. TRADE PAYABLES

An aged analysis of trade payables as at the condensed consolidated statement of financial position date, based on the invoice date, is as follows:

	30 June 2016 RMB'000	31 December 2015 RMB'000
Within 6 months	79,666,919	61,039,748
6 months to 1 year	8,710,434	18,056,462
Over 1 year	4,495,320	4,082,896
	92,872,673	83,179,106

The amounts due to the related parties of the Group included in trade payables are disclosed in Note 29.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2016

21. BILLS PAYABLE

The maturity profile of the bills payable of the Group at the end of the reporting period is as follows:

	30 June 2016 RMB'000	31 December 2015 RMB'000
Within 6 months	13,656,886	22,230,845
6 months to 1 year	1,762,837	559,237
	15,419,723	22,790,082

The amounts due to the related parties of the Group included in bills payable are disclosed in Note 29.

22. OTHER PAYABLES AND ACCRUALS

	30 June 2016 RMB'000	31 December 2015 RMB'000
Other payables	8,089,450	6,996,246
Advances from customers	26,575,625	29,693,134
Accruals	7,959,268	4,555,597
	42,624,343	41,244,977

The amounts due to the related parties included in other payables, advances from customers and accruals are disclosed in Note 29.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2016

23. BORROWINGS

	30 June 2016			31 December 2015		
	Effective interest rate per annum (%)	Maturity	RMB'000	Effective interest rate per annum (%)	Maturity	RMB'000 (restated)
Current						
Bank loans						
– Secured	1.19-8.51	2016-2017	4,351,285	1.19-5.91	2016	3,593,162
– Unsecured	0.70-6.03	2016-2017	11,335,465	0.85-6.56	2016	3,718,631
Short-term bonds						
– Unsecured	2.78-2.80	2016	6,000,000	3.03-3.34	2016	6,000,000
Other loans						
– Secured	10.00	2017	8,000	10.00	2016	8,000
– Unsecured	1.83-6.00	2016-2017	2,579,000	6.00	2016	45,720
Current portion of long-term bank loans						
	Interest			Interest		
– Secured	free-6.22	2016-2017	15,435	free-6.22	2016	24,420
– Unsecured	2.65-6.17	2016-2017	2,007,000	2.90-6.17	2016	1,864,350
Current portion of long term bond						
– Unsecured	5.50-6.20	2017	2,697,386	–	–	–
Current portion of other loans						
– Secured	3.20	2016	5,000	3.20-4.92	2016	5,300
			28,998,571			15,259,583
Non-current						
Bank loans						
– Secured	0.20-5.20	2017-2039	2,801,421	0.02-5.20	2019-2039	2,653,404
– Unsecured	1.08-5.09	2017-2035	3,849,685	1.08-6.17	2017-2035	3,980,285
Long-term bonds						
– Unsecured	4.70-5.75	2018-2023	4,989,156	4.70-6.20	2017-2023	7,682,564
			11,640,262			14,316,253
			40,638,833			29,575,836

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2016

24. SHARE CAPITAL

	Number of shares	Amount
	'000 shares	RMB'000
Registered capital at 31 December 2015 and 30 June 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
Issued and fully paid		
At 1 January 2015		
– A shares of RMB1.00 each	11,779,000	11,779,000
– H shares of RMB1.00 each	2,024,000	2,024,000
	13,803,000	13,803,000
Issue of H shares on the Main Board of the HKSE on 26 May 2015	2,347,066	2,347,066
Issue of A shares on the SSE on 28 May 2015	11,138,692	11,138,692
	27,288,758	27,288,758
At 31 December 2015 and 30 June 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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2016

25. CONVERTIBLE BONDS

On 5 February 2016, the Company issued a zero coupon Convertible Bond due 2021 in the aggregate principal amount of US\$600,000,000 (the “Convertible Bonds”). The Convertible Bonds are listed on HKSE.

The principal terms of the Convertible Bonds are as follows:

(a) Option conversion

The 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 Convertible Bonds agreement.

As disclosed in Note 9, 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 Convertible Bonds agreement, the Conversion Price per share was adjusted from HK\$9.65 to HK\$9.50 effective from 28 June 2016.

(b) Redemption

- Redemption at maturity

Unless previously redeemed, converted or purchased and cancelled as provided herein, the Company will redeem each 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 Convertible Bonds in whole but not some only at 100 percent of their outstanding principal amount as at the relevant redemption date:

- 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;
- if at any time the aggregate principal amount of the Convertible Bonds outstanding is less than 10 percent of the aggregate principal amount originally issued.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2016

25. CONVERTIBLE BONDS *(continued)*

(b) Redemption *(continued)*

- 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.

The Convertible Bonds comprised of two components:

- (i) Liability component is 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) Compound derivative component comprise:
 - Conversion option of the Bondholders;
 - Redemption option of the Company;
 - Redemption option of Bondholders.

Transaction costs that relate to the issue of the Convertible Bonds are allocated to the liability and the compound 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 compound 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 liability component are included in the carrying amount of the liability portion and amortised over the period of the Convertible Bonds using the effective interest method.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2016

25. CONVERTIBLE BONDS *(continued)*

(b) Redemption *(continued)*

The compound derivative component was valued at fair value by the directors with reference to valuation carried out by an independent valuation firm. The fair value of embedded derivative financial instrument component is calculated using Binominal Option Pricing Model. The major inputs used in the models as at 5 February 2016 and 30 June 2016 were as follows:

	5 February 2016	30 June 2016
Stock price	HK\$6.91	HK\$6.91
Exercise price	HK\$9.65	HK\$9.50
Risk-free rate	1.624%	1.022%
Volatility	43.16%	43.96%

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 compound derivative component.

The movement of the liability and compound derivative component of the Convertible Bonds for the period is set out below:

	Liability component RMB'000	Compound financial 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 30 June 2016 (Note 6)	35,302	—	35,302
Exchange adjustments during the period			
from 5 February 2016 to 30 June 2016	53,126	6,556	59,682
Changes in fair value during the period			
from 5 February 2016 to 30 June 2016	—	(3,485)	(3,485)
As at 30 June 2016	<u>3,547,728</u>	<u>433,866</u>	<u>3,981,594</u>

No conversion or redemption of the Convertible Bonds has occurred up to 30 June 2016.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2016

26. BUSINESS COMBINATION

26.1 Acquisition during the six months ended in 30 June 2016

(1) CLM

As at 30 April 2016, CRRC KUALA LUMPUR MAINTENANCE SDN BHD (“CKM”), the subsidiary of CRRC Zhuzhou Electric Locomotive Co., Ltd., 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)
	<hr/>
	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)
	<hr/>
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 CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2016

26. BUSINESS COMBINATION *(continued)*

26.1 Acquisition during the six months ended in 30 June 2016 *(continued)*

(1) CLM *(continued)*

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 subsidiaries	<u>2,411</u>

Included in the profit for the six months ended 30 June 2016 was a loss of RMB53,000 attributable to CLM. Revenue for the six months ended 30 June 2016 included RMB10,530,000 attributable to CLM.

Had the acquisition of CLM been completed on 1 January 2016, total group revenue and profit for the six months ended 30 June 2016 would have been approximately RMB92,329,365,000 and RMB6,077,369,000, 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 CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2016

26. BUSINESS COMBINATION *(continued)*

26.2 Acquisitions during the six months ended 30 June 2015

(1) Bombardier Qingdao

As at 1 January 2015, CRRC Sifang Co., Ltd. ("Sifang Co") obtained control of Bombardier Sifang (Qingdao) Transportation Ltd. ("Bombardier Qingdao") pursuant to the amendments to the Articles of association of Bombardier Qingdao. Bombardier Qingdao was previously a joint venture of Sifang Co.

The fair value of recognised net assets has been evaluated by Beijing Huaxinzhonghe Assets Appraisal Co., Ltd.

	Fair value
	RMB'000
Net assets acquired:	
Property, plant and equipment	981,939
Prepaid lease payments	221,068
Other intangible assets	939,122
Deferred tax assets	247,739
Inventories	5,107,110
Trade receivables	1,049,414
Bill receivables	220,944
Prepayments, deposits and other receivables	1,600,693
Cash and bank balances	587,330
Non-pledged time deposits with original maturity of three months or more	1,407,959
Trade payables	(1,055,508)
Bills payable	(290,168)
Other payables and accruals	(6,851,303)
Tax payable	(5,669)
Provision for warranties	(677,686)
Deferred tax liabilities	(46,649)
Other non-current liabilities	(585,299)
	<hr/>
	2,851,036
Consideration transferred	—
Plus: Non-controlling interests (50%)	1,425,518
Fair value of previously held interest	1,425,518
Less: net assets acquired	(2,851,036)
	<hr/>
Goodwill arising on acquisition	—
	<hr/>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2016

26. BUSINESS COMBINATION *(continued)*

26.2 Acquisitions during the six months ended 30 June 2015 *(continued)*

(1) Bombardier Qingdao *(continued)*

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	(587,330)
Net inflow of cash and bank balances included in cash flows from the acquisition of subsidiaries	587,330

Included in the profit for the year ended 31 December 2015 was a profit of RMB691,781,000 attributable to Bombardier Qingdao. Revenue for the year ended 31 December 2015 included RMB11,412,603,000 attributable to Bombardier Qingdao.

(2) SMD Group

On 5 February 2015, the Company's subsidiary, Zhuzhou CRRC Times Electric Co., Ltd. ("ZTE") entered into an agreement with shareholders of Specialist Machine Developments (SMD) Limited ("SMD Limited") and its subsidiary, Specialist Machine Developments (Investment) Limited ("SMD Investment"). According to the agreement, ZTE would acquire 100% equity interest of SMD Limited, as well as 100% equity interest of Bywell Holdings Limited and its subsidiaries via SMD Investment ("SMD Group"), at a cash consideration of GBP118,736,000 (equivalent to approximately RMB1,085,220,000). ZTE obtained control of SMD Group on 9 April 2015 and the transaction was accounted for using the acquisition method.

Pursuant to the purchase agreement, if SMD Group's performance for the first financial year (2015) and the second financial year (2016) after the acquisition date meets certain performance targets stipulated by the purchase agreement, the Group shall pay contingent consideration up to GBP10,100,000 (equivalent to approximately RMB92,312,000) by using the retention amount of escrow account paid on the acquisition date. Furthermore, if SMD Group's performance for the first financial year (2015) and the second financial year (2016) after the acquisition date meets certain more stringent performance targets stipulated by the purchase agreement, the Group shall pay certain additional contingent consideration up to GBP7,000,000 (equivalent to approximately RMB63,979,000). On the acquisition date, the fair value of contingent consideration amounted to GBP1,456,000 (equivalent to approximately RMB13,308,000).

SMD Group, incorporated in England and Wales, is engaged in designing and manufacturing the remotely operated vehicles, trenching and mining machinery operating in deep sea or other hazardous environments.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2016

26. BUSINESS COMBINATION *(continued)*

26.2 Acquisitions during the six months ended 30 June 2015 *(continued)*

(2) SMD Group *(continued)*

The fair value of recognised net assets has been evaluated by the KPMG Advisory (China) Ltd.

	Fair value RMB'000
Net assets acquired:	
Property, plant and equipment	58,577
Other intangible assets	439,624
Deferred tax assets	583
Interests in joint ventures	2,497
Inventories	212,281
Trade receivables	115,694
Prepayments, deposits and other receivables	21,819
Cash and bank balances	10,413
Trade payables	(170,639)
Other payables and accruals	(26,786)
Tax payable	(4,448)
Provision for warranties	(7,243)
Deferred tax liabilities	(89,716)
	<u>562,656</u>
Consideration acquired	1,098,528
Plus: non-controlling interests	—
Less: net assets acquired	<u>(562,656)</u>
Goodwill arising on acquisition	<u>535,872</u>
Consideration acquired:	
Cash and cash equivalents	1,085,220
Fair value of contingent consideration	13,308
	<u>1,098,528</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2016

26. BUSINESS COMBINATION *(continued)*

26.2 Acquisitions during the six months ended 30 June 2015 *(continued)*

(2) SMD Group *(continued)*

Acquisition-related costs relating to the above acquisition are RMB8,230,000 and have been excluded from the cost of acquisitions and recognised directly in profit or loss.

The trade receivables acquired with a fair value of RMB115,694,000 at the date of acquisition had gross contractual amounts of RMB115,694,000. 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	1,085,220
Less: Cash and bank balances acquired	(10,413)
	<hr/>
Net outflow of cash and bank balances included in cash flows from the acquisition of subsidiaries	1,074,807
	<hr/>

Included in the profit for the year ended 31 December 2015 was a profit of RMB471,000 attributable to SMD Group. Revenue for the year ended 31 December 2015 includes RMB210,677,000 attributable to SMD Group.

Had the acquisition of SMD Group been completed on 1 January 2015, total group revenue and profit for the year ended 31 December 2015 would have been approximately RMB237,920,864,000 and RMB14,032,021,000, 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 acquisitions been completed on 1 January 2015, nor is it intended to be a projection of future results.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2016

27. DISPOSAL OF A SUBSIDIARY

27.1 Disposal of a subsidiary during the six months ended 30 June 2016

On 25 April 2016, CRRC NP disposed all of its 60% equity interest and creditor's rights RMB23,414,818 of a holding subsidiary, Nanjing Tianma Bearing Co, Ltd at a cash consideration of RMB26,000,000.

	RMB'000
	<hr/>
Consideration received in cash and cash equivalents	26,000
	<hr/>

An analysis of assets and liabilities over which control was lost:

	RMB'000
	<hr/>
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)
	<hr/>
	(14,378)
	<hr/>

Loss on disposal of a subsidiary

	RMB'000
	<hr/>
Consideration received	26,000
Creditor's rights (trade receivables)	(23,415)
Net assets disposed of	14,378
Non-controlling interests (40%)	(5,751)
	<hr/>
Gain on disposal	11,212
	<hr/>

Net cash inflow on disposal of a subsidiary

	RMB'000
	<hr/>
Consideration received in cash and cash equivalents	26,000
Less: cash and bank balances disposed of	(1,520)
	<hr/>
	24,480
	<hr/>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2016

27. DISPOSAL OF A SUBSIDIARY *(continued)*

27.2 Disposal of a subsidiary during the six months ended 30 June 2015

On 28 February 2015, Sifang Co disposed of its 81% equity interest of a wholly-owned subsidiary, Qingdao Sifang Casting-forging Co., Ltd. at a cash consideration of RMB43,627,000.

	RMB'000
Consideration received in cash and cash equivalents	43,627

An analysis of assets and liabilities over which control was lost:

	RMB'000
Net assets disposed of	
Property, plant and equipment	127,240
Prepaid lease payments	6,504
Other non-current assets	3,371
Prepayments, deposits and other receivables	4,482
Inventories	32,166
Cash and bank balances	2,727
Trade payables	(4,918)
Other payables and accruals	(108,202)
	63,370

Loss on disposal of a subsidiary

	RMB'000
Consideration received	43,627
Net assets disposed of	(63,370)
Non-controlling interests (19%)	12,041
	(7,702)

Net cash inflow on disposal of a subsidiary

	RMB'000
Consideration received in cash and cash equivalents	43,627
Less: cash and bank balances disposed of	(2,727)
	40,900

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2016

28. COMMITMENTS AND CONTINGENT LIABILITIES

(a) Capital commitments

The Group had the following capital commitments at the end of the reporting period:

	30 June 2016 RMB'000	31 December 2015 RMB'000
Contracted, but not provided for:		
– Property, plant and equipment and prepaid lease payment	4,483,776	4,737,321
– Other intangible assets	33,861	19,209
	4,517,637	4,756,530

In addition, the Group's share of the joint ventures' or associates' capital commitments, which are not included in the above, is as follows:

	30 June 2016 RMB'000	31 December 2015 RMB'000
Contracted, but not provided for:		
– Property, plant and equipment and prepaid lease payment	—	182

(b) Other commitments

As at 30 June 2016, the Group's commitment for investment in setting up new entities amounted to RMB1,230,000,000 (31 December 2015: RMB819,291,000). And the Group's commitment for additional investment in entities accounted for using the cost method amounted to RMB800,000,000.

(c) Contingent liabilities

As at 30 June 2016 and 31 December 2015, the Group had no significant contingent liabilities.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2016

29. 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 six months ended 30 June 2016 and 2015:

		Six months ended 30 June	
		2016	2015
		RMB'000	RMB'000
(a)	Purchase of materials and components from:		
	– CRRC Group and its subsidiaries, excluding the Group (the “CRRCG Group”)	86,243	135,150
	– Joint ventures	1,412,669	1,767,909
	– Associates	270,839	436,106
		1,769,751	2,339,165
(b)	Sale of goods to:		
	– CRRCG Group	127,627	118,799
	– Joint ventures	630,382	676,637
	– Associates	599,210	258,164
		1,357,219	1,053,600
(c)	Provision of service to:		
	– CRRCG Group	2,098	5,650
	– Joint ventures	121	722
	– Associates	1,627	329
		3,846	6,701
(d)	Service fee:		
	– CRRCG Group	37	4,223
	– Joint ventures	7,966	288
	– Associates	—	1,649
		8,003	6,160

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2016

29. RELATED PARTY TRANSACTIONS *(continued)*

		Six months ended 30 June	
		2016 RMB'000	2015 RMB'000
(e)	Rental of property, plant and equipment from: – CRRCG Group	27,890	32,452
(f)	Rental of property, plant and equipment to: – CRRCG Group – Joint ventures – Associates	857 63 3,237	265 – –
		4,157	265
(g)	Fee and commission income from: – CRRCG Group	1,519	2,815
(h)	Interest income on finance lease from: – An associate	3,846	–
(i)	Interest expense: – CRRCG Group – An associate	48,267 4	64,147 –
		48,271	64,147

(j) Loans from related parties:

	Amount	Start date	Maturity date
Lender			
CRRCG Group	1,170,105	27/06/2016	24/12/2035
CRRCG Group	211,980	29/04/2016	29/04/2017

		Six months ended 30 June	
		2016 RMB'000	2015 RMB'000
(k)	Purchase of property, plant and equipment from: – CRRCG Group	–	4,633
(l)	Guarantees received from: – CRRCG Group	3,260,743	1,452,130

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2016

29. RELATED PARTY TRANSACTIONS *(continued)*

(m) Outstanding balances with related parties

The Group had the following outstanding balances with related parties:

	30 June 2016 RMB'000	31 December 2015 RMB'000
(i) Other non-current assets:		
– CRRCG Group	1,918	2,046
– Joint ventures	2,131	10
– Associates	198,985	–
	203,034	2,056
(ii) Loans and advances to customers:		
– CRRCG Group	50,000	50,000
(iii) Trade receivables:		
– CRRCG Group	287,339	195,915
– Joint ventures	524,098	686,118
– Associates	1,391,201	772,869
	2,202,638	1,654,902
(iv) Bills receivable:		
– CRRCG Group	200	3,200
– Joint ventures	2,910	10,109
– Associates	9,459	54,792
	12,569	68,101
(v) Prepayments, deposits and other receivables:		
– CRRCG Group	9,538	1,288
– Joint ventures	136,531	135,395
– Associates	59,500	26,859
	205,569	163,542
(vi) Trade payables:		
– CRRCG Group	128,516	118,370
– Joint ventures	2,029,569	2,470,132
– Associates	240,820	443,823
	2,398,905	3,032,325

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2016

29. RELATED PARTY TRANSACTIONS *(continued)*

(m) Outstanding balances with related parties *(continued)*

	30 June 2016 RMB'000	31 December 2015 RMB'000
(vii) Bills payable:		
– CRRCG Group	1,095	16,078
– Joint ventures	123,033	769,792
– Associates	42,211	188,133
	166,339	974,003
(viii) Other payables and accruals:		
– CRRCG Group	2,374,920	87,153
– Joint ventures	43,935	1,364
– Associates	60,415	22,174
	2,479,270	110,691
(ix) Borrowings:		
– CRRCG Group	3,086,595	1,704,510
(x) Due to customers:		
– CRRCG Group	775,303	1,861,635
– Associates	22	18
	775,325	1,861,653

(n) Compensation of key management personnel of the Group:

	Six months ended 30 June	
	2016 RMB'000	2015 RMB'000
Short-term employee benefits (equity-settled share option expenses excluded)		
– the Group	4,000	3,951
Post-employment benefits		
– the Group	320	31
Total compensation paid/payable to key management personnel		
– the Group	4,320	4,264

The related expense on share options to key management personnel reversed in six months ended 30 June 2016 was nil (six months ended 30 June 2015: RMB1,079,000).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2016

29. RELATED PARTY TRANSACTIONS *(continued)*

(o) 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 financial statements:

	30 June 2016 RMB'000	31 December 2015 RMB'000
Sale of goods to:		
– CRRCG Group	—	—
– Joint ventures	607,507	790,155
– Associates	430	—
	607,937	790,155
Purchase of materials and components from:		
– CRRCG Group	2,457	3,384
– Joint ventures	495,320	829,785
– Associates	574,663	5,647
	1,072,440	838,816

(p) 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 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 period, 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 RMB48,264,799,000 for the six months ended 30 June 2016 (six months ended 30 June 2015: RMB43,255,069,000).

Management considers that transactions with 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 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 CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2016

30. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

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

The fair values of cash and cash equivalents, pledged deposits, trade and bills receivable, trade and bills payable, financial assets included in prepayments, deposits and other receivables, financial liabilities included in other payables and accruals approximate to their carrying amounts largely due to the short term maturities of these instruments.

The fair values of listed equity investments, forward currency contracts and financial assets at fair value through profit or loss are based on quoted market prices. The fair values of corporate wealth management products with underlying of debt securities are based on discounted cash flow using the rate that reflects the expected yield and the credit risk of the counterparties.

The fair values of interest-bearing bank and other borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments on similar terms, credit risk and remaining maturities. But short-term and long-term bonds are included in interest-bearing bank and other borrowings, and the fair value of the short-term and long-term bonds is estimated using quoted market prices.

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 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.

	30 June 2016		31 December 2015	
	Carrying amount RMB'000	Fair value RMB'000	Carrying amount RMB'000	Fair value RMB'000
Held to maturity - with fixed rate	387,647	395,755	197,928	194,450
Other non current assets - with fixed rate	344,692	329,062	405,978	369,994
Long term receivables - with fixed rate	10,749,461	9,946,592	10,623,522	9,803,993
Borrowings - due after one year				
with fixed rate	2,478,485	2,108,714	2,471,353	2,108,883
Long term bonds	7,686,542	7,764,629	7,682,564	7,829,488
Convertible bonds - liability component	3,547,728	3,644,265	—	—

The fair value of held-to-maturity investment are included in level 2 category and has been determined with reference to quoted prices. The fair values of borrowings, long-term bonds, long-term receivables and other non-current assets are included in level 2 category and have been determined based on a discounted cash flow analysis, with the most significant input being the discount rate that reflects the credit risk of debtors.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2016

30. 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 *(continued)*

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Financial assets and liabilities measured at fair value:

As at 30 June 2016

	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)
	At 30 June 2016 (RMB'000)	At 31 December 2015 (RMB'000)			
Financial assets					
Listed equity security classified as available-for-sale financial assets	2,502,672	2,223,018	Level 1	Quoted market price	N/A
Foreign currency forward contracts classified as financial assets at fair value through profit or loss	3,004	3,424	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.	N/A
Corporate wealth management products classified as financial assets at fair value through profit or loss	1,275,465	—	Level 2	Discounted cash flow. Future cash flows are estimated based on expected return, discounted at a rate that reflects the credit risk of various counterparties.	N/A
Corporate wealth management products classified as available-for-sale financial assets	1,349,395	3,259,000	Level 2	Discounted cash flow. Future cash flows are estimated based on expected return, discounted at a rate that reflects the credit risk of various counterparties.	N/A

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2016

30. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS *(continued)*

Financial assets and liabilities measured at fair value: *(continued)*

	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)
	At 30 June 2016 (RMB'000)	At 31 December 2015 (RMB'000)			
Financial liabilities					
Foreign currency forward contracts classified as financial liabilities at fair value through profit or loss	4,213	359	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.	N/A
Convertible bonds- compound derivative component classified as financial liabilities at FVTPL	433,866	—	Level 3	The fair value of compound derivative component is calculated using Binominal Option Pricing Model.	Discount rate was based on risk free rate. (Note) 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 discount rate would result in an increase in the fair value measurement of the convertible bonds-derivative component and vice versa. A 1% increase in the discount rate holding all other variables constant would increase the carrying amount of the convertible bonds-derivative component by RMB182,000. A 1% decrease in the discount rate holding all other variables constant would decrease the carrying amount of the convertible bonds-derivative component by RMB696,000.

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 RMB7,288,000. A 1% decrease in the volatilities holding all other variables constant would decrease the carrying amount of the convertible bonds-derivative component by RMB7,303,000.

During the six-month ended 30 June 2016 and the year ended 31 December 2015, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3.

31. EVENTS AFTER THE STATEMENT OF FINANCIAL POSITION DATE

(1) Non-public Placement of A shares

On 13 June 2016, the company received “The Approval for the Non-public Placement of A Shares” (Guo Zi Chan Quan [2016] No.465) from State-owned Assets Supervision and Administration Commission which approved the issuance of no more than 1,410,105,755 A shares to specific purchasers at RMB8.66 per share. This issuance also needs to be approved by the China Securities Regulatory Commission (“CSRC”).

(2) The issue of the corporate bonds

The Company intends to issue corporate bonds no more than RMB9 billion (including RMB9 billion) by multi-tranche offering. The matters has been approved by the CSRC.

An increase in the discount rate would result in an increase in the fair value measurement of the convertible bonds-embedded derivative financial instrument component, and vice versa. A 1% increase in the discount rate holding all other variables constant would increase the carrying amount of the convertible bonds-embedded derivative financial instrument component by RMB182,000. A 1% decrease in the discount rate holding all other variables constant would decrease the carrying amount of the convertible bonds- embedded derivative financial instrument component by RMB696,000.

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-embedded derivative financial instrument component, and vice versa. A 1% increase in the volatilities holding all other variables constant would increase the carrying amount of the convertible bonds-embedded derivative financial instrument component by RMB7,288,000. A 1% decrease in the volatilities holding all other variables constant would decrease the carrying amount of the convertible bonds-embedded derivative financial instrument component by RMB7,303,000.

DEFINITION

China United Insurance	China United Insurance Holding Corporation (中華聯合保險控股股份有限公司)
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)
Corporate Governance Code	Corporate Governance Code as set out in Appendix 14 to the Hong Kong Listing Rules
CRRC or Company	CRRC Corporation Limited (中國中車股份有限公司)
CRRCG	CRRC Group (中國中車集團公司)
CSR	former CSR Corporation Limited (中國南車股份有限公司)
CSRC	the China Securities Regulatory Commission
CSRG	former CSR Group (中國南車集團公司)
Hong Kong Listing Rules	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
Stock Exchange	The Stock Exchange of Hong Kong Limited
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
SFO	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
SSE	Shanghai Stock Exchange
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)