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)

2018 ANNUAL RESULTS ANNOUNCEMENT

The board of directors of CRRC Corporation Limited (the "**Company**") is pleased to announce the audited annual results of the Company and its subsidiaries for the year ended 31 December 2018. This announcement, containing the main text of the 2018 annual report of the Company, complies with the relevant requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") in relation to information to accompany preliminary announcements of annual results. The 2018 annual report of the Company and its printed version will be published and delivered to the H shareholders of the Company and available for view on the websites of the Stock Exchange at http://www.hkex.com.hk and of the Company at http://www.crrcgc.cc on or before 30 April 2019.

By order of the Board
CRRC Corporation Limited
Liu Hualong
Chairman

Beijing, the PRC
28 March 2019

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

IMPORTANT

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

2. This report has been considered and approved at the ninth meeting of the second session of the Board of the Company. All Directors attended the Board meeting.

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

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

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

6. The Company has proposed to distribute a cash dividend of RMB0.15 (tax inclusive) per share to all Shareholders based on the total share capital of the Company of 28,698,864,088 shares as at 31 December 2018.

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

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

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RESULTS HIGHLIGHTS

Item	January to December 2018 Amount (RMB'000)	January to December 2017 Amount (RMB'000) (Restated)	Growth rate %
Revenue	**214,521,647**	207,044,257	3.61
Profit after tax	**12,998,507**	12,997,418	0.01
Profit attributable to shareholders of the Company	**11,305,044**	10,791,348	4.76
Basic earnings per share	**0.39**	0.38	2.63

Item	January to December 2018 Amount (RMB'000)	January to December 2017 Amount (RMB'000) (Restated)	Growth rate %
Total assets	**357,523,050**	375,206,469	-4.71
Total liabilities	**207,838,423**	233,286,847	-10.91
Total equity	**149,684,627**	141,919,622	5.47
Including: equity attributable to shareholders of the Company	**128,457,695**	121,583,931	5.65
Shareholders' equity per share (RMB/share)	**4.48**	4.24	5.66

FINANCIAL SUMMARY

	2018 (RMB' 000)	2017 (RMB' 000) (restated)	2016 (RMB' 000) (restated)	2015 (RMB' 000) (restated)	2014 (RMB' 000) (restated)
Results					
Revenue	**214,521,647**	207,044,257	224,135,679	237,819,479	218,450,551
Cost of sales	**168,459,287**	161,380,253	179,111,581	191,281,913	175,619,451
Gross profit	**46,062,360**	45,664,004	45,024,098	46,537,566	42,831,100
Other income and gains	**6,536,147**	5,175,613	4,019,061	3,643,040	2,534,376
Credit impairment losses	**1,630,275**	—	—	—	—
Loss on derecognition of financial assets at amortised cost	**416,186**	77,153	38,718	29,047	—
Distribution and selling expenses	**7,745,841**	7,218,094	7,250,164	7,953,771	7,401,938
Administrative expenses	**14,274,711**	14,907,929	12,973,350	12,635,370	11,431,134
R&D expenses	**10,896,916**	9,977,454	9,473,770	9,872,472	8,311,775
Other expenses, net	**1,248,388**	2,399,452	1,630,374	9,872,472	2,216,995
Finance costs	**1,602,132**	1,400,593	1,264,203	1,411,473	2,269,159
Share of profits associates and Jiont ventures	**558,314**	526,241	453,354	418,956	733,634
Profit before taxation	**15,342,372**	15,385,183	16,904,652	17,031,142	14,468,108
Income tax expense	**2,343,865**	2,387,765	3,024,670	2,951,618	2,136,117
Profit for the year	**12,998,507**	12,997,418	13,879,982	14,079,524	12,331,991
Attributable to:					
Owners of the parent company	**11,305,044**	10,791,348	11,282,777	11,800,517	10,808,076
Non-controlling interests	**1,693,463**	2,206,070	2,597,205	2,279,007	1,523,915
Earnings per share					
Basic	**0.39**	0.38	0.41	0.43	0.40
Diluted	**0.39**	0.37	0.41	0.43	0.40
Assets and liabilities					
Total assets	**357,523,050**	375,206,469	338,350,133	311,792,404	293,754,410
Total liabilities	**207,838,423**	233,286,847	214,470,206	198,131,155	191,453,589
Total equity attributable to owners of the parent Company	**128,457,695**	121,583,931	104,893,018	96,892,013	89,300,937
Non-controlling interests	**21,226,932**	20,335,691	18,986,909	16,691,393	12,899,884
Total equity at the end of the period (shares)	**28,698,864,088**	28,698,864,088	27,288,758,333	27,288,758,333	13,803,000,000
Net cash flows from operating activities	**18,869,344**	16,184,344	14,989,962	14,971,797	28,418,747

CHAIRMAN'S STATEMENT

Dear shareholders,

In 2018, with the concerted efforts of the Board, the management team and all employees, CRRC started its high-quality development journey with a new look in reform and development as well as production and operation, an improvement of management quality, new achievements in technical innovation, new breakthroughs in relevant diversified industries, new impetus in reform and development and a new situation in operation and management. For the year, both operating revenue and net profit attributable to the parent of CRRC achieved growth, which depends on the strong support of all the shareholders. Hereby, I would like to express my sincere gratitude to all investors on behalf of the Board.

2018 is the 40th anniversary of the reform and opening-up of China, and therefore, is of particular significance to CRRC. Over the four decades, from learning to innovation, bringing in to going global and lagging behind to leading, CRRC wrote a glorious chapter for the development of China's rolling stock industry. For the past 40 years, there were significant changes in our business scale and strength owing to our hardworking and forging ahead. Specifically, we have transformed from manufacturing-based to opearting-based and from product operation to capital operation with the courage to pursue reform and keep pace with the times, we have changed our role from a pursuer to leader and achieved the shift from "Made in China" to "Created in China" with the strategy of taking the initiative, innovation and surpassing, we have changed from only bringing in to products, technology and capital "going global" with the attitude of having a dream and embracing the world, and we have seen the change from meeting the basic needs of employees to ensuring employees' decent lives with the mission of caring for and bringing benefits to employees. CRRC is the world's largest and most diverse rolling stock supplier with advanced technology, ranking among the "Fortune" Global 500 companies and China Top 100 companies, with products exported to 105 countries and regions. The high-speed railway has become a bright "Card of China", profoundly changed people's lifestyle.

In 2019, seven priority tasks were well defined at the Central Economic Working Conference, of which high-quality manufacturing development was put high on the agenda. As the pacesetter of high-end equipment manufacturing industry, in order to achieve high-quality development, it is not only CRRC's mission to implement the strategy of strong transportation country, but also is the only road for CRRC to tackle risks and challenges, continuously expand and develop into world-leading company.

2019 marks the 70th anniversary of the founding of the PRC, it is a crucial year for CRRC to implement the strategic plan for the "13th Five-Year" period and also a key year for CRRC to achieve the strategic goal of "two builds, one develop (雙打造一培育) "[1]. "The banks are pushed far back at full tide; a single sail seems hanging in the breeze." Through unswervingly adhering to meeting high-quality development requirements, we will extend excellent results to shareholders and bring benefits to all employees, so as to make new greater contributions to building a moderately prosperous society in all respects and deliver satisfactory results for the 70th anniversary of the founding of the PRC.

Liu Hualong
March 2019

1 "Two builds, one develop (雙打造一培育)" refers to the strategic goal of building a respected international company and a "golden card" of CRRC for Party construction as well as developing into a world-leading company with global competitiveness.

A. BUSINESS OVERVIEW

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

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

(I) Main business

1. Railway equipment business

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

The Company targeted global market and stayed abreast of changes in the domestic and international railway transport market and trends in the development of technology with an aim to becoming a world-leading provider of systematic solutions for rail transportation equipment. The Company accelerated innovations in its technology, products and service models, and created a systematic, modular and standardized product platfrom and technology platform, with a view to continuously meeting the requirements for developing an advanced and widely-applicable railway system and for intelligent, environment-friendly and safe development. The Company furthered its strategic cooperation with China Railway to improve the quality and efficiency of development, accelerate its business integration and structure adjustment, promote the integration of manufacturing and maintenance of locomotives, integrated its freight wagon business, developed its advanced refurbishment capacity, and promoted its service transformation. The Company implemented the strategy of strong transportation country, with the standard MUs "Fuxinghao" in long formation at a speed of 350 km/hour, and the power centralized MUs at a speed of 160 km/hour being successively put into operation, forming a systematic MUs "Fuxinghao". With new breakthroughs achieved in the research and production of new products, such as the express freight wagon at the speed of 160 km/hour and piggyback train, the status of the Company in the industry was further consolidated. The railway equipment business increased stably.

2. Urban rail transit vehicles and urban infrastructure business

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

Facing the global market, the Company expedited innovations in urban rail transportation equipment technology and products to increase its core competitiveness. The Company created a systematic, modular and standardized product platform and technology platform, constantly consolidated and expanded domestic and international markets with high quality products and services. The Company actively sought strategic cooperation opportunity, gave full play to its comprehensive competitiveness in equipment manufacturing, business portfolio and the integration of industry and finance, and expanded its general mechanical and electric contracting of urban rail vehicles. The Company carried out PPP business according to the industry norm, actively expanded its business of general contracting of urban infrastructure with focus on the project management, and drove the development of urban rail vehicles and related business. The Company accelerated the integration of resources, promoted the combination of manufacturing and service, and made dedicated efforts in maintenance services. Medium-speed maglev trains at a speed of 160km/hour successfully went off the production line, the first demonstration line of smart track express system was put into running, and breakthroughs were made in the market of urban rail transit vehicles including products such as straddling monorail train, hanging monorail train and automatic train. The Company developed rapidly in its urban rail transit vehicles and urban infrastructure business.

3. New industry business

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

In the general mechanical and electrical business, the Company strived to improve technology platform and the construction of industrial chain, promoted upgrade in core business technologies of rail transportation equipment with the focus on mastering core technologies, breaking through key technologies and increasing core competitiveness, and expedited the specialized and scale development of key systems and important spare parts in the industrial, transportation and energy fields. As to the new business, adhering to the principles of "relevance and multi-dimensions, high-end positioning and industry-leading position", the Company focused on new energies, new materials, environmental governance, power unit and marine industry equipment, increased its presence in the niche market, strengthened exploration of new markets, and cultivate new drivers of growth to give full play to its core technical advantages. The overseas mergers and acquisitions of BOGE in German and SMD in the United Kingdom achieved satisfactory results in expanding the vehicle, vessel and marine industry businesses. With the first introduction of special transformers into the vessel industry, domestically-made purification tank, a sewage treatment equipment, successfully going off the production line and the steady growth of the general contracting of environmental protection waste water treatment business, the Company's new industry business has been growing stronger and further.

4. Modern service business

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

By adhering to "integration of industry and financing, promoting industry with financing", the Company strengthened risk control, standardized the construction of financial service platform, investment and financing platform as well as financial lease platform, and accelerated the integrated development of the manufacturing industry and the service industry. The Company made continuous efforts in the industry and financing platform to increasingly highlight the function of the physical business. The Company prohibited financing trade and developed modern logistics service. In addition, the Company expanded the scope of centralized procurement, expedited the development of the "CRRC Procurement (中車購)" e-commerce platform and accelerated the extensive application of intelligent logistics in CRRC's industrial chain, thus achieving the healthy development of modern service business.

5. International business

The Company implemented its international strategy vigorously by seizing the development opportunities arising from "One Belt One Road" and "going global" strategies. The Company actively expanded overseas markets and promoted the transformation of export products from mid- and low-end to high-end. Through innovation in operating model and continuously promoting a form of "product + technology + service + capital + management" portfolio output, the Company secured a subway renovation project in Singapore and achieved new breakthroughs in repair and maintenance service orders for railway vehicles. The Company continued to promote the localization in manufacturing in overseas bases by increasing the allocation of overseas resources and deepening the implementation of the "five-locals model" of the localization in production, purchase, labor, maintenance, management. Leveraging on these efforts, the first batch of orange line metro vehicles with Chinese intellectual property rights, produced by the U.S Boston base, successfully went off the production line, marking the new breakthroughs of Chinese high-end equipment in the comprehensive cooperation of "manufacturing + technology + services" with developed countries. Upon the establishment of overseas research and development centers in Turkey and South Africa, the Company had 15 overseas research and development centers in total, further contributing to the integration of research and development resources and the enhancement of market development ability.

(II) Major products

Product structure	Main product functions
MUs	Mainly include various electric multiple units and diesel multiple units at the speed of 200 km/hour and below, 200-250 km/hour, 300-350 km/hour and above, mainly used to provide main line railway and inter-city railway passenger transport services. On the basis of "import, digestion, absorption and re-innovation", the MUs products represented by "Fuxinghao" have independent intellectual property rights.
Locomotives	Mainly include various DC driving and AC driving electric locomotives and diesel locomotives with the largest traction power of 12,000 KW and the highest speed of 200 km/hour, which are mainly used to provide passenger and goods transport services in main line railway. The Company's locomotive products have independent intellectual property rights.
Passenger carriages	Mainly include seater car, sleeping car, dining car, luggage van, generator car, special vehicles, plateau cars and double-deck railway passenger carriages at the speed of 120-160km/hour, which are mainly used to provide passenger transport services in main line railway. The Company's passenger carriages have independent intellectual property rights.
Freight wagons	Mainly include various railway gondola trucks, box wagon, flatcar, tank truck, hopper car and other special goods transport trucks, which are mainly used to transport goods for main line railway and industrial and mining enterprises. The Company's freight wagons have independent intellectual property rights.
Urban rail transit vehicles	Mainly include subway vehicles, light-rail vehicles, urban (commuting) vehicles, monorail vehicles, maglev train, tramcar, rubber-tyred vehicles, etc., which are mainly used to provide commuter and passenger transport services between cities and suburbs. The Company's urban rail transit vehicles have independent intellectual property rights.
General electrical and mechanical equipment	Mainly include traction electric driving and network control system, diesel engine, braking system, cooling and heat transfer system, train operation and control system, passenger information system, power supply system, gear assembly, etc., which are mainly used to complement with MUs, locomotives, urban rail transit vehicles, tracking engineering machinery products in main line railway and inter-city railway, and part of them are provided to third party customers as spare parts. All of the aforesaid products of the Company have independent intellectual property rights.

(III) Operation model

Main operation model: the Company independently completes the manufacturing, repair, research and development, and production and delivery of rolling stock equipment relying on our own technology, craftsmanship, production capability and production qualification.

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

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

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

4. Distribution of the industrial chain: the Company has a number of rolling stock equipment manufacturing bases and research bases at an international advanced level. The Company has formed a complete nationwide industrial chain and production system with the main machinery company as its core and supporting companies as its backbone, such as high-speed EMUs, locomotive traction, urban transit, passenger carriages and freight wagons.

5. Distribution of the value chain: the product value of the Company mainly lies in the value chain distribution system of the comprehensive rolling stock equipment with the production of high-speed EMUs, high-power locomotives, urban rail transit, passenger carriages and freight wagons as well as the manufacturing and repairing of related supporting products as core value and supplemented with financial products, financial-related products and financial lease products.

6. Research and development model: the Company has two-level research and development management model of "centralizing research and development of technology, jointly developing products and capability building and sharing" in place.

(IV) Industry status

As the world's largest and most diverse rolling stock supplier with advanced technology, CRRC has consecutively ranked first in the world for years, in terms of sales volume of rolling stock equipment. CRRC actively implemented the strategy of strong transportation country, actively adapted to the ever-changing market environment, captured market opportunities, and accelerated structural reform, as well as transformation and upgrades, CRRC made well-targeted efforts in market expansion, international operation, technical innovation and synergic development, etc. The high-speed EMUs "Fuxinghao", medium-speed maglev trains and automatic trains have been put into operation, further consolidating its position in the rolling stock equipment industry.

(V) Production capacity

As at the end of 2018, CRRC's annual production capacity of major products is 547 new MUs, 1,530 new locomotives, 2,300 new passenger carriages, 51,500 new freight wagons and 11,840 urban rail transit vehicles (including subway vehicles, tramcars, monorail vehicles and medium and low-speed maglev trains) of general assembly. In future, CRRC will continue to seriously implement supply-side structural reform, strictly control the general assembly capacity of new MUs, locomotives, passenger carriages, freight wagons and urban rail transit vehicles, by adhering to the goal of "internationalization, structure adjustment, capacity optimazation", actively respond to the growth of repair business of MUs, urban rail transit vehicles and high-power AC driving locomotives, vigorously promote the integration of maintenance and manufacturing of MUs, urban rail transit vehicles and locomotives and facilitate resource sharing of maintenance and newly manufacturing so as to further increase the utilization rate of newly manufacturing capacity of EMUs, urban rail transit vehicles and locomotives.

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

For details, please refer to the relevant content under the "Report of Directors – B. Management Discussion and Analysis – II. Major operation results during the reporting period - (II) Analysis of the structure and changes of major assets and liabilities of the Company during the reporting period".

III. Analysis of the core competitiveness during the reporting period

Rolling stock equipment industry is attached great concern and importance by the leaders of the CPC and the state, high-speed train has become a golden card in the "going global" of high-end equipment of our country. With the strategic objective of "two builds, one develop (雙打造一培育) ", CRRC fully grasped opportunities and new challenges, adhered to innovation-driven operation, strengthened its transformation and upgrades and enhanced its operational management. As a result, CRRC ranked 385th in the Top 500 companies as released by the Fortune Magazine in 2018.

1. Adhering to innovation-driven operation and further improving technical innovation ability. CRRC mainly focused on studying key technologies related to rail transit vehicles, systems and spare parts. The Company achieved great success in technology innovation for the year of 2018. The MUs "Fuxinghao" in standard long formation at the speed of 350km/hour, power centralized MUs at the speed of 160 km/hour and 17 MUs in standard extra-long formation have been successively put into operation, marking a pedigree development of the MUs "Fuxinghao". In particular, the MUs "Fuxinghao" at the speed of 350km/hour ranked the first in China Industrial Awards. General Secretary Xi Jinping twice praised: "The MUs 'Fuxinghao' is running on the vast land of the country." And "The high-speed MUs 'Fuxinghao' took a crucial step from a pursuer to a leader." The innovation system of the Company continued to improve. With the active promotion of the construction of national high-speed train technological innovation center, the introduction of the Magnetic Technology Research Office of Thyssenkrupp into the national high-speed train technology innovation center, the Metrology testing center of the national high-speed train industry officially being approved for construction, and the successful establishment of two overseas technology research and development centers in Turkey and South Africa, the number of overseas research and development centers reaches 15, the ability of the Company to integrate and utilize overseas research and development resources was further enhanced. The Company firmly believed in the strategy of making itself powerful through talents. In 2018, the Company formed a core technological talent team comprised of 14 CRRC scientists, 77 chief technologists, 467 senior technology experts and 2,248 technology experts, which contributed to the steady improvement of independent research and development ability of the Company. For the year, the Company has obtained a total of 2,497 authorized patents, of which 1,145 were invention patents and 60 were overseas patents. The number of patents winning the prize in China recorded a new high. The Company won 1 gold prize, 4 silver prizes and 10 excellence awards for patents, ranking second across the country in terms of the cumulative number of prizes awarded. The Company achieves fruitful results in research and development of major products. 11 "advanced rail transit" key projects achieved phased results; Smart Beijing-Zhangjiakou MUs completed its prototype vehicle trial production; the body of the first metro train made from carbon fiber composite, which will become the leading materials in the future, was successfully developed; new

products, such as high speed maglev trains at the speed of 160 km/hour and deep-sea robots, successfully gone off the production line; and the key project for bearings and insulated gate bipolar transistor (IGBT) wafers used for high speed freight car bogie commenced. By promoting the deep integration of the Internet, big data, artificial intelligence with real economy, our projects for intelligent manufacturing have made a great progress, and intelligent logistics has been widely promoted and applied to the industrial chain.

2. Deepening supply-side structural reform and optimizing the allocation of resources. The Group optimized its business layout and resource allocation in accordance with core business, pillar business, supporting business, platform business and nurturing business; accelerated structural restructuring by promoting the integrated projects for manufacturing and refurbishing locomotives; carried out the reorganization of freight wagons business with the integration of urban rail vehicle business with mechanical and electrical business; and sped up the pace of innovation to establish a number of rolling stock equipment technology platforms and production facilities at an international advanced level and to develop and improve a complete nationwide industrial chain and production system with the main machinery company as its core and supporting companies as its backbone. Strengthen the allocation of overseas resources: 15 overseas R&D centers located in Europe, America and South Africa made a great progress, where strengthened international cooperation. New breakthroughs have been made in the local manufacturing in overseas production bases such as the United States, South Africa and Malaysia. The fact that the first batch of MTR trains successfully gone off the production line in Boston production base in the United States represented a new breakthrough in the International capacity cooperation conducted in the developed countries. The international cooperation for rolling stock equipment + technology + services at Malian production base turned to be fruitful, constantly expanding out cross-country operations. Gather resources to nurture and establish pillar business and supporting business, and to expand its industrial development. In regard to wind power equipment with mature and complete industrial chain, there are continual new breakthroughs in wind turbines, and its wind power blade stably ranked among top three in the country in terms of market share; the polymer composites has established its leadership in the industry with advanced technology; there are continual breakthroughs in its core technology for sewage treatment equipment in urban and rural areas with a stable growth in its general contracting of sewage treatment. The International Rail Transit Vehicle Industrial Design Alliance and China IGBT Technology Innovation and Industry Alliance, etc. whose establishments were led by CRRC, guided CRRC's rapid growth in all business segments.

3. Innovating overseas businesses and continually enhancing our international operation capability. Seizing the opportunities arising from "One Belt One Road" and "going global" strategies, the Company has made efforts to implement its international operation strategy. All kinds of rail transit equipment have been exported to 105 countries and regions across the world. The Company achieved the transformation of export products from mid- and low-end to high-end, and export markets from traditional markets, such as Asia, Africa and Latin America, to high-end markets, such as Europe, America and Australia. With the expansion in its exported product portfolio "product + technology + service", the Company entered into contract with Singapore in relating to Metro refurbishment projects, and entered into the Rail Transit Solution Service Cooperation Agreement with New Zealand. It continuously achieved new breakthroughs in railway equipment maintenance and repair orders and changed its overseas business model from a single product to a portfolio of "product, capital, technology, management and service". Continually implementing the "five-local model". The Company changed its concept from product "going global" to capacity "going inside" and brand "going high-end". The Malaysian manufacturing centre of the Company, as a highlight of the ASEAN economic and trade cooperation and the model base among all "One Belt One Road" projects, provide MUs, lightweight railway trains, electric locomotives and electric battery locomotives and maintenance services for rail transit equipment. The orange line metro vehicles with independent intellectual property rights produced was successfully produced in the U.S Boston manufacturing base, which played an active role in CRRC's expansion strategy into developed countries. The Company actively carried out its strategic cooperation and "go abroad jointly" initiative. Jarkata-Bandung high-speed rail project in Indonesia was the first order for "going global" of Chinese high-speed railway standards. High-speed rail has become a model for implementing the state's strategies of strong manufacturing country and strong transportation country as well as "going global". CRRC's global influence and international awareness have been increased significantly.

B. MANAGEMENT DISCUSSION AND ANALYSIS

I. Operation discussion and analysis

In 2018, CRRC insisted on the new development concept with the focus on the "13156" business work ideas[2]. We put forth effort to establish our "five major businesses", and to accomplish our "ten missions" with great achievements in the new era.

(I) Insisting on following the important instructions of General Secretary Xi Jinping, and starting a new journey with high quality development

On 26 September 2018, General Secretary Xi Jinping pointed out in his visit to Qiqihar Group: the equipment manufacturing industry is nationally valuable and constitutes an important part of the entity economy, which will drive the improvement of China's competitiveness. By riding on the current trends, Qiqihar Group should strengthen its independent innovation and enhance its internal strength to constantly introduce new technologies, new products and new services so as to take the initiative and continually to be a stronger and better enterprise. This is the third time that General Secretary Xi Jinping took his visit to CRRC since the establishment of new CRRC, reflecting the concern and high expectations of the Party and the government for the development of CRRC which has given us a lot of inspiration, encouragement and confidence. We conscientiously followed the important instructions of General Secretary Xi Jinping. We actively provided services for the state's strategies and proposed an initiative "building China into a country with strong transportation network, supporting by equipment" to comprehensively deepen reform and to promote innovation and development, with an aim at building a first-class enterprise to shoulder our part of the responsibility to make China stronger. CRRC has stepped forward on a new journey the high quality development.

(II) Holding firmly on the objective of improving the quality of the product, and improving the quality of operation

Facing the complicated and ever-changing internal and external environment, the headquarter and subsidiaries of the Company worked hard in a concerted effort with all employees work together, seizing opportunities in the face of difficulties, and took comprehensive budget management as the main line to set up indicators for the improvement of quality and promote quality and efficiency improvement activities. The operational performance has improved and shown prospects for further growth while maintaining stability.

(III) Keeping on expanding the industrial space and making new breakthroughs in the multivariate industries

In accordance with development orientation of core business, pillar business, supporting business, platform business and nurturing business, the Company made every efforts to explore and expand its market. The first domestic purification tank successfully gone off the production line; automotive IGBT has been put into mass application; special transformer sector made its first presence in the shipbuilding industry; and the world's first intelligent rail express system demonstration line was put into operation in Zhuzhou. Substantial progress has been made in the preparation of digital companies; the intelligent logistics industry has been widely promoted and applied in CRRC industry chain; the establishment of 7 intelligent manufacturing projects was approved by the Ministry of Industry and Information Technology of the People's Republic of China, with the integration index of the two technologies of 79.5 and the digitalization of CRRC stepped forward solidly.

2 In the "13156" business work ideas, "1" represents the comprehensive budget. In order to comprehensively manage the budget, the Company strives to cut various expenses with the participation of all the staff under the lead of the headquarters. "3" represents three themes. The Company conducts its business with close focus on the quality, efficiency and driving forces. "1" represents ten tasks. The Company is committed to assigning and implementing ten tasks of "improving quality, controlling risks, boosting transformation, optimizing service, expanding business, reinforcing support, making up for deficiencies, making joint efforts, bearing tasks and establishing reputation". "5" represents five major businesses. The Company will establish a business system comprised of core business, pillar business, support business, platform business and cultivation business to coordinate and optimize the allocation of resources. "6" represents six types of evaluation indicators. The Company will take the time to release six major indicators of "operational capability indicator, profitability indicator, investment evaluation indicator, debt risk indicator, labor efficiency indicator and quality control indicator" to rapidly promote the high-quality development of CRRC.

II. Major operation results during the reporting period

In 2018, the Company achieved revenue of RMB214.522 billion, representing a year-on-year increase of 3.61%; net profit attributable to the owners of the Company was RMB11.305 billion, representing a year-on-year increase of 4.76%. As at the end of December 2018, the consolidated total assets of the Company decreased by 4.71% to RMB357.523 billion; the total equity increased by 5.47% to RMB149.685 billion. The gearing ratio was 58.13%, representing a decrease of 4.05% as compared with that at the beginning of the year.

(I) Analysis of main business

1. Analysis of changes in relevant items in income statement and cash flow statement

	Amount over the current period (RMB'000)	Amount over the same period of the previous year (RMB'000) (Restated)	Change %
Revenue	214,521,647	207,044,257	3.61
Operating costs	168,459,287	161,380,253	4.39
Selling and distribution expenses	7,745,841	7,218,094	7.31
Administrative expenses	14,274,711	14,907,929	-4.25
Financial expenses	1,602,132	1,400,593	14.39
Share of profits of associated enterprise sand joint ventures	558,314	526,241	6.09
Income tax expense	2,343,865	2,387,765	-1.84
Net cash flow from operating activities	18,869,344	16,184,344	16.59
Net cash flow from investment activities	-4,333,324	-2,974,981	—
Net cash flow from financing activities	-31,964,065	6,749,391	—

2. Analysis of revenue and cost

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

Main Business by Segment						
By business	Revenue RMB'000	Operating costs RMB'000	Gross profit margin (%)	Increase/ decrease in revenue from last year (%)	Increase/ decrease in operating costs from last year (%)	Increase/ decrease in gross profit margin from last year (%)
Railway equipment	119,954,201	90,504,538	24.55	11.51	12.18	A decrease of 0.46%
Urban rail transit vehicles and urban infrastructure	34,618,472	28,775,385	16.88	3.56	3.07	An increase of 0.40%
New businesses	49,305,858	39,197,132	20.50	-7.75	-4.62	A decrease of 2.61%
Modern service	10,643,116	9,982,232	6.21	-15.49	-14.62	A decrease of 0.96%
Total	214,521,647	168,459,287	21.47	3.61	4.39	A decrease of 0.59%

Revenue from the railway equipment business increased by 11.51% as compared to the same period of the previous year, mainly due to the increase in revenue from MUs during this period. Operating costs increased by 12.18% as compared to the same period of the previous year, mainly due to different structure of railway products during the current period.

Revenue from the urban rail transit vehicles and urban infrastructure business increased by 3.56% as compared to the same period of the previous year, mainly due to an increase in revenue from rapid transit vehicles in this period. Operating costs increased by 3.07% as compared to the same period of the previous year, mainly due to an increase in the costs in line with the growth in revenue. The increase in the costs was slightly lower than the increase in revenue due to the difference in product types.

Revenue from the new businesses decreased by 7.75% as compared to the same period of the previous year, mainly due to the transfer of new energy vehicle business. Operating costs decreased by 4.62% as compared to the same period of the previous year, mainly due to a decrease in the costs in line with decreased revenue.

Revenue from the modern service business decreased by 15.49% as compared to the same period of the previous year, mainly due to a reduction in the business scale of the logistics business during this period. Operating costs decreased by 14.62% as compared to the same period of the previous year, primarily attributable to a decrease in the costs in line with decreased revenue.

Revenue of the Company increased by 3.61% as compared to the same period of the previous year, and the contributions made by railway equipment business, rapid transit vehicles and urban infrastructure business, new businesses and modern service business accounted for 55.92%, 16.14%, 22.98% and 4.96% of the total revenue respectively. As to the railway equipment business, revenue generated by the locomotive business was RMB26.027 billion; revenue generated by the passenger carriage business was RMB7.380 billion; revenue generated by the MUs business was RMB66.369 billion; revenue generated by the freight wagon business was RMB20.178 billion. Revenue generated by the rapid transit vehicles and metro vehicles of the rapid transit vehicles and urban infrastructure business was RMB32.018 billion. The Company sold 921 locomotives, 485 passenger carriages, 2,608 MUs, 45,974 freight wagons and 6,396 rapid transit vehicles and metro vehicles.

(2) Principal business by region

	Principal business by region	
By region	**Revenue (RMB'000)**	**Year-on-year increase/decrease in revenue (%)**
Mainland China	195,361,972	3.96
Other countries or regions	19,159,675	0.15

During the reporting period, the Company's revenue from Mainland China increased by 3.96%. Revenue from other countries or regions increased by 0.15%, mainly due to the increase in the delivery volume of products during the current period in accordance with the overseas order delivery cycle.

During the reporting period, the Company generated revenue in about 70 countries abroad, of which revenue in Europe was RBM7.572 billion, accounting for 39.52% of overseas revenue. The main products were auto parts and deep-sea robots. Revenue in Asia (including Hong Kong, Macau and Taiwan) was RMB5.183 billion, accounting for 27.05% of overseas revenue. The main products are urban rail subways and high-end parts and components. Oceania's revenue was RMB2.645 billion, accounting for 13.80% of overseas revenue, mainly for freight wagons, double-decker passenger carriages, urban rail subways. Revenue in Africa was RMB2.640 billion, accounting for 13.78% of overseas revenue, mainly for locomotives and freight wagons. Revenue in other regions such as America was RMB1.120 billion, accounting for 5.85% of overseas revenue. The main products are locomotives, passenger vehicles and high-end parts and components.

(3) Analysis of cost

Costs of Main Businesses by Item					
Cost item	Amount over the current period RMB'000	Proportion in total costs over the current period (%)	Amount over the same period of the previous year RMB'000	Proportion in total costs in the same period of the previous year (%)	Year-on-year increase/ decrease in operating costs (%)
Cost of materials	140,859,253	83.62	134,486,284	83.33	4.75
Cost of labor	9,610,647	5.70	9,211,069	5.71	4.34
Cost of manufacturing	11,854,697	7.04	11,199,357	6.94	5.85
Other expenses	6,134,690	3.64	6,483,543	4.02	-5.38
Total	168,459,287	100.00	161,380,253	100.00	4.40

During the reporting period, the cost increased in line with the income. The Company mainly relied on the manufacturing industry, where direct materials accounted for majority of the costs, and the change of the proportion in total costs was mainly due to the influence of product structure.

(4) Information on major suppliers and customers

In 2018, the procurement by the Company from its top 5 suppliers totaled RMB12,924 million, accounting for 9.04% of the total amount of procurement for the year.

In 2018, the sales of the Company to its top 5 customers totaled RMB125,536 million, accounting for 58.52 % of the total sales of the Company for the year.

The relatively high customers concentration is primarily attributable to China Railway (including the railway bureaus and companies subordinate to China Railway) being the largest customer of the Company, which accounted for 52.64 % of the total sales of the Company for the year.

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

Relationship with customers:

Since the product unit value was relatively high, our sales method mainly consisted of participating in tenders or tender negotiations, through bidding in tenders, communication and negotiation based on historical prices in determining the final price and secure orders. Our sales customers were mainly railway and urban rail transit transportation operators. Railway customers were divided into railway customers and non-railway customers. Railway customers refer to China Railway and the railway bureaus and companies thereunder, which are the largest customers within the industry, and thus the Company has strong dependence on China Railway and the subordinate railway bureaus and companies. Non-railway customers were mainly large-scale plant, mining groups and ports, etc., the demand of which shows a trend of a year-on-year increase. Such customers were fragmented and thus the Company was not over-reliant on them. For the year ended 31 December 2018, approximately 58.52% of our products were sold to our five largest customers.

Relationship with suppliers:

Our principal raw materials and components were purchased through external procurements while some were supplied by internal production. We have established direct and stable supply channels with our major suppliers and external contracted production units. Since our suppliers were not highly concentrated, there was little risk of over reliance on any single supplier. For the year ended 31 December 2018, approximately 9.04 % of our products were manufactured by our five largest suppliers.

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

Item	2018 Amount (RMB'000)	2017 Amount (RMB'000) (Restated)	Growth rate %
Selling and distribution expenses	**7,745,841**	7,218,094	7.31
Administrative expenses	**14,274,711**	14,907,929	-4.25
Financial expenses	**1,602,132**	1,400,593	14.39
Share of profits of associated enterprises and joint ventures	**558,314**	526,241	6.09
Income tax expense	**2,343,865**	2,387,765	-1.84

Selling and distribution expenses increased by 7.31% as compared to the same period of the previous year, mainly due to the expected increase in provision for the product quality warranty, as well as an increase in transportation costs as a result of the increased overseas revenue.

Administrative expenses decreased by 4.25% as compared to the same period of the previous year, which was mainly due to a decrease in expenses such as amortization of intangible assets and employee placement fee.

Financial expenses increased by 14.39% as compared to the same period of the previous year, which was primarily attributable to the decrease in the amount of interest capitalized during the year.

Share of profits of associated enterprises and joint ventures increased by 6.09% as compared to that of the previous year, mainly due to an increase in the share of profits resulting from the change of subsidiaries to joint ventures or associates at the end of last period and during the reporting period.

Income tax expense decreased by 1.84% as compared to that of the previous year. Such moderate fluctuation was mainly due to the slight decrease in total profit for the year as compared to last year.

4. R&D expenses

Information on R&D Expenses

Unit:'000 Currency: RMB

Expensed R&D cost in the current period	10,898,475
Capitalized R&D cost in the current period	280,538
Total R&D costs	11,179,013
Proportion of R&D costs in revenue (%)	5.21
Number of R&D personnel in the Company	32,914
Proportion of R&D personnel in the staff of the Company (%)	19.52
Proportion of the capitalized R&D cost (%)	2.51

In 2018, R&D expenses of the Company amounted to RMB11.179 billion, accounting for 5.21% of our total sales. The Company implemented innovation-driven development strategy throughout the year to make steady progress in seven national advanced rail transit key projects, such as "High energy efficiency traction power supply and key transmission technologies of rail transportation (軌道交通高能效牽引供電與傳動關鍵技術)". In accordance with the general idea of "technology concentrated research, product joint development, capability building and sharing", we managed to avoid overlapping investment and development at source. In addition, the R&D projects of new products, key systems and components for rail transit such as high-speed EMUs, high-power locomotives, express freight wagons and a new generation of urban rail vehicles were steadily accelerated.

Significant achievements have been made in the R&D of major products. The Beijing - Zhangjiakou Intelligent EMU prototype was completed. The world's first all-carbon fiber composite subway car body was successfully developed, leading the future development trend of the subway. The new products such as maglev train at the high speed of 160 km/h and the domestic largest horsepower deep-sea robot went off the assembly production line, and the independent innovation capability of CRRC continued to improve.

5. Analysis of cash usage during the reporting period

Item	**2018 Amount (RMB'000)**	2017 Amount (RMB'000)	Growth rate %
Net cash flow from operating activities	**18,869,344**	16,184,344	16.59
Net cash flow from investment activities	**-4,333,324**	-2,974,981	—
Net cash flow from financing activities	**-31,964,065**	6,749,391	—

The net cash flow from operating activities was a net inflow of RMB18,869 million, representing an increase in net inflow of RMB2,685 million as compared to the same period of the previous year, mainly due to an increase in cash received from the sale of commodities or the services provided during the reporting period as compared to the same period of the previous year.

The net cash flow from investment activities was a net outflow of RMB4,333 million, representing an increase in net outflow of RMB1,358 million as compared to the same period of the previous year, mainly due to an increase in cash payment for investments during the reporting period as compared to the same period of the previous year.

The net cash flow from financing activities was a net outflow of RMB31,964 million, as compared to a net inflow of RMB6,749 million in the previous year. Such change was mainly due to the decrease in borrowings obtained during the reporting period.

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

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

Unit:'000 Currency: RMB

	31 December 2018	**Proportion (%)**	31 December 2017	Proportion (%)	Increase/ Decrease (%)
Goodwill	**713,042**	**0.20**	1,242,487	0.33	-42.61
Loans and advances to customers	**1,880,911**	**0.53**	192,693	0.05	876.12
Equity instruments at fair value through other comprehensive income	**2,252,423**	**0.63**	—	—	100.00
Contract assets - non-current portion	**8,923,932**	**2.50**	—	—	100.00
Debt investment at amortised cost - non-current portion	**1,622,252**	**0.45**	—	—	100.00
Financial assets at fair value through profit or loss - non-current portion	**598,551**	**0.17**	—	—	100.00
Debt investments at fair value through other comprehensive income-current portion	**5,277,641**	**1.48**	—	—	100.00
Contract assets - current portion	**14,657,889**	**4.10**	—	—	100.00
Bills receivable	**15,475,106**	**4.33**	27,071,265	7.22	-42.84
Financial assets at fair value through profit or loss-current portion	**7,246,736**	**2.03**	2,569,294	0.68	182.05
Debt investments at amortised cost - current portion	**880,525**	**0.25**	—	—	100.00
Cash and bank balances	**33,143,342**	**9.27**	56,280,024	15.00	-41.11
Short-term borrowings	**16,293,114**	**4.56**	34,043,108	9.07	-52.14
Tax payable	**560,000**	**0.16**	1,188,521	0.32	*-52.88*
Contract liabilities	**22,335,899**	**6.25**	—	—	*100.00*
Long-term borrowings	**4,380,011**	**1.23**	9,954,710	2.65	*-56.00*

Goodwill decreased by 42.61%, mainly due to the provision for impairment of goodwill made by overseas subsidiaries during the reporting period.

Loans and advances to customers increased by 876.12%, mainly due to the increase in the amount of loans extended by the Finance Company of the Company.

Equity instruments at fair value through other comprehensive income increased by 100%, mainly due to addition of an item during the current period as affected by the implementation of new financial instrument standards, so that available-for-sale financial assets not held for trading are accounted for in this item.

Contract assets – non-current portion increased by 100%, mainly due to the fact that this item mainly accounts for the right to receive consideration after having transferred goods or services to customers and the right is only subject to other factors beyond the passage of time, as affected by the implementation of new revenue standards.

Debt investments at amortised cost – non-current portion increased by 100%, mainly due to the reclassification of financial assets originally accounted for as investment held-to-maturity item to debt investments at amortised cost - non-current portion, as affected by the implementation of new financial instrument standards.

Financial assets at fair value through profit or loss - non-current portion increased by 100%, mainly due to the reclassification of other non-current assets to the financial assets at fair value through profit or loss - non-current portion for accounting, as affected by the implementation of new financial instrument standards.

Debt instruments at fair value through other comprehensive income -current portion increased by 100%, mainly due to the reclassification of trade receivables and bills receivable at fair value to debt instruments at fair value through other comprehensive income - current portion for accounting, as affected by the implementation of new financial instrument standards.

Contract assets – current portion increased by 100%, mainly due to addition of an item during the current period as affected by the implementation of new revenue standards, which mainly accounts for the right to receive consideration within one year after having transferred goods or services to customers, and the right depends on other factors than the passage of time.

Bills receivable decreased by 42.84%, mainly due to the reclassification of bills receivable at fair value to financial assets at fair value through other comprehensive income - current portion, as affected by the implementation of new financial instrument standards.

Financial assets at fair value through profit or loss increased by 182.05%, mainly due to the accounting for of principal-guaranteed with non-guaranteed returns and non-principal-guaranteed wealth management products in this item, as affected by the implementation of new financial instrument standards.

Debt investments at amortised cost - current portion increased by 100%, mainly due to the reclassification of financial assets originally accounted for as investment held-to-maturity item to debt investments at amortised cost - current portion, as affected by the implementation of new financial instrument standards.

Cash and bank balances decreased by 41.11%, mainly due to the successive utilization during the current period of most payments from customers made at the end of last year.

Short-term borrowings decreased by 52.14%, mainly due to the restructuring of liabilities in the current period resulting in a decrease in the short-term borrowings.

Tax payable decreased by 52.88%, mainly due to the decrease in corporate income tax payable during the period.

Contract liabilities increased by 100.00%, mainly due to the implementation of new revenue standards, so that the obligation of enterprises to transfer the goods to the customer for the consideration received or receivable from the customer is accounted for in this item during the current period.

Long-term borrowings decreased by 56.00%, mainly due to the transfer of partial long-term borrowings due within one year to short-term borrowings.

2. Information on assets measured at fair value

Unit:'000 Currency: RMB

Item	Opening balance	Gains/losses from changes in fair value during the current period	Aggregate changes in fair value included in equity	Impairment losses included in equity during the current period	Other changes (increase/ decrease) during the current period	Closing balance
1. Financial assets at fair value through profit or loss	3,046,592	-54,267	—	—	5,242,411	7,246,736
Including: derivative financial assets	2,563	-48	—	—	—	2,515
Including: corporate wealth management products	2,591,060	-76,048	—	—	3,837,368	6,352,380
Including: equity instrument Investment	452,969	21,829	—	—	417,043	891,841
2. Other equity instrument investment	2,387,370	—	-437,186	—	302,239	2,252,423
Including: listed equity instrument investment	2,017,855	—	-528,379	—	-118,570	1,370,906
Including: non-listed equity instrument investment	369,515	—	91,193	—	420,809	881,517
3. Debt instruments at fair value through other comprehensive income	103,221	—	-44,548	-18	5,218,986	5,277,641
Including: trade receivables and bills receivable	103,221	—	-44,548	-18	5,218,986	5,277,641
4. Financial assets at fair value through profit or loss - non-current portion	605,953	-7,402	—	—	—	598,551
Including: preference share and perpetual bond	605,953	-7,402	—	—	—	598,551
Subtotal of financial assets	6,143,136	-61,669	-481,734	-18	9,775,636	15,375,351

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

Unit:'000 Currency: RMB

Item	Opening balance	Gains/losses from changes in fair value during the current period	Aggregate changes in fair value included in equity	Impairment losses included in equity during the current period	Other changes (increase/ decrease) during the current period	Closing balance
Cash and bank balances	9,384,530	–	–	–	-2,388,430	6,996,100
Trade receivables	3,965,518	–	–	-893,884	1,186,784	4,258,418
Prepayments, deposits and other receivables	1,396,807	–	–	-1,619	90,134	1,485,322
Financial assets at fair value through profit or loss	2,563	37,544	–	–	187,200	227,307
Other non-current assets	892,793	–	–	–	-425,089	467,704
Held to maturity investment	1,429,188	–	–	–	-1,429,188	–
Debt investments at amortised cost	–	–	–	–	1,344,600	1,344,600
Available-for-sale financial assets	605,953	–	–	–	-605,953	–
Subtotal of financial assets	17,677,352	37,544	–	-895,503	-2,039,942	14,779,451
Financial liabilities						
Borrowings	10,921,576	–	–	–	-7,489,249	3,432,327
Trade payables	687,215	–	–	–	-441,270	245,945
Other payables and accruals	4,883,162	–	–	–	517,179	5,400,341
Other non-current liabilities	119,376	–	–	–	-77,851	41,525
Financial liabilities at fair value through profit or loss	225,240	–	–	–	-225,240	–
Convertible bonds – debt component	3,630,772	–	–	–	280,057	3,910,829
Convertible bonds –embedded derivative component	511,756	166,960	–	–	-406,817	271,899
Subtotal of financial liabilities	20,979,097	166,960			-7,843,191	13,302,866

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

(1) ***Significant capital expenditure***

Item	2018 Amount (RMB'000)	2017 Amount (RMB'000) (Restated)
Property, plant and equipment	**8,296,862**	6,933,349
Prepaid land lease payments	**565,957**	509,886
Other intangible assets	**767,334**	670,044
Total capital expenses	**9,630,153**	8,113,279

(2) ***Capital commitment***

As at 31 December 2018, the capital commitments that the Group had contracted but not yet undertaken was RMB3,643 million, which will be used mainly for property, plant, equipment or used as prepaid land lease payments and for other intangible assets.

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

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

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

Item	2018 Amount (RMB'000)
Bills receivable	**4,328,644**
Trade receivables	**179,236**
Property, plant and equipment	**17,274**
Prepaid land lease payments	**6,515**
Other non-current assets	**244,030**
Total	**4,775,699**

7. Borrowings, corporate bonds and notes

As at 31 December 2018, the Group had total borrowings, bonds and notes of approximately RMB24,584 million, as compared to the total amount of approximately RMB47, 629 million as at 31 December 2017.

As at 31 December 2018, out of the total borrowings, bonds and notes of the Group, RMB20,644 million was denominated in Renminbi, RMB1,653 million was denominated in US dollar, and RMB1,854 million was denominated in Euro.

The Group's long-term interest-bearing borrowings, bonds and notes and short-term interest-bearing borrowings, bonds and notes as at 31 December 2018 were RMB4,380 million and RMB20,204 million, respectively.

As at 31 December 2018, the total bank and other borrowings of the Group with floating interest rates amounted to RMB6,111 million, as compared to RMB7, 396 million as at 31 December 2017.

	31 December 2018 Amount (RMB'000)	31 December 2017 Amount (RMB'000)
Within one year (starting date and ending date inclusive)	**20,203,943**	34,043,108
One to two years	**250,523**	5,128,334
Two to five years	**3,940,022**	3,077,430
Over five years	**189,466**	5,379,718
Total	**24,583,954**	47,628,590

As at 31 December 2018, the total borrowings, bonds and notes of the Group amounted to approximately RMB24,584 million, representing a decrease of 48.38% from RMB47,629 million as at 31 December 2017, mainly due to the decrease in long-term and short term borrowings.

8. Cash Flow

As at 31 December 2018, the cash and cash equivalents owned by the Group amounted to approximately RMB30,290 million, of which RMB23,296 million was denominated in Renminbi; RMB2,910 million was denominated in USD; and RMB1,769 million was denominated in Euro.

(III) Analysis of industrial and operational information

1. Orders of the Company during the Reporting Period

Unit: hundred million Currency: RMB

Item	Manufacturing of railway transportation equipment New order amount	Existing order amount
Market orders	3,049	2,327
Overseas orders	430	829

The Company recognises revenue when a performance obligation under the contract is satisfied, i.e. when "control" of the underlying goods or services is transferred to the customer, based on the portion of the transaction price allocated to the performance of obligation. If one of the following criteria is met and the performance obligation shall be performed during a period, revenue is recognized by the Company over time by reference to the performance progress: (1) the customer simultaneously receives and consumes the economic benefits provided by the Company's performance as the Company performs; (2) the customer has the control over the goods being constructed by the Company during the performance period; or (3) the goods produced by the Company during the performance period has an alternative use, and the Company has an right to payment for performance completed during the contract period to date. Otherwise, revenue is recognised at a point in time when the customer obtains control of the relevant goods or service.

2. Businesses accounting for over 10% of the Company's main business income during the Reporting Period

Items	Sales volume of complete units
Newly created MUs	2,608
Newly created urban rail metro vehicles	6,396

During the reporting period, revenue from MUs manufacturing business of the Company amounted to RMB46.931 billion, accounting for 21.88% of the operating income. Revenue from urban rail metro vehicles manufacturing business of the Company amounted to RMB31.077 billion, accounting for 14.49% of the operating income.

3. Repair and refitting business during the Reporting Period

Unit: hundred million Currency: RMB

Items	Railway transportation equipment manufacturing operating income
Repair and refitting business of railway equipment vehicles	329.75

Product	Maintenance Standard of Major Products the Company Maintenance Standard
MUs	According to the "Regulations on the Operation and Maintenance of Railway MUs" (鐵路動車組運用維修規程) issued by the China Railway Corporation, the MUs are maintained mainly according to the operating mileage cycle and secondarily the time period (whichever comes first). The MUs maintenance process is divided into 5 levels, of which the first and second levels are applicable to daily operation maintenance, while the third, fourth and fifth levels are advanced refurbishment. The MUs that have run 1.2 million kilometers or 3 years are applicable to Level 3 maintenance, those have run 2.4 million kilometers or 6 years are applicable to Level 4 maintenance, and those have run 4.8 million kilometers or 12 years are applicable to Level 5 maintenance.
Locomotives	According to the "Notice on the Release of the Repair Program and Maintenance System Reform Plan for CRH AC Drive Locomotives" (關於公佈和諧型交流傳動機車修程修制改革方案的通知) issued by the China Railway Corporation, the CRH AC drive locomotive has six levels of maintenance on the repair program, namely C1 to C6 maintenance, among which Levels C1-C4 are segment-level maintenance, and Levels C5 and C6 are advanced maintenance. The C5 maintenance refers to electric locomotives that have run 1.0x (1±10%) million kilometers and no more than 6 years, and diesel locomotives that have run 0.9x (1±10%) million kilometers and no more than 5 years. The C6 maintenance refers to electric locomotives that have run 2.0x (1±10%) million kilometers and no more than 12 years and diesel locomotive that have run 1.8x (1±10%) million kilometers and no more than 10 years.
Passenger carriages	According to the "Regulations on the Operation and Maintenance of Railway Passenger Carriages" (鐵路客車運用維修規程) issued by the China Railway Corporation, the daily operation maintenance and regular repair of passenger carriages are carried out mainly according to the operating mileage cycle and secondarily the time period (whichever comes first). The regular maintenance of passenger carriages is divided into 5 levels, namely A1 to A5 maintenance, of which A1 to A3 are minor and segment-level maintenance, and A4 and A5 are plant maintenance. A4 maintenance applies to the passenger carriage that has run 2.4 million kilometers or 8 years since it was produced (or last A5 maintenance). A5 maintenance applies to the passenger carriage that has run 4.8 million kilometers or 8 years since last A4 maintenance.
Freight wagons	According to the "Regulations on the Plant Maintenance of Railway Freight Wagons" (鐵路貨車廠修規程) and other documents promulgated by China Railway, the management of the freight wagon is divided into segment-level maintenance and plant maintenance. The segment-level maintenance of railway freight wagons is carried out according to the vehicle operation time. A segment-level maintenance cycle could be 1 year, 1.5 years or 2 years. The plant maintenance is generally carried out according to the vehicle operation time (plant maintenance cycles). Depending on the vehicle model, the plant maintenance cycles range from 5 to 9 years, and several segment-level maintenances are arranged between two plant maintenances.
Urban rail transit vehicles	According to the vehicle repair program and maintenance cycle for urban rail transit vehicles provided in the "State Standard of the People's Republic of China (GB50157-2013): Code for the Design of Metro" (中華人民共和國國家標準 (GB50157-2013):地鐵設計規範), the maintenance of urban rail transit vehicles can be classified as general overhaul, intermediate maintenance and periodical maintenance. The general overhaul applies to vehicles that have run 1.2 million kilometers or 10 years, the intermediate maintenance applies to vehicles that have run 0.6 million kilometers or 5 years, and the periodical maintenance applies to vehicles that have run 0.15 million kilometers or 1.25 years.

(IV) Analysis of investment

1. Overall analysis of external equity investment

As at the end of the reporting period, the Company's long-term equity investment was RMB13,766 million, representing an increase of RMB2,552 million or 22.76% as compared to the beginning of the year. It was mainly because there were additional investment in joint ventures and associated enterprises of RMB1.879 billion. In addition, the long-term equity investment increased RMB0.407 million resulting from the change of subsidiaries to joint ventures or associates. For details, please refer to Notes 21 and 22 to the financial statements prepared in accordance with IFRSs set out in this annual report.

(1) Significant equity investment

There was no significant equity investment during the reporting period.

(2) Significant non-equity investment

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

(3) Financial assets measured at fair value

For details, please refer to "Report of Directors - B. Management Discnssion and Analysis - II. Major operation results during the reporting period -(II) Analysis of the structure and changes of major assets and liabilities of the Company during the reporting period-2. Information on assets measured at fair value" in this annual report.

(V) Significant sale of assets and equity

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

(VI) Analysis of major companies controlled or invested in by the Company (financial data in this table was prepared in accordance with PRC GAAP)

Company name	Product and scope of main business	Registered capital	Total assets at the end of the period	Net assets at the end of the period attributable to the shareholders of the Company	Net profit from January to December 2018 attributable to the shareholders of the Company	Revenue from January to December 2018	Operating Profit from January to December 2018
CRRC Changchun	Design, manufacturing, repair, sale and lease of passenger carriages, multiple units, urban rail transit vehicles and the accessories thereof, a well as related technical services and technical consultancy etc.	5,807,947	55,117,297	17,361,038	2,523,883	34,258,852	2,836,909
CRRC Sifang	R&D and manufacturing of multiple units, passenger carriages and urban rail transit vehicles; and repair services for multiple units and high-end passenger carriages etc.	4,071,272	51,947,933	14,578,881	2,357,041	41,706,505	2,698,881
CRRC Tangshan	Manufacturing of railway transportation equipment; sale and lease of railway vehicles, electric multiple units, diesel multiple units, maglev trains, special vehicles, test vehicles, urban rail transit vehicles and accessories thereof; and technical consulting services etc.	3,990,000	24,274,474	10,577,867	1,401,426	17,867,791	1,692,425
CRRC Zhuzhou	R&D and manufacturing of electric locomotives, multiple units and urban rail transit vehicles etc.	4,858,336	28,742,904	8,392,145	1,119,868	21,750,335	1,231,975
CRRC ZELRI	Research and manufacturing on electric drive and control technologies related to rail transit and relevant electrical equipment; and research and development and manufacturing of railway locomotives and accessories thereof etc.	8,340,710	51,317,989	16,727,183	941,323	29,508,584	2,295,245

(VII) Use of proceeds

1. A shares

As approved by the "Reply in relation to the Approval of CRRC Corporation Limited for Non-public Issuance of Shares" (CSRC Permit No. [2016]3203) by CSRC, the Company non-publicly issued 1,410,105,755 ordinary shares (A shares) to specific objects at an issue price of RMB8.51 per share in January 2017 with total proceeds of RMB12.000 billion. After deducting cost of issue of RMB66 million, the net proceeds were RMB11.934 billion. As at 31 December 2018, the Company had utilized RMB10.427 billion of the proceeds from the non-public issuance of the A shares. The specific usage is as follows: (1) RMB5.934 billion was applied to replenish working capital to satisfy requirement of production and operation; and (2) RMB4.493 billion was applied to repay interest-bearing liabilities, in line with the previous disclosed usage of the proceeds. As at 31 December 2018, it is expected that the remaining balance of proceeds of RMB1.507 billion, which have been temporarily applied to replenish working capital, will be applied to repay interest-bearing liabilities, of RMB1.507 billion by 2020, which is in line with the use of proceeds as previously disclosed,

2. H shares

As approved by the "Reply in relation to the Approval of China CNR Corporation Limited to Issue Overseas Listed Foreign Shares" (CSRC Permit No. [2014] 404) issued by CSRC, CNR issued through its public offering 1,939,724,000 (including over-allotment) overseas listed foreign shares (H shares) in May 2014 and the proceeds raised totaled HKD10.028 billion. As at 31 December 2018, the proceeds of H shares and used by the Company in aggregate were approximately HKD10.060 billion, the actual use is as follows: to increase capital contribution of approximately HKD6.640 billion into subsidiaries, to replenish its working capital and repay bank loans of approximately HKD3.157 billion, to finance the product research and development expense of approximately HKD60 million and to pay issuance costs of approximately HKD203 million, which are in line with use of proceeds disclosed previously. As of 31 December 2018, interest of bank deposits received for the proceeds from issuance of H shares amounted to HKD115 million in total and proceeds not yet used by the Company raised through issuance of H shares, plus interests thereon accrued, amounted to HKD83 million, which is expected to be used to replenish the working capital of RMB83 million by 2020, in line with the use of proceeds as disclosed previously.

On 5 February 2016, the Company issued H Share convertible bonds in an aggregate amount of US$600 million. The net proceeds of such issuance were approximately US$595.80 million. As at 31 December 2018, the Company used approximately US$562.42 million of such proceeds for the following purposes: (1) approximately US$92.62 million for the repayment of bank loans, (2) approximately US$56.00 million for equity investment, and (3) approximately US$413.80 million for the business operation needs of CRRC Hong Kong Capital Management Co., Limited, a wholly-owned subsidiary of the Company, which was in line with the use of proceeds disclosed previously. As at 31 December 2018, the Company received a deposit interest of approximately US$10.81 million in respect of the proceeds from the issuance of the H Share convertible bonds and the balance of the proceeds was approximately US33.38 million, which is expected to be used to satisfy the Company's requirements of production and international operations, of US$33.38 million by 2020 including but not limited to adjusting the debt structure, increasing the capital of subsidiaries, replenishing working capital and making project investments, etc. Such balance may also be used by the Company in or out of the PRC at its discretion in light of actual situation, which was in line with the use of proceeds disclosed previously. Please refer to the section headed "Significant Events - VI. Information on the Convertible Corporate Bonds" in this annual report for details of the Company's H Share convertible bonds.

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

(I) Landscape and trend of the industry

1. Macro policy

Internationally, in light of the complex global political and economic landscape, the global order is going through a new round of development, change and adjustment in a large scale, which has brought impact on the international operation of enterprises. The Great Power diplomacy with Chinese characteristics has attracted widespread attention of the world, and the promotion of the "One Belt One Road" initiative lays solid development foundation for boosting the growth of global economy and deepening the regional cooperation, creates convenient connection conditions and provides a broad market space for international capacity cooperation and going global of high-end equipment.

Domestically, China's current economy has shifted from the stage of high-speed growth to a stage of high-quality development. As the central government focuses on deepening reform and further opening up to enhance the economic development quality, efficiency and growth momentum with the supply-side structural reform as the main line, it is even more urgent for enterprises to improve quality and efficiency, and achieve transformation and upgrading. As a model of high-end equipment manufacturing industry, CRRC should emphasize on improving development quality and efficiency, and take reform, innovation and integration as the driving force to deepen supply-side structural reform, accelerate innovation, expedite the implementation of strategy of "going global", achieve high-quality development and secure good development opportunities.

2. **Industry policy**

Internationally, with the increasingly intensified reform of the rail transit industry and the restructuring and integration of global industry giants, the industry competition landscape has changed profoundly and the competition has become increasingly fierce. Domestically, the rail transit equipment market, construction of main line railways, and railway operation rights have been fully liberalized, and foreign investment thresholds have been further reduced. Numerous new entrants of the industry rushed into the rail transit industry, resulting in an increasingly fierce market competition. At the same time, with the continuous reform of railway passenger transport and freight transportation, modern integrated transportation system undergoing rapid construction, diversified demand for urban rail transit vehicles, users have higher requirements for the applicability, safety, reliability and comfort of rail transit equipment products. As the world's largest and most diverse rolling stock supplier with advanced technologies and a model of high-end equipment manufacturing industry, CRRC has been faced with new development opportunities. CRRC should be market-oriented and customer-centric to optimize business structure, establish and improve the service system with full life cycle, accelerate the transformation of "manufacturing + service", provide customers with more valuable products and services, and make contributions to realize the dream of strong manufacturing country and strong transportation country power leveraging on "CRRC Wisdom" and "CRRC Power".

3. **Industrial investment planning**

In respect of international market, due to lack of robust driving forces for global economy, international rail transit equipment market experienced slow growth. In the next few years, the capacity of the global railway vehicles market is expected to grow by an average rate of approximately 2.2% and reach EUR134.0 billion by 2020. In domestic market, according to the "Medium to Long-term Railway Network Plan" and "13th Five-Year Plan for the Development of Modern Comprehensive Transportation System", railway mileage in operation and high-speed rail mileage will increase from 121,000 km and 19,000 km in 2015 to 150,000 km and 30,000 km in 2020, urban rail transit mileage will increase from 3,300 km in 2015 to 6,000 km in 2020. In order to enhance development quality and improve the overall communication and transportation efficiency, the State Council issued "The Three-Year Plan for Promoting Transportation Structure Adjustment (2018-2020)" in 2018, which requires that, by 2020, the national railway transportation volume shall increase 1.1 billion tons or 30% as compared with 3.69 billion tons in 2017. In 2019, investments in railway fixed assets shall remain stable in size and scale with 6,800 km railway lines being put into operation. China Railway implemented three measures of "Fuxinghao" brand strategy, enhancing the quality of passenger transport and increasing amount freight wagon business in three years to promote the high-quality development of railway equipment industry. According to the report published at the official website of China Railway, in 2018, investments of railway fixed assets nationwide amounted to RMB802.8 billion, of which RMB760.3 billion was contributed by National Railway Administration. Newly increased investments amounted to RMB338.2 billion with 4,683 km of new railway lines being put into operation, of which 4,100 km were high-speed railway lines. By the end of 2018, the national railway mileage in operation exceeded 131,000 km, of which high-speed rail mileage exceeded 29,000 km. Passengers and cargos transport recorded significant growth. In 2018, the total number of passengers transported by railways across the country reached 3.37 billion, representing an increase of 290 million or 9.4% year on year, of which 2.005 billion were transported by EMUs, representing an increase of 16.8% year on year. The total volume of cargos delivered by railways nationwide was 4.022 billion tons, representing an increase of 334 million tons or 9.1% year on year. The construction of urban rail transit has been accelerating step by step. In 2018, the newly built urban rail transit in China reached 870 kilometers, exceeding 800 kilometers for two consecutive years. The domestic demand for rail transit equipment will remain relatively stable in the next three years. Faced with the new situation and new requirements, CRRC will seize opportunities, accelerate innovation, and strive to build green transportation, safe transportation, intelligent transportation, convenient transportation, tourism transportation and valuable transportation, so as to achieve high-quality development and contribute to the construction of modern comprehensive transportation system in China.

The Company continuously keeps abreast of the international and domestic political and economic situation and dynamics, and industry development trends, to study and made judgement on the market demand. The Company will meet the existing market demand based on the model of "limit production to sales" to ensure the timely delivery and safe operation of major products. By sticking to supply-side structural reform and capturing the strategic opportunities of "One Belt One Road", construction of national railway network and urban rail transit, adjustment of transportation structure, the Company will continuously strengthen innovation, rationalize allocation of resources, optimize product structure, and make innovations in business model to provide more intelligent, efficient, environmental-protection and reliable rail transit equipment and systematic solutions with full life cycle, and achieve the win-win results with stakeholders.

(II) Development strategies of the Company

The strategic planning for the "13th Five-Year" period: the Company will adhere to new development concepts, adhere to making progress while maintaining stability, adhere to the problem-orientated approach, fulfill the requirements of high-quality development, and reformation, innovation, integration as the dynamics, take the path of internationalization, diversification, high-end development, digitalization and coordination, coordinate the efforts to maintain stable growth, make structural adjustments, increase dynamics, improve quality, control risks and strengthen party building, continue to enhance endogenous power and development ability, so as to achieve higher quality, more efficient and more sustainable development and lay a solid foundation for realizing the strategic goal of "two builds, one develop（雙打造一培育）".

1. Railway equipment business

The Company will implement the strategy of strong transportation country, take the mission of equipment support, with becoming a world-class provider of systematic solutions for rail transportation equipment as the goal, strengthen the research of basic, prospective, common and key technologies, so as to form the driving force of the leadership of supporting technologies and continuous innovation of products, as well as build a systematic, modular and standardized product technology platform. Efforts will be made to consolidate our leading position in the industry and our strengths, actively adapt to changes in the domestic and international transport market and technological trends, accelerate the railway passenger and freight transport technology, product and service model innovation, and actively respond to the challenges of new technologies, new industry, new business forms and new business modes, so as to provide strong equipment support for building safe, convenient, economic, efficient, green and intelligent transportation system. The Company will strengthen the research on China's railway market-oriented reform and seize opportunities such as "road to railway" and the three-year action plan for freight increment, promote manufacturing + service transformation, endeavour to support the transformation and upgrade of rail transport enterprises and the construction of an integrated transportation system. The Company will serve the national strategies, such as "One Belt One Road" initiative, "international capacity cooperation" and "going global", and establish a global business collaboration platform to promote the transition from providing a single product to providing a complete set of solutions for products, technologies and services, improve the quality of "going global" and expedite the "going into" pace.

2. Urban rail transit vehicle and urban infrastructure business

The Company will grasp opportunities from new urbanization, actively respond to the challenge of an open market, expedite the development and innovations in urban rail vehicles, and continue to upgrade product structure, enhance the abilities of life service and systematic solution, and firmly occupy the domestic market and continuously expand the international market with its high quality products and services. The Company will standardize the development of PPP and BOT business of urban rail at home and abroad, give a full play to its comprehensive advantages in equipment manufacturing, business portfolio and the combination of industry and finance, strengthen strategic cooperation and leverage social resources, accelerate the formation of its general contracting capability for mechanical and electrical integration focusing on key systems and components such as vehicle and traction electric drive, brake, signal, etc, develop its general contracting capability for urban infrastructure construction projects with the focus on project management and its general contracting capability for operation services with the characteristics of "CRRC" and continue to strengthen the urban rail transit vehicle and urban infrastructure business.

3. New industry business

By implementing new development concepts, taking strategic emerging industries, especially high-end equipment manufacturing industry as the main direction, the Company will leverage the core capacities of rolling stock equipment to vigorously develop the related multi-businesses, such as new energy, new materials, ecological environmental protection and industrial Internet business, cultivate and develop new momentum of growth, and create a new engine for the industry. With a focus on mechanical and electrical products, such as key systems and important parts, the Company will create the supporting businesses with strong core technologies and wide range of applications, focus on the upstream and downstream of the technology chain and industry chain, intelligent and digital business, make the cultivation business with good growth and strong leadership, accelerate the cultivation of a business cluster in which we have outstanding core ability, leading industry position, endeavour to become a leader in the international and domestic industries. The Company will implement the development strategy of convergence of military and civil sectors, expand the application of technologies and products, focus on the key tasks including constructing a green and smart city, building a beautiful ecological environment, developing high-end high-tech industries, and building a fast and efficient transportation network in Xiong'an New Area, actively promote high-tech business to enter into Xiong'an and serve Xiong'an.

4. Modern service business

According to the requirements of "strengthening real economy", the Company will adhere to the "integration of industry and finance and enhancing production with financing", strengthen overall planning and coordination, focus on risk control, standardize and build the financial service platform, investment and financing platform and financial leasing platform, boost the integrated development of manufacturing industry and service industry, and promote the rapid development of the core businesses of rail transportation. The Company will explore Internet + service, expedite the construction of supply chain service platform, develop intelligent logistics, expand supply chain trading and promote the standardized development of modern logistics service business.

5. International business

The Company will strengthen plans from the top, formulate the special development plan and implementation scheme for the market development of the countries along "One Belt One Road", take an active part in the construction of "One Belt One Road", and create a new pattern for opening up and development of "going global". According to the idea that the complete equipment drives components, manufacturing industry drives service industry, general contracting drives industry chain and rail transit equipment drives non-rail transit equipment, the Company will expand overseas markets, strengthen the plans from the top of offshore presence, increase the investment and integration on international businesses, set up international business platform companies, build a global, centralized, coordinated marketing and regional management system, strengthen the construction of overseas R&D centres, strengthen brand development and promotion, strive to play a role in industry organization and standard system, enhance industry influence and voice, and enhance international competitiveness. In accordance with the concept of "light assets, emphasis on efficiency and sustainable development", the Company will carry out Greenfield investment, strategic mergers and acquisitions, joint-venture operation, promote the total-factor business mode of "product + technology + service + capital + management", promote the five-local model, and speed up the transformation from domestic to international market, from "going out" to "going in" and from a domestic enterprise to a multinational company.

(III) Operation plans

2018 was a year between the preceding and the following for CRRC to implement its "13th Five-Year" strategy. With the theme of "quality, efficiency and momentum", the Company formulated its operation plans for the year of 2018 under the guidance of "13156" working idea and made full use of the driving forces of "innovation, reform and integration" to establish a respected international company in new era. In view of the increasing demand for railway equipment business, the Company adhered to the fine tradition of CRRC to effectively respond to changes in internal and external business environment, and achieved stable growth in operating results through the concerted efforts of all the staff.

In 2019, in view of the macro-economic situation, the Company set its primary goal target to ensure the stability of operating income and net profits attributable to owners of the parent company with a light increase. The Company will stick to the goals of "coordination, shoring up weakness and improving quality", establish mechanisms of "strategic control, resource synergy, risk control, joint construction and sharing, and incentives and constraints", form an integration of "comprehensive budget management, technology innovation, information management, global talent training, supervision and assessment, international control", and pay close attention to eight priorities of "stabilizing growth, strengthening management, improving ability, preventing risks, cultivating driving forces, prioritizing innovation, promoting quality, and branding" to endeavour to reinforce operation management, enhance corporate governance and expedite international operation to ensure the stability of its operation and efficiency with a slight increase and lay a solid foundation for achieving the strategic goal of "two builds, one develop (雙打造一培育)".

(IV) Potential risks

1. Risks related to product quality

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

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

2. Policy risks

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

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

3. Market risks

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

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

International market risks: The international political and economic situations are extremely complex, with increasing restrictions brought by trade protectionism and slow economic recovery. The international market will manifest more uncertain factors beyond control. The promotion of "internationalization" strategy of the Company will bring about additional market and operation risks in overseas market at the same time.

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

4. Risks related to industrial structure adjustment

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

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

5. Exchange rate risks

With the accelerated pace of internationalization of the Company, the Company continued to increase product exports, overseas investments, mergers and acquisitions and other activities, which may trigger various risks due to fluctuations in exchange rate. For example, some overseas product projects of the Company are settled in non-major currencies. It is difficult to achieve natural hedging of exchange rate risks due to the mismatch of currencies. Hedge method is subject to the uncertain foreign exchange collection time. We may suffer significant foreign exchange loss due to the turbulent international financial environment and the unpredictable exchange rate trend. Exchange rate fluctuations may result in the risk of changes in the value of overseas enterprises.

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

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

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

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

On 28 March 2018, the Company held the 33rd meeting of the first session of the Board, pursuant to which the 2017 Proposal for Profit Distribution Plan of CRRC was considered and approved to distribute cash dividend of RMB0.15 (tax interaction libation) per share to all shareholders based on the total share capital of the Company of 28,698,864,088 shares. On 31 May 2018, the proposal was approved at the 2017 general meeting. On 16 July 2018, the 2017 Proposal for Profit Distribution Plan was implemented.

On 28 March 2019, the Company held the 9th meeting of the second session of the Board, at which the 2018 Proposal for Profit Distribution Plan of CRRC was considered and approved to distribute cash dividend of RMB0.15 (tax inclusive) per share to all shareholders based on the total share capital of the Company of 28,698,864,088 shares on 31 December 2018. The proposal is subject to the consideration and approval by shareholders at 2018 annual general meeting.

If the proposal for profit distribution mentioned above is considered and approved by the general meeting of the Company, it is expected that the Company will pay dividends in cash on or before 15 August 2019. When the specific time is determined for convening the general meeting, the Company will make a separate announcement on further details regarding the closure of the registration of members of the H Shares and the expected cash dividend payment date, if updated, in respect of the relevant dividend distribution.

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

Unit: ten hundred Currency: RMB

Year of distribution	Number of bonus shares given for each 10 shares held	Dividends distributed for each 10 shares held (RMB) (tax inclusive)	Number of shares converted from capital reserve for each 10 shares held	Amount of cash bonus (tax inclusive)	Net profits attributable to ordinary shareholders of the listed Company contained in the consolidated financial statements for the year of distribution	Percentage of net profits attributable to ordinary shareholders of the listed Company contained in the consolidated financial statements (%)
2018	—	1.5	—	430,483	1,130,504	38
2017	—	1.5	—	430,483	1,079,856	40
2016	—	2.1	—	602,676	1,129,560	53

V. Tax and Tax Relief

In accordance with the revised Enterprise Income Tax Law of the People's Republic of China and its implementation rules which became effective on 29 December 2018, and the circular on Issues Relating to the Withholding of Enterprise Income tax for Dividends Distributed by Resident Enterprises in China to Non-resident Enterprises Holding H Shares issued by the State Administration of Taxation (Guo Shui Han [2008] no. 897), enterprise income tax shall be withheld at a rate of 10% when the Company pays final dividends to non-resident enterprises whose names appear on the register of H shareholders of the Company. The enterprise income tax shall be withheld for the dividends of any H shares under the names of non-individual shareholders (any H shares of the company registered in the name of HKSCC Nominees Limited, other nominees and trustees, or other organizations and institutions, shall be deemed as shares held by non-resident enterprise shareholders).

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

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

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

VI. Connected Transactions

(I) Non-exempt connected transactions

1. Establishment of the Financial Leasing Company

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

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

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

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

2. Participation in capital increase of Hunan CRRC Times Electric Vehicle Co., Ltd.

On 11 May 2018, CRRC ZELRI, a wholly-owned subsidiary of the Company, and CRRC GROUP, Sany Group Co., Ltd. ("**Sany Group**"), Hunan Hi-Tech Venture Capital Holdings Limited (湖南高新創業投資集團有限公司) ("**Hi-Tech Venture**"), Xiao Keng and Deng Pengtu entered into the Agreement on the Increase in Capital of Hunan CRRC Times Electric Vehicle Co., Ltd., pursuant to which CRRC ZELRI, CRRC GROUP, Sany Group, Hi-Tech Venture, Xiao Keng and Deng Pengtu agreed to participate in the capital increase of Hunan CRRC Times Electric Vehicle Co., Ltd. ("**Times Electric Vehicle**") according to their respective current shareholding percentage. The amount of capital increase under the Agreement amounted to RMB3 billion in total, of which CRRC ZELRI contributed RMB1, 091,049,157.09 in cash.

The capital increase is beneficial for Times Electric Vehicle to mitigate its shortage of funding and improve its capital structure, thereby enhancing its market competitiveness and sustainable development capabilities.

On 11 May 2018, CRRC GROUP is a controlling Shareholder holding, directly and indirectly, 55.63% equity interests of the Company and is a connected person of the Company under the Hong Kong Listing Rules. ZELRI is a wholly-owned subsidiary of the Company. Therefore, the entering into of the Agreement by CRRC ZELRI with CRRC GROUP, Sany Group, Hi-Tech Venture, Xiao Keng and Deng Pengtu constitutes a connected transaction of the Company under Chapter 14A of the Hong Kong Listing Rules. As the highest applicable size test percentage ratio calculated according to the Hong Kong Listing Rules exceeds 0.1% but is lower than 5%, the Transaction is subject to reporting and announcement requirements but is exempt from independent Shareholders' approval requirement under Chapter 14A of the Hong Kong Listing Rules.

For details of the above transaction, please refer to the connected transaction announcement dated 11 May 2018 published by the Company on the website of the Stock Exchange.

3. Transfer of equity interest in CRRC Beijing Erqi Locomotive Co., Ltd.

On 24 August 2018, the Company and CRRC GROUP entered into an equity transfer agreement, pursuant to which the Company agreed to sell and CRRC GROUP agreed to acquire the 100% equity interest in CRRC Beijing Erqi Locomotive Co., Ltd. ("**Erqi Locomotive**") held by the Company at a consideration of RMB407,520,900. After completion of the Transaction, CRRC GROUP will hold 100% equity interest in Erqi Locomotive, and Erqi Locomotive will cease to be a subsidiary of the Company.

The transaction is an initiative of the Company to implement the nation's policy of easing the non-capital city functions of Beijing; it is a significant strategic initiative to deepen the reforms of the Company, and to drive business restructuring and production capacity reduction of the Company's certain businesses such as locomotive business, which is conducive to optimizing the internal resources allocation of the Company.

As at 24 August 2018, CRRC GROUP is the controlling shareholder of the Company holding, directly and indirectly, 53.03% of the shares of the Company, and is therefore a connected person of the Company under the Hong Kong Listing Rules. Therefore, the entering into of the Agreement between the Company and CRRC GROUP constitutes a connected transaction of the Company under Chapter 14A of the Hong Kong Listing Rules.

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

For details of the above transaction, please refer to the connected transaction announcement dated 24 August 2018 published by the Company on the website of the Stock Exchange.

4. Transfer of equity interest in Zhejiang CRRC Electric Vehicle Co., Ltd.

On 28 September 2018, CRRC Zhuzhou entered into an equity transfer agreement with Times Electric Vehicle and CRRC Zhuzhou Electric Locomotive Industry Management Co., Ltd. ("**CRRC Zhuzhou Industry**"), respectively. Pursuant to the Equity Transfer Agreement entered into between CRRC Zhuzhou and Times Electric Vehicle, CRRC Zhuzhou agreed to sell and Times Electric Vehicle agreed to acquire 41% equity interest in Zhejiang CRRC Electric Vehicle Co., Ltd. ("**Zhejiang Electric Vehicle**") at a consideration of RMB89,867,500. Pursuant to the Equity Transfer Agreement entered into between CRRC Zhuzhou and CRRC Zhuzhou Industry, CRRC Zhuzhou agreed to sell and CRRC Zhuzhou Industry agreed to acquire 10% equity interest in Zhejiang Electric Vehicle at a consideration of RMB21,918,900. After completion of the transactions, CRRC Zhuzhou will cease to hold any equity interest in Zhejiang Electric Vehicle, and Zhejiang Electric Vehicle will cease to be a subsidiary of the Company.

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

On 28 September 2018, CRRC GROUP is the controlling shareholder of the Company holding, directly and indirectly, 53.03% of the shares of the Company, and is therefore a connected person of the Company under the Hong Kong Listing Rules. CRRC Zhuzhou is a wholly-owned subsidiary of the Company, while Times Electric Vehicle and CRRC Zhuzhou Industry are subsidiaries of CRRC GROUP. Therefore, entering into the Equity Transfer Agreement with Times Electric Vehicle and CRRC Zhuzhou Industry respectively by CRRC Zhuzhou constitute connected transactions of the Company under Chapter 14A of the Hong Kong Listing Rules.

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

For details of the above transaction, please refer to the connected transaction announcement dated 28 September 2018 published by the Company on the website of the Stock Exchange.

5. Transfer of land use right

On 28 September 2018, CRRC Lanzhou Co., Ltd. ("**CRRC Lanzhou**"), a wholly-owned subsidiary of the Company, entered into the Equity Transfer Contract with Lanzhou Zhongqing Real Estate Development Co., Ltd. ("**Lanzhou Zhongqing**"), a wholly-owned subsidiary of the CRRC GROUP. Pursuant to which CRRC Lanzhou agreed to transfer the land use right of a plot of land in Lanzhou ("**Target Assets**") to Lanzhou Zhongqing at a consideration of approximately RMB1,343,299,200.

CRRC Lanzhou will be able to obtain funds to support its new plant construction and daily operation by transferring the Target Assets to Lanzhou Zhongqing.

On 28 September 2018, CRRC GROUP is a controlling shareholder holding, directly and indirectly, 53.03% of the shares of the Company, thus a connected person of the Company under the Hong Kong Listing Rules. CRRC Lanzhou is a wholly-owned subsidiary of the Company, and Lanzhou Zhongqing is a wholly-owned subsidiary of CRRC GROUP, therefore the transfer of the Target Assets by CRRC Lanzhou to Lanzhou Zhongqing constitutes a connected transaction of the Company under Chapter 14A of the Hong Kong Listing Rules.

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

For details of the above transaction, please refer to the connected transaction announcement dated 28 September 2018 published by the Company on the website of the Stock Exchange.

6. Transfer of equity interest in Tianjin CRRC Jinpu Industrial Park Management Co., Ltd.

On 11 December 2018, Tianjin CRRC Equipment Co., Ltd. ("**Tianjin Equipment**") entered into the Equity Transfer Contract with CRRC Real Estate Co., Ltd. ("**CRRC Real Estate**"). Pursuant to the contract, Tianjin Equipment agreed to sell and CRRC Real Estate agreed to acquire 51% equity interest in Tianjin CRRC Jinpu Industrial Park Management Co., Ltd. ("**Tianjin Jinpu Industrial Park**") at a consideration of RMB275,000,200. After completion of the transaction, CRRC Real Estate will hold 51% equity interest in Tianjin Jinpu Industrial Park, and Tianjin Jinpu Industrial Park will cease to be a subsidiary of the Company.

This transaction will help Tianjin Equipment to improve its asset structure and cash flow, therefore speeding up the process of its transformation and upgrade. It will also help the Company to activate its idle assets and improve operation efficiency.

On 11 December 2018, CRRC GROUP is the controlling shareholder of the Company holding, directly and indirectly, 51.43% of the shares of the Company, and is therefore a connected person of the Company under the Hong Kong Listing Rules. Tianjin Equipment is an indirect wholly-owned subsidiary of the Company, while CRRC Real Estate is a wholly-owned subsidiary of CRRC GROUP. Therefore, the entering into of the Equity Transfer Contract between Tianjin Equipment and CRRC Real Estate constitutes a connected transaction of the Company under Chapter 14A of the Hong Kong Listing Rules.

Pursuant to Rule 14A.81 of the Hong Kong Listing Rules, the transaction shall be aggregated with the relevant previous transactions. Following the aggregation, as the highest of the applicable size test percentage ratios calculated according to the Hong Kong Listing Rules exceeds 0.1% but is lower than 5%, the Transaction is subject to annual reporting and announcement requirements but is exempted from the requirement of independent shareholders' approval under Chapter 14A of the Hong Kong Listing Rules.

For details of the above transaction, please refer to the connected transaction announcement dated 11 December 2018 published by the Company on the website of the Stock Exchange.

7. Transfer of equity interest in Beijing CRRC Nankou Science and Innovation Park Management Co., Ltd.

On 11 December 2018, CRRC Beijing Nankou Co., Ltd. ("**Nankou Company**") entered into the Equity Transfer Contract with CRRC Real Estate. Pursuant to the contract, Nankou Company agreed to sell and CRRC Real Estate agreed to acquire 70% equity interest in Beijing CRRC Nankou Science and Innovation Park Management Co., Ltd. ("**Nankou Science and Innovation Park**") at a consideration of RMB428,275,890. After completion of the Transaction, CRRC Real Estate will hold 70% equity interest in Nankou Science and Innovation Park, and Nankou Science and Innovation Park will cease to be a subsidiary of the Company.

This transaction will help Nankou Company to improve its asset structure and cash flow, therefore speeding up the process of its transformation and upgrade. It will also help the Company to activate its idle assets and improve operation efficiency.

On 11 December 2018, CRRC GROUP is the controlling shareholder of the Company holding, directly and indirectly, 51.43% of the shares of the Company, and is therefore a connected person of the Company under the Hong Kong Listing Rules. Nankou Company is a wholly-owned subsidiary of the Company, while CRRC Real Estate is a wholly-owned subsidiary of CRRC GROUP. Therefore, the entering into of the Equity Transfer Contract between Nankou Company and CRRC Real Estate constitutes a connected transaction of the Company under Chapter 14A of the Hong Kong Listing Rules.

Pursuant to Rule 14A.81 of the Hong Kong Listing Rules, the transaction shall be aggregated with the relevant previous transactions. Following the aggregation, as the highest of the applicable size test percentage ratios calculated according to the Hong Kong Listing Rules exceeds 0.1% but is lower than 5%, the Transaction is subject to annual reporting and announcement requirements but is exempted from the requirement of independent shareholders' approval under Chapter 14A of the Hong Kong Listing Rules.

For details of the above transaction, please refer to the connected transaction announcement dated 11 December 2018 published by the Company on the website of the Stock Exchange.

(II) Non-exempt continuing connected transactions

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

On 29 March 2016, the Company and CRRCG entered into the Product and Service Mutual Provision Framework Agreement, pursuant to which CRRCG and/or its associates will sell raw materials, accessories, components, packing materials, etc. and provide repairing, training, processing, security and sanitation services to the Group. The Group will sell raw materials, accessories and energy resource, etc. and provide repairing, training, processing, greening, security and sanitation services to CRRCG and/or its associates. The agreement has an effective term from 1 January 2016 to 31 December 2018. As the agreement will expire on 31 December 2018, in order to better regulate such continuing connected transactions, the Company and CRRC GROUP renewed the New Product and Service Mutual Provision Framework Agreement on 26 April 2018. The agreement has an effective term from 1 January 2019 to 31 December 2021.

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

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

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

For details of the non-exempt continuing connected transaction, please refer to the continuing connected transaction announcement dated 29 March 2016 published by the Company on the website of the Stock Exchange. For details of renewing the above transaction, please refer to the continuing connected transaction announcement dated 26 April 2018 published by the Company on the website of the Stock Exchange.

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

On 29 March 2016, the Company and CRRCG entered into the Property Leasing Framework Agreement, pursuant to which CRRCG and/or its associates lease their lawfully owned properties to the Company and the Company leases its lawfully owned properties to CRRCG and/or its associates. The agreement has an effective term from 1 January 2016 to 31 December 2018. As the agreement will expire on 31 December 2018, in order to better regulate such continuing connected transactions, the Company and CRRC GROUP renewed the New Property Leasing Framework Agreement on 26 April 2018. The agreement has an effective term from 1 January 2019 to 31 December 2021.

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

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

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

For details of the non-exempt continuing connected transaction, please refer to the continuing connected transaction announcement dated 29 March 2016 published by the Company on the website of the Stock Exchange. For details of renewing the above transaction, please refer to the continuing connected transaction announcement dated 26 April 2018 published by the Company on the website of the Stock Exchange.

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

On 29 March 2016, the Finance Company and CRRCG entered into the Financial Services Framework Agreement, pursuant to which the Finance Company will provide deposit services, loan services and other financial services to CRRCG. The agreement has an effective term from 1 January 2016 to 31 December 2018. As the agreement will expire on 31 December 2018, in order to better regulate such continuing connected transactions, the Company and CRRC GROUP renewed the New Financial Services Framework Agreement on 26 April 2018. The agreement has an effective term from 1 January 2019 to 31 December 2021.

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

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

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

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

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

For details of the non-exempt continuing connected transaction, please refer to the continuing connected transaction announcement dated 29 March 2016 published by the Company on the website of the Stock Exchange. For details of renewing the above transaction, please refer to the continuing connected transaction announcement dated 26 April 2018 published by the Company on the website of the Stock Exchange.

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

The Company confirms that the actual transaction amounts of the above non-exempt continuing connected transactions did not exceed the relevant caps in 2018. Please refer to the table below for details.

Currency: RMB Unit: million

Serial number	Type of connected transactions	Annual cap for 2018	Actual transaction amount for 2018
1.	Purchase of products and services under the Product and Service Mutual Provision Framework Agreement with CRRCG	3,000.00	869.73
2.	Sale of products and provision of services under the Product and Service Mutual Provision Framework Agreement with CRRCG	3,500.00	791.47
3.	Rental payment under the Property Leasing Framework Agreement with CRRCG	500.00	76.53
4.	Rental received under the Property Leasing Framework Agreement with CRRCG	400.00	3.12
5.	Maximum daily loan balance of the loan services provided by the Finance Company under the Finance Services Framework Agreement between the Finance Company and CRRCG (accrued interest included)	7,500.00	7,142.60
6.	Charges for other financial services provided by the Finance Company under the Financial Services Framework Agreement between the Finance Company and CRRCG	400.00	0.15

5. Annual review of non-exempt continuing connected transactions

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

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

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

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

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

The independent non-executive Directors ensure that:

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

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

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

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

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

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

(4) have exceeded the cap.

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

6. Related party transactions

Save as to the above, details of the related party transactions of the Company for the year ended 31 December 2018 are set out in Note 49 to the consolidated financial statements. Except for the related party transactions between the company and joint ventures and associates set out in Note 49, all related party transactions are connected transactions of the Company under Chapter 14A of the Hong Kong Listing Rules. The Company confirms that the related party transactions have complied with the applicable disclosure requirements under Chapter 14A of the Hong Kong Listing Rules.

(III) Non-competition agreements and undertakings

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

VII. Other Disclosable Matters

(I) Principal businesses

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

(II) Major customers and suppliers

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

(III) Reserves

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

(IV) Reserves available for distribution

For details of the reserves of the Company available for distribution, please refer to Note 53 to the financial statements of this annual report prepared under the IFRSs.

(V) Share capital

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

(VI) Bank loans and other loans

Details of the bank loans and other loans of the Company as at 31 December 2018 are set out in Note 39 to the financial statements of this annual report prepared under the IFRSs.

(VII) Property, plant and equipment

Details of changes in the property, plant and equipment of the Company in 2018 are set out in Note 16 to the financial statements of this annual report prepared under the IFRSs.

(VIII) Donations

The total charitable and other donations of the Company amounted to approximately RMB12.334 million during the reporting period.

(IX) Service contracts of Directors and Supervisors

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

(X) Directors and Supervisors' interests in contracts

The Company did not enter into any contract of significance in which Director(s) or Supervisor(s) of the Company held, either directly or indirectly, any material interests for the year ended 31 December 2018.

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

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

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

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

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

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

(XIV) Management contracts

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

(XV) Pre-emptive rights

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

(XVI) Employee retirement plan

Details of the employee retirement plan of the Company are set out in Note 40 to the financial statements of this annual report prepared under the IFRSs.

(XVII) The Company's environmental policies and compliance

CRRC fully implements Xi Jinping's ecological civilization thought, adheres to the idea that lucid waters and lush mountains are invaluable assets, unswervingly takes the road of ecological priority and green development, strictly abides by the national ecological environment protection laws, regulations and standards, constantly strengthens ecological protection and pollution prevention, and fulfills social responsibility. Some subsidiaries of the Company are the key pollutant discharging units published by the national ecological environment protection department. The environmental information of these companies has been made public in accordance with the relevant regulations and the specific requirements of the local government authorities. For more details, please refer to the websites of local government.

The main waste water pollutant of CRRC is COD, the main waste gas pollutant is sulfur dioxide, and the hazardous wastes are mainly HW08, HW09, HW12 and HW49. Waste water is discharged directly and indirectly upon treatment and reaching standards. The Company recorded COD emissions of 927 tons. Waste gas pollutant is discharged in an organized way. The Company recorded sulfur dioxide emissions of 556 tons. The Company recorded hazardous waste disposal of 16,317 tons, which were disposed by qualified institutions. Main pollutant emission reached the national or local emission standards. The total discharge of pollutants meets the requirements of the total discharge indicators.

CRRC effectively treated pollutants and the pollution treatment facilities were in normal operation. CRRC has established the sewage treatment station. Different treatment processes were adopted for different sewage under different discharge requirements. The sewage reached the national or local emission standards. Coal-fired boiler exhaust gas have been desulfurized and dedusted, the coal has been replaced by gas or electricity, meeting the national or local emission standards. Some enterprises abolished coal-fired boiler and used gases purchased externally or social heating. Hazardous wastes were stored and managed according to relevant requirements. A qualified unit was entrusted to implement safe disposal according to the law.

CRRC strengthened environmental risk control from the source and required all companies under the Group to strictly comply with the Environmental Impact Assessment Law《環境影響評價法》 and the requirements of our environmental protection system of "Three Meantimes" when implementing construction projects. EIA approval shall be obtained from local government for all construction projects before construction, and ecological protection and pollution prevention measures shall be implemented. According to Administrative Regulations on Environmental Protection for Development Projects《建設項目環境保護管理條例》,we responsively carried out environmental acceptance works.

CRRC has strengthened its emergency management of environmental emergencies, classified emergency environmental incidents, formulated and issued the Emergency Countermeasures for Environmental Incidents of CRRC Corporation Limited《中國中車股份有限公司突發環境事件應急預案》. Companies under the Group revised their emergency countermeasures for environmental incidents and carried out environmental emergency drills, thus the operability of the countermeasures were effectively improved.

CRRC organized its own environmental monitoring department. It also increased the environmental monitoring and control frequency. Some of the affiliated companies of CRRC has installed online monitoring system for waste water and waste gas in accordance with the requirements of the local government, to ensure that it is networked with relevant environmental protection department and also strengthened the management of online monitoring, to ensure that online monitoring is effectively implemented. Each of the affiliated companies of CRRC has implemented pollutant monitoring according to its own monitoring plan.

Each of the affiliated companies of CRRC has disclosed relevant environmental information on the website of the local environmental protection department or its own company website pursuant to the requirements of the local environmental protection department.

(XVIII) Relationship with employees, customers and suppliers

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

(XIX) Compliance with laws, regulations and rules

The Company is aware of the importance of complying with legal and regulatory requirements. The Company has established a relatively sophisticated system to ensure persistent compliance with applicable laws, regulations and rules. More specifically, the legal department of the Company and other relevant departments are primarily responsible for reviewing whether the Group's operations have complied with the relevant laws and regulations. The Company has also deployed corresponding departments and sufficient manpower and resources to monitor the compliance situation at the subsidiary level. For the year ended 31 December 2018, to the best of our knowledge, the Company has complied with the laws and regulations of the relevant areas in all material respects, including but not limited to laws and regulations such as the Railway Law of the People's Republic of China (《中華人民共和國鐵路法》), the Law of the People's Republic of China on Production Safety (《中國人民共和國安全生產法》), the Environmental Protection Law of the People's Republic of China (《中華人民共和國環境保護法》) and Regulation on the Administration of Railway Safety (《鐵路安全管理條例》), which have great significance or impact on the operation of the Company in aspects such as rail transit equipment production and safety and environmental protection etc. The Company is listed on the SSE and the Stock Exchange. For the year ended 31 December 2018, the Company has complied with the listing rules and all applicable laws and regulations of its places of listing.

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF

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

Liu Hualong
Chairman, Executive Director

Sun Yongcai
Executive Director, President

Xu Zongxiang
Executive Director

Liu Zhiyong
Non-executive Director

Li Guo'an
Independent non-executive Director

Wu Zhuo
Independent non-executive Director

Sun Patrick
Independent non-executive Director

I. SHAREHOLDING CHANGES AND REMUNERATION

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

Name	Position (note)	Gender	Age	Commencement of term of office	Expiration of term of office	Number of shares held at the beginning of the year	Number of shares held at the end of the year	Changes in number of shares for the year	Reason of the change	Remuneration received from the Company during the reporting period (RMB 0'000)	Welfare expenses including basic pension insurance (RMB 0'000)	Total remuneration before tax received from the Company during the reporting period (RMB 0'000)	Whether receiving remuneration from related parties of the Company
Liu Hualong Note 1	Chairman, Executive Director	Male	56	31 May 2018	30 May 2021	50,000	50,000	0	–	–	–	–	Yes
Sun Yongcai	Executive Director, President	Male	54	31 May 2018	30 May 2021	111,650	111,650	0	–	83.99	12.49	96.48	No
Xu Zongxiang	Executive Director	Male	55	31 May 2018	30 May 2021	0	0	0		79.22	12.49	91.71	No
Liu Zhiyong	Non-executive Director	Male	61	31 May 2018	30 May 2021	0	0	0	–	–	–	–	No
Li Guo'an	Independent non-executive Director	Male	66	31 May 2018	30 May 2021	0	0	0	–	6.00	–	6.00	No
Wu Zhuo	Independent non-executive Director	Male	68	31 May 2018	30 May 2021	0	0	0	–	6.00	–	6.00	No
Sun Patrick	Independent non-executive Director	Male	60	31 May 2018	30 May 2021	0	0	0	–	15.00	–	15.00	No
Wan Jun	Supervisor, Chairman of Supervisory Committee	Male	55	31 May 2018	30 May 2021	0	0	0	–	80.82	12.49	93.31	No
Chen Fangping	Supervisor	Male	58	31 May 2018	30 May 2021	0	0	0	–	75.95	12.49	88.44	No
Qiu Wei	Employee Representative Supervisor	Male	59	31 May 2018	30 May 2021	30,000	30,000	0	–	76.02	12.49	88.51	No
Zhan Yanjing	Vice President, Chief Financial Officer	Female	55	1 June 2018	30 May 2021	50,000	50,000	0	–	80.10	12.49	92.59	No
Wang Jun	Vice President	Male	55	1 June 2018	30 May 2021	0	0	0	–	79.22	12.49	91.71	No
Lou Qiliang	Vice President	Male	55	1 June 2018	30 May 2021	0	0	0	–	58.06	12.49	70.55	No
Yu Weiping	Vice President	Male	52	1 June 2018	30 May 2021	0	0	0	–	58.06	12.49	70.55	No
Xie Jilong	Secretary to the Board	Male	52	1 June 2018	30 May 2021	73,288	73,288	0	–	75.88	12.49	88.37	No
Chan Ka Keung, Peter Note 2	Former Independent non-executive Director	Male	67	28 May 2015	31 May 2018	0	0	0	–	6.35	–	6.35	No
Total	/	/	/	/	/	314,938	314,938	0	/	780.67	124.9	905.57	/

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

Note 2: Upon the expiry of his term at the first session of the Board on 31 May 2018, Mr. Chan Ka Keung, Peter no longer served as an independent non-executive Director of the Company.

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

Directors

Mr. Liu Hualong, born in 1962, a Chinese national with no right of abode overseas, is a holder of bachelor's degree, MBA degree, a professor-level senior engineer and a member of the 19th session of the CPC Central Commission for Discipline Inspection. He serves as the Chairman of the Board, an executive Director and the Party Secretary of the Company, as well as a chairman of the board and the Party secretary of CRRCG. Mr. Liu served as the deputy general manager, vice chairman and general manager, deputy Party secretary, chairman and general manager, deputy Party secretary of CNRG Qiqihar Railway Rolling Stock (Group) Co. Ltd., the deputy general manager, the deputy Party secretary and the secretary to the disciplinary committee, chairman of the labor union, the Party secretary of CSRG. From December 2007 to September 2011, he was an executive director, deputy Party secretary and the secretary of the disciplinary committee of CSR. From September 2011 to October 2012, he served as an executive director, a vice president and a standing member of the Party Committee of CSR. From October 2012 to May 2015, he served as an executive director, the president and the deputy Party secretary of CSR. He has served as the vice chairman, executive Director and the deputy Party Secretary of the Company from May 2015 to December 2016, and the Chairman and the Party Secretary of the Company since December 2016.

Mr. Sun Yongcai, born in 1964, a Chinese national with no right of abode overseas, is a holder of doctoral degree and is a professor-level senior engineer. He serves as an executive Director, the President and the deputy Party Secretary of the Party Committee of the Company, and also serves as a Director, general manager and the deputy Party Secretary of the Party Committee of CRRCG. Mr. Sun once served as a director and deputy general manager, vice chairman and the Party secretary and deputy general manager of Dalian Locomotive & Rolling Stock Co., Ltd., the vice chairman and deputy general manager of Dalian Dali Railway Transportation Equipment Company Limited and the chief engineer of CNR, as well as a standing member of the Party Committee of CNRG. From December 2010 to May 2015, he served as a vice president and a standing member of the Party Committee of CNR. He has served as a standing member of the Party Committee of the Company from May 2015 to September 2017, a Vice President of the Company from June 2015 to May 2017, an executive Director of the Company since June 2017, the deputy Party Secretary of the Party Committee of the Company since September 2017, and the President of the Company since October 2017. Mr. Sun has been awarded the "Reform Pioneer" by the Central Committee of the Communist Party of China and the State Council and is the presider of the development of "Fuxinghao" high speed train. He is entitled to a special government allowance from the State Council.

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

Mr. Liu Zhiyong, born in 1957, a Chinese national with no right of abode overseas, is a holder of bachelor's degree and a professional external director for state-owned enterprises. He serves as a non-executive Director of the Company and a full-time external director of China National Coal Group Corporation (中國中煤能源集團公司). Mr. Liu previously served as the deputy division chief, chief and deputy director of Third Secretary Bureau of the General Office of the State Council (國務院辦公廳秘書三局), the deputy party secretary of Liuzhou, Guangxi (seconded for two years), the chief officer and deputy director of Third Secretary Bureau of the General Office of the State Council, inspector and deputy director of First Secretary Bureau of the General Office of the State Council (responsible for day-to day business), executive deputy secretary of the Party Committee of the General Office of the State Council. He has served as a full-time external director of China National Coal Group since August 2014, and a non- executive director of China Coal Energy Company Limited (中國中煤能源股份有限公司) from June 2015 to October 2018. From June 2014 to May 2015, he served as a non-executive director of CSR. Since May 2015, he has served as a non-executive Director of the Company. He concurrently served as the executive vice president of the China Poverty-Alleviation Promotion of Volunteer Service since November 2018.

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

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

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

Supervisors

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

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

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

Senior Management

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

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

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

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

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

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

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

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

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

(I) Positions Held in Shareholder's Entity

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

(II) Positions Held in Other Entities

Employee's name	Name of other entities	Position held in other entities	Commencement of term of office	Expiration of term of office
Liu Zhiyong	SASAC	Professional External Director	August 2013	—
	China National Coal Group Corporation	Professional External Director	August 2014	—
	China Coal Energy Company Limited	Non-executive director	June 2015	October 2018
Li Guo'an	China Baowu Steel Group Corporation Limited	External director	October 2016	—
Sun Patrick	China Railway Construction Corporation Limited	Independent non-executive director	October 2014	—
	Trinity Limited	Independent non-executive director	October 2008	—
	China NT Pharma Group Company Limited	Independent non-executive director	March 2010	—
	Sihuan Pharmaceutical Holdings Group Ltd.	Independent non-executive director	October 2010	—
	China Railway Signal & Communication Corporation Limited	Independent non-executive director	May 2015	August 2018
	Kunlun Energy Company Limited	Independent non-executive director	February 2016	—
Chan Ka Keung, Peter	Metallurgical Corporation of China Ltd.	Independent non-executive director	November 2014	—
	China Railway Signal & Communication Corporation Limited	Independent non-executive director	August 2018	—
Xie Jilong	China United Insurance	Director	September 2016	—

Notes:

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

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

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

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

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

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

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

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

III. REMUNERATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Decision-making procedures of the remuneration of Directors, Supervisors and Senior Management	The Remuneration and Evaluation Committee of the Board submits proposals to the Board in respect of the remuneration for Directors and members of the Senior Management. The Board decides the remuneration, incentives and punishment matters for members of the management. The general meeting of the Company decides matters relating to the remuneration for the relevant Directors and Supervisors.
Determination basis of the remuneration of Directors, Supervisors and Senior Management	The Company determined the remuneration of Directors, Supervisors and Senior Management with reference to the Articles of Association and relevant requirements.
Actual payment of the remuneration of Directors, Supervisors and Senior Management	The Company, pursuant to relevant provisions, paid remunerations to the Directors, Supervisors and Senior Management, except for Liu Zhiyong, a non-executive Director, who is concurrently a professional external director of SASAC and does not receive remuneration from the Company pursuant to the requirement of SASAC; Li Guo'an and Wu Zhuo, independent Directors, who received remuneration pursuant to the adjusted standard approved at the annual general meeting in accordance with the requirement of SASAC since July 2017; Liu Hualong, Chairman and executive Director, who has received remuneration from the CRRCG since November 2015.
Total actual remuneration of all the Directors, Supervisors and Senior Management at the end of the reporting period	RMB9,055,700 in aggregate.

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

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

During the reporting period, upon the expiry of term of the first session of the Board and Supervisory Committee of the Company, Mr. Chan Ka Keung, Peter no longer served as an independent non-executive Director of the Company.

On 31 May 2018, the Company held the 2017 annual general meeting to elect:

Mr. Liu Hualong, Mr. Sun Yongcai and Mr. Xu Zongxiang as executive directors of the second session of the Board of the Company; Mr. Liu Zhiyong as a non-executive director; and Mr. Li Guo'an, Mr. Wu Zhuo and Mr. Sun Patrick as independent non-executive directors.

Wan Jun, Chen Fangping as the representative supervisor of Shareholders of second session of the Supervisory Committee of the Company, jointly organizing the second session of the Supervisory Committee of the Company with Qiu Wei, the representative supervisor of employees.

On 31 May 2018, the Company held the first meeting of the second session of the Board to elect:

Mr. Liu Hualong as chairman (legal representative) of the second session of the Board of the Company;

Mr. Liu Hualong, Mr. Liu Zhiyong, Mr. Sun Yongcai, Mr. Xu Zongxiang and Mr. Li Guo'an as members of the Strategy Committee; Mr. Liu Hualong as chairman and Mr. Liu Zhiyong as vice chairman;

Mr. Li Guo'an, Mr. Liu Hualong, Mr. Sun Yongcai, Mr. Wu Zhuo and Mr. Sun Patrick as members of the Nomination Committee and Mr. Li Guo'an as chairman;

Mr. Wu Zhuo, Mr. Liu Zhiyong and Mr. Sun Patrick as members of the Remuneration and Evaluation Committee and Mr. Wu Zhuo as chairman;

Mr. Sun Patrick, Mr. Liu Zhiyong and Mr. Li Guo'an as members of the Audit and Risk Management Committee and Mr. Sun Patrick as chairman.

On 31 May 2018, the Company held the first meeting of the second session of the Supervisory Committee to elect Mr. Wan Jun as chairman of the second session of the Supervisory Committee of the Company.

On 31 May 2018, the Company held the second meeting of the second session of the Board to appoint Mr. Sun Yongcai as president of the Company.

On 1 June 2018, the Company held the third meeting of the second session of the Board to appoint Ms. Zhan Yanjing as vice president and chief financial officer; Mr. Wang Jun, Mr. Lou Qiliang and Mr. Yu Weiping as vice presidents of the Company; Mr. Xie Jilong as secretary to the Board of the Company and joint company secretary.

The above persons shall hold office until the expiry of the term of office of the second session of the Board and the second session of the Supervisory Committee.

V. STAFF OF THE PARENT COMPANY AND PRINCIPAL SUBSIDIARIES

(I) Staff Information

Total number of staff with the parent company	222
Total number of staff with principal subsidiaries	168,378
Total number of staff	160,242
Number of employees whose retirement expenses are borne by the parent company and principal subsidiaries	168,600

By profession

Category of profession	Number of each profession
Production personnel	93,071
Technical personnel	32,914
Management personnel	30,676
Other personnel	11,939
Total	168,600

By education

Education level	Number (person)
Doctors	467
Masters	11,822
University graduates	49,378
Tertiary college graduates	38,508
Secondary school and below	68,425
Total	168,600

(II) Remuneration Policies

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

(III) Personnel Training

According to the Talent Training and Development Plan of Company during the "13th Five-Year", the Company formulated the 2018 Main Points of Training of CRRC (《中國中車2018年培訓工作要點》) to coordinate our annual talent training and development. In respect of the target for the establishment of talent teams and key tasks for annual talent training, the Company continued to optimize its training management system, training course system, trainer system and internet academy platform, enhanced the innovativeness, perspectiveness, pertinence and effectiveness of talent cultivation, sped up the development of professional managers, international talent and core management (technology, skill) talent teams. In light of actual operation and management needs, the Company leveraged on high quality domestic and foreign training resources, systemized design specific training items, well planned plans and created elaborate training programs.

In 2018, the Company organized a total of 82 company-level trainings with over 3,400 participants and focused on organizing and implementing key training programs, such as training in rotation of the spirits of the 19th national congress of the CPC, excellent leadership, internationalized talents, core technical talent, core management talent and core skilled talent. In 2018, there were 471,000 employees who participated in subsidiary-level and workshop-level trainings, of which approximately 69,000 participants were management personnel, approximately 67,000 participants were professional technicians and 335,000 participants were technical personnel. The orderly and thorough implementation of personnel training development has provided a guarantee of human resources for achieving the strategic goal of "two builds, one develop(雙打造一培育)" of the Company.

I. EXPLANATION OF RELATED CIRCUMSTANCE OF CORPORATE GOVERNANCE

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

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

II. SHAREHOLDERS AND GENERAL MEETINGS

(I) Shareholders and general meetings

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

(II) Relationship between the controlling shareholder and the Company

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

III. DIRECTORS AND THE BOARD

(I) Directors and the Board

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

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

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

In 2018, the Company purchased liability insurance for Directors, Supervisors and Senior Management of the Company to provide security for the compensation liabilities that may rise during the performance of their duties in accordance with laws.

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

Number of Board meetings convened during the years	12
Of which: the number of on-site meetings	11
Number of meetings held by communication method	0
Number of meetings held on site by means of communication	1

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

Name of Directors	Independent Director or not	Required attendance during the year	Attendance at the Board meetings: Attendance in person	Attendance by communication	Attendance by proxy	Absent	Absent from two consecutive meetings or not	Details of attendance at the general meetings: Number of attendance at the general meetings
Liu Hualong		12	12	0	0	0		1
Sun Yongcai		12	12	0	0	0		1
Xu Zongxiang		12	12	1	0	0		1
Liu Zhiyong		12	12	0	0	0		1
Li Guo'an		12	12	0	0	0		1
Wu Zhuo		12	12	0	0	0		1
Sun Patrick		12	10	0	2	0		1
Chan Ka Keung, Peter [Note]		5	4	0	1	0		1

Note: the Board re-election was completed on 31 May 2018. The second session of the Board comprises Liu Hualong, Sun Yongcai, Xu Zongxiang, Liu Zhiyong, Li Guo'an, Wu Zhuo and Sun Patrick.

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

The Board Office provided comprehensive services and sufficient information for the Directors, so that the Directors can understand the conditions of the Company in a timely manner. The Board Office delivered to Directors the latest information and bulletins relating to the business changes and development of the Company and the latest laws, rules and regulations in relation to their positions and responsibilities. The Board Office also arranged themed trainings and seminars for Directors. In 2018, pursuant to the requirements under code provision A.6.5 of the Code, Directors of the Company all participated in continuous professional development activities in relation to their positions and responsibilities, to develop and refresh their knowledge and skills, so as to ensure that their contribution to the Board remains informed and relevant. Based on the trainings arranged for the Directors by the Company and the records of learning and trainings submitted by the Directors personally, the trainings received by each Director in 2018 are as follows:

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

Note:

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

   A. Attending trainings on corporate governance organized by regulatory institutes.

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

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

2. Upon the expiry of term of the first session of the Board on 31 May 2018, Chan KaKeung, Peter no longer served as an independent non-executive Director of the Company.

(V) Independent non-executive Directors and their independence

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

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

(VI) Responsibilities of the Board

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

(VII) Board committees

1. Strategy Committee

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

During the reporting period, the Strategy Committee of the Board of the Company held three meetings in total, at which 4 proposals were considered, including, among others, the Proposal on Investment Budget of CRRC Corporation Limited for 2018. The attendance of each member is as follows:

Name of Directors	Number of attendance/ Number of meeting	Attendance rate
Liu Hualong	3/3	100%
Liu Zhiyong	3/3	100%
Sun Yongcai	3/3	100%
Xu Zongxiang	3/3	100%
Li Guo'an	3/3	100%
Wu Zhuo	2/2	100%

Note: On 31 May 2018, the Proposal on the Election of Members of the Board Committees of the Second Session of the Board of CRRC Corporation Limited was considered and approved at the first meeting of the second session of the Board, and Mr. Liu Hualong, Mr. Liu Zhiyong, Mr. Sun Yongcai, Mr. Xu Zongxiang and Mr. Li Guo'an were elected as the members of Strategy Committee.

2. Audit and Risk Management Committee

During the reporting period, the Audit and Risk Management Committee of the Board, in strict compliance with requirements of the Working Rules for Audit and Risk Management Committee of the Board and the Annual Report Working Procedures for the Audit and Risk Management Committee of the Board, performed its duties in an independent and objective manner. The Audit and Risk Management Committee of the Board of the Company was served by Mr. Sun Patrick, Mr. Li Guo'an, who are independent non-executive Directors; and Mr. Liu Zhiyong, a non-executive Director. Mr. Sun Patrick has extensive professional knowledge and experience in accounting and are certified public accountants serving as the chairman of the Audit and Risk Management Committee. The Audit and Risk Management Committee shall be held accountable to the Board and its primary responsibilities are to propose the appointment or replacement of external auditors, to supervise and evaluate the work of external auditors, to review the Company's financial information and its disclosure, to monitor the Company's internal audit system and its implementation, to review the Company's internal control and risk management system as well as communication between internal auditors and external auditors. During the reporting period, the Audit and Risk Management Committee successfully accomplished the following work: (1) Supervising external audit procedures and quality. The Audit and Risk Management Committee communicated with auditors for annual audit plan in respect of the 2017 annual audit arrangement and timetable. Having been debriefed special reports from the accounting firms, respectively, the committee determined the audit work arrangement of the Company for 2017, (2) Reviewing the financial information of the Company and the disclosure thereof. The Audit and Risk Management Committee examined and studied the financial information as disclosed in the Company's report and financial statements, and carefully reviewed the resolutions in relation to the financial report of the Company, (3) Providing guidance to the Company's internal audit. The Audit and Risk Management Committee considered the proposals submitted by the audit department and reviewed and approved the internal audit work plan put forward by the Company and gave guidance and lay down requirements for carrying out internal audit, (4) Reviewing the Company's implementation of internal control and risk management. The Audit and Risk Management Committee considered the proposals regarding internal control and risk management submitted by the Company and expressed review opinions on the internal control audit report of the Company for 2017.

During the reporting period, the Audit and Risk Management Committee of the Board of the Company held eight meetings in total, at which 29 proposals were considered and approved, including, among others, the Proposal on the 2017 Annual Report of CRRC Corporation Limited and the Proposal on the 2018 First Quarterly Report of CRRC Corporation Limited. The attendance of each member is as follows:

Name of Directors	Number of attendance/ Number of meeting	Attendance rate
Sun Patrick	6/8	75%
Liu Zhiyong	8/8	100%
Li Guo'an	8/8	100%
Wu Zhuo	4/4	100%
Chan Ka Keung, Peter	4/4	100%

Note: On 31 May 2018, the Proposal on the Election of Members of the Board Committees of the Second Session of the Board of CRRC Corporation Limited was considered and approved at the first meeting of the second session of the Board, and Mr. Sun Patrick, Mr. Liu Zhiyong and Mr. Li Guo'an were elected as the members of Audit and Risk Management Committee.

3. Remuneration and Evaluation Committee

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

During the reporting period, the Remuneration and Evaluation Committee of the Board of the Company held one meeting in total, at which two proposals were considered and approved, including, among others, the Proposal on Remuneration to Directors of CRRC Corporation Limited for 2018. The attendance of each member is as follows:

Name of Directors	Number of attendance/ Number of meeting	Attendance rate
Wu Zhuo	1/1	100%
Liu Zhiyong	1/1	100%
Sun Patrick	1/1	100%
Li Guo'an	1/1	100%
Zhang Zhong	1/1	100%

Note: On 31 May 2018, the Proposal on the Election of Members of the Board Committees of the Second Session of the Board of CRRC Corporation Limited was considered and approved at the first meeting of the second session of the Board, and Mr. Wu Zhuo, Mr. Liu Zhiyong and Mr. Sun Patrick were elected as the members of Remuneration and Evaluation Committee.

4. Nomination Committee

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

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

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

Name of Directors	Number of attendance/ Number of meeting	Attendance rate
Li Guo'an	5/5	100%
Liu Hualong	4/5	80%
Sun Yongcai	5/5	100%
Wu Zhuo	5/5	100%
Sun Patrick	3/5	60%

Note: On 31 May 2018, the Proposal on the Election of Members of the Board Committees of the Second Session of the Board of CRRC Corporation Limited was considered and approved at the first meeting of the second session of the Board, and Mr. Li Guo'an, Mr. Liu Hualong, Mr. Sun Yongcai, Mr. Wu Zhuo and Mr. Sun Patrick were elected as the members of Nomination Committee.

IV. CHAIRMAN AND PRESIDENT

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

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

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

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

V. SUPERVISORS AND THE SUPERVISORY COMMITTEE

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

VI. RESPONSIBILITIES OF THE MANAGEMENT

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

VII. SHAREHOLDERS' RIGHTS

(I) Convening of an extraordinary general meeting by shareholders

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

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

(II) Putting enquiry to the Board by shareholders

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

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

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

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

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

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

In order to further improve its corporate governance, pursuant to the Company Law of the PRC, the prevailing laws, regulations and regulatory documents including the relevant regulations of the CSRC and the listing rules of the places where the Company's shares are listed, and based on the Company's needs in its actual production and operation, the Board proposed to amend the Articles of Association (including the amendments to the Rules of Procedure for General Meetings of CRRC Corporation Limited, the Rules of Procedure for the Board of Directors of CRRC Corporation Limited and the Rules of Procedure for the Supervisory Committee of CRRC Corporation Limited which are appendices thereto). Please refer to the announcement dated on 28 March 2018 published by the Company on the websites of the Stock Exchange.

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

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

X. DIRECTORS' RESPONSIBILITIES IN RESPECT OF FINANCIAL STATEMENTS

The Directors confirm that they are responsible for the preparation of the financial statements of the Company for the year ended 31 December 2018, in order to truly and impartially report the financial conditions and business results of the Company, and undertake relevant responsibilities for preparation of the financial statements of the Company. The Audit and Risk Management Committee of the Company has reviewed the financial statements of the Company for the year ended 31 December 2018.

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

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

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

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

As of 31 December 2018, after making specific inquiries with all Directors and Supervisors, the Company confirmed that all Directors and Supervisors have complied with the relevant codes on securities transactions by Directors and Supervisors as set out in the Model Code and the Management Method regarding Shareholding of Directors, Supervisors and Senior Management of the Company.

XII. AUDITORS

On 31 May 2018, the Resolution in Relation to the Engagement of Audit Firms of CRRC Corporation Limited for 2018 was considered and approved at the 2017 annual general meeting. According to the above resolution, the Company appointed Deloitte Touche Tohmatsu as the auditor for 2018 financial report prepared under overseas financial reporting standards; and engaged Deloitte Touche Tohmatsu CPA LLP as the auditors in respect of financial report prepared under domestic financial reporting standards and in respect of internal control for 2018.

In 2018, the Company had paid the auditors an aggregate fee (tax inclusive) of RMB28.60 million, which included advance payments such as travel expenses and communication costs etc. In particular, the audit fees (tax inclusive) paid in respect of financial statements amounted to RMB22.30 million, audit fees (tax inclusive) paid in respect of internal control amounted to RMB2 million, fees (tax inclusive) paid in respect of interim agree-upon procedures amounted to RMB4.1 million and fees (tax inclusive) paid in respect of verification of placement and actual use of the proceeds of the Company amounted to RMB0.20 million.

XIII. RISK MANAGEMENT AND INTERNAL CONTROL

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

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

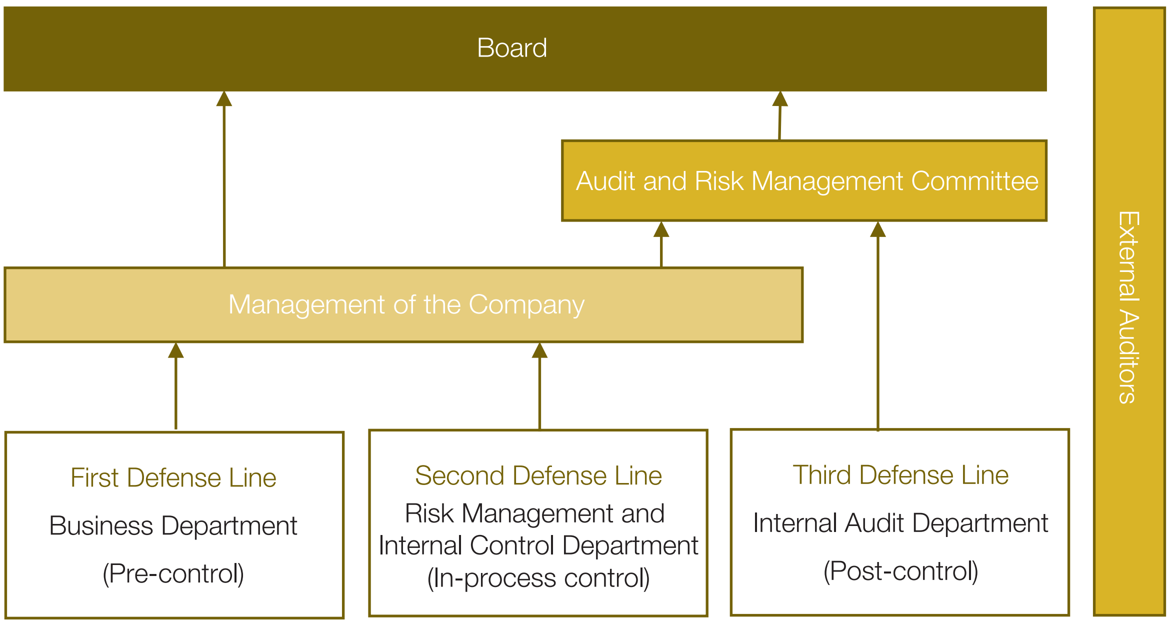
The Company has established a clearly defined organization structure with proper authorization, and has strict rules of procedure and reporting procedures in place. The audit and risk department of the Company assists the Board and the Audit and Risk Management Committee in the ongoing supervision and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

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

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

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

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



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

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

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

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

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

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

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

In 2018, the risk management and internal control department of the Company organized various departments and affiliated entities to continuously conduct risk management and internal control activities to improve the effectiveness of risk management and internal control, including but not limited to the following: organized and conducted annual risk assessment and responding management; organized and conducted annual internal control evaluation; carried out risk management and internal control consultation in respect of its affiliated entities in order to improve their risk management and internal control capacities; focused on risk evaluation of significant investment, overseas merger & acquisition and export-related project; prepared and released 11 risk management and internal control guidelines and guidebooks. The risk management and internal control department submitted the latest report on risk management and internal control to the Board and the Audit and Risk Management Committee during the year, and assisted the Board in reviewing the effectiveness of the risk management and internal control systems of the Company.

In 2018, the internal audit department of the Company carried out special inspection and monitoring on the effectiveness of the risk management and internal control systems of the Company in terms of finance, operation and compliance monitoring and reported the relevant findings to the management and the Board of the Company.

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

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

In 2018, Deloitte Touche Tohmatsu CPA LLP audited the financial statements and the effectiveness of relevant internal control of the Company, and issued an audit report with unqualified opinion. Relevant report has been reviewed and approved by the Audit and Risk Management Committee.

RELEVANT INFORMATION OF CORPORATE BONDS

I. BASIC INFORMATION OF CORPORATE BONDS

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

The 2013 five-year corporate bond of CSR Corporation Limited (first tranche) was issued by CSR on 22 April 2013 and will expire on 22 April 2018.

The 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 bonds is RMB 1,500 million and bears an interest rate of 5.00%. The interest on the bond will be paid annually and the principal will be repaid in one sum. The bond is listed and traded on the SSE.

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

Interests payment for corporate bonds

On 17 April 2018, CRRC Corporation Limited disclosed the Announcement in relation to Interest Payment and Delisting of 13 CSR 01 Corporate Bond and the Announcement on Interests Payment of 13 CSR 02 Corporate Bond and paid the interests of 13CSR 01 and 13 CSR 02 for the period from 22 April 2017 to 21 April 2018 on 23 April 2018 and paid the principal of 13 CSR 01 on 23 April 2018. On 23 August 2018, CRRC Corporation Limited disclosed the Announcement in relation to Interest Payment of 16 CRRC 01 Corporate Bond and paid the interests of 16 CRRC 01 for the period from 30 August 2017 to 29 August 2018 on 30 August 2018.

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

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

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

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

Unit: '000 Currency: RMB

Major indicator	2018	2017 (restated)	Change between the period and same period last year
EBITDA	21,729,876	21,010,622	3.42%
Current ratio	1.21	1.26	-3.97%
Quick ratio	0.79	0.84	-5.95%
Gearing ratio (%)	58.13	62.18	A decrease of 4.05%
EBITDA of total debt ratio (%)	10.46	9.96	An increase of 0.50%
Interest coverage multiple	9.27	8.64	7.29%
Cash interest coverage multiple	15.20	16.22	-6.29%
EBITDA interest coverage multiple	13.33	12.50	6.64%
Loan repayment rate (%)	1.00	1.00	—
Interest paid coverage (%)	108.55	100.00	An increase of 8.55%

IV. BANK CREDIT FACILITIES DURING THE REPORTING PERIOD

As at 31 December 2018, table below sets forth details on the amount of bank the 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
Business department of CITIC Bank head office	5,000,000	467,659	4,532,341
Industrial Bank Beijing Branch	3,000,000	—	3,000,000
China Development Bank	12,000,000	—	12,000,000
Everbright Bank of China	3,500,000	—	3,500,000
Bank of Communications Beijing Branch	10,000,000	—	10,000,000
Beijing Rural Commercial Bank	3,500,000	500,000	3,000,000
Bank of Kunlun	1,000,000	—	1,000,000
China Construction Bank Corporation	10,000,000	4,082,192	5,917,808
Industrial and Commercial Bank of China	9,900,000	700,010	9,199,990
Bank of China	20,000,000	3,451,786	16,548,214
The Export-Import Bank of China	18,000,000	—	18,000,000
China Minsheng Bank	20,000,000	6,461,352	13,538,648
Agricultural Bank of China	8,000,000	1,740,000	6,260,000
China Merchants Bank	10,000,000	4,409,099	5,590,901
Societe Generale (China) Limited	100,000	81,151	18,849
Bank of Beijing Beichen Road Sub-branch	7,500,000	—	7,500,000
China Zheshang Bank	5,000,000	—	5,000,000
Hua Xia Bank Co., Ltd. Beijing Branch	4,000,000	—	4,000,000
SPD Bank	4,000,000	—	4,000,000
Total	154,500,000	21,893,249	132,606,751

Unit: '000 Currency: USD

Name of bank	Amount of credit facilities	Utilized amount	Outstanding credit facilities
SCB	245,000	5,055	239,945
DBS	100,000	2,425	97,575
Citibank	224,000	-	224,000
Total	569,000	7,480	561,520

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

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

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

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

INVESTOR RELATIONS

We established a platform for communication with investors and smoothed the channels for communication with investors, in order to communicate effectively with investors, continuously expand the Company's influence in the capital market and increase the Company's market value.

In 2018, in order to expand the Company's influence in the capital market, the Company communicated with investors and potential investors through various channels, such as organizing roadshows and reverse roadshows, participation in the strategic meetings of securities companies, etc. Firstly, organizing roadshow activities. The Company held three roadshows in total in Hong Kong, Shanghai, Shenzhen, Guangzhou and Beijing throughout the year. In April, the Company organized the 2017 annual results presentation conference in Hong Kong, and a total of nearly 100 investors and senior analysts from major financial institutions attended the conference. Secondly, organizing reverse roadshow activities. In September, the Company invited analysts to conduct reverse roadshow activities, and successively held analysts' research activities in Qiqihar and Changchun to enable investors to understand the restructuring of its freight wagon business, the development of freight wagon industry, the production of EMUs, urban rail transit vehicle business, etc., and to increase the investors' confidence in investing in the Company's shares. Thirdly, participation in the strategic meetings and forums of securities companies. The Company participated in the strategic meetings of the securities companies 19 times in total, and communicated with approximately 150 major companies in one-to-one or one-to-many ways. Lastly, well prepared for crisis management and stabilizing the share price. For the negative news reported by the media, the Company launched the emergency plan immediately and took response measures of monitoring the development of public opinion, announcing the positive news and communicating with key analysts to increase the market confidence.

Except for the abovementioned major work, the Company continued to enhance the daily work of investor relationships. Firstly, the Company organized domestic and foreign financial public relation companies, edited and pushed daily monitoring information from the media, weekly reports on capital market and analyzed the public events to provide the information support for the members of the Board, the Supervision Committee and senior management in a timely and accurate way. Secondly, it tracked the share price and analyzed the structure of shareholders, the movement of shareholdings of substantial shareholders. Thirdly, it continued to update investors' profiles, established an analyst library of the capital market, especially the analyst library of the companies concerned throughout the year, conducted daily management and maintenance, and regularly updated the library about investors' concerns. Fourthly, it timely updated the special column of investor relationships at the website of the Company, enabled the investors to keep up with the company information. Fifthly, it engaged knowledgeable staff to answer the phone from investors, receive their emails, record and answer the questions in a patient and meticulous way.

The investor relations work focus of the Company is to build a responsible CRRC and enhance the communication with media and customers. The Company created a brand image of responsible CRRC through targeted poverty alleviation and constantly enhancing the promotion of social responsibility image. Taking advantage of the public open day of Fans Reception of CRRC (車迷有約走進中車) and the fifth and sixth session of Fans Reception (車迷有約) activities, the Company not only brought "Dalian Company (大連公司)", the core subsidiary of CRRC, into the spotlight, but also introduced the CRRC Times Electric Vehicle to market its new business. Leveraging on the Shanghai cooperation Qingdao Summit, BRICS summit in Johannesburg, the fifth anniversary of "One Belt One Road", CRRC strongly promoted its strategy of "going global" and participation in the constructing of "One Belt One Road". CRRC took the opportunity of InnoTrans trade fair, "High-speed train Olympic (高鐵奧運會)", held in Berlin, to exhibit its creative product to the world. CRRC made active efforts in the promotion and report of the launch of "Fuxinghao" EMUs in long formation, the running test of centralized power EMUs, the going off the production line of the 5000th subway in Shanghai, the export of locomotives to Jamaica, the export of urban rail transit vehicles to Nigeria, and the export of automatic subway trains to Singapore.

Over the past year, the Company was accredited with various recognitions in the capital market and successively won 14 important prizes: (1) "Outstanding Contribution Entrepreneurs" in the 40th Anniversary of Reform and Opening Up by China Securities Golden Bauhinia Awards 2018, "One Belt One Road Best Practical Listed Company" and "Best Board Secretary of Listed Companies"; (2) "Top 100 Companies in China" in 18th China Listed Companies Top 100 Forum, "Top 100 Outstanding Entrepreneurs in China", "Top 100 Outstanding Secretary to the Board in China"; (3) 4 awards including the 2017 Annual Report of the Company ranking 58th in the 2017 Vision Awards Annual Report Competition by League of American Communications Professionals (LACP), Gold Medal in the equipment, machinery and instrument industry team, ranking 60th of Best Annual Report in China in 2017 and Art Design Technique Achievement Award; (4) 3 awards including the 2017 Annual Report of the Company awarding Gold Medal of printing production in the rail transportation manufacturing industry, Financial Information Honorary Award and Literary Context Honorary Award in the 2018 MerComm Annual Report Competition; (5) A class in the evaluation of information disclosure of the listed company of the year in Shanghai Stock Exchange for three consecutive years.

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

CHANGES IN SHARES AND PARTICULARS OF SHAREHOLDERS

I. CHANGES IN SHARE CAPITAL

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

II. ISSUE AND LISTING OF SECURITIES

(I) Issue of securities during the reporting period

During the reporting period, there were no securities issued by the company.

(II) Existing internal employee shares

The Company has no internal employee shares.

III. PARTICULARS OF SHAREHOLDERS AND ULTIMATE CONTROLLER

(I) Total number of shareholders

Total number of shareholders of ordinary shares as of the end of the reporting period (shareholder) [Note]	809,715
Total number of shareholders of ordinary shares as of the end of the last month before the disclosure date of the annual report (shareholder) [Note]	818,013

Note: As at the end of the reporting period, the Company had 807,296 holders of A Shares and 2,419 holders of H Shares; as at the end of the month prior to the date of the annual report, the Company has 815,329 holders of A Shares and 2,684 holders of H Shares.

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

Unit: share

Shareholdings of the top ten shareholders

Name of shareholder (full name)	Change during the reporting period	Number of shares held at the end of the reporting period	Percentage (%)	Number of shares subject to trading moratorium held	Shares pledged or frozen: Pledged or frozen	Shares pledged or frozen: Number	Nature of shareholder
CRRCG[Note 1]	-1,061,857,866	14,429,518,023	50.28	705,052,878	Nil	—	State-owned legal person
HKSCC NOMINEES LIMITED[Note 2]	-593,850	4,359,980,558	15.19	—	Unknown	—	Overseas legal person
China Securities Finance Corporation Limited (中國證券金融股份有限公司)	-340,451,675	858,958,326	2.99	—	Unknown	—	State-owned legal person
China Reform Investment Co., Ltd. (國新投資有限公司)	373,149,730	373,149,730	1.30	—	Unknown	—	State-owned legal person
CRRC Financial and Securities	-143,494,300	329,763,427	1.15	—	Nil	—	State-owned legal person
Central Huijin Asset Management Ltd. (中央匯金資產管理有限責任公司)	0	304,502,100	1.06	—	Unknown	—	State-owned legal person

Shareholdings of the top ten shareholders

Name of shareholder (full name)	Change during the reporting period	Number of shares held at the end of the reporting period	Percentage (%)	Number of shares subject to trading moratorium held	Shares pledged or frozen		Nature of shareholder
					Pledged or frozen	Number	
Shanghai Xinghan Asset – Industrial Bank - China Industrial International Trust Limited (上海興瀚資產-興業銀行-興業國際信託有限公司)	0	235,017,626	0.82	235,017,626	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)	54,811,900	234,982,900	0.82	—	Unknown	—	Unknown
E Fund – Agricultural Bank of China – E Fund China Securities and Financial Assets Management Plan (易方達基金-農業銀行-易方達中證金融資產管理計劃)	54,811,900	234,982,900	0.82	—	Unknown	—	Unknown
Dacheng Fund — Agricultural Bank of China — Dacheng China Securities and Financial Assets Management Plan (大成基金-農業銀行-大成中證金融資產管理計劃)	54,811,900	234,982,900	0.82	—	Unknown	—	Unknown
Harvest Fund - Agricultural Bank of China - Harvest China Securities and Financial Assets Management Plan (嘉實基金-農業銀行-嘉實中證金融資產管理計劃)	54,811,900	234,982,900	0.82	—	Unknown	—	Unknown
GF Fund – Agricultural Bank of China – GF China Securities and Financial Assets Management Plan (廣發基金-農業銀行-廣發中證金融資產管理計劃)	54,811,900	234,982,900	0.82	—	Unknown	—	Unknown

Shareholdings of the top ten shareholders

Name of shareholder (full name)	Change during the reporting period	Number of shares held at the end of the reporting period	Percentage (%)	Number of shares subject to trading moratorium held	Shares pledged or frozen		Nature of shareholder
					Pledged or frozen	Number	
Zhong'ou Asset – Agricultural Bank of China – Zhongou China Securities and Financial Assets Management Plan (中歐基金-農業銀行-中歐中證金融資產管理計劃)	54,811,900	234,982,900	0.82	—	Unknown	—	Unknown
ChinaAMC - Agricultural Bank of China - ChinaAMC China Securities and Financial Assets Management Plan (華夏基金-農業銀行-華夏中證金融資產管理計劃)	54,811,900	234,982,900	0.82	—	Unknown	—	Unknown
Yinhua Fund – Agricultural Bank of China – Yinhua China Securities and Financial Assets Management Plan (銀華基金-農業銀行-銀華中證金融資產管理計劃)	54,811,900	234,982,900	0.82	—	Unknown	—	Unknown
China Southern Asset Management – Agricultural Bank of China – China Southern Asset Management China Securities and Financial Assets Management Plan (南方基金-農業銀行-南方中證金融資產管理計劃)	54,811,900	234,982,900	0.82	—	Unknown	—	Unknown
ICBCCS Fund – Agricultural Bank of China – ICBCCS China Securities and Financial Assets Management Plan (工銀瑞信基金-農業銀行-工銀瑞信中證金融資產管理計劃)	54,811,900	234,982,900	0.82	—	Unknown	—	Unknown

Unit: share

Shareholdings of the top ten shareholders not subject to trading moratorium

Name of shareholders	Number of tradable shares held not subject to trading moratorium	Class and number of shares: Class	Number
CRRCG[Note 1]	13,724,465,145	Ordinary shares denominated in RMB	13,724,465,145
HKSCC NOMINEES LIMITED[Note 2]	4,359,980,558	Overseas listed foreign shares	4,359,980,558
China Securities Finance Corporation Limited (中國證券金融股份有限公司)	858,958,326	Ordinary shares denominated in RMB	858,958,326
China Reform Investment Co., Ltd. (國新投資有限公司)	373,149,730	Ordinary shares denominated in RMB	373,149,730
CRRC Financial and Securities	329,763,427	Ordinary shares denominated in RMB	329,763,427
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)	234,982,900	Ordinary shares denominated in RMB	234,982,900
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)	234,982,900	Ordinary shares denominated in RMB	234,982,900
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)	234,982,900	Ordinary shares denominated in RMB	234,982,900
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)	234,982,900	Ordinary shares denominated in RMB	234,982,900
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)	234,982,900	Ordinary shares denominated in RMB	234,982,900
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)	234,982,900	Ordinary shares denominated in RMB	234,982,900
China AMC — Agricultural Bank of China — China AMC China Securities and Financial Assets Management Plan (華夏基金-農業銀行-華夏中證金融資產管理計劃)	234,982,900	Ordinary shares denominated in RMB	234,982,900
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)	234,982,900	Ordinary shares denominated in RMB	234,982,900
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)	234,982,900	Ordinary shares denominated in RMB	234,982,900
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)	234,982,900	Ordinary shares denominated in RMB	234,982,900
Connections or parties acting in concert among the aforesaid shareholders	CRRC Financial and Securities is a wholly-owned subsidiary of CRRCG. Save for the above, the Company is not aware of any connections among the other shareholders above, nor aware of any parties acting in concert as defined in the Administrative Measures on Acquisitions by Listed Companies.		

Note 1: During the Reporting Period, CRRC GROUP transferred each 373,085,233 A shares of CRRC held by it to Beijing Chengtong Financial Control Investment Co., Ltd. (北京誠通金控投資有限公司) and China Reform Investment Co., Ltd. (國新投資有限公司) respectively. Upon the completion of such gratuitous transfer, CRRC GROUP directly held 14,745,205,423 A shares of CRRC, representing 51.38% of the total share capital of the Company. For details of the aforesaid matters, please refer to the "Indicative announcement of CRRC Corporation Limited on the Gratuitous Transfer of State-owned Shares (中國中車股份有限公司關於國有股份無償劃轉的提示性公告)" and the "Announcement of CRRC Corporation Limited on Completion of Registration for Gratuitous Transfer of State-owned Shares (中國中車股份有限公司關於國有股份無償劃轉完成過戶登記的公告)" issued by the Company dated 3 July 2018 and 14 August 2018 respectively. During the Reporting Period, CRRC GROUP subscribed for ChinaAMC China Securities SOE Structural Adjustment ETFs (華夏中證央企結構調整ETF) and Bosera China Securities SOE Structural Adjustment ETFs (博時中證央企結構調整ETF) by 315,687,400 A shares of CRRC. CRRC Financial and Securities, a wholly-owned subsidiary of CRRC GROUP, subscribed for ChinaAMC China Securities SOE Structural Adjustment ETFs (華夏中證央企結構調整ETF), Bosera China Securities SOE Structural Adjustment ETFs (博時中證央企結構調整ETF) and Yinhua China Securities SOE Structural Adjustment ETFs (銀華中證央企結構調整ETF) by 64,572,000 A shares of CRRC. The procedures of share register for the aforesaid subscriptions were completed.

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

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

Unit: share

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

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

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

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

As at 31 December 2018, the following Directors and Supervisors have interests in the A Shares and H Shares of the Company and relevant details are set out as follows:

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

Save as disclosed in the annual report, as at 31 December 2018, none of the Directors, Supervisors or chief executive of the Company had interests or short positions in the shares or underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were required to be entered in the register maintained by the Company under section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code by the Directors or Supervisors.

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

As at 31 December 2018, the persons set out in the table below had an interest or short position in the Company's shares as recorded in the register required to be kept under section 336 of the SFO:

Name of Shareholders	Capacity	H Shares or A Shares	Nature of Interest	Number of H shares or A shares held	Percentage of H shares or A shares held in the total issued H shares or total issued A shares (%)	Percentage of total share capital of the Company (%)
CRRC GROUP Co., Ltd.	Beneficial owner	A Shares	Long position	14,429,518,023	59.31	50.28
	Interest of corporation controlled by the substantial shareholder	A Shares	Long position	329,763,427	1.36	1.15
BlackRock, Inc.	Interest of corporation controlled by the substantial shareholder	H Shares	Long position	315,085,482	7.21	1.10
	Interest of corporation controlled by the substantial shareholder		Short position	20,566,000	0.47	0.07
Citigroup Inc.	Person having a security interest in shares, Interest of corporation controlled by the substantial shareholder, Approved lending agent	H Shares	Long position	270,671,316	6.19	0.94
	Interest of corporation controlled by the substantial shareholder	H Shares	Short position	4,825,000	0.11	0.02
	Approved lending agent	H Shares	Shares in lending pool	248,766,328	5.69	0.87
JPMorgan Chase & Co.	Interest of corporation controlled by the substantial shareholder, Investment manager, Person having a security interest in shares, Approved lending agent	H Shares	Long position	264,952,390	6.06	0.92
	Interest of corporation controlled by the substantial shareholder, Investment manager	H Shares	Short position	27,623,543	0.63	0.10
	Approved lending agent	H Shares	Shares in lending pool	141,806,080	3.24	0.49

Notes: As at 31 December 2018, CRRCG holds 329,763,427 A shares through CRRC Financial and Securities.

Save as disclosed above, as far as the Directors are aware, as at 31 December 2018, no other person had interests and/or short positions in the shares or underlying shares (as the case may be) of the Company which were required to be recorded in the register pursuant to section 336 of Part XV of the SFO, or was otherwise a substantial shareholder (as defined in the Hong Kong Listing Rules) of the Company.

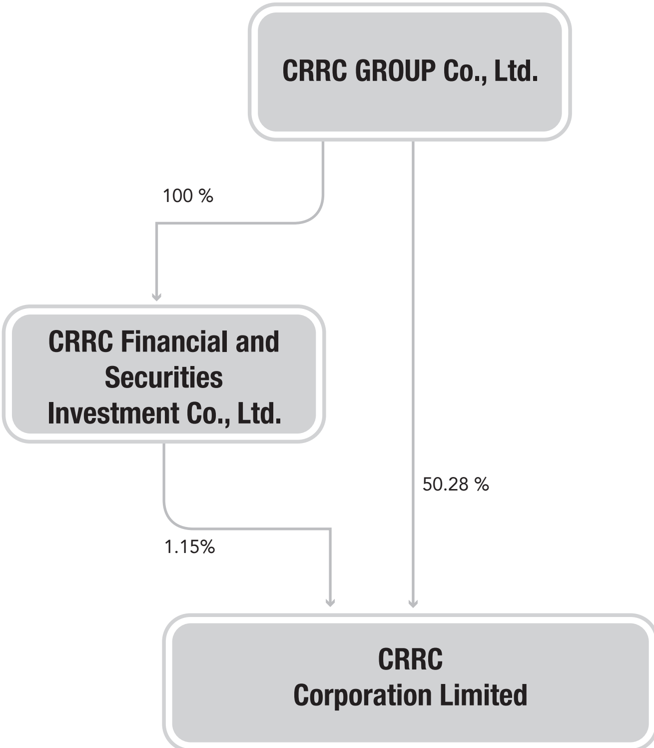
IV. PARTICULARS OF CONTROLLING SHAREHOLDER AND THE ULTIMATE CONTROLLER

(I) Controlling shareholder

1. Legal person

Name:	CRRC GROUP Co., Ltd. (中國中車集團有限公司)
Legal representative:	Liu Hualong
Establishment date:	1 July 2002
Principal business:	Research and development, manufacturing, sales, refurbishment and leasing of locomotives, passenger carriages, freight wagons, MUs, rapid transit vehicles and key components as well as other businesses that utilize proprietary rolling stock technologies.
Equity interest in other controlling and investee companies listed in the PRC or overseas during the reporting period:	directly holds 10,559,465 shares of Bank Of Guiyang Co.,Ltd. (601997) as of 31 December 2018

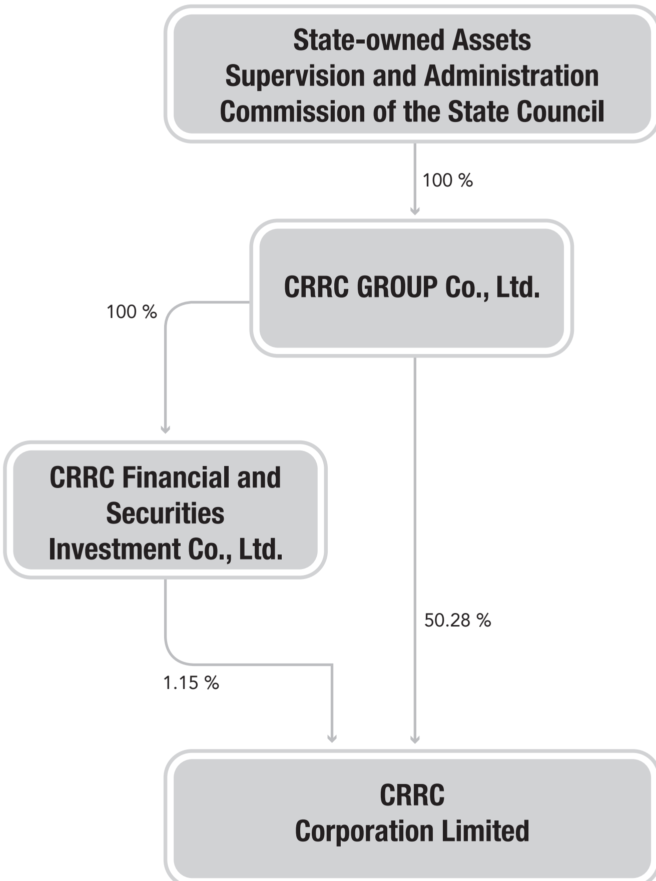
2. **Framework of ownership and controlling relationship between the Company and the controlling shareholder as of the end of the reporting period**



(II) Ultimate controller

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

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



V. OTHER CORPORATE SHAREHOLDERS WITH OVER 10% SHAREHOLDINGS

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

VI. SUFFICIENT PUBLIC FLOAT

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

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

During the year ended 31 December 2018, the Company did not purchase, sell or redeem any of the Company's securities.

I. PERFORMANCE OF UNDERTAKINGS

Undertakings by relevant parties of undertakings, such as actual controller, shareholders, related parties, acquirer and the Company, during or up to the reporting period:

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

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

Background	Type	Covenantors	Undertakings	Validity period	Whether duration specified	Whether timely and strictly performed	If not performed timely, describe the specific reasons	If not performed timely, describe plans in next steps
	Resolution of connected transactions	CRRCG	Undertaking for regulating connected transactions with CRRC: in order to regulate connected transaction entered into between CNRG (which have completed the transformation and renamed as CRRCG) and CRRC after the merger between CNRG and CSRG, CNRG issued the Letter of Undertaking to Regulate the Connected Transactions of CRRC Corporation Limited (《關於規範與中國中車股份有限公司關聯交易的承諾函》) on 5 August 2015, pursuant to which CRRCG and other companies controlled by CRRCG will endeavor not to enter into or reduce the connected transactions with CRRC and other companies in which it holds a controlling interest. For connected transactions that are inevitable or reasonable, CRRCG will continue to perform the obligations under the connected transaction framework agreements entered into between CRRCG and CRRC, and will comply with the approval procedures and information disclosure obligations in accordance with the relevant laws and regulations as well as the provisions under the Articles of Association of CRRC. Prices of the connected transactions will be determined based on prices of the same or comparable transactions conducted with other independent third parties.	Undertakings dated 5 August 2015, during the course of performance	No	Yes	—	—
Undertakings in relation to the initial public issuance	Others	CRRCG	Undertakings on property ownership issues: CSR (has completed restructuring and renamed as CRRC) disclosed in its prospectus that CSR has not yet obtained proper property ownership certificates for 326 properties with a total gross floor area of 282,019.03 square meters, representing 7.85% of the total gross floor area of the property in use of CSR. As for the property which CSR has not yet obtained property ownership certificates, CSRG has made written undertaking which was inherited by CRRCG after the merger. Pursuant to the undertaking: for properties that could not obtain complete property ownership certificates due to reasons such as incomplete procedures in planning and constructions and, which were included in the asset injection to CRRC by CRRCG, CRRCG undertook that such properties satisfy the usage requirements necessary for the production and operations of CRRC. Moreover, if there is any loss incurred to CRRC due to such properties, CRRCG shall under take all compensation liabilities and all economic losses that CRRC incurred.	Undertakings dated 18 August 2008, during the course of performance	No	Yes	—	—
	Others	CRRCG	Undertakings on the state-owned land use certificate without specifying the land use terms or termination date: CNR (the relevant matters were inherited by CRRC after the merger) disclosed in the prospectus that the land use terms or termination date were not specified in the state-owned land use certificate for part of the authorized lands acquired by CNR. As such, CNRG (has completed restructuring and renamed as CRRC) has made a written undertaking. Pursuant to the undertaking: CRRCG will compensate the relevant wholly-owned subsidiaries of CRRC for the loss caused as a result of the state-owned land use certificate not specifying the land use terms or termination date for the authorized land.	Undertakings dated 10 December 2009, during the course of performance	No	Yes	—	—

Background	Type	Covenantors	Undertakings	Validity period	Whether duration specified	Whether timely and strictly performed	If not performed timely, describe the specific reasons	If not performed timely, describe plans in next steps
Undertakings in relation to the refinancing	Others	Directors, Senior Management of the Company	Undertaking to adopt measures of mitigating the potential dilution of return for the current period: the Directors and Senior Management of the Company have made the following undertakings on 27 May 2016: (1) not to transfer interests to other entities or individuals without consideration or with unfair consideration nor otherwise damage the Company's interests in any other ways; (2) to constrain expenses relating to the performance of their duties; (3) not to use the Company's assets for investments and consumption activities unrelated to the performance of their duties; (4) that the remuneration system formulated by the Board or the remuneration committee is in line with implementation of the remedial measures for the returns by the Company; (5) that the vesting conditions of share incentives to be formulated by the Company will be in line with the implementation of the remedial measures for returns by the Company if the Company were to make such share incentive plans in the future; (6) to perform the remedial measures for returns formulated by the Company as well as any commitment made by them for such remedial measures. The Directors and Senior Management will be liable for indemnifying the Company or the investors for their losses in the event of failure to perform the commitment.	Undertakings dated 27 May 2016, during the course of performance	No	Yes	—	—
	Others	CRRCG	Undertaking to adopt measures of mitigating the potential dilution of return for the current period: on 27 May 2016, CRRCG committed not to intervene in the operation and management activities of the Company or unlawfully infringe upon the Company's interests.	Undertakings dated 27 May 2016, during the course of performance	No	Yes	—	—

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

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

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

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

IV. SIGNIFICANT CONTRACTS AND THEIR IMPLEMENTATION

1. Guarantees

Unit: '000 Currency: RMB

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

Guarantor	Relationship between the guarantor and the listed company	Guaranteed	Guaranteed amount	Date of guarantee (Date of signing agreement)	Commencement date	Maturity date	Guarantee type	Whether the guarantee has been fulfilled	Whether the guarantee is overdue or not	Outstanding amount of guarantee overdue	Counter guarantee	Whether the guarantee is provided to a connected party or not	Connected relationship
CRRC Corporation Limited, China-Singapore Suzhou Industrial Park Municipal Public Works Construction Co., Ltd (中新蘇州工業園區市政公用工程建設有限公司), a wholly-owned subsidiary of the Company, and CRRC China Merchants (Tianjin) Equity Investment Fund Management Co.,Ltd.* (中車招銀 (天津) 股權投資基金管理有限公司), a non wholly-owned subsidiary of the Company	CRRC Corporation Limited, its wholly-owned subsidiary and non wholly-owned subsidiary	Wuhu Yunda Rail Transport Construction and Operation Limited (蕪湖市運達軌道交通建設運營有限公司)	5,818,593	27 April 2017	20 June 2017	20 June 2047	Joint and several liability guarantee	No	No	—	No	No	No

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)	5,818,593
Guarantees provided by the Company and its subsidiaries in favour of its subsidiaries	
Total guarantee amount provided to the Company's subsidiaries during the reporting period	9,522,743
Total guarantee balance provided to the Company's subsidiaries at the end of the reporting period (B)	44,438,521
Aggregate guarantee amount provided by the Company (including guarantees provided by the Company in favour of its subsidiaries)	
Total guarantee amount (A+B)	50,257,114
Percentage of total guarantee amount to net assets of the Company (%)	33.58%
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)	19,736,904
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)	19,736,904
Explanation on guarantees undue that might be involved in any joint and several liability	/
Explanation on guarantees	Percentage of total guarantee amount to net assets of the Company=Total guarantee amount/equity attributable to owners of the Company. As at 31 December 2018, total guarantee balance was RMB5,025.7 billion, representing 33.58% of the Company's net assets. Out of such guarantee balance, RMB2,018.3 billion and RMB24.255 billion were provided to the Company's wholly-owned subsidiaries and non wholly-owned subsidiaries respectively. Guarantee balance of RMB5.819 billion was provided to Wuhu Yunda Rail Transport Construction and Operation Limited. As far as guarantee type is concerned, RMB3.401 billion was provided for bank acceptance bills, RMB3.457 billion was provided for loans and medium-term notes, and RMB43.399 billion was provided for letters of guarantee, letters of credit and credit facilities, etc. The Company did not provide any guarantees in favour of its controlling shareholders, ultimate controller and their related parties. As at the end of the reporting period, the Company provided guarantee in favour of its wholly-owned subsidiaries with gearing ratio over 70%. Approval procedures have been complied with at the Board meetings and the general meetings as required by the Articles of Associations.

2. Purchase of Entrusted Wealth Management

(1) Overall status of entrusted wealth management

Unit: '000 Currency: RMB

Type	Capital source	Amounts	Outstanding balance	Amounts overdue but not yet recovered
Corporate wealth management products	Self-owned source	37,306.320	4,385,151	—
Brokerage financial products	Self-owned source	—	60,000	—
Other types	Self-owned source	4,114,167	2,686,388	—

(2) Individual entrusted wealth management

Unit: '000 Currency: RMB

Trustee	Entrusted Wealth Management Product	Entrusted Wealth Management Amount	Starting Date of Entrusted Wealth Management	Ending Date of Entrusted Wealth Management	Capital source	Usage of funds	Method of Reward Determination	Annualized returns	Estimated returns (if any)	Actual gains or losses	Actual recovery	Whether Any Legal Process Involved	Future entrusted wealth management plan or not	Amount of provision for depreciation (if any)
CITIC Securities Company Limited	Non-principal-guaranteed with floating returns	60,000	9 May 2016	11 August 2019	Self-owned fund	Fixed income products (bonds, notes, etc.)	Payment of due interest and principal	5.83%	–	–	–	yes	–	–
Everbright Bank Zhuzhou Branch	Non-principal-guaranteed with floating returns	100,000	30 October 2018	14 January 2019	Self-owned fund	Fixed income products (bonds, notes, etc.)	Payment of due interest and principal	3.74%	–	654	654	yes	–	–
Everbright Bank Zhuzhou Branch	Non-principal-guaranteed with floating returns	100,000	31 October 2018	15 January 2019	Self-owned fund	Fixed income products (bonds, notes, etc.)	Payment of due interest and principal	3.79%	–	643	643	yes	–	–
Industrial and Commercial Bank Tianxin Sub-branch	Non-principal-guaranteed with floating returns	100,000	29 December 2018	29 January 2019	Self-owned fund	Fixed income products (bonds, notes, etc.)	Payment of due interest and principal	3.20%	–	24	24	yes	–	–
Total	/	360,000	/	/	/	/	/	/	/	1,321	1,321	/	/	/

3. Other Material Contracts

During the reporting period, the Company signed a number of sales contracts. For details, please refer to announcements dated 4 April 2018, 6 July 2018, 9 October 2018, 11 December 2018 and 28 December 2018 published by the Company on the websites of the SSE and the Stock Exchange.

V. OTHER SIGNIFICANT EVENTS

1. Particulars of interbank debt financing instruments

On 25 July 2018, the Company issued 2018 First Tranche of Super and Short-term Financing Bills in a total amount of RMB3 billion, which were due and settled on 22 November 2018. On 27 July 2018, the Company issued 2018 Second Tranche of Super and Short-term Financing Bills in a total amount of RMB3 billion, which were due and settled on 25 October 2018. On 20 August 2018, the Company issued 2018 Third Tranche of Super and Short-term Financing Bills in a total amount of RMB3 billion, which will be due and settled on 16 February 2019. On 30 August 2018, the Company issued 2018 Fourth and Fifth Tranche of Super and Short-term Financing Bills in a total amount of RMB1.5 billion and RMB1.5 billion respectively, which were due and settled on 28 November 2018. On 26 December 2018, the Company issued the first tranche of asset-backed notes for 2018, of which RMB2.925 billion represented senior tranche and RMB154 million represented subordinated tranche. The notes will mature on 26 December 2021.

2. Compared with the previous accounting period, the circumstances, reasons and their impacts of changes in accounting policies, accounting estimates and audit method

According to the relevant provisions of IFRS 9 - Financial Instruments, IFRS 15 - Revenue from Contracts with Customers and the related Amendments and other IFRSs issued by the International Accounting Standards Board, the Company and its subsidiaries have implemented the above-mentioned amendments and interpretations of IFRSs and adjusted the relevant contents of the accounting policies since 1 January 2018. For details, please refer to Note 3 "Principal Accounting Policies" to the consolidated financial statements.

VI. INFORMATION ON THE CONVERTIBLE CORPORATE BONDS

On 5 February 2016, the Company issued H Share convertible bonds in an aggregate principal amount of US$600,000,000 (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$9.15 per H Share. Proceeds from the issuance of the Bonds will be used to satisfy the production and international operation needs of the Company, including but not limited to adjusting its debt structure, increasing the capital contribution to its subsidiaries, replenishing working capital and project investments etc., which may be utilised at sole discretion of the Company both inside and outside of the PRC according to actual circumstances. For the actual use of the Convertible Bonds, please refer to "Report of Directors - B. Management Discussion and Analysis - II. Major operation results during the reporting period - (VII) Use of Proceeds" of the report.

On 5 February 2019, the holders of H Share Convertible Bonds redeemed the Convertible Bonds with an aggregate principal amount of US$240,000,000 pursuant to the terms and conditions of the Convertible Bonds. Upon the completion of abovementioned redemption, the H Share Convertible Bonds of an aggregate principal amount of US$360,000,000 remained outstanding, representing 60% of the total principal amount of the Bonds originally issued. According to the adjusted conversion price of HK$9.15 per H share, the maximum number of H Shares that the Company can issue will be 306,499,672 H Shares if the Bonds are fully converted.

For details of the Convertible Bonds, please refer to the relevant announcements dated 26 January 2016, 5 February 2016, 7 March 2016, 27 June 2016, 29 June 2017, 25 August 2017, 12 June 2018 and 8 February 2019 published by the Company on the websites of SSE and the Stock Exchange.

(I) Dilution Effect of the Convertible Bonds on Shares

As at 31 December 2018, the outstanding principal amount of the Convertible Bonds was US$600,000,000. Based on the adjusted conversion price of HK$9.15 per H Share, the maximum number of H Shares issuable by the Company upon full conversion of the Convertible Bonds will be 510,832,786 H Shares. The following table sets out the shareholding structure of the Company upon full conversion of the Convertible Bonds with reference to the shareholding structure of the Company as at 31 December 2018 and assuming no further issuance of Shares by the Company:

Name of Shareholders	Number of Shares	Percentage of issued share capital enlarged by the issuance of Conversion Shares (%)
CRRCG and its associates[Note]	14,759,281,450 A Shares	50.53
Public Shareholders:		
Subscribers of the Bonds	510,832,786 H Shares	1.75
Other public Shareholders	4,371,066,040 H Shares	14.96
	9,568,516,598 A Shares	32.76
Issued share capital enlarged by the issuance of Conversion Shares	**29,209,696,874 Shares**	**100.00**

Note: CRRCG holds 329,763,427 A Shares through CRRC Financial and Securities. An analysis of the impact on the earnings per share if the Convertible Bonds were fully converted into Shares of the Company as at 31 December 2018 is set out in Note 15 to the financial statements in this annual report.

(II) Principal Terms of Convertible Bonds

The principal terms of the Convertible Bonds are as follows:

1. Conversion Right

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

The initial conversion price of the Convertible Bonds is HK$9.65 per share which is adjusted to HK$9.50 per H share since 28 June 2016 as a result of the distribution of 2015 cash dividend, and further adjusted to HK$9.29 per H share since 30 June 2017 as a result of the distribution of 2016 cash dividend. The Company distributed a cash dividend of RMB0.15 per share (tax inclusive) to all shareholders pursuant to the 2017 profit distribution plan considered and approved at the general meeting held on 31 May 2018. The conversion price of the Convertible Bonds was adjusted to HK$9.15 per H share from the 2017 adjusted conversion price of HK$9.29 per H share pursuant to the terms and conditions of the Bonds with effect from 13 June 2018. 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

(1) Redemption at maturity

Unless previously redeemed, converted or purchased and cancelled, the Company will redeem all the outstanding Convertible Bonds at 100% 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% of their outstanding principal amount as at the relevant redemption date:

a. at any time after 5 February 2019 and prior to the maturity date, no such redemption may be made unless the closing price of an H share translated into US dollars at the applicable prevailing rate, for any 20 Stock Exchange business days within a period of 30 consecutive business days (the last of such Stock Exchange business day shall occur not more than 10 days prior to the date upon which notice of such redemption is given), was at least 130% of the then conversion price (translated into US dollars at the fixed exchange rate) for each of such 20 Stock Exchange business days. If there occurs an event giving rise to a change in the conversion price during any of such period of 30 consecutive Stock Exchange business days, appropriate adjustments for the relevant days approved by an independent investment bank shall be made for the purpose of calculating the closing price of the H shares for such days; or

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

(3) Redemption at the option of the bondholders

The 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% of their outstanding principal amount on the redemption option date.

(III) Accounting for the Convertible Bonds

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

(1) Debt component was initially recognized at fair value amounting to approximately RMB3,488,045,000. It was subsequently measured by using effective interest method, and was measured at amortized cost by applying an effective interest rate of 2.53% on master debt contract after considering the effect of the underwriting fees and other issue costs. During the current period, the interest expenses of the debt component of the Convertible Bonds, were recognized as finance cost amounted to RMB93,851,000 by applying an effective interest rate, and the corresponding exchange loss of RMB186,206,000 was charged to current profit or loss.

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

Underwriting fees and other issue costs relating to the Convertible Bonds were allocated in proportion to the fair values of debt component and derivative component. Underwriting fees and other issue costs amounting to approximately RMB28,745,000 relating to the debt component were included in the initial carrying amount of the debt component and amortized over the remaining period of the bonds using the effective interest method. Underwriting fees and other issue costs amounting to approximately RMB3,550,000 relating to derivative component were charged to finance costs during the issuance period directly. The gain on fair value change of derivative component of the Convertible Bonds amounted to RMB251,412,000 and the corresponding exchange gain of RMB11,555,000 were charged to current profit or loss.

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

Unit: '000 Currency: RMB

	Debt component	Derivative component	Total
1 January 2018	3,630,772	511,756	4,142,528
Accrued interest during the period	93,851	-	93,851
Exchange gains or losses	186,206	11,555	197,761
Gains or losses on changes in fair value	-	-251,412	-251,412
31 December 2018	3,910,829	271,899	4,182,728

(IV) Others

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

VII. FULFILLMENT OF SOCIAL RESPONSIBILITY

For details of the fulfilment of social responsibility by the Group during the reporting period, please see the 2018 Social Responsibility Report of CRRC Corporation Limited disclosed by the Company on the websites of the SSE and the Stock Exchange at the same date.

VIII. OTHER SIGNIFICANT EVENTS

(I) Redemption and cancellation of H Share convertible bonds

On 5 February 2019, the holders of H Share Convertible Bonds redeemed the convertible bonds with an aggregate principal amount of US$240,000,000 pursuant to the terms and conditions of the Convertible Bonds. Upon the completion of abovementioned redemption, the H Share Convertible Bonds of an aggregate principal amount of US$360,000,000 remained outstanding, representing 60% of the total principal amount of the Bonds originally issued. For details, please refer to the announcement dated 8 February 2019 published by the company on the SSE and the Stock Exchange.

(II) Profit Distribution of Ordinary Shares

On 28 March 2019, the Company held the ninth meeting of the second session of the Board, at which the "2018 Proposal for Profit Distribution Plan of CRRC Corporation Limited" was considered and approved, pursuant to which the Company would distribute a cash dividend of RMB0.15 per share (tax inclusive) to all shareholders based on the 28,698,864,088 shares in the total share capital of the Company as at 31 December 2018. The profit distribution plan shall be considered and approved by the 2018 annual general meeting of the Company.

Deloitte.

TO THE SHAREHOLDERS OF CRRC CORPORATION LIMITED

(Incorporated in the People's Republic of China with limited liability)

OPINION

We have audited the consolidated financial statements of CRRC Corporation Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 102 to 267, which comprise the consolidated statement of financial position as at 31 December 2018, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

Key audit matter	How our audit addressed the key audit matter
Matters Pertaining to Overseas Operations	
Impairment of goodwill	
We identified the impairment of goodwill as a key audit matter due to the significance of the balance to the consolidated financial statements as a whole, combined with the significant degree of judgment by management associated with the determination of the recoverable amount of the cash generating units to which goodwill has been allocated in the annual impairment test. Referring to note 4 to the consolidated financial statements as one of the significant accounting judgements and key sources of estimation uncertainty and note 19 to the consolidated financial statements, the Group has an aggregate carrying value of goodwill of RMB713,042,000 as at 31 December 2018. Management determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the recoverable amount of the cash-generating units to which the goodwill is allocated, which is the higher of the value in use and fair value less costs of disposal. Estimating the value in use or determining fair value less cost of disposal by using discounted cash flow projections requires management to make an estimate of the expected future cash flows from the cash-generating units based on key assumptions such as long-term growth rates, revenue growth rates, gross margin, and also to choose suitable discount rates in order to calculate the present value of those cash flows. These are all subject to management's estimates and judgements.	Our procedures in relation to impairment of goodwill included: • Testing the key internal controls relating to management's assessment of the impairment of goodwill; • Evaluating the appropriateness of the methodologies in determining the recoverable amount of the cash-generating units to which goodwill has been allocated in the impairment test; • Testing the underlying data used by the Group in determining the recoverable amount of the cash-generating units to which goodwill has been allocated in the impairment test by involving the internal valuation specialists to evaluate the appropriateness of management's key assumptions and judgements in the impairment test; and • verifying the mathematical accuracy on the calculation of the recoverable amount of the cash generating units to which goodwill has been allocated.
Overseas supply of locomotives	
We identified the matter described in note 54(ii) to the consolidated financial statements regarding media reports related to a train operator's procurement for the supply of locomotives as a key audit matter due to the judgments involved in evaluating the potential impacts of that matter on the Group and the consolidated financial statements. The conclusions of management with respect to this matter are set out in note 54(ii).	Our procedures in respect of this matter involved evaluating its impact including by: • Obtaining an understanding of, and undertaking audit procedures to assess, management's actions and considerations in relation to the potential impact on the Group of this matter and the related disclosures in the consolidated financial statements; • Designing and performing audit procedures to obtain audit evidence to support our conclusions including reviewing advice and analysis respectively obtained and prepared by the Group; and • Evaluating the appropriateness of the related disclosures made in note 54(ii) to the consolidated financial statements.

OTHER INFORMATION

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The engagement partner on the audit resulting in the independent auditor's report is Lam Kwok Yan.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
28 March 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2018

	NOTES	2018 RMB'000	2017 RMB'000 (Restated)
Revenue	5	**214,521,647**	207,044,257
Cost of sales and services		**(168,459,287)**	(161,380,253)
Gross profit		**46,062,360**	45,664,004
Other income and gains and losses	6	**6,536,147**	5,175,613
Impairment losses, net of reversal	7	**(1,630,275)**	—
Loss from derecognition of financial assets measured at amortised cost		**(416,186)**	(77,153)
Distribution and selling expenses		**(7,745,841)**	(7,218,094)
Administrative expenses		**(14,274,711)**	(14,907,929)
Research and development expenses		**(10,896,916)**	(9,977,454)
Other expenses	8	**(1,248,388)**	(2,399,452)
Finance costs	9	**(1,602,132)**	(1,400,593)
Share of profits of:			
Joint ventures		**168,517**	124,498
Associates		**389,797**	401,743
Profit before taxation	10	**15,342,372**	15,385,183
Income tax expense	13	**(2,343,865)**	(2,387,765)
Profit for the year		**12,998,507**	12,997,418
Other comprehensive (expense) income, net of income tax			
Items that will not be reclassified to profit or loss:			
Re-measurement of retirement benefit pension plans	40	**(77,670)**	234,759
Investments in equity instruments at fair value through other comprehensive income		**(437,167)**	—
Income tax relating to items that may not be reclassified subsequently		**115,734**	—
Items that may be reclassified subsequently to profit or loss:			
Net gain on revaluation of available-for-sale financial assets		**—**	56,474
Debt instruments measured at fair value through other comprehensive income		**51,798**	—
Income tax relating to items that may be reclassified to profit or loss subsequently		**(3,336)**	(46,425)
Share of other comprehensive expense of associates		**(56,699)**	(18,832)
Exchange differences arising on translation of foreign operations		**169,809**	(139,201)
Other comprehensive (expense) income for the year, net of income tax		**(237,531)**	86,775
Total comprehensive income for the year		**12,760,976**	13,084,193

	NOTES	**2018**	2017
		RMB'000	RMB'000
			(Restated)
Profit for the year attributable to:			
Owners of the Company		**11,305,044**	10,791,348
Non-controlling interests		**1,693,463**	2,206,070
		12,998,507	12,997,418
Total comprehensive income for the year attributable to:			
Owners of the Company		**11,054,646**	10,859,665
Non-controlling interests		**1,706,330**	2,224,528
		12,760,976	13,084,193
Earnings per share (RMB)	15		
– Basic		**0.39**	0.38
– Diluted		**0.39**	0.37

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2018

	NOTES	**31 December 2018 RMB'000**	31 December 2017 RMB'000 (Restated)
Non-current assets			
Property, plant and equipment	16	**65,488,942**	65,919,441
Investment properties	17	**1,142,945**	1,018,722
Prepaid lease payments	18	**13,463,512**	14,677,729
Goodwill	19	**713,042**	1,242,487
Other intangible assets	20	**3,222,972**	2,944,534
Interests in joint ventures	21	**2,242,304**	1,449,853
Interests in associates	22	**11,523,488**	9,763,657
Loans and advances to customers		**1,880,911**	192,693
Available-for-sale investments	23	**—**	2,805,856
Financial assets at fair value through profit or loss		**598,551**	—
Held-to-maturity investment	24	**—**	1,429,188
Equity instruments at fair value through other comprehensive income	25	**2,252,423**	—
Contract assets	26	**8,923,932**	—
Debt investment at amortised cost	27	**1,622,252**	—
Deferred tax assets	28	**3,644,579**	3,697,406
Other non-current assets	29	**12,935,258**	14,154,580
		129,655,111	119,296,146
Current assets			
Prepaid lease payments	18	**355,811**	406,301
Inventories	30	**55,121,500**	55,104,940
Available-for-sale investments	23	**—**	451,497
Held-to-maturity investment - current portion	24	**—**	229,970
Debt instruments at fair value through other comprehensive income	27	**5,277,641**	—
Debt investment at amortised cost	27	**880,525**	—
Trade receivables	31	**64,205,603**	77,674,531
Contract assets	26	**14,657,889**	—
Bills receivable	32	**15,475,106**	27,071,265
Prepayments, deposits and other receivables	33	**26,133,479**	31,179,480
Financial assets at fair value through profit or loss		**7,246,736**	2,569,294
Amounts due from customers for contract work	34	**—**	129,894
Tax recoverable		**336,287**	138,421
Pledged and restricted bank deposits	35	**5,027,666**	4,622,263
Cash and bank balances	35	**33,143,342**	56,280,024
		227,861,585	255,857,880
Assets classified as held for sale		**6,354**	52,443
		227,867,939	255,910,323

	NOTES	**31 December 2018 RMB'000**	31 December 2017 RMB'000 (Restated)
Current liabilities			
Trade payables	36	**99,189,987**	104,357,254
Bills payable	37	**21,978,720**	23,291,689
Other payables and accruals	38	**17,997,991**	34,072,662
Financial liabilities at fair value through profit or loss		**—**	225,240
Borrowings - due within one year	39	**16,293,114**	34,043,108
Retirement benefit obligations	40	**259,547**	288,139
Tax payable		**560,000**	1,188,521
Due to customers		**2,795,282**	3,469,987
Long-term payables - current portion		**22,524**	63,589
Provision for warranties	41	**2,045,696**	1,818,715
Contract liabilities	42	**22,335,899**	—
Deferred income	43	**689,948**	656,662
Convertible bonds - debt component	44	**3,910,829**	—
Convertible bonds - derivative component	44	**271,899**	—
		188,351,436	203,475,566
Net current assets		**39,516,503**	52,434,757
Total assets less current liabilities		**169,171,614**	171,730,903
Capital and reserves			
Share capital	45	**28,698,864**	28,698,864
Reserves		**99,758,831**	92,885,067
Equity attributable to owners of the Company		**128,457,695**	121,583,931
Non-controlling interests		**21,226,932**	20,335,691
Total equity		**149,684,627**	141,919,622

	NOTES	**31 December 2018 RMB'000**	31 December 2017 RMB'000 (Restated)
Non-current liabilities			
Borrowings - due after one year	39	**4,380,011**	9,954,710
Long-term payables		**279,178**	294,296
Retirement benefit obligations	40	**3,599,049**	3,718,519
Provision for warranties	41	**4,597,016**	4,570,492
Deferred income	43	**5,503,288**	5,756,605
Deferred tax liabilities	28	**158,546**	175,882
Contract liabilities	42	**90,569**	—
Convertible bonds - debt component	44	**—**	3,630,772
Convertible bonds - derivative component	44	**—**	511,756
Other non-current liabilities		**879,330**	1,198,249
		19,486,987	29,811,281
Total equity and non-current liabilities		**169,171,614**	171,730,903

The consolidated financial statements on pages 102 to 267 are approved and authorised for issue by the Board of Directors on 28 March 2019 and are signed on its behalf by:

Liu Hualong	**Sun Yongcai**
DIRECTOR	*DIRECTOR*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2018

	Attributable to owners of the Company											
	Share capital RMB'000	Capital reserve RMB'000 (Note i)	Revaluation reserve RMB'000	Retirement benefit obligations re-measurement reserve RMB'000	Statutory surplus reserve RMB'000 (Note ii)	Special reserve RMB'000 (Note iii)	General risk reserve RMB'000 (Note iv)	Translation reserve RMB'000	Retained earnings RMB'000 (Note v)	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 31 December 2017	28,698,864	40,636,666	228,119	(260,029)	2,821,562	49,957	551,265	(203,808)	49,035,995	121,558,591	20,310,812	141,869,403
Add: Effect of business combination under common control	–	51,000	–	–	–	–	–	–	(25,660)	25,340	24,879	50,219
Adjustments (see note 2)	–	–	(357,430)	–	–	–	–	–	545,155	187,725	176,498	364,223
At 1 January 2018 (restated)	28,698,864	40,687,666	(129,311)	(260,029)	2,821,562	49,957	551,265	(203,808)	49,555,490	121,771,656	20,512,189	142,283,845
Profit for the year	–	–	–	–	–	–	–	–	11,305,044	11,305,044	1,693,463	12,998,507
Other comprehensive (expense) income for the year:												
Equity instruments at fair value through other comprehensive income	–	–	(321,365)	–	–	–	–	–	–	(321,365)	(68)	(321,433)
Debt instruments measured at fair value through other comprehensive income	–	–	45,487	–	–	–	–	–	–	45,487	2,975	48,462
Share of other comprehensive expense of associates/joint ventures	–	–	(56,699)	–	–	–	–	–	–	(56,699)	–	(56,699)
Re-measurement loss on retirement benefit obligations	–	–	–	(73,849)	–	–	–	–	–	(73,849)	(3,821)	(77,670)
Exchange differences arising on translation of foreign operations	–	–	–	–	–	–	–	156,028	–	156,028	13,781	169,809
Total comprehensive (expense) income for the year	–	–	(332,577)	(73,849)	–	–	–	156,028	11,305,044	11,054,646	1,706,330	12,760,976
Acquisition of a subsidiary under common control in 2018	–	(22,761)	–	–	–	–	–	–	–	(22,761)	–	(22,761)
Disposal of subsidiaries	–	–	–	–	–	–	–	–	–	–	(90,073)	(90,073)
Acquisition of a subsidiary	–	–	–	–	–	–	–	–	–	–	141,480	141,480
Acquisition of non-controlling interests	–	(59,521)	–	–	–	–	–	–	(4,819)	(64,340)	(110,810)	(175,150)
Deemed disposal of non-controlling interests	–	–	–	–	–	–	–	–	–	–	19,189	19,189
Capital contribution from non-controlling shareholders	–	6,771	–	–	–	–	–	–	–	6,771	138,948	145,719
Dividends declared to non-controlling shareholders of subsidiaries	–	–	–	–	–	–	–	–	–	–	(1,083,050)	(1,083,050)
Dividends distributed	–	–	–	–	–	–	–	–	(4,304,830)	(4,304,830)	–	(4,304,830)
Transfer upon disposal of equity instruments at fair value through other comprehensive income	–	–	(23,202)	–	–	–	–	–	23,202	–	–	–
Appropriation of statutory surplus reserve	–	–	–	–	458,430	–	–	–	(458,430)	–	–	–
Appropriation of special reserves	–	–	–	–	–	577,432	–	–	–	577,432	30,516	607,948
Utilisation of special reserves	–	–	–	–	–	(577,432)	–	–	–	(577,432)	(30,516)	(607,948)
Others	–	16,553	–	–	–	–	–	–	–	16,553	(7,271)	9,282
At 31 December 2018	28,698,864	40,628,708	(485,090)	(333,878)	3,279,992	49,957	551,265	(47,780)	56,115,657	128,457,695	21,226,932	149,684,627

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2018

	Attributable to owners of the Company											
	Share capital RMB'000	Capital reserve RMB'000 (Note i)	Available-for- sale investments revaluation reserve RMB'000	Retirement benefit obligations re-measurement reserve RMB'000	Statutory surplus reserve RMB'000 (Note ii)	Special reserve RMB'000 (Note iii)	General risk reserve RMB'000 (Note iv)	Translation reserve RMB'000	Retained earnings RMB'000 (Note v)	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2017	27,288,758	30,188,763	235,652	(474,615)	2,273,807	49,957	551,265	(65,072)	44,811,955	104,860,470	18,955,106	123,815,576
Add: Effect of business combination under common control		51,000							(18,452)	32,548	31,804	64,352
At 1 January 2017 (restated)	27,288,758	30,239,763	235,652	(474,615)	2,273,807	49,957	551,265	(65,072)	44,793,503	104,893,018	18,986,910	123,879,928
Profit for the year (restated)	–	–	–	–	–	–	–	–	10,791,348	10,791,348	2,206,070	12,997,418
Other comprehensive income (expense) for the year:												
Change in fair value of available-for-sale investments, net of tax	–	–	11,299	–	–	–	–	–	–	11,299	(1,250)	10,049
Share of other comprehensive expense of associates	–	–	(18,832)	–	–	–	–	–	–	(18,832)	–	(18,832)
Re-measurement gains on retirement benefit obligations	–	–	–	214,586	–	–	–	–	–	214,586	20,173	234,759
Exchange differences arising on translation of foreign operations	–	–	–	–	–	–	–	(138,736)	–	(138,736)	(465)	(139,201)
Total comprehensive (expense) income for the year (restated)	–	–	(7,533)	214,586	–	–	–	(138,736)	10,791,348	10,859,665	2,224,528	13,084,193
Non-public issuance of A shares (note vi)	1,410,106	10,589,894	–	–	–	–	–	–	–	12,000,000	–	12,000,000
Share issuance expenses	–	(65,895)	–	–	–	–	–	–	–	(65,895)	–	(65,895)
Acquisition of a subsidiary under common control in 2017	–	(5,388)	–	–	–	–	–	–	–	(5,388)	(4,968)	(10,356)
Acquisition of a subsidiary	–	–	–	–	–	–	–	–	–	–	26,126	26,126
Disposal of subsidiaries	–	–	–	–	–	–	–	–	–	–	(280,648)	(280,648)
Acquisition of non-controlling interests	–	(81,336)	–	–	–	–	–	–	–	(81,336)	(48,813)	(130,149)
Deemed disposal of non-controlling interests	–	10,628	–	–	–	–	–	–	–	10,628	(10,628)	–
Capital contribution from non-controlling shareholders	–	–	–	–	–	–	–	–	–	–	223,135	223,135
Dividends declared to non-controlling shareholders of subsidiaries	–	–	–	–	–	–	–	–	–	–	(739,372)	(739,372)
Dividends distributed	–	–	–	–	–	–	–	–	(6,026,761)	(6,026,761)	–	(6,026,761)
Appropriation of statutory surplus reserve	–	–	–	–	547,755	–	–	–	(547,755)	–	–	–
Appropriation of special reserves	–	–	–	–	–	602,216	–	–	(602,216)	–	–	–
Utilisation of special reserves	–	–	–	–	–	(602,216)	–	–	602,216	–	–	–
Others	–	–	–	–	–	–	–	–	–	–	(40,578)	(40,578)
At 31 December 2017 (restated)	28,698,864	40,687,666	228,119	(260,029)	2,821,562	49,957	551,265	(203,808)	49,010,335	121,583,931	20,335,691	141,919,622

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

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

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

Note iv: According to the relevant provisions of the Ministry of Finance, CRRC Finance Co., Ltd ("Finance Company"), a subsidiary of the Company, is required to make an appropriation of general risk reserve from net profit as profit distribution, the balance of general risk reserve should not be less than 1.5 percent of risk assets at the end of the reporting period. According to the resolution of the board of directors, Finance Company made a provision for general risk reserve amounting to RMB nil during the year ended 31 December 2018 (31 December 2017: nil).

Note v: It includes statutory surplus reserve provided by subsidiaries amounting to RMB15,258,173,000 as at 31 December 2018 (31 December 2017: RMB11,558,974,000).

Note vi: During the year ended 31 December 2017, the Company completed the non-public offering of 1,410,106,000 A shares with par value of RMB1.00 each, and the issue price was RMB8.51 per share, which was approved by the China Securities Regulatory Commission ("CSRC") through Zheng Jian Xu Ke [2016] No. 3203. The net amount of proceeds from the non-public offering of A shares was RMB11,934,105,000, including share capital which increased by RMB1,410,106,000, and capital reserve which increased by RMB10,523,999,000.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2018

	2018 RMB'000	2017 RMB'000 (Restated)
OPERATING ACTIVITIES		
Profit before taxation	**15,342,372**	15,385,183
Adjustments for:		
Depreciation of property, plant and equipment	**5,602,616**	5,401,879
Depreciation of items of investment properties	**30,080**	31,371
Depreciation of items of other non-current assets	**81,968**	67,280
Amortisation of prepaid lease payments	**364,230**	361,746
Amortisation of other intangible assets	**531,635**	633,924
Loss on disposal of property, plant and equipment	**83,857**	45,300
(Gain)/loss on disposal of other intangible assets	**(792)**	3,982
Gain on disposal of prepaid lease payments	**(1,023,844)**	(923,192)
Provision against obsolete inventories	**253,448**	402,981
Impairment of property, plants and equipment	**238,976**	80,414
Impairment of non-current assets classified as held for sale	**—**	6,188
Impairment of other intangible assets	**84,742**	13,186
Impairment of available-for-sale investments	**—**	50,025
Impairment of trade receivables	**531,622**	1,077,304
Impairment of bills receivables	**62,489**	—
Impairment of debt investment at amortised cost	**600**	—
Impairment of contract assets	**(50,014)**	—
Impairment of prepayments, deposits and other receivables	**42,369**	6,497
Impairment of loans and advances to customers	**53,927**	43,404
Impairment of other non-current assets	**1,131,343**	1,073,944
Impairment of goodwill	**529,921**	20,724
Interest income	**(591,127)**	(422,600)
Dividend income	**(53,463)**	(84,562)
Finance costs	**1,602,132**	1,400,593
Share of profits of associates and joint ventures	**(558,314)**	(526,241)
Fair value loss on financial instruments at fair value through profit or loss	**(168,182)**	330,511
Fair value loss on on convertible bonds	**(251,412)**	166,960
Gain on disposal of financial instruments at fair value through profit or loss	**(187,442)**	(51,684)
Gain on disposal of available-for-sale investment	**—**	(113,044)
Gain on disposal of subsidiaries	**(1,453,894)**	(1,809,155)
Investment income from corporate wealth management products	**(166,421)**	(52,902)
Investment income from held-to-maturity investment	**—**	(52,859)
Investment income from debt investment	**(88,327)**	—

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2018

	2018 RMB'000	2017 RMB'000 (Restated)
Operating cash flows before movements in working capital	**21,975,095**	22,567,157
Decrease/(increase) in inventories	**63,701**	(1,488,518)
Increase in trade receivables, bills receivable and prepayments, deposits and other receivables	**(20,283,349)**	(21,824,987)
Increase in pledged bank deposits	**(457,667)**	(276,375)
Increase in trade payables, bills payable and other payables and accruals	**2,864,145**	20,761,358
Decrease in retirement benefit obligations	**(595,771)**	(359,401)
Increase in provision for warranties	**256,181**	216,683
Increase in other non-current assets	**(4,940,269)**	(313,744)
Increase in contract liabilities	**22,236,091**	—
Decrease in contract asses	**293,944**	—
Cash generated from operations	**21,412,101**	19,282,173
Interest received	**486,423**	299,958
Income tax paid	**(3,029,180)**	(3,267,369)
Net cash generated from operating activities	**18,869,344**	16,314,762

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2018

	NOTES	2018 RMB'000	2017 RMB'000 (Restated)
INVESTING ACTIVITIES			
Purchases of property, plant and equipment and deposits paid for acquisition of property, plant and equipment		**(7,630,133)**	(7,882,713)
Addition to prepaid lease payments		**(565,957)**	(509,886)
Purchases of other intangible assets and deposits paid for other intangible assets		**(906,122)**	(302,586)
Purchases of interests in associates		**(1,209,821)**	(165,892)
Purchases of interests in joint ventures		**(567,960)**	—
Purchases of available-for-sale investments		**—**	(1,277,981)
Purchases of held-to-maturity investment		**—**	(756,784)
Purchases of corporate wealth management products		**—**	(4,250,000)
Purchases of financial assets at fair value through profit or loss		**(38,173,278)**	(14,153,811)
Redemption/(purchases) of senior notes		**72,756**	(208,110)
Purchases of debt investment		**(205,896)**	—
Dividends received from a joint venture and associates		**79,551**	213,184
Dividends received from available-for-sale investments		**—**	91,510
Dividends received from equity instruments at fair value through other comprehensive income		**51,691**	—
Investment income from held-to-maturity investment		**—**	52,859
Investment income from debt investment at amortised cost		**88,327**	—
Acquisitions of subsidiaries	46	**(222,045)**	(14,820)
Proceeds from disposal of prepaid land lease payments		**902,290**	473,631
Proceeds from disposal of items of investment properties		**3,736**	18,633
Proceeds from disposal of items of property, plant and equipment		**487,002**	458,888
Receipt from a former subsidiary		**2,192,600**	—
Proceeds from disposal of interests of associates and joint venture		**67,001**	3,915
Proceeds from disposal of available-for-sale investments		**—**	416,590
Proceeds from disposal of subsidiaries	47	**563,752**	1,639,115
Deposit paid for investment		**(2,430,000)**	—
Proceeds from disposal of other intangible assets		**—**	43,168
Interest income from non-pledged deposits with original maturity of three months or more when acquired		**240,675**	104,403
Proceeds from disposal of financial assets/liabilities at fair value through profit or loss		**36,619,029**	12,370,506
Proceeds from disposal of corporate wealth management products		**—**	5,777,757
Proceeds from disposal of senior notes		**—**	211,972
Withdrawal of non-pledged deposits with original maturity of three months or more when acquired		**17,101,869**	18,571,521
Placement of non-pledged deposits with original maturity of three months or more when acquired		**(11,380,636)**	(14,126,316)
Paid to non-controlling interests on liquidation of a subsidiary		**—**	(16,700)
Proceeds from disposal of debt investment at amortised cost		**116,440**	—
Proceeds from disposal of equity instruments		**72,011**	—
Advance receipt from disposal of a subsidiary		**299,793**	—
Government grants received		**—**	242,965
Net cash used in investing activities		**(4,333,325)**	(2,974,982)

	NOTES	2018 RMB'000	2017 RMB'000 (Restated)
FINANCING ACTIVITIES			
Repayment of borrowings		**(51,031,342)**	(88,862,820)
Purchase of non-controlling interests		**(175,149)**	(93,619)
Distribution to shareholders		**(4,304,830)**	(6,026,761)
Dividends paid to non-controlling interests		**(911,731)**	(716,282)
Interest paid		**(1,541,868)**	(1,442,666)
Interest paid for bills discounted and trade receivables derecognised		**—**	(131,106)
Proceeds from bank and other borrowings		**25,868,679**	91,926,294
Acquisition of a subsidiary under common control		**(22,761)**	(10,356)
Bonds issue expense		**(4,000)**	(2,738)
Capital contributions from non-controlling shareholders		**145,720**	223,135
Net proceeds from issue of A shares		**—**	11,938,409
Cost for issue of A shares		**(5,970)**	—
Placement of pledged time deposit for obtaining financing		**—**	(60,099)
Withdrawal of pledged time deposit for obtaining financing		**—**	8,000
Payments from non-controlling shareholders		**19,189**	—
Net cash (uesd in)/generated from financing activities		**(31,964,065)**	6,749,391
Effect of foreign exchange rate changes		**12,596**	(310,358)
Cash and cash equivalents at beginning of the year		**47,705,543**	28,057,147
Net (decrease)/increase in cash and cash equivalents		**(17,415,449)**	19,648,396
Cash and cash equivalents at end of the year	35	**30,290,094**	47,705,543

1. GENERAL INFORMATION

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

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

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

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

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

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

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

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

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

New and amendments to IFRSs that are mandatorily effective for the current year

The Group has applied the following new and amendments to IFRSs for the first time in the current year.

IFRS 9	Financial Instruments
IFRS 15	Revenue from Contracts with Customers and the related Amendments
IFRIC 22	Foreign Currency Transactions and Advance Consideration
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts
Amendments to IAS 28	As part of the Annual Improvements to IFRS Standards 2014 - 2016 Cycle
Amendments to IAS 40	Transfers of Investment Property

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

Impacts of application of IFRS 15 Revenue from Contracts with Customers

The Group has applied IFRS 15 for the first time in the current year. IFRS 15 superseded IAS 18 Revenue, IAS 11 Construction Contracts and the related interpretations.

The Group has applied IFRS 15 retrospectively with the cumulative effect of initially applying this Standard recognised at the date of initial application, 1 January 2018. Any difference at the date of initial application is recognised in the opening retained earnings (or other components of equity, as appropriate) and comparative information has not been restated. Furthermore, in accordance with the transition provisions in IFRS 15, the Group has elected to apply the Standard retrospectively only to contracts that are not completed at 1 January 2018 and has used the practical expedient for all contract modifications that occurred before the date of initial application, the aggregate effect of all of the modifications was reflected at the date of initial application. Accordingly, certain comparative information may not be comparable as comparative information was prepared under IAS 18 Revenue and IAS 11 Construction Contracts and the related interpretations.

The Group recognises revenue from the following major sources:

- Revenue from rail transportation products and their extent products
- Revenue from rail transportation products' extent services

Information about the Group's performance obligations and the accounting policies resulting from application of IFRS 15 are disclosed in notes 5 and 3 respectively.

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") *(continued)*

Impacts of application of IFRS 15 Revenue from Contracts with Customers *(continued)*

Summary of effects arising from initial application of IFRS 15

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 January 2018. Line items that were not affected by the changes have not been included.

	Carrying amounts at 31 December 2017 RMB'000 (Restated)	Adjustments RMB'000	**Carrying amounts under IFRS 15 at 1 January 2018* RMB'000**
Non-current Assets			
Property, plant and equipment	65,919,441	(259,577)	**65,659,864**
Other non -current assets	14,154,580	(1,974,189)	**12,180,391**
Contract assets	—	2,028,175	**2,028,175**
Current Assets			
Amounts due from customers for contract work	129,894	(129,894)	**—**
Contract assets	—	10,805,822	**10,805,822**
Trade receivables	77,674,531	(10,619,317)	**67,055,214**
Inventories	55,104,940	225,562	**55,330,502**
Capital and Reserves			
Reserves	92,885,067	116,519	**93,001,586**
Non-controlling interests	20,335,691	178,093	**20,513,784**
Current Liabilities			
Trade payables	104,357,254	9,352	**104,366,606**
Contract liabilities	—	18,303,411	**18,303,411**
Other payables and accruals	34,072,662	(18,318,625)	**15,754,037**
Non-current liabilities			
Other non-current liabilities	1,198,249	(141,357)	**1,056,892**
Deferred tax liabilities	175,882	17,204	**193,086**
Deferred income	5,756,605	(88,015)	**5,668,590**

* The amounts in this column are before the adjustments from the application of IFRS 9.

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") *(continued)*

Impacts of application of IFRS 15 Revenue from Contracts with Customers *(continued)*

Summary of effects arising from initial application of IFRS 15 *(continued)*

Note: In accordance with IFRS15, the Group recognizes the obligation of transferring goods or services to customers for which the Group has received consideration from customers as contract liabilities, and the right to collect consideration for goods that have been transferred to customers, which depends on factors other than the passage of time, as contract assets.

Upon the application of IFRS 15, revenue from mould sales is recognised when the customer obtains control over the goods or services. Entrance fees, the so-called nomination fees paid by the Group, are considered as consideration paid to a customer and are recognised over the duration of the contract as reduction of the revenue.

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") *(continued)*

Impacts of application of IFRS 15 Revenue from Contracts with Customers *(continued)*

Summary of effects arising from initial application of IFRS 15 *(continued)*

The following tables summarise the impacts of applying IFRS 15 on the Group's consolidated statement of financial position as at 31 December 2018 and its consolidated statement of profit or loss and other comprehensive income for the current year for each of the line items affected. Line items that were not affected by the changes have not been included.

Impact on the consolidated statement of financial position

	As reported RMB'000	Adjustments RMB'000	Amounts without application of IFRS 15 RMB'000
Non-current Assets			
Property, plant and equipment	65,488,942	250,376	65,739,318
Other non-current assets	12,935,258	3,325,972	16,261,230
Contract assets	8,923,932	(8,923,932)	—
Current Assets			
Inventories	55,121,500	(203,111)	54,918,389
Contract assets	14,657,889	(14,657,889)	—
Trade receivables	64,205,603	19,545,288	83,750,891
Prepayment deposits and other receivables	26,133,479	141,196	26,274,675
Amounts due from customers for contract work	—	111,782	111,782
Capital and Reserves			
Reserves	99,758,831	(122,303)	99,636,528
Non-controlling interests	21,226,932	(186,637)	21,040,295
Current Liabilities			
Trade payables	99,189,987	(2,692)	99,187,295
Contract liabilities	22,335,899	(22,335,899)	—
Other payables and accruals	17,997,991	21,962,071	39,960,062
Non-current liabilities			
Other non-current liabilities	879,330	203,860	1,083,190
Deferred tax liabilities	158,546	(13,654)	144,892
Deferred income	5,503,288	84,936	5,588,224

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") *(continued)*

Impacts of application of IFRS 15 Revenue from Contracts with Customers *(continued)*

Summary of effects arising from initial application of IFRS 15 *(continued)*

Impact on the consolidated statement of profit and loss and other comprehensive income

	As reported RMB'000	Adjustments RMB'000	Amounts without application of IFRS 15 RMB'000
Revenue	214,521,647	(86,147)	214,435,500
Cost of sales	(168,459,287)	78,345	(168,380,942)
Distribution and selling expenses	(7,745,841)	(6,332)	(7,752,173)
Profit before tax	15,342,372	(14,134)	15,328,238
Other comprehensive expense for the year, net of income tax	(237,531)	(194)	(237,725)

Impacts of application of IFRS 9 Financial Instruments and the related amendments

In the current year, the Group has applied IFRS 9 Financial Instruments, and the related consequential amendments to other IFRSs. IFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) expected credit losses ("ECL") for financial assets and other items (for example, contract assets, lease receivables and financial guarantee contracts) and 3) general hedge accounting.

The Group has applied IFRS 9 in accordance with the transition provisions set out in IFRS 9. i.e. applied the classification and measurement requirements (including impairment) retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018. The difference between carrying amounts as at 31 December 2017 and the carrying amounts as at 1 January 2018 are recognised in the opening retained earnings and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under IAS 39 *Financial Instruments: Recognition and Measurement*.

Accounting policies resulting from application of IFRS 9 are disclosed in note 3.

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

Impacts of application of IFRS 9 Financial Instruments and the related amendments *(continued)*

Summary of effects arising from initial application of IFRS 9

The table below illustrates the classification and measurement (including impairment) of financial assets and financial liabilities and other items subject to ECL under IFRS 9 and IAS 39 at the date of initial application, 1 January 2018.

	Notes	Available-for-sale RMB'000	Held-to-maturity RMB'000	Financial assets designated at fair value through profit or loss (FVTPL) RMB'000	Trade and bills receivables measured at amortised cost (previously classified as loans and receivables) RMB'000	Financial assets at FVTPL required by IAS 39/IFRS 9 RMB'000	Equity instruments at fair value through comprehensive income (FVTOCI) RMB'000	Debt instruments at FVTOCI RMB'000	Amounts due from customers for contract work RMB'000	Contract assets RMB'000	Deferred tax assets RMB'000	Deferred tax liabilities RMB'000	Revaluation reserve RMB'000	Retained earnings RMB'000	Non-controlling interests RMB'000
Closing balance at 31 December 2017 - IAS 39 (restated)		3,257,353	1,659,158	427,168	104,745,796	2,142,126	–	–	129,894	–	3,697,406	175,882	228,119	49,010,335	20,335,691
Effect arising from intial application of IFRS 15		–	–	–	(10,619,317)	–	–	–	(129,894)	12,833,997	–	17,204	–	116,519	178,093
Effect arising from initial application of IFRS 9:															
Reclassification															
From available-for-sale	(a)	(3,257,353)	–	–	–	1,083,251	2,174,102	–	–	–	–	–	(428,636)	428,636	–
From held-to-maturity	(b)	–	(1,659,158)	–	1,659,158	–	–	–	–	–	–	–	–	–	–
From designated at FVTPL	(c)	–	–	(427,168)	–	427,168	–	–	–	–	–	–	–	–	–
From loans and receivables	(d)	–	–	–	(7,836,589)	–	–	7,836,589	–	–	–	–	–	–	–
Remeasurement															
From cost less impairment to fair value	(a)	–	–	–	–	–	213,268	–	–	–	123	32,765	180,626	–	–
From amortised cost to fair value	(d)	–	–	–	–	–	–	(133,253)	–	–	22,238	–	(109,420)	–	(1,595)
Summary of effects		(3,257,353)	(1,659,158)	(427,168)	(6,177,431)	1,510,419	2,387,370	7,703,336	–	–	22,361	32,765	(357,430)	428,636	(1,595)
Opening balance at 1 January 2018		–	–	–	87,949,048	3,652,545	2,387,370	7,703,336	–	12,833,997	3,719,767	225,851	(129,311)	49,555,490	20,512,189

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

Impacts of application of IFRS 9 Financial Instruments and the related amendments *(continued)*

Summary of effects arising from initial application of IFRS 9 *(continued)*

(a) Available-for-sale ("AFS") investments

From AFS equity investments to FVTOCI

The Group elected to present in other comprehensive income ("OCI") for the fair value changes of part of its equity investments previously classified as available-for-sale, which are not held for trading and not expected to be sold in the foreseeable future. As a result, at the date of initial application of IFRS 9, RMB2,174,102,000 were reclassified from available-for-sale investments to equity instruments at FVTOCI, part of which related to unquoted equity investments previously measured at cost less impairment under IAS 39. The fair value gains relating to those unquoted equity investments previously carried at cost less impairment were adjusted to equity instruments at FVTOCI as at 1 January 2018, with the impact on revaluation reserve, deferred tax assets and deferred tax liabilities. The impairment losses previously recognised were transferred from retained earnings to ravaluation reserve as at 1 January 2018.

From AFS equity investments to FVTPL

At the date of initial application of IFRS 9, the Group's equity investments of RMB25,801,000 were reclassified to financial assets at FVTPL under current assets. The fair value gains accumulated in revaluation reserve relating to those investments previously carried at fair value were transferred from revaluation reserve to retained earnings.

At the date of initial application of IFRS 9, the Group's debt investments of RMB605,953,000 were reclassified to financial assets at FVTPL under non-current assets. The fair value losses accumulated in revaluation reserve relating to those investments previously carried at fair value were transferred from revaluation reserve to retained earnings.

At the date of initial application of IFRS 9, unlisted investments with a fair value of RMB 451,497,000 were reclassified to financial assets at FVTPL under current assets, as the contractual cash flows of these investments do not meet the IFRS 9 criteria as solely payments of principal and interest on the principal amount outstanding. Related fair value gains were transferred from revaluation reserve to retained earnings as at 1 January 2018.

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

Impacts of application of IFRS 9 Financial Instruments and the related amendments *(continued)*

Summary of effects arising from initial application of IFRS 9 *(continued)*

(b) Held-to-maturity investments

Listed bonds previously classified as held-to-maturity investments are reclassified as debt investment at amortised cost upon application of IFRS 9. The Group intends to hold the assets to maturity to collect contractual cash flows which consist solely of payments of principal and interest on the principal amount outstanding.

(c) Financial assets at FVTPL and/or designated at FVTPL

At the date of initial application, the Group no longer applied designation as measured at FVTPL for private equity funds investment which are managed and whose performance is evaluated on a fair value basis, as these financial assets are mandatorily to be measured at FVTPL under IFRS 9.

Remaining investments at FVTPL under IAS 39 are financial assets held for trading and derivatives which are required to be classified as FVTPL under IFRS 9. There was no impact on the amounts recognised in relation to these assets from the application of IFRS 9.

(d) Loans and receivables

At the date of initial application of IFRS 9, certain of the Group's trade and bills receivables were considered as within the business model of holding to collect contractual cash flows and to sell, and were reclassified to debt instruments at FVTOCI. The related fair value losses were adjusted to debt instruments at FVTOCI, with impact on deferred tax assets, revaluation reserve and non-controlling interests as at 1 January 2018.

Remaining amount previously classified as loans and receivables were measured at amortised cost upon application of IFRS 9. The Group intends to hold the assets to maturity to collect contractual cash flows and these cash flows consist solely of payments of principal and interest on the principal amount outstanding.

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

Impacts of application of IFRS 9 Financial Instruments and the related amendments *(continued)*

Summary of effects arising from initial application of IFRS 9 *(continued)*

(e) Impairment under ECL model

The Group applies the IFRS 9 simplified approach to measure ECL which uses a lifetime ECL for all contract assets, trade receivables, measured at amortised cost and lease receivables. To measure the ECL, contract assets and trade receivables, measured at amortised cost have been grouped based on shared credit risk characteristics. The contract assets have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Group has therefore concluded that the expected loss rates for the trade receivables are a reasonable approximation of the loss rates for the contract assets.

Loss allowances for other financial assets at amortised cost mainly comprised of long-term receivables (excluding lease receivables), other receivables, bills receivables, pledged and restricted bank deposits, bank balances, loans and advances to customers, and debt investments at amortised costs are measured on 12m ECL basis, or lifetime to "ECL" basis, depends on whether there has been significant increase in credit risk since initial recognition.

As at 1 January 2018, no material additional credit loss allowance has been recognised.

All loss allowances for items subject to ECL model as at 31 December 2017 are reconciled to the opening loss allowance as at 1 January 2018 as follows:

	Trade receivables RMB'000	Deposits and other receivables RMB'000	other non-current assets RMB'000	Loans and advances to customers RMB'000	contract assets RMB'000	Long-term receivables RMB'000
At 31 December 2017						
– IAS 39 (Restated)	5,168,787	574,101	3,304	45,790	—	1,878,485
Reclassification	(238,824)	—	—	—	238,824	—
At 1 January 2018	4,929,963	574,101	3,304	45,790	238,824	1,878,485

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") *(continued)*

New and revised IFRSs in issue but not yet effective

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

IFRS 16	Leases[1]
IFRS 17	Insurance Contracts[2]
IFRIC 22	Foreign Currency Transactions and Advance Consideration[1]
IFRIC 23	Uncertainty over Income Tax Treatments[1]
Amendments to IFRS 3	Definition of a Business[4]
Amendments to IFRS 9	Prepayment Features with Negative Compensation[1]
Amendments to IFRS 10 IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to IAS 1 IAS 8	Definition of Material[5]
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement[1]
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures[1]
Amendments to IFRSs	Annual Improvements to IFRS Standards 2015-2017 Cycle[1]

1 Effective for annual periods beginning on or after 1 January 2019

2 Effective for annual periods beginning on or after 1 January 2021

3 Effective for annual periods beginning on or after a date to be determined

4 Effective for business combination and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020

5 Effective for annual periods beginning on or after 1 January 2020

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

IFRS 16 Leases

IFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. IFRS 16 will supersede IAS 17 Leases and the related interpretations when it becomes effective.

IFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. In addition, IFRS 16 requires sales and leaseback transactions to be determined based on the requirements of IFRS 15 as to whether the transfer of the relevant asset should be accounted for as a sale. IFRS 16 also includes requirements relating to subleases and lease modifications.

Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") *(continued)*

IFRS 16 Leases *(continued)*

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents upfront prepaid lease payments as investing cash flows in relation to leasehold lands for owned use and those classified as investment properties while other operating lease payments are presented as operating cash flows. Upon application of IFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows by the Group, upfront prepaid lease payment will continue to be presented as investing or operating cash flows in accordance to the nature, as appropriate.

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

Other than certain requirements which are also applicable to lessor, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by IFRS 16.

As at 31 December 2018, the Group has non-cancellable operating lease commitments of RMB704,692,000 as disclosed in note 48(a)(ii). A preliminary assessment indicates that these arrangements will meet the definition of a lease. Upon application of IFRS 16, the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases.

In addition, the Group currently considers refundable rental deposits paid of RMB125,130,000 and refundable rental deposits received of RMB155,605,000 as rights and obligations under leases to which IAS 17 applies. Based on the definition of lease payments under IFRS 16, such deposits are not payments relating to the right to use the underlying assets, accordingly, the carrying amounts of such deposits may be adjusted to amortised cost. Adjustments to refundable rental deposits paid would be considered as additional lease payments and included in the carrying amount of right-of-use assets. Adjustments to refundable rental deposits received would be considered as advance lease payments.

3. SIGNIFICANT ACCOUNTING POLICIES

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

Basis of preparation

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

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

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

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

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

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

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

The principal accounting policies are set out below.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Basis of consolidation

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

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

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

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

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

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

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

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Basis of consolidation *(continued)*

Changes in the Group's interests in existing subsidiaries

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

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

When the Group loses control of a subsidiary, the assets and liabilities of that subsidiary and non-controlling interests (if any) are derecognised. A gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the owners of the Company. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9/IAS 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Business combinations

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Business combinations *(continued)*

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

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

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

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

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to its acquisition-date fair value and the resulting gain or loss, if any, is recognised in profit or loss or other comprehensive income (as appropriate). Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income and measured under IFRS 9/IAS 39 would be accounted for on the same basis as would be required if the Group had disposed directly of the previously held equity interest.

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Merger accounting for business combination involving entities under common control

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

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

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

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

Goodwill

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

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

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

On disposal of the relevant cash-generating unit or any of the cash-generating unit within the group of cash- generating units, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal. When the Group disposes of an operation within the cash-generating unit (or a cash- generating unit within a group of cash-generating units), the amount of goodwill disposed of is measured on the basis of the relative values of the operation (or the cash-generating unit) disposed of and the portion of the cash-generating unit (or the group of cash-generating units) retained.

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments in associates and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments in associates and joint ventures *(continued)*

When the group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognised in profit or loss. When the Group retains an interest in the former associate or joint venture and the retained interest is a financial asset within the scope of IFRS 9/ IAS 39, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition. The difference between the carrying amount of the associate or joint venture and the fair value of any retained interest and any proceeds from disposing the relevant interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) upon disposal or partial disposal of the relevant associate or joint venture.

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

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

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

Service concession arrangements

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

Financial asset - service concession receivables

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the asset (or disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such asset (or disposal group) and its sale is highly probable. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell, except for financial assets within the scope of IFRS 9/IAS 39 which continue to be measured in accordance with the accounting policies as set out in respective sections.

Revenue from contracts with customers (upon application of IFRS 15 in accordance with transitions in note 2)

Under IFRS 15, the Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue from contracts with customers (upon application of IFRS 15 in accordance with transitions in note 2) *(continued)*

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with IFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

A contract asset and a contract liability relating to the same contract are accounted for and presented on a net basis.

Contracts with multiple performance obligations (including allocation of transaction price)

For contracts that contain more than one performance obligations, the Group allocates the transaction price to each performance obligation on a relative stand-alone selling price basis, except for the allocation of discounts and variable consideration.

The stand-alone selling price of the distinct good or service underlying each performance obligation is determined at contract inception. It represents the price at which the Group would sell a promised good or service separately to a customer. If a stand-alone selling price is not directly observable, the Group estimates it using appropriate techniques such that the transaction price ultimately allocated to any performance obligation reflects the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised goods or services to the customer.

Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation

Input method

The progress towards complete satisfaction of a performance obligation is measured based on input method, which is to recognise revenue on the basis of the Group's efforts or inputs to the satisfaction of a performance obligation relative to the total expected inputs to the satisfaction of that performance obligation, that best depict the Group's performance in transferring control of goods or services.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue from contracts with customers (upon application of IFRS 15 in accordance with transitions in note 2) *(continued)*

Existence of significant financing component

In determining the transaction price, the Group adjusts the promised amount of consideration for the effects of the time value of money if the timing of payments agreed (either explicitly or implicitly) provides the customer or the Group with a significant benefit of financing the transfer of goods or services to the customer. In those circumstances, the contract contains a significant financing component. A significant financing component may exist regardless of whether the promise of financing is explicitly stated in the contract or implied by the payment terms agreed to by the parties to the contract.

Principal versus agent

When another party is involved in providing goods or services to a customer, the Group determines whether the nature of its promise is a performance obligation to provide the specified goods or services itself (i.e. the Group is a principal) or to arrange for those goods or services to be provided by the other party (i.e. the Group is an agent).

The Group is a principal if it controls the specified good or service before that good or service is transferred to a customer.

The Group is an agent if its performance obligation is to arrange for the provision of the specified good or service by another party. In this case, the Group does not control the specified good or service provided by another party before that good or service is transferred to the customer. When the Group acts as an agent, it recognises revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the specified goods or services to be provided by the other party.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue recognition (prior to 1 January 2018)

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

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

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

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

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

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

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

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

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

Contracts for services (prior to 1 January 2018)

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Construction contracts (prior to 1 January 2018)

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Leasing

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

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

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

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

Foreign currencies

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Foreign currencies *(continued)*

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

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

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

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

Borrowing costs

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Government grants

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

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

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

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

Employee benefits

Retirement benefit costs and termination benefits

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

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

Defined benefit costs are categorised as follows:

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Employee benefits *(continued)*

Retirement benefit costs and termination benefits *(continued)*

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

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

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

Short-term and other long-term employee benefits

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Taxation

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

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

Deferred tax

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

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

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

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

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Property, plant and equipment

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

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

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

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

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

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

Investment properties

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Intangible assets

Intangible assets acquired separately

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

Internally-generated intangible assets - research and development expenditure

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

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

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

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

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

Intangible assets acquired in a business combination

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Intangible assets *(continued)*

Derecognition of intangible assets

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

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Inventories

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

Provisions

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

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

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

Financial instruments

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

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with IFRS 15 since 1 January 2018. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

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

Interest income which is derived from the Group's ordinary course of business is presented as revenue.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets

Classification and subsequent measurement of financial assets (upon application of IFRS 9 in accordance with transitions in note 2)

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at FVTOCI:

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

All other financial assets are subsequently measured at FVTPL, except that at the date of initial application/initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in OCI if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which IFRS 3 *Business Combinations* applies.

A financial asset is classified as held for trading if:

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

In addition, the Group may irrevocably designate a financial asset that are required to be measured at amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets *(continued)*

Classification and subsequent measurement of financial assets (upon application of IFRS 9 in accordance with transitions in note 2) (continued)

(i) Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost and debt instruments/receivables subsequently measured at FVTOCI. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit- impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit impaired.

(ii) Debt instruments classified as at FVTOCI

Subsequent changes in the carrying amounts for debt instruments classified as at FVTOCI as a result of interest income calculated using the effective interest method are recognised in profit or loss. All other changes in the carrying amount of these debt instruments are recognised in OCI and accumulated under the heading of revaluation reserve. Impairment allowances are recognised in profit or loss with corresponding adjustment to OCI without reducing the carrying amounts of these debt instruments. The amounts that are recognised in profit or loss are the same as the amounts that would have been recognised in profit or loss if these debt instruments had been measured at amortised cost. When these debt instruments are derecognised, the cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss.

(iii) Equity instruments designated as at FVTOCI

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognised in OCI and accumulated in the revaluation reserve; and are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, and will be transferred to retained earnings.

Dividends from these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in "other income" in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets *(continued)*

Classification and subsequent measurement of financial assets (upon application of IFRS 9 in accordance with transitions in note 2)s (continued)

(iv) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss.The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial asset and is included in "other gains and losses".

Impairment of financial assets (upon application IFRS 9 with transitions in accordance with note 2)

The Group recognises a loss allowance for ECL on financial assets at amortised cost, debt instruments at FVTOCI, contract assets, lease receivables, loan commitment and financial guarantee contracts which are subject to impairment under IFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables contract assets and lease receivables, The ECL on these assets are assessed individually for debtors with significant balances and/or collectively using a provision matrix with appropriate groupings.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets *(continued)*

Impairment of financial assets (upon application IFRS 9 with transitions in accordance with note 2) (continued)

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

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

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

The Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if i) it has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when it has an internal or external credit rating of 'investment grade' as per globally understood definitions.

For loan commitments and financial guarantee contracts, the date that the Group becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing the financial instrument for impairment. In assessing whether there has been a significant increase in the credit risk since initial recognition of a loan commitment, the Group considers changes in the risk of a default occurring on the loan to which a loan commitment relates; for financial guarantee contracts, the Group considers the changes in the risk that the specified debtor will default on the contract.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets *(continued)*

Impairment of financial assets (upon application IFRS 9 with transitions in accordance with note 2) (continued)

(i) Significant increase in credit risk *(continued)*

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk.

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

(iii) Credit-impaired financial assets

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

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

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

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or

(e) the disappearance of an active market for that financial asset because of financial difficulties.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets *(continued)*

Impairment of financial assets (upon application IFRS 9 with transitions in accordance with note 2) (continued)

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

For a financial guarantee contract, the Group is required to make payments only in the event of a default by the debtor in accordance with the terms of the instrument that is guaranteed. Accordingly, the expected losses is the present value of the expected payments to reimburse the holder for a credit loss that it incurs less any amounts that the Group expects to receive from the holder, the debtor or any other party.

For undrawn loan commitments, the ECL is the present value of the difference between the contractual cash flows that are due to the Group if the holder of the loan commitments draws down the loan, and the cash flows that the Group expects to receive if the loan is drawn down.

For ECL on financial guarantee contracts or loan commitments for which the effective interest rate cannot be determined, the Group will apply a discount rate that reflects the current market assessment of the time value of money and the risks that are specific to the cash flows but only if, and to the extent that, the risks are taken into account by adjusting the discount rate instead of adjusting the cash shortfalls being discounted.

Where ECL is measured on a collective basis or cater for cases where evidence at the individual instrument level may not yet be available, the financial instruments are grouped on the below basis:

- Nature of financial instruments;
- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets *(continued)*

Impairment of financial assets (upon application IFRS 9 with transitions in accordance with note 2) (continued)

(v) Measurement and recognition of ECL *(continued)*

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

For financial guarantee contracts, the loss allowances are recognised at the higher of the amount of the loss allowance determined in accordance with IFRS 9; and the amount initially recognised less, where appropriate, cumulative amount of income recognised over the guarantee period.

For undrawn loan commitments, the loss allowances are the present value of the difference between:

(a) the contractual cash flows that are due to the Group if the holder of the loan commitment draws down the loan: and

(b) the cash flows that the Group expects to receive if the loan is drawn down.

Except for investments in debt instruments/receivables that are measured at FVTOCI, loan commitments and financial guarantee contracts, the Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables, other receivables, long term receivables and contract assets. where the corresponding adjustment is recognised through a loss allowance account. For investments in debt instruments that are measured at FVTOCI, the loss allowance is recognised in OCI and accumulated in the revaluation reserve without reducing the carrying amount of these debt instruments/receivables.

Classification and subsequent measurement of financial assets (before application of IFRS 9 on 1 January 2018)

Financial assets are classified into the following specified categories: financial assets at FVTPL, held-to-maturity investments, AFS financial assets and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets *(continued)*

Classification and subsequent measurement of financial assets (before application of IFRS 9 on 1 January 2018) (continued)

Financial assets at FVTPL

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

A financial asset is classified as held for trading if:

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

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

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

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial asset and is included in the'other income and gains and losses' line item. Fair value is determined in the manner described in note 50.3.

Held-to-maturity investment

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets *(continued)*

AFS financial assets

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

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

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

Loans and receivables

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets *(continued)*

Impairment of financial assets (before application of IFRS 9 on 1 January 2018)

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

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

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets *(continued)*

Impairment of financial assets (before application of IFRS 9 on 1 January 2018) (continued)

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

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

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

Derecognition of financial assets

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

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

On derecognition of an investment in a debt instrument classified as at FVTOCI upon application of IFRS 9, the cumulative gain or loss previously accumulated in the revaluation reserve is reclassified to profit or loss.

On derecognition of an investment in equity instrument which the Group has elected on initial recognition/initial application to measure at FVTOCI upon application of IFRS 9, the cumulative gain or loss previously accumulated in the revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

On derecognition of an AFS financial asset, the cumulative gain or loss previously accumulated in the revaluation reserve is reclassified to profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial liabilities and equity instruments

Classification as debt or equity

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

Equity instruments

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

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method or at FVTPL.

Financial liabilities at FVTPL

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

A financial liability is classified as for trading if:

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

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

Financial liabilities at amortised cost

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Convertible Bonds

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

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

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

Derivative of financial instruments

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

Embedded derivatives (under IFRS 9 since 1 January 2018)

Derivatives embedded in hybrid contracts that contain financial asset hosts within the scope of IFRS 9 are not separated. The entire hybrid contract is classified and subsequently measured in its entirety as either amortised cost or fair value as appropriate.

Derivatives embedded in non-derivative host contracts that are not financial assets within the scope of IFRS 9 are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at FVTPL.

Embedded derivatives (before application of IFRS 9 on 1 January 2018)

Derivatives embedded in non-derivative host contracts are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at FVTPL.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial guarantee contracts

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

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

- the amount of the obligation under the contract, as determined in accordance with IFRS 9 (since 1 January 2018)/IAS 37 Provisions, Contingent Liabilities and Contingent Assets (before application of IFRS 9 on 1 January 2018); and
- the amount initially recognised less, where appropriate, cumulative amortisation recognised over the guarantee period.

Offsetting of financial instruments

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

Derecognition of financial liabilities

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

Cash and cash equivalents

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

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Estimated impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the recoverable amount of the cash-generating units to which the goodwill is allocated, which is the higher of the value in use and fair value less costs of disposal. Estimating the value in use or determining fair value less costs of disposal by using discounted cash flow projections requires the Group to make an estimate of the expected future cash flows from the cash-generating units based on key assumptions, such as long-term growth rates, revenue growth rates, gross margin, and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 December 2018 was RMB713,042,000 (31 December 2017: RMB1,242,487,000). More details are provided in note 19.

Provision of ECL for trade receivables and contract assets

The Group uses provision matrix to calculate ECL for the trade receivables and contract assets except for those with significant balance or credit impaired. The provision rates are based on internal credit ratings as groupings of various receivables that have similar loss patterns. The provision matrix is based on the Group's historical default rates taking into consideration reasonable and supportable forward-looking information that is available without undue cost or effort. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered. Trade receivables and contract assets with significant balances and credit impaired ECL are assessed individually.

The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group's trade receivables and contract assets are disclosed in notes 31 and 26 respectively.

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

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

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

Employee retirement benefits

The Group has recognised the defined retirement benefit plans as a liability. The Group's obligations are determined using actuarial valuations, which rely on various assumptions and conditions. The assumptions used in actuarial valuation include discount rates, the growth rate of the benefits and other factors. The actual result may differ from the actuary result. Even though management is of the view that the above assumptions are reasonable, any changes in condition of assumptions will still affect the estimated liability amount of defined retirement benefit plans. The carrying amount of employee retirement benefits obligations at 31 December 2018 was RMB3,858,596,000 (31 December 2017: RMB4,006,658,000).

Write-down of inventories to net realisable value

The Group determines the write-down for obsolescence of inventories. These estimates are made with reference to aged inventory analyses, projections of expected future saleability of goods and management experience and judgement. Based on this review, write-down of inventories will be made when the carrying amounts of inventories decline below their estimated net realisable values. Due to changes in market conditions, actual saleability of goods may be different from estimation and profit or loss could be affected by differences in this estimation. The net carrying amount of inventories at 31 December 2018 was RMB55,121,500,000 (31 December 2017: RMB55,104,940,000).

Deferred tax assets

Deferred tax assets are recognised for unused tax losses and other deductible temporary differences to the extent that it is probable that future taxable profit will be available against which the tax losses and other deductible temporary differences can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying amount of deferred tax assets at 31 December 2018 was RMB3,644,579,000 (31 December 2017: RMB3,697,406,000). Further details are contained in note 28 to the consolidated financial statements.

Warranty provisions

As explained in note 41, the Group makes provisions under the warranties it gives on sales of its goods taking into account the Group's recent claim experience. It is possible that the recent claim experience is not indicative of future claims that it will receive in respect of past sales. Any increase or decrease in the provision would affect profit or loss in future years.

5. REVENUE AND SEGMENT INFORMATION

Revenue

	2018 RMB'000	2017 RMB'000 (Restated)
Revenue		
Sale of goods and services	**213,580,821**	206,228,889
Interest income arising from Finance Company	**607,223**	367,229
Rental income	**333,603**	448,139
	214,521,647	207,044,257

For the year ended 31 December 2018

Disaggregation of revenue from contracts with customers

	2018 RMB'000
Types of goods or service	
Goods	**175,209,569**
Services	**38,371,252**
Under IFRS 15	**213,580,821**
Timing of revenue recognition	
A point in time	**175,209,569**
Over time	**38,371,252**
Under IFRS 15	**213,580,821**
Geographical markets	
Mainland China	**194,462,872**
Outside mainland China	**19,117,949**
Under IFRS 15	**213,580,821**

5. REVENUE AND SEGMENT INFORMATION *(continued)*

Revenue *(continued)*

Performance obligations for contracts with customers

(i) Revenue from rail transportation products and their extent products

For sales of rail transportation products and their extent products, revenue is recognised when control of the goods has transferred, being when the goods have been accepted and shipped to the customer's specific location.

(ii) Revenue from rail transportation products' extent services

The Group provides rail transportation products' extent services to customers. Such services are considered as a performance obligation satisfied over time as the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs. Revenue is recognised for these services using input method.

5. REVENUE AND SEGMENT INFORMATION *(continued)*

Segment Information

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

Products and services

Revenue from external customers

	2018 **RMB'000**	2017 RMB'000 (Restated)
Rail transportation products and their extent products and services	**214,521,647**	207,044,257

Geographical information

Revenue from external customers

	2018 **RMB'000**	2017 RMB'000 (Restated)
Mainland China	**195,361,972**	187,912,374
Other countries and regions	**19,159,675**	19,131,883
	214,521,647	207,044,257

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

5. REVENUE AND SEGMENT INFORMATION *(continued)*

Segment Information *(continued)*

Geographical information *(continued)*

Non-current assets

	31 December 2018 RMB'000	31 December 2017 RMB'000 (Restated)
Mainland China	**105,402,029**	94,043,527
Other countries and regions	**6,445,353**	5,976,103
	111,847,382	100,019,630

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

Information about a major customer

Revenue generated from a single customer which amounted to more than 10% of the Group's revenue for the year ended 31 December 2018 was RMB112,644,792,000 (2017: RMB100,635,529,000). The companies invested and managed by all PRC local railway departments are regarded as a single customer by the directors of the Company.

6. OTHER INCOME AND GAINS AND LOSSES

	2018 RMB'000	2017 RMB'000 (Restated)
Other income:		
Government grants	**1,391,385**	1,138,379
Interest income from banks	**591,127**	422,600
Value-added tax refunds	**268,676**	274,481
Income from sundry operations	**172,409**	209,952
Technical service income	**257,433**	185,535
Rental of items of properties	**105,748**	103,712
Dividend income	**53,463**	84,562
Interest from debt instruments	**88,327**	52,859
Income from corporate wealth management products	**166,421**	52,902
Others	**90,429**	98,849
	3,185,418	2,623,831

6. OTHER INCOME AND GAINS AND LOSSES *(continued)*

	2018 RMB'000	2017 RMB'000 (Restated)
Other gains and losses:		
Gain on disposal of subsidiaries (note 47)	**1,453,894**	1,809,155
Loss on disposal of property, plant and equipment	**(83,857)**	(45,300)
Gain on disposal of prepaid lease payments	**1,023,844**	923,192
Gain on disposal of available-for-sale investment	**—**	113,044
Gain (loss) on disposal of other intangible assets	**792**	(3,982)
Net foreign exchange loss	**(252,280)**	(96,449)
Gain (loss) on fair value change of convertible bonds-derivative component (note 44)	**251,412**	(166,960)
Gain (loss) on fair value of derivative financial instruments	**225,192**	(208,680)
Others	**731,732**	227,762
	3,350,729	2,551,782
Total	**6,536,147**	5,175,613

7. IMPAIRMENT LOSSES, NET OF REVERSAL

	2018 RMB'000
Impairment loss in respect of long-term receivables	**979,197**
Impairment loss in respect of trade receivables	**531,622**
Impairment loss in respect of loan receivables	**53,927**
Reversal of impairment loss in respect of contract assets	**(50,014)**
Impairment loss in respect of other receivables	**42,369**
Impairment loss in respect of loans and advances to customers	**53,927**
Others	**19,247**
	1,630,275

8. OTHER EXPENSES

	2018 RMB'000	2017 RMB'000 (Restated)
Other expenses included net:		
Impairment of trade receivables	—	1,077,304
Impairment of other non-current assets	**10,072**	1,073,944
Impairment of property, plant and equipment	**238,976**	80,414
Impairment of available-for-sale investment	—	50,025
Impairment of loans and advances to customers	—	43,404
Provision for onerous contracts	**8,595**	20,866
Impairment of goodwill	**529,921**	20,724
Impairment of other intangible assets	**84,742**	13,186
Relocation expenses	**85,766**	6,902
Impairment of prepayment, deposits and other receivables	**290,316**	6,495
Impairment of non-current assets classified as held for sale	—	6,188
	1,248,388	2,399,452

9. FINANCE COSTS

An analysis of finance costs is as follows:

	2018 RMB'000	2017 RMB'000
Interest on borrowings	**1,421,680**	1,446,301
Interest expenses on 2016 Convertible Bonds (note 44)	**93,851**	93,397
Interest on bills discounted	**106,939**	94,562
Interest cost recognised in respect of defined benefit obligations (note 40)	**139,296**	97,759
Interest on finance leases	**7,251**	9,927
Others	—	2,738
Less: interest capitalised in construction in progress	**(166,885)**	(344,091)
	1,602,132	1,400,593

Borrowing costs capitalised during the year mainly arose on the general borrowing pool and are calculated by applying a capitalisation rate ranging from 1.08% to 5.60% (2017: 1.08% to 5.65%) per annum to expenditure on qualifying assets.

10. PROFIT BEFORE TAXATION

Profit before taxation has been arrived at after charging (crediting):

	2018 **RMB'000**	2017 RMB'000 (Restated)
Cost of inventories sold (Note)	**168,273,587**	161,192,200
Depreciation of property, plant and equipment	**5,602,616**	5,401,879
Depreciation of investment properties	**30,080**	31,371
Amortisation of prepaid lease payments	**364,230**	361,746
Amortisation of other intangible assets	**531,635**	633,924
Auditors' remuneration	**30,000**	30,000
Provision for warranties	**3,055,842**	2,788,689
Minimum lease payments under operating leases:		
Plant and machinery	**425,978**	413,605
Land and buildings	**363,525**	338,588
Research and development costs	**11,166,569**	10,491,958
Less: amount capitalised	**(231,427)**	(174,524)
	10,935,142	10,317,434
Staff costs (including directors', supervisors' and chief executive's remuneration, and employees' benefits other than below)	**27,013,687**	25,631,940
Contribution to government-operated pension schemes	**2,866,582**	2,795,275
Contribution to annuity pension schemes	**547,216**	493,130
Retirement benefit obligations - costs recognised	**143,889**	116,814
	30,571,374	29,037,159

Note: Cost of inventories sold included provision against obsolete inventories amounting to RMB 253,448,000 during the year (2017: RMB402,981,000) and was also included in "Cost of sales and services" on the consolidated statement of profit or loss and other comprehensive income.

11. DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

Directors', supervisors' and chief executive's emoluments for the year, disclosed pursuant to the Listing Rules and CO, are as follows:

	2018 **RMB'000**	2017 RMB'000
Fees	**334**	577
Other emoluments:		
Salaries	**1,356**	1,295
Performance-related bonuses (Note i)	**2,603**	2,543
Social security contribution other than pension (Note ii)	**350**	316
Pension scheme contributions (Note iii)	**275**	255
Total	**4,918**	4,986

Notes:

(i) The performance-related bonuses are determined by the remuneration committee in accordance with the relevant remuneration policies.

(ii) The social security contributions other than pension represent the Company's statutory contributions directly to the PRC government, and are determined based on a certain percentage of the salaries of the directors, supervisors and the chief executive.

(iii) The pension scheme contributions represent the Company's statutory contributions to a defined contribution pension scheme organised by the PRC government, and are determined based on a certain percentage of the salaries of the directors, supervisors and the chief executive.

11. DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVE'S EMOLUMENTS *(continued)*

The names of the directors, supervisors and the chief executive and their emoluments for the year are as follows:

	Fees RMB'000	Salaries RMB'000	Performance-related bonuses RMB'000	Social security contribution other than pension RMB'000	Pension scheme contributions RMB'000	Total RMB'000
Year ended 31 December 2018						
Executive directors:						
Mr. Liu Hualong (Note i)	—	—	—	—	—	—
Mr. Sun Yongcai	—	207	633	70	55	965
Mr. Xu Zongxiang	—	184	608	70	55	917
	—	391	1,241	140	110	1,882
Non-executive director:						
Mr. Liu Zhiyong	—	—	—	—	—	—
Independent non-executive directors:						
Mr. Li Guo'an	60	—	—	—	—	60
Mr. Wu Zhuo	60	—	—	—	—	60
Mr. Sun Patrick	150	—	—	—	—	150
Mr. Chan Ka Keung, Peter (Note iv)	64	—	—	—	—	64
	334	—	—	—	—	334
Supervisors:						
Mr. Wan Jun	—	186	622	70	55	933
Mr. Chen Fangping	—	389	370	70	55	884
Mr. Qiu Wei	—	390	370	70	55	885
	—	965	1,362	210	165	2,702
	334	1,356	2,603	350	275	4,918

11. DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVE'S EMOLUMENTS *(continued)*

	Fees RMB'000	Salaries RMB'000	Performance-related bonuses RMB'000	Social security contribution other than pension RMB'000	Pension scheme contributions RMB'000	Total RMB'000
Year ended 31 December 2017						
Executive directors:						
Mr. Liu Hualong (Note i)	—	—	—	—	—	—
Mr. Sun Yongcai (Note ii)	—	172	450	63	51	736
Mr. Xu Zongxiang (Note iii)	—	69	445	28	22	564
Mr. Xi Guohua (Note v)	—	108	500	36	29	673
	—	349	1,395	127	102	1,973
Non-executive director:						
Mr. Liu Zhiyong	—	—	—	—	—	—
Independent non-executive directors:						
Mr. Li Guo'an	104	—	—	—	—	104
Mr. Zhang Zhong (Note vi)	74	—	—	—	—	74
Mr. Wu Zhuo	100	—	—	—	—	100
Mr. Sun Patrick	148	—	—	—	—	148
Mr. Chan Ka Keung, Peter	151	—	—	—	—	151
	577	—	—	—	—	577
Supervisors:						
Mr. Wan Jun	—	167	450	63	51	731
Mr. Chen Fangping	—	389	349	63	51	852
Mr. Qiu Wei	—	390	349	63	51	853
	—	946	1,148	189	153	2,436
	577	1,295	2,543	316	255	4,986

11. DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVE'S EMOLUMENTS *(continued)*

Notes:

(i) Mr. Liu Hualong holds certain position in CRRCG and his remuneration has been borne by CRRCG since November 2015.

(ii) On 20 June 2017, Mr. Sun Yongcai was appointed as the executive director of the Company and his remuneration has been borne by the Company since August 2017. On 12 October 2017, Mr. Sun Yongcai was appointed as the president of the Company and his remuneration disclosed above include those for services rendered as president.

(iii) On 20 June 2017, Mr. Xu Zongxiang was appointed as an executive director of the Company and his remuneration has been borne by the Company since August 2017.

(iv) Mr. Chan Ka Keung, Peter has ceased to hold his position with the Company as an independent non-executive director of the Company upon expiry of his term of office on 31 May 2018.

(v) On 26 July 2017, Mr. Xi Guohua resigned from the position of the executive director and the president of the Company, and the vice chairman of the Board.

(vi) On 20 June 2017, Mr. Zhang Zhong resigned from the position of independent non-executive director.

The executive directors' and supervisors' emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group.

The independent non-executive directors' emoluments shown above were for their services as directors of the Company.

No emoluments were paid by the Group to any of the directors or the supervisors and the chief executive of the Company as an inducement to join or upon joining the Group or as compensation for loss of office during both years.

There was no arrangement under which the directors or the supervisors and the chief executive of the Company waived or agreed to waive any remuneration during both years.

12. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees of the Group during both years are neither directors, supervisors nor chief executive.

Details of the remuneration paid to the five highest paid employees during the year are as follows:

	2018	2017
	RMB'000	RMB'000
Salaries	**1,715**	1,717
Performance-related bonuses	**8,540**	8,847
Social security contribution other than pension	**347**	302
Pension scheme contributions	**310**	284
Total	**10,912**	11,150

The number of five highest paid employees whose remuneration fell within the following band is as follows:

	Number of employees	
	2018	2017
HK$2,000,001 to HK$2,500,000	**1**	—
HK$2,500,001 to HK$3,000,000	**4**	5

13. INCOME TAX EXPENSE

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

	2018	2017
	RMB'000	RMB'000
Current tax charge comprises		
PRC enterprise income tax	**2,109,225**	2,981,301
Hong Kong Profits Tax	**4,966**	32,429
Other jurisdictions	**105,460**	93,692
	2,219,651	3,107,422
(Over) under provision in respect of current tax in previous years	**(12,469)**	78,497
Deferred taxation (note 28)	**136,683**	(798,154)
	2,343,865	2,387,765

Pursuant to the relevant laws and regulations in the PRC, the statutory enterprise income tax rate of 25% (2017: 25%) is applied to the Group, except for certain subsidiaries which were either exempted from tax or entitled to different preferential tax rates during both years. Certain subsidiaries of the Company are entitled to the preferential tax rate of 15% (2017: 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% (2017: 16.5%) on the estimated assessable profits arising in Hong Kong during the year.

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

13. INCOME TAX EXPENSES *(continued)*

A reconciliation of the income tax expense to profit before taxation on the consolidated statement of profit or loss and other comprehensive income is as follows:

	2018	2017
	RMB'000	RMB'000
		(Restated)
Profit before taxation	**15,342,372**	15,385,183
Tax at the applicable tax rate of 25% (2017: 25%)	**3,835,593**	3,846,296
Tax effect of share of profits of associates and joint ventures	**(139,579)**	(131,560)
Tax effect of expenses not deductible for tax purposes	**320,563**	223,084
Entities subject to lower statutory income tax rates	**(1,515,384)**	(1,388,863)
(Over) underprovision in respect of current tax in previous years	**(12,469)**	78,497
Utilisation of tax losses and temporary differences previously not recognised	**(826,043)**	(439,987)
Tax effect of tax losses and temporary differences not recognised	**1,933,620**	1,143,375
Others (Note)	**(1,252,436)**	(943,077)
	2,343,865	2,387,765

Note: Others mainly comprised income tax benefits on research and development expenditure.

14. DIVIDENDS

Dividends recognised as distribution during the year:

	2018	2017
	RMB'000	RMB'000
Dividend paid:		
RMB0.15 (2017: RMB0.21) per share by the Company	**4,304,830**	6,026,761

The final dividend of RMB4,304,830,000 in respect of the year ended 31 December 2017 (2017: final dividend of RMB6,026,761,000 in respect of the year ended 31 December 2016), was approved by shareholders in the annual general meeting in May 2018.

Subsequent to the end of the reporting period a final dividend of RMB4,304,830,000 at RMB0.15 per share in respect of the year ended 31 December 2018, based on 28,698,864,000 shares, has been proposed by the directors of the Company and is subject to the approval by the shareholders in the forthcoming annual general meeting.

15. 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:

	2018 **RMB'000**	2017 RMB'000 (Restated)
Earnings		
Earnings for the purpose of basic earnings per share (profit for the year attributable to owners of the Company)	**11,305,044**	15,385,183
Effect of conversion of convertible bonds (note 44)	**40,200**	17,689
Earnings for the purpose of diluted earnings per share	**11,345,244**	10,809,037

	2018 **'000 shares**	2017 '000 shares
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**28,698,864**	28,652,504
Effect of conversion of convertible bonds	**507,395**	497,650
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**29,206,259**	29,150,154

16. PROPERTY, PLANT AND EQUIPMENT

	Notes	Freehold Land RMB'000	Buildings RMB'000	Plant, machinery and equipment RMB'000	Motor vehicles RMB'000	Computer equipment and others RMB'000	Construction in progress RMB'000	Total RMB'000
Cost								
Balance at 1 January 2017								
as previously reported		218,230	40,875,908	41,932,018	2,650,378	4,795,085	9,555,328	100,026,947
Effect of business combination								
under common control		—	—	2,081	91	1,827	—	3,999
Balance at 1 January 2017 (Restated)		218,230	40,875,908	41,934,099	2,650,469	4,796,912	9,555,328	100,030,946
Additions		—	285,622	822,084	101,012	262,423	5,462,208	6,933,349
Transfer from construction in progress		—	2,748,098	2,291,402	66,402	357,776	(5,463,678)	—
Transfer from investment properties	17	—	85,258	—	—	—	—	85,258
Acquisitions of subsidiaries		—	—	—	155	60	—	215
Transfer to construction in progress		—	(13,225)	(61,284)	(1,035)	(4,450)	79,994	—
Transfer to investment properties	17	—	(164,860)	—	—	—	(10,267)	(175,127)
Transfer to prepaid lease payments	18	—	—	—	—	—	(371,555)	(371,555)
Transfer to other intangible assets	20	—	—	—	—	—	(150,553)	(150,553)
Disposal of subsidiaries		—	(463,282)	(521,157)	(30,113)	(111,926)	(41,012)	(1,167,490)
Disposals		—	(301,813)	(803,701)	(154,005)	(128,066)	(16,960)	(1,404,545)
Other		—	(18,908)	(47,704)	—	—	(153,870)	(220,482)
Exchange adjustments		2,438	9,358	43,256	624	29,053	(25,827)	58,902
Balance at 31 December 2017 (Restated)		220,668	43,042,156	43,656,995	2,633,509	5,201,782	8,863,808	103,618,918
Effect of the changes								
of accounting policies		—	—	—	—	(415,665)	(64,856)	(480,521)
Balance at 1 January 2018 (Restated)		220,668	43,042,156	43,656,995	2,633,509	4,786,117	8,798,952	103,138,397
Additions		—	143,417	606,094	389,536	397,431	6,760,384	8,296,862
Transfer from construction in progress		—	2,971,372	2,773,395	75,385	363,521	(6,183,673)	—
Transfer from investment properties	17	—	87,781	—	—	—	—	87,781
Acquisitions of subsidiaries		—	—	—	627	353	—	980
Transfer to construction in progress		—	(52,516)	(98,672)	(7,281)	(455)	158,924	—
Transfer to investment properties	17	—	(315,334)	—	—	—	—	(315,334)
Transfer to prepaid lease payment	18	—	—	—	—	—	(55,018)	(55,018)
Transfer to other intangible assets	20	—	—	—	—	—	(160,055)	(160,055)
Disposal of subsidiaries		—	(686,840)	(1,096,242)	(87,298)	(67,980)	(964,558)	(2,902,918)
Disposals		—	(282,035)	(925,029)	(182,617)	(220,298)	—	(1,609,979)
Other		—	—	—	—	—	(20,000)	(20,000)
Exchange adjustments		5,249	(31,504)	(10,939)	(923)	392	15,294	(22,431)
Balance at 31 December 2018		225,917	44,876,497	44,905,602	2,820,938	5,259,081	8,350,250	106,438,285

16. PROPERTY, PLANT AND EQUIPMENT *(continued)*

	Notes	Freehold Land RMB'000	Buildings RMB'000	Plant, machinery and equipment RMB'000	Motor vehicles RMB'000	Computer equipment and others RMB'000	Construction in progress RMB'000	Total RMB'000
Depreciation								
Balance at 1 January 2017 as previously reported		—	(8,813,086)	(19,804,717)	(1,624,430)	(2,925,198)	(131,047)	(33,298,478)
Effect of business combination under common control		—	—	(760)	(43)	(975)	—	(1,778)
Balance at 1 January 2017 (Restated)		—	(8,813,086)	(19,805,477)	(1,624,473)	(2,926,173)	(131,047)	(33,300,256)
Provided for the year		—	(1,454,282)	(3,159,731)	(231,753)	(556,113)	—	(5,401,879)
Transfer from investment properties	17	—	(42,807)	—	—	—	—	(42,807)
Transfer to investment properties	17	—	30,998	—	—	—	—	30,998
Transfer to construction in progress		—	7,670	43,409	571	1,657	(53,307)	—
Disposal of subsidiaries		—	166,128	320,106	21,314	84,601	—	592,149
Disposals		—	114,179	453,976	114,574	101,255	—	783,984
Other		—	3,106	6,122	—	—	—	9,228
Exchange adjustments		—	(11,129)	(5,649)	(268)	(1,590)	—	(18,636)
Balance at 31 December 2017 (Restated)		—	(9,999,223)	(22,147,244)	(1,720,035)	(3,296,363)	(184,354)	(37,347,219)
Effect of the changes of accounting policies		—	—	—	—	220,944	—	220,944
Balance at 1 January 2018 (Restated)		—	(9,999,223)	(22,147,244)	(1,720,035)	(3,075,419)	(184,354)	(37,126,275)
Provided for the year		—	(1,531,468)	(3,302,501)	(205,222)	(563,425)	—	(5,602,616)
Transfer from investment properties	17	—	(13,037)	—	—	—	—	(13,037)
Transfer to investment properties	17	—	43,523	—	—	—	—	43,523
Transfer to construction in progress		—	7,186	49,746	6,742	434	(64,108)	—
Disposal of subsidiaries		—	330,603	665,513	62,332	53,099	—	1,111,547
Disposals		—	99,657	627,365	142,770	183,939	—	1,053,731
Exchange adjustments		—	3,661	6,600	429	162	—	10,852
Balance at 31 December 2018		—	(11,059,098)	(24,100,521)	(1,712,984)	(3,401,210)	(248,462)	(40,522,275)

16. PROPERTY, PLANT AND EQUIPMENT *(continued)*

	Notes	Freehold Land RMB'000	Buildings RMB'000	Plant, machinery and equipment RMB'000	Motor vehicles RMB'000	Computer equipment and others RMB'000	Construction in progress RMB'000	Total RMB'000
Impairment								
Balance at 1 January 2017		—	(44,002)	(290,196)	(5,855)	(5,440)	(17,084)	(362,577)
Provided for the year		—	(11,741)	(61,617)	(312)	(6,274)	(470)	(80,414)
Transfer to construction in progress		—	—	1,881	—	—	(1,881)	—
Transfer to investment properties	17	—	2,489	—	—	—	—	2,489
Disposals		—	771	43,183	810	210	15,860	60,834
Disposal of subsidiaries		—	5,431	18,541	107	3,331	—	27,410
Balance at 31 December 2017		—	(47,052)	(288,208)	(5,250)	(8,173)	(3,575)	(352,258)
Provided for the year		—	(103,579)	(130,346)	(977)	(4,074)	—	(238,976)
Disposals		—	12,806	19,972	1,247	2,187	—	36,212
Disposal of subsidiaries		—	76,260	46,643	977	4,074	—	127,954
Balance at 31 December2018		—	(61,565)	(351,939)	(4,003)	(5,986)	(3,575)	(427,068)
Carrying amount								
Balance at 31 December 2018		225,917	33,755,834	20,453,142	1,103,951	1,851,885	8,098,213	65,488,942
Balance at 31 December 2017 (Restated)		220,668	32,995,881	21,221,543	908,224	1,897,246	8,675,879	65,919,441

16. PROPERTY, PLANT AND EQUIPMENT *(continued)*

The estimated useful lives of property, plant and equipment are as follows:

Buildings	10-50 years
Plant, machinery and equipment	6-28 years
Motor vehicles	5-15 years
Computer equipment and others	5-12 years

As at 31 December 2018, all of the Group's properties are located in the PRC with the exception of buildings and freehold land amounting to RMB1,565,439,000 (31 December 2017: RMB1,198,101,000).

The details of the above items of property, plant and equipment pledged to secure general banking facilities granted to the Group are set out in note 39.

The Group is in the process of applying for the title certificates of certain of its buildings with an aggregate carrying amount of RMB8,084,712,000 (31 December 2017: RMB8,957,708,000) at 31 December 2018. The directors of the Company are of the opinion that the Group is entitled to lawfully and validly occupy or use the above mentioned properties.

17. INVESTMENT PROPERTIES

	Notes	2018 RMB'000	2017 RMB'000
Cost			
Balance at 1 January		**1,253,084**	1,234,089
Transfer from property, plant and equipment	16	**315,334**	175,127
Transfer to property, plant and equipment	16	**(87,781)**	(85,258)
Disposal of subsidiary		**(76,594)**	—
Disposals		**(9,510)**	(70,874)
Balance at 31 December		**1,394,533**	1,253,084
Depreciation			
Balance at 1 January		**(217,979)**	(250,658)
Provided for the year	10	**(30,080)**	(31,371)
Transfer from property, plant and equipment	16	**(43,523)**	(30,998)
Transfer to property, plant and equipment	16	**13,037**	42,807
Disposal of subsidiary		**34,227**	—
Disposals		**4,791**	52,241
Balance at 31 December		**(239,527)**	(217,979)
Impairment			
Balance at 1 January		**(16,383)**	(13,894)
Transfer from property, plant and equipment	16	**—**	(2,489)
Disposal of subsidiary		**3,339**	—
Disposals		**983**	—
Balance at 31 December		**(12,061)**	(16,383)
Carrying amount			
Balance at 31 December		**1,142,945**	1,018,722

18. PREPAID LEASE PAYMENTS

	Notes	2018 RMB'000	2017 RMB'000
Carrying Amount			
Balance at 1 January		**15,084,030**	14,856,565
Additions		**565,957**	509,886
Transfer from property, plant and equipment	16	**55,018**	371,555
Disposal of subsidiaries		**(947,804)**	(111,777)
Released to profit or loss	10	**(364,230)**	(361,746)
Exchange adjustments		**(535)**	926
Disposals		**(573,113)**	(181,379)
At 31 December		**13,819,323**	15,084,030
Analysed for reporting purpose as:			
Current assets		**355,811**	406,301
Non-current assets		**13,463,512**	14,677,729

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 RMB8,025,000 (31 December 2017: RMB8,146,000)are located in Malaysia.

The details of the above prepaid land lease payments pledged to secure general banking facilities granted to the Group are set out in note 39.

The Group is in the process of obtaining the land use right certificates for certain land use rights with carrying amount of RMB180,058,000 (31 December 2017: RMB561,302,000) located in the PRC. The directors of the Company are of the opinion that the Group is entitled to lawfully and validly occupy or use these land use rights.

19. GOODWILL

	2018 RMB'000	2017 RMB'000
Cost		
Balance at 1 January	**1,461,993**	1,485,542
Acquisitions of subsidiaries	**—**	2,100
Disposal of subsidiaries	**(23,491)**	—
Exchange adjustments	**26,532**	(25,649)
Balance at 31 December	**1,469,034**	1,461,993
Impairment		
At 1 January	**(219,506)**	(198,782)
Impairment loss recognised (Note 7)	**(529,921)**	(20,724)
Disposal of subsidiaries	**2,028**	—
Exchange adjustments	**(4,593)**	—
At 31 December	**(751,992)**	(219,506)
Carrying Amount		
At 31 December	**713,042**	1,242,487

Note:

During the current year, the Group assessed the recoverable amount of each cash-generating units to which the goodwill is allocated, and recognised an impairment of RMB529,921,000 (2017: nil) in respect of the goodwill of CRRC Zhuzhou Locomotive Co., Ltd. CSR New Material Technologies GmbH ("New Material Germany"), a subsidiary of CRRC Zhuzhou Institute. The main factor that led to the impairment is the continuous weakness of global market performance and the continued decline of the production and sales quantities in the industry. No impairment is recognised in respect of the Group's other CGUs to which goodwill is allocated.

The recoverable amount of the New Material Germany is determined on the basis of fair value less costs of disposal. Since no market prices are available, the management determined the fair value by using discounted cash flow approach, and the cost of disposal is estimated to be 1% of the fair value determined. The recoverable amount is determined by cash flow projections based on financial budgets approved by the management covering a 6-year period, and a discount rate of 9.2% representing the weighted average cost of capital. The cash flows beyond the 6-year period are extrapolated using a steady 1.15% growth rate and a return on equity of 3% in accordance with the recent actual financial performance of New Material Germany. Other key assumptions used in cash flows projections included the estimated gross profit margin which is determined based on the last year of the forecast.

For the impairment assessment on other CGUs, the recoverable amount of those CGUs has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by the management covering a 5-year period, and pre-tax discount rates ranging from 14% to 14.16% (2017: 8.9% to 11.05%). The cash flows beyond the 5-year period are extrapolated using the respective steady growth rates of each CGUs. This growth rate is used with reference to the market development on the CGU's relevant industry sector, ranging from 0% to 2% (2017: 0% to 2%). Other key assumptions for the value in use calculations relate to the estimation of cash projection which include gross margin and the estimation is based on the CGU's past performance and management's expectations for the market development.

20. OTHER INTANGIBLE ASSETS

	Notes	Patents and technical know-how	Computer software and others	Customer relationships	Backlogs and technical service preferential orders	Total
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cost						
Balance at 1 January 2017		3,710,714	2,179,088	346,421	120,030	6,356,253
Effect of business combination under common control		—	857	—	—	857
Balance at 1 January 2017 (Restated)		3,710,714	2,179,945	346,421	120,030	6,357,110
Additions		558,476	111,568	—	—	670,044
Transfer from construction in progress	16	34,298	116,255	—	—	150,553
Acquisitions of subsidiaries		3,717	—	—	—	3,717
Disposals		(68,645)	(8,659)	—	—	(77,304)
Disposal of subsidiaries		(49,131)	(27,645)	—	—	(76,776)
Exchange adjustments		15,577	1,003	(10,469)	1,646	7,757
Balance at 31 December 2017		4,205,006	2,372,467	335,952	121,676	7,035,101
Additions		634,471	132,863	—	—	767,334
Transfer from construction in progress	16	42,889	117,166	—	—	160,055
Disposals		(18,457)	(60,357)	—	(68,122)	(146,936)
Disposal of subsidiaries		(124,853)	(19,004)	—	—	(143,857)
Exchange adjustments		(2,757)	(683)	11,631	(628)	7,563
Balance at 31 December 2018		4,736,299	2,542,452	347,583	52,926	7,679,260

20. OTHER INTANGIBLE ASSETS *(continued)*

	Notes	Patents and technical know-how	Computer software and others	Client relationships	Backlogs and technical service preferential orders	Total
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Amortisation						
Balance at 1 January 2017		(1,956,131)	(1,189,149)	(76,459)	(100,909)	(3,322,648)
Effect of business combination under common control		—	(126)	—	—	(126)
Balance at 1 January 2017 (Restated)		(1,956,131)	(1,189,275)	(76,459)	(100,909)	(3,322,774)
Provided for the year		(289,987)	(296,580)	(31,680)	(15,677)	(633,924)
Disposals		22,868	7,286	—	—	30,154
Disposal of subsidiaries		44,133	14,663	—	—	58,796
Exchange adjustments		(4,543)	(137)	2,931	(1,164)	(2,913)
Balance at 31 December 2017		(2,183,660)	(1,464,043)	(105,208)	(117,750)	(3,870,661)
Provided for the year		(206,566)	(284,383)	(36,758)	(3,928)	(531,635)
Disposals		11,901	58,664	—	68,121	138,686
Disposal of subsidiaries		75,420	15,856	—	—	91,276
Exchange adjustments		891	447	(4,733)	631	(2,764)
Balance at 31 December 2018		(2,302,014)	(1,673,459)	(146,699)	(52,926)	(4,175,098)
Impairment:						
Balance at 1 January 2017		(211,818)	—	—	—	(211,818)
Provided for the year		(9,568)	(3,618)	—	—	(13,186)
Disposal of subsidiaries		1,987	3,111	—	—	5,098
Balance at 31 December 2017		(219,399)	(507)	—	—	(219,906)
Provided for the year		(84,742)	—	—	—	(84,742)
Disposal of subsidiaries		23,458	—	—	—	23,458
Balance at 31 December 2018		(280,683)	(507)	—	—	(281,190)
Carrying amounts						
Balance at 31 December 2018		2,153,602	868,486	200,884	—	3,222,972
Balance at 31 December 2017 (Restated)		1,801,947	907,917	230,744	3,926	2,944,534

20. OTHER INTANGIBLE ASSETS *(continued)*

Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful lives of intangible assets are as follows:

Patents and technical know-how	3-10 years
Computer software and others	2-10 years
Customer relationships	7-15 years
Backlogs and technical service preferential orders	Over the service providing periods

21. INTERESTS IN JOINT VENTURES

	2018	2017
	RMB'000	RMB'000
Cost of investments, unlisted	**1,320,976**	642,377
Share of post-acquisition profit and other comprehensive income, net of dividends received	**921,328**	807,476
Carrying amount	**2,242,304**	1,449,853

Aggregate information of joint ventures that are not individually material:

	2018	2017
	RMB'000	RMB'000
The Group's share of profit and total comprehensive income for the year	**168,517**	124,498
Aggregate carrying amount of the Group's interests in these joint ventures	**2,242,304**	1,449,853

22. INTERESTS IN ASSOCIATES

	2018 RMB'000	2017 RMB'000
Cost of investments, unlisted	**10,533,903**	9,055,915
Share of post-acquisition profits and other comprehensive income, net of dividends received	**989,585**	707,742
Carrying amount	**11,523,488**	9,763,657
Representing		
Share of net assets by the Group	**8,534,589**	6,774,758
Goodwill on acquisition of associates	**2,988,899**	2,988,899
Total	**11,523,488**	9,763,657

Particulars of the principal associate of the Group at 31 December 2018 are as follows:

Company name	Date of establishment	Place of operation	Fully paid up registered capital	Proportion of ownership interest and voting rights held 31 December 2018	 31 December 2017	Principal activities
China United Insurance. Holding Corporation ("China United Insurance") 中華聯合保險集団股份有限公司	5 June 2006	PRC	RMB15,310,000,000	**13.0633%**	13.0633%	Insurance

The Company holds 13.0633% equity interest of China United Insurance and has the right to appoint a director on the board. Thus, the Company has the right to participate in the financial and operating policy decisions of China United Insurance and has significant influence over it.

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

The above table lists the principal associate of the Group. To give details of other associates would, in the opinion of the directors of the Company, result in particulars of excessive length.

Summarised financial information of material associate

Summarised financial information in respect of the Group's material associate is set out below. The summarised financial information below represents amounts shown in the associate's financial statements prepared in accordance with IFRSs.

22. INTERESTS IN ASSOCIATES *(CONTINUED)*

China United Insurance

	2018 RMB'000	2017 RMB'000
Total assets	**69,469,787**	73,144,354
Total liabilities	**52,325,774**	56,499,846

	2018 RMB'000	2017 RMB'000
Revenue	**43,423,092**	40,180,392
Profit for the year	**1,015,112**	1,245,262
Profit attributable to owners of China United Insurance	**879,162**	1,088,001
Other comprehensive expense for the year	**(485,075)**	(163,426)
Total comprehensive income for the year	**530,037**	1,081,836

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

	2018 RMB'000	2017 RMB'000
Net assets of China United Insurance	**17,144,013**	16,644,508
Less: Non-controlling interests of China United Insurance's subsidiaries	**1,894,177**	1,844,025
Proportion of the Group's ownership interest in China United Insurance	**13.0633%**	13.0633%
The Group's share of net assets of China United Insurance	**1,992,132**	1,933,432
Goodwill on acquisition of China United Insurance	**2,982,365**	2,982,365
Carrying amount of the Group's interest in China United Insurance	**4,974,497**	4,915,797

Aggregate information of associates that are not individually material:

	2018 RMB'000	2017 RMB'000
The Group's share of profit and total comprehensive income for the year	**274,949**	259,614
Aggregate carrying amount of the Group's interests in these associates	**6,548,991**	4,847,860

23. AVAILABLE-FOR-SALE INVESTMENTS

	2017 RMB'000
Unlisted financial assets, at fair value	451,497
Listed perpetual bond investments, at fair value	190,625
Listed preference share investments, at fair value	415,328
Listed equity investments, at fair value	1,843,257
Unlisted equity investments, at cost less impairment	356,646
	3,257,353

Analysed for reporting purpose as:

	2017 RMB'000
Current asset	451,497
Non-current asset	2,805,856
	3,257,353

During the year ended 31 December 2017, the fair value gain in respect of the Group's available-for-sale investments recognised in other comprehensive income before tax amounted to RMB56,474,000, including a gain of RMB137,994,000 which was reclassified to profit or loss upon disposal and a loss of RMB47,464,000 which was reclassified to profit or loss due to impairment.

Unlisted financial assets

Unlisted financial assets of the Group represent investment in corporate wealth management products issued by the PRC banks, and are stated at fair value by discounting the expected future cash inflow using the prevailing discount rate of similar products.

Listed perpetual bond investments

Listed perpetual bond investments of the Group are issued by entities incorporated in the PRC and Hong Kong, and stated at fair value which is determined by reference to published price quotations in an active market.

Listed preference share investments

Listed preference share investments of the Group are issued by entities incorporated in the PRC and stated at fair value which is determined by reference to published price quotations in an active market.

23. AVAILABLE-FOR-SALE INVESTMENTS *(continued)*

Listed equity investments

The fair value of the listed equity investments is determined by reference to published price quotations in an active market.

Unlisted equity investments

Unlisted equity investments are not stated at fair value but at cost less any accumulated impairment losses, because they do not have a quoted market price in an active market, the range of reasonable fair value estimates is significant and the probabilities of the various estimates cannot be reasonably assessed.

Upon the adoption of IFRS 9 on 1 January 2018, the above investments were reclassified as disclosed in note 2.

24. HELD-TO-MATURITY INVESTMENT

	2017 RMB'000
Debt securities	
– Listed in Hong Kong (Note i)	1,265,646
– Listed outside Hong Kong (Note ii)	393,512
	1,659,158

Analysed for reporting purpose as:

	2017 RMB'000
Current asset	229,970
Non-current asset	1,429,188
	1,659,158

Notes:

(i) As at 31 December 2017, the Group's held-to-maturity investment represented debt securities which were listed in Hong Kong, carrying fixed interest rates range from 3.63% to 5.90%, payable semi-annually in arrear, and would mature from 24 November 2018 to 8 March 2024.

(ii) As at 31 December 2017, the Group's held-to-maturity investment represented debt securities which were listed outside Hong Kong, carrying fixed interest rates range from 3.20% to 8.13%, payable semi-annually in arrear, and would mature from 2 December 2018 to 13 July 2021.

Upon the adoption of IFRS 9 on 1 January 2018, the above investments were reclassified as disclosed in note 2.

25. EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2018 RMB'000
Listed equity investments	1,370,906
Unlisted equity investments	881,517
Total	2,252,423

Note: These investments are not held for trading, instead, they are held for long-term strategic purposes. The directors of the Company have elected to designate these investments in equity instruments as at FVTOCI upon initial recognition/initial application of IFRS 9 as they believe that recognising short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes and realising their performance potential in the long run.

26. CONTRACT ASSETS

	2018 RMB'000
Construction	3,389,039
Goods	20,381,420
Less: Loss allowance	(188,638)
Total	23,581,821
Analysis as:	
Current	14,657,889
Non-current	8,923,932
Total	23,581,821

In relation to goods provided by the Group, revenue is recognised at a point in time when customers obtain control of the distinct goods. Contract assets are recognised when the Group has the right to consideration in exchange for the goods delivered that is not yet unconditional.

In relation to rail transportation products extent services, revenue is recognised over time and by reference to the progress towards complete satisfaction of performance obligations. Contract assets are recognised when the services are performed but have not yet been evaluated and billed.

26. CONTRACT ASSETS *(continued)*

Movements in the loss allowance for contract assets are as follows:

	Note	Lifetime ECL (not credit impairment) RMB'000	Lifetime ECL (credit impaired) RMB'000	Total RMB'000
At 1 January 2018		238,824	—	238,824
Impairment loss recognised on receivables	7	90,312	19,633	109,945
Amounts recovered during the year	7	(159,959)	—	(159,959)
Others		(172)	—	(172)
At 31 December 2018		169,005	19,633	188,638

27. DEBT INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME/AT AMORTISED COST

	2018 RMB'000
Debt instruments at fair value through other comprehensive income:	
Accounts receivable at fair value	**1,044,101**
Bills receivable at fair value	**4,233,540**
Total - current	**5,277,641**
Debt instruments at amortised cost:	
Investments in listed bonds, with fixed interest and maturity date	**2,225,125**
Others	**277,652**
Total	**2,502,777**
Current	**880,525**
Non-current	**1,622,252**
Total	**2,502,777**

28. DEFERRED TAX ASSETS/LIABILITIES

The following is the analysis of the deferred tax balances for financial reporting purposes:

	2018	2017
	RMB'000	RMB'000
Deferred tax assets	**3,644,579**	3,697,406
Deferred tax liabilities	**(158,546)**	(175,882)
	3,486,033	3,521,524

The deferred tax assets (liabilities) recognised by the Group and movements thereon during the year are as follows:

	Warranty claims provision RMB'000	Government grants RMB'000	Accrued commission RMB'000	Assets impairment RMB'000	Unrealised profits in inventories RMB'000	Accrued royalty fee RMB'000	Wages payable RMB'000	Financial assets at fair value through profit or loss RMB'000	Fair value adjustments arising from acquisitions of subsidiaries RMB'000	Depreciation difference RMB'000	Fair value adjustments arising from available-for-sale investments/ equity instruments at FVTOCI RMB'000	Other temporary differences RMB'000	Total RMB'000
At 1 January 2017	980,564	214,463	59,494	1,073,786	103,322	44,538	20,593	—	(214,970)	(23,041)	12,945	501,809	2,773,503
(Charge) credit to profit or loss	(16,217)	22,064	(9,684)	348,877	143,363	10,038	31,519	(2,388)	68,575	(18,652)	—	220,659	798,154
Acquisitions of subsidiaries	—	—	—	1,024	—	—	—	—	(610)	—	—	—	414
Disposals of subsidiaries	—	—	—	—	—	—	—	—	—	—	—	(77)	(77)
Exchange adjustments	—	—	—	—	—	—	1	—	(4,194)	(462)	—	610	(4,045)
Charged to other comprehensive income	—	—	—	—	—	—	—	—	—	—	(46,425)	—	(46,425)
At 31 December 2017	964,347	236,527	49,810	1,423,687	246,685	54,576	52,113	(2,388)	(151,199)	(42,155)	(33,480)	723,001	3,521,524
Changes in accounting policies	—	—	—	—	—	—	—	(449)	—	—	(49,396)	22,237	(27,608)
At 1 January 2018	964,347	236,527	49,810	1,423,687	246,685	54,576	52,113	(2,837)	(151,199)	(42,155)	(82,876)	745,238	3,493,916
Credit(charge) to profit or loss	55,587	19,787	(17,138)	(291,538)	56,722	(7,061)	13,354	(3,570)	27,852	(21,722)	—	31,044	(136,683)
Acquisitions of subsidiaries	—	7,250	—	—	—	—	—	—	—	—	—	—	7,250
Disposals of subsidiaries	—	—	—	(1,267)	—	—	—	—	—	—	—	(445)	(1,712)
Exchange adjustments	—	—	—	—	—	—	—	—	—	—	—	10,864	10,864
Credited to other comprehensive income	—	—	—	—	—	—	—	—	—	—	115,733	(3,335)	112,398
At 31December 2018	1,019,934	263,564	32,672	1,130,882	303,407	47,515	65,467	(6,407)	(123,347)	(63,877)	32,857	783,366	3,486,033

The Group has tax losses of RMB13,363,406,000 (2017: RMB12,854,601,000) and deductible temporary differences of RMB6,577,494,000 (2017: RMB5,221,556,000) as at 31 December 2018. Deferred tax assets have not been recognised in respect of these losses and deductible temporary differences as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that future taxable profits will be available against which the tax losses and deductible temporary differences can be utilised.

28. DEFERRED TAX ASSETS/LIABILITIES *(continued)*

The tax losses unrecognised for deferred tax assets that will expire in:

	2018 **RMB'000**	2017 RMB'000 (Restated)
2018	—	349,006
2019	**504,038**	695,788
2020	**746,613**	952,426
2021	**1,316,504**	1,454,679
2022	**797,168**	1,250,166
2023	**2,833,767**	428,399
2024	**556,293**	746,808
2025	**2,046,116**	2,347,247
2026	**1,641,079**	2,340,240
2027	**1,588,133**	2,289,842
2028	**1,333,695**	—
Total	**13,363,406**	12,854,601

29. OTHER NON-CURRENT ASSETS

	2018 **RMB'000**	2017 RMB'000 (Restated)
Prepayments for other intangible assets	**1,006,332**	867,544
Long term prepaid expenses	**223,691**	188,587
Deposits for acquisition of property, plant and equipment	**1,269,196**	1,745,795
Deposits paid for investment	**2,430,000**	—
Build-Transfer project	—	394,692
Senior notes	—	391,355
Long-term receivables (Note)	**7,809,013**	10,365,326
Others	**197,026**	201,281
	12,935,258	14,154,580

Note: The balances included represent receivables arising from finance leases and instalment sales. As at 31 December 2018, the unearned finance income in respect of the long-term receivables amounted to RMB2,537,811,000 (31 December 2017: RMB2,480,019,000).

29. OTHER NON-CURRENT ASSETS *(continued)*

Note:

The carrying amounts of the above long-term receivables are analysed into:

	Notes	**2018**	2017
		RMB'000	RMB'000
Within one year		**6,102,273**	8,044,544
In the second to tenth years, inclusive		**10,454,951**	12,243,811
		16,557,224	20,288,355
Less: allowance for credit losses		**(2,645,938)**	(1,878,485)
		13,911,286	18,409,870
Analysed for reporting purpose as:			
Current assets	33	**6,102,273**	8,044,544
Non-current assets	29	**7,809,013**	10,365,326
		13,911,286	18,409,870

The movement in allowance for credit losses for impairment of long-term receivables for the year ended 31 December 2018 is as follows:

	Note	**lifetime ECL**		
		(not credit impaired)	**(credit impaired)**	**Total**
		RMB'000	**RMB'000**	**RMB'000**
At 1 January 2018		121,142	1,757,343	1,878,485
Impairment loss recognised on long-term receivables	7	91,346	887,851	979,197
Amount written off as uncollectible		—	(209,888)	(209,888)
Others		—	(1,856)	(1,856)
At 31 December 2018		212,488	2,433,450	2,645,938

30. INVENTORIES

	2018 RMB'000	2017 RMB'000 (Restated)
Cost, net of provision		
Raw materials	**16,316,192**	16,707,213
Work in progress	**27,789,068**	27,366,201
Finished goods	**11,016,240**	11,031,526
	55,121,500	55,104,940

31. TRADE RECEIVABLES

	2018 RMB'000	2017 RMB'000 (Restated)
Trade receivables	**69,248,146**	82,843,318
Less: allowance for credit losses	**(5,042,543)**	(5,168,787)
	64,205,603	77,674,531

An aged analysis of the trade receivables at the end of the reporting period, based on the revenue recognition date and net of credit losses of receivables, is as follows:

	2018 RMB'000	2017 RMB'000 (Restated)
Within 6 months	**49,480,541**	57,190,154
6 months to 1 year	**7,290,447**	9,273,836
Over 1 year	**7,434,615**	11,210,541
	64,205,603	77,674,531

31. TRADE RECEIVABLES *(continued)*

The movement in allowance for credit loss for impairment of trade receivable for the year ended 31 December 2018 is as follows:

	Note	Lifetime ECL (not credit impairment) RMB'000	Lifetime ECL (credit impaired) RMB'000	Total RMB'000
At 1 January 2018		3,276,627	1,653,336	4,929,963
Impairment loss recognised on receivables	7	117,178	623,340	740,518
Amounts recovered during the year	7	(208,896)	—	(208,896)
Amount written off as uncollectible		(189,341)	(110,371)	(299,712)
Others		(115,129)	(4,201)	(119,330)
At 31 December 2018		2,880,439	2,162,104	5,042,543

Movement in allowance for doubtful debts for the year ended 31 December 2017 is as follows:

	Note	2017 RMB'000 (Restated)
At 1 January		4,232,656
Impairment loss recognised	7	1,437,815
Amounts recovered during the year	7	(360,511)
Amount written off as uncollectible		(96,434)
Exchange adjustment		964
Others		(45,703)
At 31 December 2017		5,168,787

The allowance for credit losses of trade receivables included an amount of RMB 3,322,008,000 (31 December 2017: RMB2,599,050,000) provided for individually for credit impaired trade receivables with original amount of total RMB13,311,773,000 (31 December 2017: RMB50,321,232,000). Details of impairment assessment for the year ended 31 December 2018 are set out in note 50.

31. TRADE RECEIVABLES *(continued)*

Included in trade receivables are the following amounts denominated in foreign currencies:

	2018	2017
	RMB'000	RMB'000
United States dollar ("US$")	**2,357,646**	2,082,097
Euros ("EUR")	**874,731**	1,349,416
Hong Kong dollar ("HK$")	**493,195**	136,363
Singapore dollar ("SGD")	**277,479**	80,224
Australian dollar ("AUD")	**214,085**	4,171
Malaysian dollars ("MYR")	**33,245**	208,729
Japanese yen ("JPY")	**5,321**	45,712
Great Britain pounds ("GBP")	**2,716**	25,767
Brazil Real ("BRL")	**—**	18,066
Canadian dollar ("CAD")	**—**	14,973
	4,258,418	3,965,518

The amounts due from the related parties of the Group are included in note 49.

32. BILLS RECEIVABLE

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

	2018	2017
	RMB'000	RMB'000
Within 6 months	**12,573,474**	23,423,672
6 months to 1 year	**2,964,121**	3,647,593
Expected credit loss	**(62,489)**	—
	15,475,106	27,071,265

The above balances are neither past due nor credit impaired.

The nature of the bills receivable of the Group at the end of the reporting period is as follows:

	2018	2017
	RMB'000	RMB'000
Bank acceptance bills	**5,138,671**	10,771,946
Commercial acceptance bills	**10,398,924**	16,299,319
Expected credit loss	**(62,489)**	—
	15,475,106	27,071,265

33. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2018 RMB'000	2017 RMB'000 (Restated)
Prepayments	**9,796,410**	10,988,105
Deposits and other receivables	**17,493,623**	21,075,328
Less: allowance for credit losses	**(1,156,554)**	(883,953)
	26,133,479	31,179,480

The movement in allowance for credit losses of other receivables for the year ended 31 December 2018 is as follows:

	Note	**12 months ECL RMB'000**	**Lifetime ECL (not credit impaired) RMB'000**	**Lifetime ECL (credit impaired) RMB'000**	**Total RMB'000**
At 1 January 2018		—	131,241	442,860	574,101
Impairment loss recognised on other receivables	7	7,158	14,485	140,209	161,852
Amounts recovered during the year	7	—	(76,899)	(42,584)	(119,483)
Amount written off as uncollectible		—	(8,125)	(29,226)	(37,351)
Others		—	(20,422)	—	(20,422)
At 31 December 2018		7,158	40,280	511,259	558,697

Movement in allowance for doubtful debts of prepayments, deposits and other receivables for the year ended 31 December 2017 is as follows:

	Note	2017 RMB'000 (Restated)
At 1 January		879,331
Impairment loss recognised	8	6,495
Written off		(1,200)
Others		(673)
At 31 December		883,953

33. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES *(continued)*

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

	Note	**2018** **RMB'000**	2017 RMB'000 (Restated)
Prepayments		**9,198,553**	10,678,260
Other receivables		**2,915,597**	3,252,972
Dividends receivable		**70,473**	41,680
Interest receivables		**43,817**	54,822
Long-term receivables - due within one year	29	**6,102,273**	8,044,544
Value added tax recoverables		**2,710,020**	2,217,963
Corporate wealth management products and senior notes		**—**	3,045,851
Loans and advances due within one year		**4,656,971**	3,631,517
Others		**435,775**	211,871
		26,133,479	31,179,480

The amounts due from the related parties included in the prepayments, deposits and other receivables are disclosed in note 49.

34. AMOUNTS DUE FROM CUSTOMERS FOR CONTRACT WORK

	2017 RMB'000
Contract costs incurred plus recognised profits less recognised losses in connection with construction contracts in progress	569,781
Less: progress billings	(439,887)
Gross amounts due from customers for contract work	129,894

The gross amounts due from customers for contract work at 31 December 2017 were all expected to be recovered within one year.

35. PLEDGED BANK DEPOSITS AND CASH AND BANK BALANCES

	2018	2017
	RMB'000	RMB'000
Cash and bank balances	**38,171,008**	60,902,287
Less: Pledged bank deposits	**(5,027,666)**	(4,622,263)
Cash and bank balances in the consolidated statement of financial position	**33,143,342**	56,280,024
Less: Non-pledged time deposits with original maturity of three months or more when acquired	**(2,853,248)**	(8,574,481)
Cash and cash equivalents in the consolidated statement of cash flows	**30,290,094**	47,705,543

Included in cash and cash equivalents are the following amounts denominated in foreign currencies:

	2018	2017
	RMB'000	RMB'000
– US$	**2,910,162**	5,532,337
– EUR	**1,768,609**	1,223,455
– HK$	**791,121**	1,461,335
– AUD	**540,950**	112,576
– SGD	**358,319**	40,906
– JPY	**286,503**	11,997
– CAD	**182,545**	41,826
– MYR	**39,456**	85,069
– ZAR	**—**	767,146
– Other currencies	**126,808**	107,883
	7,004,473	9,384,530

Pledged and restricted bank balances represent balances of RMB2,844,160,000 pledged to banks for the issuance of the Group's bills payable and letters of credit, balances of RMB97,383,000 for the grant of bank loans to the Group, and balances of approximately RMB600 million restricted pursuant to freezing orders issued by the South African Reserve Bank arising from alleged contraventions of the South African Exchange Control Regulation relating to certain locomotive procurements involving Transnet (see also Note 54 Contingent Liabilities).

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The Group's cash and cash equivalents are held in major financial institutions located in the PRC, which management believes are of high credit quality.

The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

36. TRADE PAYABLES

An aged analysis of trade payables at the end of the reporting period, based on the invoice date, is as follows:

	2018	2017
	RMB'000	RMB'000
		(Restated)
Within 6 months	**86,884,127**	93,310,699
6 months to 1 year	**5,855,489**	6,369,315
1 year to 2 years	**2,545,169**	2,981,055
Over 2 years	**3,905,202**	1,696,185
	99,189,987	104,357,254

The trade payables are non-interest-bearing and are normally settled on six-month terms.

Included in trade payables are the following amounts denominated in foreign currencies:

	2018	2017
	RMB'000	RMB'000
JPY	**134,890**	222,008
MYR	**56,643**	2,039
GBP	**19,955**	527
US$	**13,685**	251,077
EUR	**9,974**	167,820
BRL	**—**	17,048
Other Currencies	**10,798**	26,696
	245,945	687,215

The amounts due to the related parties of the Group included in trade payables are disclosed in Note 49. Those balances are unsecured, interest-free and repayable on similar credit terms to those offered by major suppliers of the Group.

37. BILLS PAYABLE

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

	2018 **RMB'000**	2017 RMB'000
Within 6 months	**18,651,996**	19,847,981
6 months to 1 year	**3,326,724**	3,443,708
	21,978,720	23,291,689

The amounts due to the related parties of the Group included in bills payable are disclosed in note 49. Those balances are unsecured, interest-free and repayable on similar credit terms to those offered by major suppliers of the Group.

38. OTHER PAYABLES AND ACCRUALS

	2018 **RMB'000**	2017 RMB'000 (Restated)
Other payables	**9,860,396**	8,565,356
Receipts in advance	**24,337**	20,290,418
Accruals	**8,113,258**	5,216,888
	17,997,991	34,072,662

The amounts due to the related parties included in other payables and accruals are disclosed in note 49.

The above balances are unsecured, interest-free and have no fixed terms of repayment.

39. BORROWINGS

	2018			2017		
	Effective interest rate per annum %	**Maturity**	**RMB'000**	Effective interest rate per annum %	Maturity	RMB'000
Current						
Bank loans						
– Secured	**0.70-5.61**	**2019**	**2,104,908**	0.65-8.51	2018	4,144,995
– Unsecured	**0.04-8.90**	**2019**	**5,434,479**	0.70-5.85	2018	25,624,122
Other loans						
– Secured	**—**	**2019**	**60,939**	—	—	—
– Unsecured	**4,35**	**2019**	**1,048,730**	4.35	2018	2,659,830
Short term bond						
– Unsecured	**2.78**	**2019**	**3,000,000**	—	—	—
Current portion of long-term bank loans						
– Secured	**4.41-6.53**	**2019**	**769,283**	0.20-6.53	2018	31,509
– Unsecured	**0.20-4.41**	**2019**	**1,875,607**	2.26-2.65	2018	82,652
Current portion of long-term bonds						
– Unsecured	**4.70**	**2019**	**1,999,168**	4.70	2018	1,500,000
			16,293,114			34,043,108
Non-current						
Bank loans						
– Secured	**0.00-9.00**	**2020-2030**	**277,979**	0.07-5.50	2019-2039	2,689,904
– Unsecured	**0.16-5.04**	**2020-2023**	**602,032**	2.26-4.75	2019-2023	1,769,638
Long-term bonds						
– Unsecured	**2.95-5.75**	**2020-2023**	**3,500,000**	2.95-5.75	2019-2023	5,495,168
			4,380,011			9,954,710
			20,673,125			43,997,818

39. BORROWINGS *(continued)*

	2018 RMB'000	2017 RMB'000
The carrying amounts of the above borrowings are analysed into:		
Bank loans are repayable:		
Within one year	**10,184,277**	29,883,278
Within a period of more than one year but not exceeding two years	**250,523**	3,133,166
Within a period of more than two year but not exceeding five years	**440,022**	1,077,430
Within a period of more than five years	**189,466**	248,946
	11,064,288	34,342,820
Short term bonds repayable:		
Within one year	**3,000,000**	—
Long term bonds are repayable:		
Within one year	**1,999,168**	1,500,000
Within a period of more than one year but not exceeding two years	**—**	1,995,168
Within a period of more than two year but not exceeding five years	**3,500,000**	2,000,000
Within a period of more than five years		1,500,000
	5,499,168	6,995,168
Other loans are repayable:		
Within one year	**1,109,669**	2,659,830

The above secured bank loans and other banking facilities do not have repayment on demand clause.

The above secured bank loans and other banking facilities were secured by certain assets and their carrying amounts are as follows:

	2018 RMB'000	2017 RMB'000
Property, plant and equipment	**17,274**	41,125
Prepaid lease payments	**6,515**	5,255
Trade receivable	**179,236**	452,255
Bills receivable	**4,328,644**	3,674,910
Other non-current assets	**244,030**	246,134
	4,775,699	4,419,679

39. BORROWINGS *(continued)*

Included in borrowings are the following amounts denominated in foreign currencies:

	2018	2017
	RMB'000	RMB'000
EUR	**1,853,815**	2,507,285
USD	**1,083,095**	8,110,524
JPY	**100,934**	189,587
GBP	**139,296**	114,130
HKD	**206,090**	—
AUD	**29,056**	—
Other currencies	**20,041**	50
	3,432,327	10,921,576

40. RETIREMENT BENEFITS PLANS

In addition to the monthly contributions to various defined contribution pension schemes regulated by the PRC government, the Group provided supplementary pension subsidies to its employees who retired at normal retirement ages on or before 30 June 2007 and early retirement benefits to certain qualified employees before 30 June 2007. The amounts of employee benefit obligations recognised in the consolidated statement of financial position represent the present value of the unfunded obligations.

CNR and its subsidiaries ("CNR Group") also provided supplementary pension subsidies to its employees who retired at normal retirement ages on or before 31 December 2007.

In 2014, the Group acquired and obtained control of Rubber & Plastics Business held by ZF Friedrichshafen AG ("Germany BOGE"). The retirement benefit obligations in Germany are the liabilities which are based on the pension plan provided by Germany BOGE. Germany BOGE's pension plan provides an unfunded schemes. According to the Rentenordnung 2005 and Versorgungszusage 2004, Germany BOGE has provided traditional German pension planning groups which include normal and early retirement benefits and the benefits provided to the disabled people and the deceased staff survivors.

In 2016, the Group acquired and obtained control of Blue Engineering S.R.L. ("Blue Engineering") and its subsidiaries (collectively referred to as "Blue Group"). The Blue Group is located in Italy and provides defined retirement benefits plans for all staff in Italy according to the 2120 del codice civile italiano.

Those plans described above are defined retirement benefit plans.

40. RETIREMENT BENEFITS PLANS *(continued)*

	2018	2017
	RMB'000	RMB'000
Retirement benefit obligations in the PRC (Note i)	**2,247,321**	2,418,947
Retirement benefit obligations outside the PRC (Note ii)	**1,018,538**	964,940
Others	**592,737**	622,771
	3,858,596	4,006,658
Analysed for reporting purposes as:		
Current liabilities	**259,547**	288,139
Non-current liabilities	**3,599,049**	3,718,519

Note i:

The movements in the supplementary pension subsidies recognised in the consolidated statement of financial position are as follows:

	2018	2017
	RMB'000	RMB'000
Balance at 1 January	**2,418,947**	2,882,692
Costs recognised		
– Interest cost	**90,309**	82,052
– Past service cost	**4,802**	(29,771)
Re-measurement of retirement benefit pension plans	**71,432**	(198,578)
Benefits paid	**(265,381)**	(293,888)
Disposal of subsidiaries	**(72,788)**	(23,560)
Balance at 31 December	**2,247,321**	2,418,947

The provision for supplementary pension subsidies recognised in the consolidated statement of financial position is determined as follows:

	2018	2017
	RMB'000	RMB'000
Present value of unfunded benefit obligations	**2,247,321**	2,418,947
Amount due within one year	**(234,278)**	(261,142)
Amount due after one year	**2,013,043**	2,157,805

40. RETIREMENT BENEFITS PLANS *(continued)*

Note i: *(continued)*

The above employee benefit obligations were determined based on actuarial valuation performed by independent actuary. The actuary used the projected unit credit method and the material actuarial assumptions used in valuing these obligations are as follows:

	2018 %	2017 %
Discount rate adopted	**3.25**	4.0
Healthcare cost trend	**7.0/12.0/8.0**	7.0/12.0/8.0

The following sensitivity analysis is based on the reasonably possible changes of relevant assumptions at the end of the reporting period (assuming all other assumptions unchanged).

If the discount rate increases (decreases) by 1% as at 31 December 2018, the defined benefit obligation would decrease by RMB148,000,000 (increase by RMB172,540,000).

If the discount rate increases (decreases) by 1% as at 31 December 2017, the defined benefit obligation would decrease by RMB155,440,000 (increase by RMB180,500,000).

If the healthcare cost increases (decreases) by 1% as at 31 December 2018, the defined benefit obligation would increase by RMB32,700,000 (decrease by RMB28,760,000).

If the healthcare cost increases (decreases) by 1% as at 31 December 2017, the defined benefit obligation would increase by RMB38,610,000 (decrease by RMB33,940,000).

Given some of the assumptions may be associated to each other, an assumption cannot change in isolation, so the above sensitivity analysis may not reflect the actual change of the present value of retirement benefit obligations.

Note ii:

For the year ended 31 December 2018, the present value of the defined benefit plan changes as follows:

	2018 RMB'000	2017 RMB'000
Balance at 1 January	**964,940**	876,036
Costs recognised		
– Current service cost	**28,115**	48,826
– Interest cost	**20,663**	15,707
Re-measurement of retirement benefit pension plans	**6,238**	(36,181)
The impact of exchange rate differences	**3,230**	62,997
Benefits paid	**(4,648)**	(2,445)
Balance at 31 December	**1,018,538**	964,940

40. RETIREMENT BENEFITS PLANS *(continued)*

Note ii: *(continued)*

The provision for pensions plans provided by Germany BOGE and Blue Group recognised in the consolidated statement of financial position is determined as follows:

	2018 RMB'000	2017 RMB'000
Present value of unfunded benefit obligations	1,018,538	964,940
Net liability arising from defined benefit obligations	1,018,538	964,940
Amount due within one year	(25,269)	(26,997)
Amount due after one year	993,269	937,943

The average duration of the defined benefit obligation at 31 December 2018 is 28 years (2017: 28 years).

The retirement benefit obligation of Germany BOGE and Blue Group was determined based on projected unit credit method. In addition to the life forecast of hypothesis, as mentioned above, other important assumptions are as follows:

	2018 %	2017 %
Discount rate adopted	1.6-2.3	1.3-2.2
Expected growth of wages and salaries	0.5-2.7	0.5-2.7
Growth of pension	1.3	1.3
Fluctuation	1.0	1.0

The expected growth of wages and salaries mainly depends on inflation, wage standards, operating performance of Germany BOGE and Blue Group and other factors.

41. PROVISION FOR WARRANTIES

	2018 RMB'000	2017 RMB'000
At 1 January	6,389,207	6,401,716
Charged for the year	3,055,842	2,788,689
Disposal of subsidiaries	—	(229,192)
Utilised during the year	(2,802,337)	(2,572,006)
At 31 December	6,642,712	6,389,207
Analysed for reporting purpose as:		
Current liabilities	2,045,696	1,818,715
Non-current liabilities	4,597,016	4,570,492

The above represents the warranty costs for repairs, which are estimated based on prevailing after-sales service policies, the sales volume and the past experience of the level of repairs and returns. The estimation basis is reviewed on an ongoing basis and revised where appropriate.

42. CONTRACT LIABILITIES

	2018 RMB'000
Construction	1,237,467
Goods	21,189,001
	22,426,468
Analysis as:	
Current	22,335,899
Non-current	90,569
Total	22,426,468

Contract liabilities that are not expected to be settled within the Group's normal operating cycle are classified as non-current.

The Group typically receives upfront deposit on acceptance of manufacturing orders and 10%-30% deposit before construction work commences, which give rise to contract liabilities at the start of a contract, until the revenue recognised on the relevant contract exceeds the amount of the deposit.

43. DEFERRED INCOME

	2018 RMB'000	2017 RMB'000
At 1 January	6,413,267	6,746,596
Government grants received during the year	582,445	469,432
Recognised as other income during the year	(765,702)	(715,434)
Disposal of subsidiaries during the year	(28,954)	(87,327)
Others	(7,820)	—
At 31 December	6,193,236	6,413,267
Analysed for reporting purposes as:		
Current liabilities	689,948	656,662
Non-current liabilities	5,503,288	5,756,605

Government grants received are mainly for the purpose of research and development, investment in property, plant and equipment and prepaid lease payments from the local government for encouraging the Group to develop.

44. CONVERTIBLE BONDS

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

The principal terms of the 2016 Convertible Bonds are set out below:

(a) Conversion right

The 2016 Convertible Bonds will, at the option of the holder ("Bondholders"), be convertible (unless previously converted, redeemed or purchased and cancelled) on or after 17 March 2016 up to the close of business on 26 January 2021 into fully paid ordinary shares with a par value of RMB1.00 each at an initial conversion price (the "Conversion Price") of HK$9.65 per share and a fixed exchange rate of HK$7.7902 to US$1.00 (the "Fixed Exchange Rate"). The Conversion Price is subject to adjustments in the manner set out in the 2016 Convertible Bonds agreement.

During the year ended 31 December 2016, a final dividend of RMB0.15 per share for the year ended 31 December 2015 was approved in the annual general meeting in June 2016. Pursuant to the anti-dilutive adjustments on conversion price in accordance with the 2016 Convertible Bonds agreement, the Conversion Price per share was adjusted from HK$9.65 to HK$9.50 effective from 28 June 2016.

As disclosed in note 14, a final dividend of RMB0.21 per share for the year ended 31 December 2016 was approved in the annual general meeting in June 2017. Pursuant to the anti-dilutive adjustments on conversion price in accordance with the 2016 Convertible Bonds agreement, the Conversion Price per share was adjusted from HK$9.50 to HK$9.29 effective from 30 June 2017. And as a result of declaration of a final dividend of RMB0.15 per share for the year ended 2017, the Conversion Price per share was adjusted from HK$9.29 to HK$9.15 effective from 13 June 2018.

44. CONVERTIBLE BONDS *(continued)*

(b) Redemption

– Redemption at maturity

Unless previously redeemed, converted or purchased and cancelled as provided herein, the Company will redeem each 2016 Convertible Bond at 100 percent of its outstanding principal amount on 5 February 2021 (the "Maturity Date").

– Redemption at the option of the Company

The Company may, having given not less than 30 nor more than 60 days' notice (which notice will be irrevocable), redeem the 2016 Convertible Bonds in whole but not some only at 100 percent of their outstanding principal amount as at the relevant redemption date:

(i) at any time after 5 February 2019 but prior to the Maturity Date, provided that no such redemption may be made unless the closing price of an H share translated into US dollars at the prevailing rate applicable to each H share stock exchange business day, for any 20 H share stock exchange business days within a period of 30 consecutive H share stock exchange business days, the last of such H share stock exchange business day shall occur not more than 10 days prior to the date upon which notice of such redemption is given, was, for each such 20 H share stock exchange business days, at least 130 percent of the Conversion Price (translated into US dollars at the Fixed Exchange Rate). If there shall occur an event giving rise to a change in the Conversion Price during any such 30 consecutive H share stock exchange business day period, appropriate adjustments for the relevant days approved by an independent investment bank shall be made for the purpose of calculating the closing price of the H shares for such days; or

(ii) if at any time the aggregate principal amount of the 2016 Convertible Bonds outstanding is less than 10 percent of the aggregate principal amount originally issued.

– Redemption at the option of the Bondholders

The Company will, at the option of the Bondholders, redeem whole or some of that holder's bonds on 5 February 2019 (the "Put Option Date") at 100 percent of their outstanding principal amount on the Put Option Date.

44. CONVERTIBLE BONDS *(continued)*

The 2016 Convertible Bonds comprise two components:

(i) Debt component was initially measured at fair value amounted to approximately RMB3,488,045,000. It is subsequently measured at amortised cost by applying an effective interest rate of 2.53% after considering the effect of the transaction costs.

(ii) Derivative component comprise:

- Conversion option of the Bondholders;
- Redemption option of the Company;
- Redemption option of the Bondholders.

Transaction costs that relate to the issue of the 2016 Convertible Bonds are allocated to the debt and the derivative (including conversion option and redemption options) components in proportion to their relative fair values. Transaction costs amounting to approximately RMB3,550,000 relating to the derivative component were charged to profit or loss immediately and included in finance costs. Transaction costs amounting to approximately RMB28,745,000 relating to the debt component are included in the carrying amount of the debt portion and amortised over the period of the 2016 Convertible Bonds using the effective interest method.

The derivative component was measured at fair value with reference to valuation carried out by an independent valuation firm. The fair value of derivative component is calculated using Binominal Option Pricing Model. The major inputs used in the models as at 31 December 2018 and 31 December 2017 were as follows:

	31 December 2018	31 December 2017
Stock price	**HK$7.63**	HK$8.32
Exercise price	**HK$9.15**	HK$9.29
Risk-free rate	**1.819%**	1.608%
Weekly Volatility	**3.0204%**	3.6837%

The risk free rates were determined with reference to the Hong Kong five-year government bond yields. The volatilities were determined based on the historical price volatilities of comparable companies under the same periods of the expected life.

Any changes in the major inputs into the model will result in changes in the fair value of the derivative component.

44. CONVERTIBLE BONDS *(continued)*

The movement of the debt and derivative component of the 2016 Convertible Bonds for the year is set out below:

	Debt component RMB'000	Derivative component RMB'000	Total RMB'000
As at 1 January 2017	3,758,742	366,097	4,124,839
Interest charged during the year	93,851	—	93,851
Exchange adjustments during the year	186,206	11,555	197,761
Changes in fair value during the year	—	166,960	166,960
As at 31 December 2017	3,630,772	511,756	4,142,528
Interest charged during the year	93,851	—	93,851
Exchange adjustments during the year	186,206	11,555	197,761
Changes in fair value during the year	—	(251,412)	(251,412)
As at 31 December 2018	3,910,829	271,899	4,182,728

No conversion or redemption of the 2016 Convertible Bonds had occurred during the year ended 31 December 2017 and 31 December 2018.

The entire balance of 2016 Convertible Bonds was classified as current liabilities as at 31 December 2018 as the Company does not have an unconditional right to defer settlement in the coming year.

Subsequent to the end of the reporting period, no conversion or redemption is noted except for an aggregate principal amount of US$240,000,000 was redempted on 5 February 2019 as disclosed in note 55.

45. SHARE CAPITAL

	Number of shares	Amount
	'000 shares	RMB'000
Registered capital		
– A shares of RMB1.00 each	24,327,798	24,327,798
– H shares of RMB1.00 each	4,371,066	4,371,066
	28,698,864	28,698,864
Issued and fully paid		
At 1 January 2017		
– A shares of RMB1.00 each	22,917,692	22,917,692
– H shares of RMB1.00 each	4,371,066	4,371,066
	27,288,758	27,288,758
Non-public offering of A shares of RMB1.00 each on 13 January 2017 (Note)	1,410,106	1,410,106
At 31 December 2017 and 31 December 2018		
– A shares of RMB1.00 each	24,327,798	24,327,798
– H shares of RMB1.00 each	4,371,066	4,371,066
	28,698,864	28,698,864

Note: On 16 June 2016, the shareholders of the Company approved the Non-public Offering of A Shares (the "Offering") in the annual general meeting and which was approved by CSRC in December 2016. The Company had completed the Offering of 1,410,106,000 A shares with the par value of RMB1.00 at RMB8.51 per share on 13 January 2017 and the total issued share capital of the Company had increased to RMB28,698,864,000.

46. BUSINESS COMBINATION

46.1 Acquisition during the year ended 31 December 2018

(a) Acquisition from independent third parties

During the year, CRRC Tangshan Co., Ltd ("Tangshan Company") and Suzhou CRRC Construction Engineering Co., Ltd. ("Suzhou Construction"), wholly-owned subsidiaries of the Company, entered into an agreement for capital injection to Wuyi Tramways Co., Ltd. ("Wuyi Tram"), pursuant to which Tangshan Company and Suzhou Construction would inject capital contribution of RMB377,280,000 and RMB5,240,000, representing equity interest of 72% and 1% in Wuyi Tram, respectively. Upon completion of the capital injection on 15 August 2018, the Company obtained control over Wuyi Tram and Wuyi Tram became a subsidiary of the Company.

Assets acquired and liabilities recognised at the acquisition date were as follows:

	Fair value RMB'000
Net assets acquired:	
Property, plant and equipment	980
Other-non-current assets	424,941
Deferred tax assets	7,250
Prepayments, deposits and other receivables	6,397
Cash and bank balances	160,475
Bills payable	(4,000)
Tax payable	(7,252)
Other payables and accruals	(35,791)
Deferred income- non-current portion	(29,000)
	524,000
Consideration transferred	382,520
Plus: Non-controlling interests (27%)	141,480
Less: Net assets acquired	(524,000)
Goodwill arising on acquisition	—

An analysis of the cash flow in respect of the acquisition of the above subsidiary is as follows:

	RMB'000
Consideration paid in cash	382,520
Less: Cash and bank balances acquired	160,475
Net outflow of cash and bank balances included in cash flows from the acquisition of a subsidiary	222,045

The financial impact of acquisition of Wu Yi Tram on the Group was insignificant.

46. BUSINESS COMBINATION *(continued)*

46.1 Acquisition during the year ended 31 December 2018 *(continued)*

(b) Business combination under common control

In November 2018, CRRC Qingdao Sifang Rolling Stock Research Institute Co., Ltd. ("Sifang Institute") entered into an equity transfer agreement with CRRC Jinzheng Investment Co., Ltd. ("CRRC Gold Certificate"), to purchase 51% of the shares of Qingdao CNR Hitachi Rail Communication Signal Co., Ltd. (hereinafter referred to as "Qingdao Hitachi") owned by CRRC Gold Certificate at a cash consideration of RMB 22,761,000.

Since Sifang Institute and Qingdao Hitachi were both under common control of CRRC Group before and after the transaction, the acquisition is considered as a business combination under common control. The principle of merger accounting for business combination involving entities under common control has therefore been applied.

As a result of the acquisition of Qingdao Hitachi, the relevant line items in the Group's consolidated statement of financial position at 31 December 2017 and the consolidated statement of profit or loss and other comprehensive income for the year then ended have been restated.

46. BUSINESS COMBINATION *(continued)*

46.2 Acquisition during the year ended 31 December 2017

(a) Acquisition from independent third parties

As at 11 September 2017, CRRC Datong Co., Ltd. ("Datong"), a subsidiary of the Company, entered into an agreement with shareholders of Hua Yang Environmental Engineering Co., Ltd. ("Hua Yang") to acquire 51% equity interest of Hua Yang at a cash consideration of RMB29,293,000. Datong obtained control of Hua Yang on 12 September 2017.

Assets acquired and liabilities recognised at the acquisition date were as follows:

	Fair value RMB'000
Net assets acquired:	
Property, plant and equipment	215
Other intangible assets	3,717
Other non-current assets	343
Deferred tax assets	1,024
Inventories	19,767
Bills receivable	5,402
Trade receivables	46,962
Prepayments, deposits and other receivables	31,450
Pledged bank deposits	560
Cash and bank balances	14,473
Trade payables	(57,872)
Other payables and accruals	(12,112)
Deferred tax liabilities	(610)
	53,319
Consideration transferred	29,293
Plus: Non-controlling interests (49%)	26,126
Less: Net assets acquired	(53,319)
Goodwill arising on acquisition	2,100

Acquisition-related costs relating to the above acquisition are immaterial and have been excluded from the cost of acquisition and recognised directly as administrative expenses in the consolidated statement of profit or loss and other comprehensive income.

The receivables acquired (primarily comprised of trade and other receivables) with a fair value of RMB61,862,000 at the date of acquisition had gross contractual amounts of RMB65,515,000. The best estimate at acquisition date of the contractual cash flows not expected to be collected amounted to RMB3,653,000.

The consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development and the assembled workforce of the acquiree. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

46. BUSINESS COMBINATION *(continued)*

46.2 Acquisition during the year ended 31 December 2017 *(continued)*

(a) Acquisition from independent third parties *(continued)*

None of the goodwill arising on the acquisition is expected to be deductible for tax purposes.

An analysis of the cash flow in respect of the acquisition of the above subsidiary is as follows:

	RMB'000
Consideration paid in cash	29,293
Less: Cash and bank balances acquired	14,473
Net outflow of cash and bank balances included in cash flows from the acquisition of a subsidiary	14,820

The financial impact of acquisition of Hua Yang on the Group was insignificant.

(b) Business combination under common control

On 2 August 2017, Zhuzhou CRRC Times Electric Co., Ltd. ("ZTE"), a non-wholly owned subsidiary of Zhuzhou Locomotive Research Institute, acquired the 32% equity interest of Shanghai Yongdian Electronic Technology Co. Ltd("Shanghai Yongdian") held by Shanghai Zhuo Cheng Trading Co., Ltd, an independent third party, for a consideration of RMB4,874,000, and acquired the remaining 68% equity interest of Shanghai Yongdian held by Zhongche Jinzheng Investment Co. Ltd, a wholly-owned subsidiary of CRRCG, for a cash consideration of RMB10,356,000.

As the ZTE and Shanghai Yongdian were under common control of CRRCG before and after the acquisition, the acquisition is considered as a business combination under common control. The principle of merger accounting for business combination involving entities under common control has therefore been applied.

47. DISPOSAL OF SUBSIDIARIES

47.1 Disposal during the year ended 31 December 2018

The followings are the information of major disposal of subsidiaries during the year ended 31 December 2018:

(1) CRRC Beijing Erqi Vehicle Co., Ltd.

On 24 Auguest 2018, the Company disposed its 100% equity interest of a subsidiary, CRRC Beijing Erqi Vehicle Co., Ltd. ("Erqi Vehicle") to CRRC Group at a cash consideration of RMB286,257,000.

	RMB'000
Consideration received in cash and cash equivalents	286,257

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

	RMB'000
Property, plant and equipment	1,295,155
Investment properties	15,346
Prepaid lease payments-	711,122
Other intangible asset	25,269
Other non-current assets	19,828
Inventories	392,846
Trade receivables	318,230
Bills receivable	15,928
Prepayments, deposits and other receivables	63,562
Cash and bank balances	41,668
Interests in joint ventures	843
Trade payables	(625,741)
Bills payable	(7,849)
Other payables and accruals	(270,140)
Borrowings - due within one year	(50,776)
Retirement benefit obligations- current portion	(75,950)
Long-term payables - current portion	(186,415)
Contract liabilities	(31,668)
Borrowings	(2,192,600)
Deferred income	(9,208)
Other non-current liabilities	(576)
	(551,126)

47. DISPOSAL OF SUBSIDIARIES

47.1 Disposal during the year ended 31 December 2018

(1) CRRC Beijing Erqi Vehicle Co., Ltd. *(continued)*

Gain on disposal of a subsidiary

	RMB'000
Consideration received	286,257
Net liabilities disposed of	551,126
Non-controlling interest	(56,825)
Loss on disposal	780,558

Net cash inflows on disposal of a subsidiary

	RMB'000
Consideration received in cash and cash equivalents	286,257
Less: cash and cash equivalents disposed of	(41,668)
	244,589

(2) Other disposals

During the year, another twelve subsidiaries were disposed of by the Group, including Wenzhou CRRC electrical equipment Co., Ltd., Tianjin machine vehicle iron and Steel Co., Ltd., Tianjin CRRC Jinpu Industrial Park Management Co., Ltd., Datong CRRC Si Mccann railway transportation equipment Co., Ltd., Beijing Tian Lu Traffic Equipment Co., Ltd., Sichuan CRRC Composite Structure Co., Ltd., Zhejiang Zhongche Electric Car Co., Ltd., Jiangyin Maoda Foundry Co., Ltd., Ziyang Zhongke Transmission Co., Ltd., E+M Drilling Technology Co., Ltd., Zhuzhou Times Electric Insulation Co., Ltd., Inner Mongolia Yiji Group Lectra Rubber Products Co., Ltd.. The summarised information were set out below:

	RMB'000
Consideration received in cash and cash equivalents	483,999
consideration received	128,075
	612,074

47. DISPOSAL OF SUBSIDIARIES *(continued)*

47.1 Disposal during the year ended 31 December 2018 *(continued)*

(2) Other disposals *(continued)*

An analysis of the combined assets and liabilities of these disposed subsidiaries over which control was lost is set out below:

	RMB'000
Property, plant and equipment	368,262
Investment properties	23,682
Prepaid lease payments	236,682
Other intangible assets	3,854
Other non-current assets	1,538
Goodwill	21,463
Inventories	265,505
Trade receivables	343,852
Bills receivable	28,213
Deferred tax assets	1,712
Prepayments, deposits and other receivables	265,652
Cash and bank balances	217,100
Trade payables	(488,784)
Bills payable	(167,847)
Other payables and accruals	(133,610)
Borrowings- due within one year	(442,575)
Retirement benefit obligations	(10,920)
Borrowings	(20,000)
Deferred income	(19,746)
Other non-current liabilities	(2,100)
	491,933

Gain on disposal of these subsidiaries amounted to RMB673,336,000, among which gain on remeasurement of interest remained at their fair values when control was lost was RMB284,005,000.

Net cash inflow on disposal of these subsidiaries

	RMB'000
Consideration received in cash and cash equivalents	483,999
Less: cash and cash equivalents disposed of	(164,836)
	319,163

47. DISPOSAL OF SUBSIDIARIES *(continued)*

47.2 Disposal during the year ended 31 December 2017

(1) Hunan Electric Vehicle

On 30 November 2017, CRRC Zhuzhou Institute Co., Ltd. ("CRRC ZI") disposed its 51% equity interest of a subsidiary, Hunan CRRC Times Electric Vehicle Co., Ltd. ("Hunan Electric Vehicle") at a cash consideration of RMB926,400,000. After the disposal, the equity interest of Hunan Electric Vehicle retained by the Group was 36.37% and Hunan Electric Vehicle became an associate of the Group.

	RMB'000
Consideration received in cash and cash equivalents	926,400

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

	RMB'000
Net assets disposed of	
Property, plant and equipment	359,550
Other intangible assets	8,049
Prepaid lease payments	19,193
Prepayments, deposits and other receivables	3,293,926
Cash and bank balances	117,022
Trade receivables	4,348,522
Bills receivable	404,913
Inventories	439,466
Interest-bearing bank and other borrowings	(2,620,000)
Trade payables	(3,433,674)
Bills payable	(1,274,549)
Provision for warranties - current portion	(34,000)
Deferred income - current portion	(14,629)
Other payables and accruals	(582,556)
Deferred income - non-current portion	(46,005)
Provision for warranties - non-current portion	(188,888)
	796,340

47. DISPOSAL OF SUBSIDIARIES *(continued)*

47.2 Disposal during the year ended 31 December 2017 *(continued)*

(1) Hunan Electric Vehicle *(continued)*

Gain on disposal of a subsidiary

	RMB'000
Consideration received	926,400
Fair value of investment retained	660,650
Net assets disposed of	(796,340)
Non-controlling interests (12.63%)	100,578
Gain on disposal	891,288

Gain on remeasurement of interest remained in Hunan Electric Vehicle at its fair value when control was lost was RMB371,021,000.

Net cash inflow on disposal of a subsidiary

	RMB'000
Consideration received in cash and cash equivalents	926,400
Less: cash and bank balances disposed of	(117,022)
	809,378

47. DISPOSAL OF SUBSIDIARIES *(continued)*

47.2 Disposal during the year ended 31 December 2017 *(continued)*

(2) Erqi Vehicle

On 29 December 2017, the Company disposed its 100% equity interest of a subsidiary, CRRC Beijing Erqi Vehicle Co., Ltd. ("Erqi Vehicle") at a cash consideration of RMB1,189,845,000.

	RMB'000
Consideration received in cash and cash equivalents	1,160,600
Deferred cash consideration	29,245
Total consideration received	1,189,845

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

	RMB'000
Net assets disposed of	
Property, plant and equipment	175,328
Prepayments, deposits and other receivables	26,531
Pledged bank deposits	207,822
Cash and bank balances	321,380
Trade receivables	447,798
Bills receivable	59,257
Inventories	68,355
Other intangible assets	4,678
Prepaid lease payments - current portion	1,379
Prepaid lease payments - non-current portion	53,783
Deferred tax assets	77
Other non-current assets	4,857
Trade payables	(754,504)
Tax Payable	(234)
Dividends payables	(2,880)
Retirement benefit obligations - current portion	(3,970)
Deferred income - current portion	(612)
Retirement benefit obligations - non-current portion	(19,730)
Deferred income - non-current portion	(26,081)
Other payables and accruals	(98,713)
Provision for warranties	(6,304)
	458,017

47. DISPOSAL OF SUBSIDIARIES *(continued)*

47.3 Disposal during the year ended 31 December 2017 *(continued)*

(2) Erqi Vehicle *(continued)*

Gain on disposal of a subsidiary

	RMB'000
Consideration received	1,189,845
Net assets disposed of	(458,017)
Non-controlling interests	180,334
Gain on disposal	912,162

Net cash inflow on disposal of a subsidiary

	RMB'000
Consideration received in cash and cash equivalents	1,160,600
Less: cash and bank balances disposed of	(321,380)
	839,220

(3) Other disposals

During the year ended 31 December 2017, another six subsidiaries were diposed of by the Group, including Hunan CRRC Times Electric Vehicle Co., Ltd., CRRC Beijing Erqi Vehicle Co., Ltd., Zhongyi Huakai Petrochemical Technology Co., Ltd., Shanxi Die Casting Industrial Co., Ltd., Hebei Luyou Railway Locomotive & Rolling Stock Accessories Co., Ltd. and Chongqing Rail Transit Development Co., Ltd.. The summarised information were set out below:

	RMB'000
Consideration received in cash and cash equivalents	5,767

47. DISPOSAL OF SUBSIDIARIES *(continued)*

47.2 Disposal during the year ended 31 December 2017 *(continued)*

(3) Other disposals *(continued)*

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

	RMB'000
Net assets disposed of	
Property, plant and equipment	13,053
Other intangible assets	155
Prepaid lease payments	37,422
Inventories	15,028
Trade receivables	56,259
Bills receivable	9,300
Prepayments, deposits and other receivables	6,095
Cash and bank balances	15,250
Trade payables	(72,951)
Other payables and accruals	(10,293)
Tax payable	(186)
	69,132

Gain on disposal of these subsidiaries amounted to RMB5,705,000, among which gain on remeasurement of interest remained at their fair values when control was lost was RMB2,836,000.

Net cash outflow on disposal of subsidiaries

	RMB'000
Consideration received in cash and cash equivalents	5,767
Less: cash and bank balances disposed of	(15,250)
	(9,483)

48. COMMITMENTS

(a) Operating lease commitments

(i) As lessor

The Group leases certain items of property, plant and equipment under operating lease arrangements negotiated for terms ranging from 1 to 20 years.

At the end of the reporting period, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	2018	2017
	RMB'000	RMB'000
Within one year	**158,781**	119,239
In the second to fifth years, inclusive	**475,029**	400,515
More than five years	**16,495**	1,454
	650,305	521,208

48. COMMITMENTS *(continued)*

(a) Operating lease commitments *(continued)*

(ii) As lessee

The Group's future minimum rental payables under non-cancellable operating leases in respect of plant and machinery and land and buildings at the end of the reporting period are as follows:

	2018	2017
	RMB'000	RMB'000
Within one year	**193,230**	248,439
In the second to fifth years, inclusive	**375,160**	424,850
More than five years	**136,302**	139,519
	704,692	812,808

(b) Capital commitments

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

	2018	2017
	RMB'000	RMB'000
Contracted, but not provided for:		
– Property, plant and equipment and land use rights	**3,622,751**	5,837,022
– Other intangible assets	**20,544**	52,868
	3,643,295	5,889,890

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

	2018	2017
	RMB'000	RMB'000
Contracted, but not provided for:		
– Property, plant and equipment	**10,337**	356

48. COMMITMENTS *(continued)*

(c) Other commitments

As at 31 December 2018, the Group's commitment for establishment of new entities amounted to RMB50,000,000 (31 December 2017: RMB2,470,625,000).

49. 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 years ended 31 December 2018 and 2017:

		2018 RMB'000	2017 RMB'000
49.1	Purchase of materials and components from:		
	– CRRCG and its subsidiaries	**829,910**	681,745
	– Joint ventures	**821,652**	1,728,394
	– Associates	**852,127**	1,171,408
		2,503,689	3,581,547

		2018 RMB'000	2017 RMB'000 (Restated)
49.2	Sale of goods to:		
	– CRRCG Group	**692,477**	393,122
	– Joint ventures	**605,361**	999,463
	– Associates	**1,751,356**	1,375,139
		3,049,194	2,767,724

49. RELATED PARTY TRANSACTIONS *(continued)*

		2018 RMB'000	2017 RMB'000 (Restated)
49.3	Provision of services to:		
	– CRRCG Group	**98,988**	52,649
	– Joint ventures	**14,568**	3,990
	– Associates	**251,357**	6,685
		364,913	63,324
49.4	Service fees:		
	– CRRCG Group	**39,822**	10,907
	– Joint ventures	**36,485**	30,827
	– Associates	**284,019**	—
		360,326	41,734
49.5	Rental of property, plant and equipment from:		
	– CRRCG Group	**76,527**	80,929
49.6	Rental of property, plant and equipment to:		
	– CRRCG Group	**3,116**	6,452
	– Joint ventures	**382**	2,837
	– Associates	**3,114**	6,244
		6,612	15,533
49.7	Interest income and fee commission income from:		
	– CRRCG Group	**181,963**	9,551
49.8	Interest income on finance lease from:		
	– An associate	**—**	25,327
49.9	Compensation income from:		
	– CRRCG Group	**—**	2,505
49.10	Interest expense:		
	– CRRCG Group	**27,479**	81,343
	– Joint ventures	**61**	15
	– An associate	**195**	127
		27,735	81,485

49. RELATED PARTY TRANSACTIONS *(continued)*

49.11 Loans from related parties:

CRRCG Group

Start date	**Maturity date**	**Interest rate**	**Note**	**2018 RMB'000**	2017 RMB'000
30 November 2018	30 November 2019	4.35% p.a	(i)	**748,900**	—
28 September 2018	30 January 2019	—	(ii)	**60,939**	—
28 June 2018	27 June 2019	4.35% p.a	(i)	**10,000**	—
18 September 2018	18 September 2019	4.35% p.a	(i)	**289,830**	—
27 July 2017	27 July 2018	4.35% p.a	(i)	**—**	33,000
11 August 2017	11 August 2018	4.35% p.a	(i)	**—**	520,000
15 September 2017	15 September 2018	4.35% p.a	(i)	**—**	256,830
25 October 2017	25 October 2018	4.35% p.a	(i)	**—**	1,850,000
				1,109,669	2,659,830

Note:
(i) The amounts were unsecured and unguaranteed.
(ii) The amount is guaranteed by a fellow subsidiary of the company.

	2018 RMB'000	2017 RMB'000
49.12 Purchase of property, plant and equipment from:		
– CRRCG Group	**14,716**	—
49.13 Sales of property, plant and equipment to:		
– CRRCG Group	**—**	714
49.14 Purchase of intangible assets from:		
– CRRCG Group	**9,055**	—
49.15 Sales of intangible assets to:		
– CRRCG Group	**1,221,181**	1,337,840
49.16 Acquisition an disposal of subsidiaries		
– In November 2018, sifang institute acquired 51% equity interest of Qingdao Hitachi form CRRC Gold certificate at a consideration of RMB 22,761,000 Details are disposed in note 46; and		
– In August 2018, the company disposed its 100%equity interest in Erqi vehic to CRRC Group at a consideration of RMB 286,257,000 Details are disposed in note 47.		
49.17 Guarantees received from:		
– CRRCG Group	**7,470,941**	7,701,849

49. RELATED PARTY TRANSACTIONS *(continued)*

49.18 Outstanding balances with related parties

The Group had the following outstanding balances with related parties:

		2018 RMB'000	2017 RMB'000
(i)	Other non-current assets:		
	– CRRCG Group	**2,073**	543
	– Joint ventures	**2,970**	10
	– Associates	**22,048**	129
		27,091	682
(ii)	Trade receivables:		
	– CRRCG Group	**524,713**	769,609
	– Joint ventures	**611,639**	761,482
	– Associates	**698,013**	707,262
		1,834,365	2,238,353
(iii)	Bills receivable:		
	– CRRCG Group	**93,748**	89,494
	– Joint ventures	**649**	1,436
	– Associates	**486,649**	1,507,345
		581,046	1,598,275
(iv)	Prepayments, deposits and other receivables:		
	– CRRCG Group	**5,362,139**	4,346,498
	– Joint ventures	**192,570**	123,701
	– Associates	**448,725**	130,578
		6,003,434	4,600,777
	Note: The amounts are unsecured, interest-free and have no specific terms of repayment.		
(v)	Contract assets:		
	– CRRCG Group	**24,448**	N/A
	– Joint ventures	**2,262**	N/A
	– Associates	**90,326**	N/A
		117,036	

49. RELATED PARTY TRANSACTIONS *(continued)*

49.18 Outstanding balances with related parties *(continued)*

		2018 RMB'000	2017 RMB'000
(vi)	Debt instruments at fair value through other comprehensive income:		
	– CRRCG Group	**762,259**	N/A
	– Associates	**4,943**	N/A
		767,202	
(vii)	Long-term receivables:		
	– CRRCG Group	**153,623**	—
	– Joint ventures	**297**	471
	– Associates	**205,896**	428,791
		359,816	429,262
(viii)	Loans and advances to customers:		
	– CRRCG Group	**1,714,600**	—
(ix)	Trade payables:		
	– CRRCG Group	**1,533,885**	2,037,439
	– Joint ventures	**2,271,059**	1,751,390
	– Associates	**1,487,131**	896,836
		5,292,075	4,685,665
(x)	Bills payable:		
	– CRRCG Group	**390,636**	139,750
	– Joint ventures	**235,276**	93,124
	– Associates	**78,324**	157,813
		704,236	390,687
(xi)	Other payables and accruals:		
	– CRRCG Group	**610,827**	66,038
	– Joint ventures	**73,014**	3,129
	– Associates	**91,329**	66,726
		775,170	135,893

49. RELATED PARTY TRANSACTIONS *(continued)*

49.18 Outstanding balances with related parties *(continued)*

		2018 RMB'000	2017 RMB'000
(xii)	Borrowings:		
	– CRRCG Group	**1,109,669**	2,659,830
(xiii)	Due to customers:		
	– CRRCG Group	**2,761,519**	3,443,860
	– Joint ventures	**5,160**	1,039
	– Associates	**25,061**	16,769
		2,791,740	3,461,668
(xiv)	Contract liabilities:		
	– CRRCG Group	**432,098**	N/A
	– Joint ventures	**359**	N/A
	– Associates	**1,498,402**	N/A
		1,930,859	

49.19 Compensation of key management personnel of the Group:

	2018 RMB'000	2017 RMB'000
Short-term employee benefits	**8,503**	8,237
Post-employment benefits	**553**	506
Total compensation paid/payable to key management personnel	**9,056**	8,743

49. RELATED PARTY TRANSACTIONS *(continued)*

49.20 Commitments with related parties:

The Group had the following commitments with related parties at the reporting period, which are contracted for, but not accounted for in the consolidated financial statements:

	2018	2017
	RMB'000	RMB'000
Sale of goods to:		
– Joint ventures	**968**	1,055
– Associates	**25,756**	173
	26,724	1,228
Purchase of materials from:		
– CRRCG Group	**7,422**	3,698
– Associates	**200,510**	—
	207,932	3,698

49.21 Transactions with other government-related entities in the PRC:

The Company is ultimately controlled by the PRC government and the Group operates in an economic environment currently predominated by entities controlled, jointly controlled or under significant influence by the PRC government ("government-related entities"). In addition, the Group itself is part of a larger group of companies under CRRCG which is controlled by the PRC government. During the year, the Group conducts business with other government-related entities, including but not limited to, sales and purchases. The China Railway Corporation and entities invested and managed by PRC local railway departments (collectively referred to as the "CRC Group") are identified as a single government-related entity by the directors of the Company. The revenue from CRC Group amounted to RMB112,644,792,000 for the year ended 31 December 2018 (2017: RMB100,635,529,000).

Management considers that transactions with other government-related entities are activities conducted in the ordinary course of business, and that the dealings of the Group have not been significantly or unduly affected by the fact that the Group and those other government-related entities are ultimately controlled or owned by the government. The Group has also established pricing policies for products and services and such pricing policies do not depend on whether or not the customers are government-related entities.

50. FINANCIAL INSTRUMENTS

50.1 Categories of financial instruments

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

As at 31 December 2018

Financial assets

	Financial assets at FVTPL RMB'000	Financial assets at amortised cost RMB'000	Debt instruments at FVTOCI RMB'000	Equity instruments at FVTOCI RMB'000	Finance lease receivables RMB'000	Total RMB'000
Financial assets at fair value through profit or loss	7,845,287	—	—	—	—	7,845,287
Equity instruments at fair value through	—					
other comprehensive income	—	—	—	2,252,423	—	2,252,423
Debt instruments at fair value through other comprehensive income	—	—	5,277,641	—	—	5,277,641
Trade receivables	—	64,205,603	—	—	—	64,205,603
Bills receivable	—	15,475,106	—	—	—	15,475,106
Financial assets included in prepayments, deposits and other receivables	—	3,433,245	—	—	—	3,433,245
Pledged and striated bank deposits	—	5,027,666	—	—	—	5,027,666
Cash and bank balances	—	33,143,342	—	—	—	33,143,342
Financial assets included in other non-current assets (including amounts due within one year)	—	5,711,610	—	—	8,199,676	13,911,286
Loans and advances to customers (including amounts due within one year)	—	6,537,882	—	—	—	6,537,882
Debt investment at amortised cost (including amounts due within one year)	—	2,502,777	—	—	—	2,502,777
	7,845,287	136,037,231	5,277,641	2,252,423	8,199,676	159,612,258

50. FINANCIAL INSTRUMENTS *(continued)*

50.1 Categories of financial instruments *(continued)*

As at 31 December 2017 (restated)

Financial assets

	Loans and receivables RMB'000	Available-for-sale investments RMB'000	Held-to-maturity investments RMB'000	Financial assets at fair value through profit or loss RMB'000	Finance lease receivables RMB'000	Total RMB'000
Financial assets at fair value through profit or loss	—	—	—	2,569,294	—	2,569,294
Available-for-sale investments	—	3,257,353	—	—	—	3,257,353
Trade receivables	77,674,531	—	—	—	—	77,674,531
Bills receivable	27,071,265	—	—	—	—	27,071,265
Financial assets included in prepayments, deposits and other receivables	5,706,240	—	—	—	—	5,706,240
Pledged bank deposits	4,622,263	—	—	—	—	4,622,263
Cash and bank balances	56,280,024	—	—	—	—	56,280,024
Financial assets included in other non-current assets	8,513,481	—	—	—	10,682,436	19,195,917
Loans and advances to customers (including amounts due within one year)	3,824,210	—	—	—	—	3,824,210
Held-to-maturity investments (including amounts due within one year)	—	—	1,659,158	—	—	1,659,158
	183,692,014	3,257,353	1,659,158	2,569,294	10,682,436	201,860,255

50. FINANCIAL INSTRUMENTS *(continued)*

50.1 Categories of financial instruments *(continued)*

As at 31 December 2018

Financial liabilities

	Financial liabilities at fair value through profit or loss RMB'000	Other financial liabilites RMB'000	Total RMB'000
Trade payables	—	99,189,987	99,189,987
Bills payable	—	21,978,720	21,978,720
Financial liabilities included in other payables and accruals	—	11,646,684	11,646,684
Borrowings	—	20,673,125	20,673,125
Due to customers	—	2,795,282	2,795,282
Long-term payables (including amounts due within one year)	—	288,719	288,719
Convertible bonds – debt component	—	3,910,829	3,910,829
Convertible bonds – derivative component – current portion	271,899	—	271,899
	271,899	160,483,346	160,755,245

50. FINANCIAL INSTRUMENTS *(continued)*

50.1 Categories of financial instruments *(continued)*

As at 31 December 2017 (restated)

Financial liabilities

	Financial liabilities at fair value through profit or loss RMB'000	Other financial liabilites RMB'000	Total RMB'000
Trade payables	—	104,357,254	104,357,254
Bills payable	—	23,291,689	23,291,689
Financial liabilities included in other payables and accruals	—	11,000,304	11,000,304
Financial liabilities at fair value through profit or loss	225,240	—	225,240
Borrowings	—	43,997,818	43,997,818
Due to customers	—	3,469,987	3,469,987
Long-term payables (including amounts due within one year)	—	357,885	357,885
Convertible bonds - debt component	—	3,630,772	3,630,772
Convertible bonds - derivative component	511,756	—	511,756
	736,996	190,105,709	190,842,705

50. FINANCIAL INSTRUMENTS *(continued)*

50.2 Financial risk management objectives and policies

The Group's principal financial instruments comprise borrowings, convertible bonds and cash and cash equivalents. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities, such as trade receivables and trade payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are credit risk, liquidity risk and market risk. The board of directors reviews and agrees on policies for managing each of these risks and they are summarised below:

Credit risk and impairment assessment

As at 31 December 2018, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties and financial guarantees provided by the Group is arising from:

- The carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.
- The amount of contingent liability in relation to the financial guarantees provided by the Group as disclosed in note 54.

The Group only transacts with those third parties who are recognised as creditworthy. The Group's policy is to perform credit verification for all customers who have transactions with the Group. Further, credit limits, credit terms and sales methods are determined based on the credit ratings of customers.

For sales under credit terms, a sales contract shall stipulate the payment term and credit amounts. The payment date should not exceed the credit term, and the credit amount in aggregate should not exceed the credit limit.

The Group continuously monitors its trade receivable balances by assigning the salespersons responsible for cash collection.

The Group's other financial assets include cash and cash equivalents and other receivables. The credit risk of these financial assets arises from default of counterparties who transact with the Group, with a maximum exposure equal to the carrying amounts of these instruments.

Other than the concentration of credit risk in respect of receivables from CRC Group, the Group does not have any other significant concentration of credit risk.

50. FINANCIAL INSTRUMENTS *(continued)*

50.2 Financial risk management objectives and policies *(continued)*

Credit risk and impairment assessment *(continued)*

The following table details the credit risk exposure of the Group's financial assets and other items:

	Notes	**12-month ECL or lifetime ECL**	**Gross carrying amount**	
			RMB'000	RMB'000
Financial assets measured at amortised cost				
Pledged and restricted bank deposits, and cash and bank balances	35	12-month ECL	38,171,008	38,171,008
Bills receivable	32	12-month ECL	15,537,595	15,537,595
Trade receivables	31	Lifetime ECL (not credit impaired)	55,936,373	
		Lifetime ECL(credit impaired)	13,311,773	69,248,146
Other receivables	33	12-month ECL	2,633,590	
		Lifetime ECL (not credit impaired)	363,354	
		Lifetime ECL(credit impaired)	996,974	3,993,918
Debt investment at amortised cost	27	12-month ECL	2,503,377	2,503,377
Loans and advances to customers	33	12-month ECL	4,595,000	
		Lifetime ECL (not credit impaired)	2,042,600	6,637,600
Other non-current assets (exclude lease receivables)	29	Lifetime ECL(not credit impaired)	5,972,881	5,972,881
Financial assets measured at fair value through other comprehensive income				
Debt instruments at fair value through other comprehensive income	27	12-month ECL	4,233,540	
		Lifetime ECL (not credit impaired)	1,044,101	5,277,641
Others				
Contract assets	26	Lifetime ECL (not credit impaired)	23,770,459	23,770,459
Finance lease receivable	29	Lifetime ECL (not credit impaired)	753,302	
		Lifetime ECL(credit impaired)	9,831,041	10,584,343
Financial guarantee contract		12-month ECL	5,818,593	5,818,593

50. FINANCIAL INSTRUMENTS *(continued)*

50.2 Financial risk management objectives and policies *(continued)*

Credit risk and impairment assessment *(continued)*

	Note	Expected credit losses for 12 months or for the entire duration	Gross carrying amount RMB'000	RMB'000
Others				
Contract assets	26	Expected credit loss for the entire duration (no credit impairment)	32,760,649	32,760,649
Finance lease receivables	29	Expected credit loss for the entire duration (no credit impairment)	753,302	
		Expected credit loss for the entire duration (credit impairment has occurred)	9,831,041	10,584,343
Financial guarantee contract		Expected credit losses within 12 months	5,818,593	5,818,593

Note 1: For trade receivable, contract assets and lease receivables, the Group uses a simplified method to measure the amount of expected credit losses for the entire duration.

Note 2: For financial guarantee contracts, the total carrying amount is the maximum amount guaranteed by the Group under its respective contract.

The following table details the risk profile of trade receivables measured at amortised cost based on the Group's provision matrix.

At 31 December 2018

	Average loss rate	Gross carrying amount RMB'000	Loss allowance RMB'000
Within 1 year	0.1-1%	48,875,217	(316,186)
1 to 2 years	1-5%	3,154,383	(187,079)
2 to 3 years	5-10%	1,473,312	(216,747)
3 to 4 years	20-25%	1,161,536	(321,596)
4 to 5 years	35-45%	792,690	(371,667)
Over 5 years	60-65%	479,235	(307,260)
		55,936,373	(1,720,535)

The Group provided RMB1,720,535,000 loss allowance based on the provision matrix at 31 December 2018. In addition, trade receivables amounting to RMB13,311,773,000 as at 31 December 2018 were assessed individually and loss allowance of RMB3,322,008,000 were made on these debtors which are individually significant.

Liquidity risk

In the management of the liquidity risk, the Group's objectives are to maintain a balance between continuity and flexibility through measures such as bills settlement, loans and short term commercial paper, to adopt an appropriate combination of long term and short term financing, and to improve the financing structure.

50. FINANCIAL INSTRUMENTS *(continued)*

50.2 Financial risk management objectives and policies *(continued)*

Liquidity risk *(continued)*

The Group has already obtained banking facilities from various commercial banks for its working capital and capital expenditure.

The Group's management monitors the working capital position to ensure that there is adequate liquidity to meet with all the financial obligations when they become due and to maximise the return of the Group's financial resources.

The table below summarises the maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of the reporting period.

As at 31 December 2018

	On demand or less than one year RMB'000	1-2 years RMB'000	3-5 years RMB'000	>5 years RMB'000	Total undiscounted Cash Flows RMB'000	Carrying Amount at 31/12/2018 RMB'000
Non-derivative financial liabilities						
Borrowings	16,742,879	1,041,647	3,985,553	293,339	22,063,418	20,673,125
Trade payables	99,189,987	—	—	—	99,189,987	99,189,987
Bills payable	21,978,720	—	—	—	21,978,720	21,978,720
Financial liabilities included in other payables and accruals	11,646,684	—	—	—	11,646,684	11,646,684
Due to customers	2,805,065	—	—	—	2,805,065	2,795,282
Long-term payables (including amounts due within one year)	28,681	99,858	101,019	183,495	413,053	288,719
Convertible bonds	4,117,920	—	—	—	4,117,920	3,910,829
Financial guarantee contract (Note)	5,818,593	—	—	—	5,818,593	—
	102,328,529	1,141,505	4,086,572	476,834	168,033,440	168,483,346

Note:

The amounts included above for financial guarantee contracts are the maximum amounts the Group could be required to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantee. Based on expectations at the end of the reporting period, the Group considers that it is more likely than not that no amount will be payable under the arrangement. However, this estimate is subject to change depending on the probability of the counterparty claiming under the guarantee which is a function of the likelihood that the financial receivables held by the counterparty which are guaranteed suffer credit losses.

50. FINANCIAL INSTRUMENTS *(continued)*

50.2 Financial risk management objectives and policies *(continued)*

Liquidity risk *(continued)*

As at 31 December 2017 (Restated)

	On demand or less than one year RMB'000	1-2 years RMB'000	3-5 years RMB'000	>5 years RMB'000	Total undiscounted Cash Flows RMB'000	Carrying Amount at 31/12/2017 RMB'000
Non-derivative financial liabilities						
Borrowings	35,334,100	5,366,440	3,521,663	1,761,899	45,984,102	43,997,818
Trade payables	104,357,254	—	—	—	104,357,254	104,357,254
Bills payable	23,291,689	—	—	—	23,291,689	23,291,689
Financial liabilities included in other payables and accruals	11,000,304	—	—	—	11,000,304	11,000,304
Due to customers	3,482,132	—	—	—	3,482,132	3,469,987
Long-term payables (including amounts due within one year)	71,038	112,931	107,062	188,232	479,263	357,885
Convertible bonds	—	3,920,520	—	—	3,920,520	3,630,772
Financial guarantee contract (Note)	7,441,000	—	—	—	7,441,000	—
	184,977,517	9,399,891	3,628,725	1,950,131	199,956,264	190,105,709
Derivatives financial liabilities - gross settlement						
Held-for-trading financial liabilities						
– Foreign currency forward contracts						
– inflow	6,621,337	—	—	—	6,621,337	6,621,337
– outflow	(6,846,577)	—	—	—	(6,846,577)	(6,846,577)
	(225,240)	—	—	—	(225,240)	(225,240)

50. FINANCIAL INSTRUMENTS *(continued)*

50.2 Financial risk management objectives and policies *(continued)*

Market risk

Interest rate risk

The Group is exposed to fair value interest rate risk primarily in relation to the Group's fixed-rate borrowings, long-term receivables and convertible bonds. The Group's exposure to the cash flow interest rate risk of changes in market interest rates relates primarily to the Group's short term and long term debts with a floating interest rate.

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

	2018	2017
Reasonably possible change in interest rate	**100 basis points**	100 basis points

	2018 **RMB'000**	2017 RMB'000
Increase (decrease) in profit after taxation for the year		
as a result of increase in interest rate	**(59,748)**	(48,605)
as a result of decrease in interest rate	**59,748**	48,605

The sensitivity analysis in interest rate does not affect other components of equity.

Other price risk

The Group is exposed to equity securities price risk in relation to its equity investments which are measured at fair value as detailed in note 25. The management closely monitors such risk by maintaining a portfolio of investments with different risks.

The Group is also exposed to other price risk through its investments in corporate wealth management products measured at fair value. The management manages this exposure by only investing in investments operated by banks with good reputation. The management of the Group considers the fluctuation in fair value changes on these investments in corporate wealth management products is insignificant, taking into account the short-term duration of such financial products.

50. FINANCIAL INSTRUMENTS *(continued)*

50.2 Financial risk management objectives and policies *(continued)*

Market risk *(continued)*

Foreign currency risk

The Group's foreign currency risk mainly arise from sales or purchases by operating entities in currencies other than the entities' respective functional currencies.

The Group's businesses are mainly located in the PRC and are mainly transacted and settled in RMB. Certain sales, purchases and borrowings are settled in foreign currencies. The fluctuation of the exchange rates of foreign currencies against RMB will affect the Group's results of operations.

The Group endeavours to reduce foreign currency risk to a minimum mainly by closely monitoring market exchange rate changes and actively adopting measures.

For business contracts denominated in foreign currencies under negotiation, the Group requires price quotations to be based on the expected exchange rate changes and the relevant terms clearly state the range of exchange rate fluctuations so as to have the related risk to be shared by both the seller and buyer. For import activities, the relevant import entities are required to monitor the timing of settlement to reduce the foreign currency risk.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the Euro and US$ exchange rates against RMB, with all other variables held constant, of the Group's profit after taxation (due to changes in the foreign currency denominated monetary assets and liabilities). In the opinion of the directors of the Company, as the currency exposures arising from possible changes in other currencies will not have any significant financial impact on the Group, the sensitivity analysis is not disclosed.

50. FINANCIAL INSTRUMENTS *(continued)*

50.2 Financial risk management objectives and policies *(continued)*

Market risk *(continued)*

Foreign currency risk (continued)

	Increase/ in (decrease) exchange rate %	**Increase/ (decrease) in profit after tax RMB'000**
Year ended 31 December 2018		
If RMB strengthens against Euro	**(7.08)**	**(47,465)**
If RMB weakens against Euro	**7.08**	**47,465**
If RMB strengthens against US$	**(10.76)**	**181,982**
If RMB weakens against US$	**10.76**	**(181,982)**

	Increase/ in (decrease) exchange rate %	Increase/ (decrease) in profit after tax RMB'000
Year ended 31 December 2017		
If RMB strengthens against Euro	(8.64)	11,827
If RMB weakens against Euro	8.64	(11,827)
If RMB strengthens against US$	(5.59)	264,675
If RMB weakens against US$	5.59	(264,675)

Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for equity shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to financing at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher equity shareholders returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The Group monitors its capital structure on the basis of liability-to-asset ratio, which is calculated as total liabilities divided by total assets. The liability-to-asset ratio of the Group at 31 December 2018 was 58.13% (31 December 2017(restated): 62.18%).

There were no changes in the Group's approach to capital management during the reporting period. Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

50. FINANCIAL INSTRUMENTS *(continued)*

50.3 Fair value measurements of financial instruments

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

The following table summarise the Group's financial assets and liabilities are measured at fair value at the end of each reporting period.

	Fair value as at				
	At 31 December 2018 (RMB'000)	At 31 December 2017 (RMB'000)	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)
Financial assets					
Foreign currency forward contracts classified as financial assets at fair value through profit or loss	**2,515**	2,563	Level 2	Discounted cash flow. Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contracted forward rates, discounted at a rate that reflects the credit risk of various counterparties.	/
Corporate wealth management products classified as financial assets at fair value through profit or loss	**6,352,380**	2,139,563	Level 2	Discounted cash flow. Future cash flows are estimated based on expected return, discounted at a rate that reflects the credit risk of issuers.	/
Listed equity security classified as at fair value through profit or loss	**5,957**	—	Level 1	Quoted market price	/
Unlisted equity instruments as at fair value through profit or loss	**885,884**	427,168	Level 3	Discounted cash flow. Key inputs: the revenue growth rate, the systematic risk coefficient	The revenue growth rate is based on the forecast of the management of the invested company. The systematic risk coefficient is based on the historical systematic risk coefficients of comparable companies.

50. FINANCIAL INSTRUMENTS *(continued)*

50.3 Fair value measurements of financial instruments *(continued)*

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis *(continued)*

	Fair value as at				
	At 31 December 2018 (RMB'000)	At 31 December 2017 (RMB'000)	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)
Listed perpetual bond investment (classified as AFS investment at 31 December 2017)	**186,191**	190,625	Level 1	Quoted market price	/
Listed preference share investment at FVTPL (classified as AFS investment at 31 December 2017)	**412,360**	415,328	Level 1	Quoted market price	/
Listed equity security classified as available-for-sale financial assets	**—**	1,843,257	Level 1	Quoted market price	/
Listed equity security designated as at fair value through other comprehensive income	**1,370,906**	—	Level 1	Quoted market price	/
Corporate wealth management products classified as available-for-sale financial assets	**—**	451,497	Level 2	Discounted cash flow. Future cash flows are estimated based on expected return, discounted at a rate that reflects the credit risk of issuers.	/
Unquoted equity investment designated as at fair value through other comprehensive income	**881,517**	—	Level 3	Discounted cash flow key inputs: the revenue growth rate, the systematic risk coefficient	The revenue growth rate is based on the forecast of the management of the invested company. The systematic risk coefficient is based on thehistorical systematic risk coefficients of comparable companies.
Trade and bills receivables classified as at fair value through other comprehensive income	**5,277,641**	—	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.	/

50. FINANCIAL INSTRUMENTS *(continued)*

50.3 Fair value measurements of financial instruments *(continued)*

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis *(continued)*

	Fair value as at				
	At 31 December 2018 (RMB'000)	At 31 December 2017 (RMB'000)	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)
Financial liabilities					
Foreign currency forward contracts classified as financial liabilities at fair value through profit or loss	**—**	225,240	Level 2	Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contracted forward rates, discounted at a rate that reflects the credit risk of various counterparties.	/
Derivative component in relation to the 2016 Convertible Bonds	**271,899**	511,756	Level 3	The fair value of derivative component is calculated using Binominal Option Pricing Model. Key input: the volatilities	The volatilities were determined based on the historical price volatilities of comparable companies under the same periods of the expected life (Note).

Note: An increase in the volatilities of the Company's share price would result in an increase in the fair value measurement of the convertible bonds-derivative component, and vice versa. A 1% increase in the volatilities holding all other variables constant would increase the carrying amount of the convertible bonds-derivative component by RMB2,659,000. A 1% decrease in the volatilities holding all other variables constant would decrease the carrying amount of the convertible bonds-derivative component by RMB2,637,000.

During the year ended 31 December 2018 and 2017, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3.

50. FINANCIAL INSTRUMENTS *(continued)*

50.3 Fair value measurements of financial instruments *(continued)*

Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis

Except as detailed in the following table, the directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate to their fair values.

	31 December 2018		31 December 2017	
	Carrying amount RMB'000	**Fair value RMB'000**	Carrying amount RMB'000	Fair value RMB'000
Held-to-maturity investment				
– under non-current assets	**—**	**—**	1,429,188	1,453,704
Debt instrument at amortised cost				
– with fixed rate-under				
non-current assets	**1,622,252**	**1,466,573**	—	—
Long-term receivables - with fixed rate	**7,809,013**	**7,097,261**	10,365,326	9,687,014
Other non-current assets				
– with fixed rate	**—**	**—**	839,047	729,391
Borrowings - due after one year				
– with fixed rate	**407,469**	**389,023**	936,446	892,966
Long-term bonds-due after one year	**3,500,000**	**3,162,140**	5,495,168	5,212,867
Convertible bonds (including the				
derivative component)	**4,182,728**	**3,764,707**	4,142,528	3,607,458

The held-to-maturity investments are traded in an active market and included in level 1 category. The convertible bonds (including the derivative component) are included in level 2 category and their fair value has been determined with reference to the price released by Bloomberg Limited Partnership. Long-term bonds, long-term receivables, borrowings and other non-current assets are included in level 2 category and have been determined based on a discounted cash flow analysis, with the discount rate that reflects the credit risk of debtors.

50.4 Reconciliation of Level 3 fair value measurements

	Financial assets at fair value through profit or loss RMB'000
As at 1 January 2018	**427,168**
Purchase	**414,167**
Disposals	**(2,537)**
Changes in fair value during the year	**37,373**
Exchange adjustments during the year	**9,713**
As at 31 December 2018	**885,884**

50. FINANCIAL INSTRUMENTS *(continued)*

50.4 Reconciliation of Level 3 fair value measurements *(continued)*

	Convertible bonds - derivative component RMB'000
As at 1 January 2018	**511,756**
Exchange adjustments during the year	**11,555**
Changes in fair value during the year	**(251,412)**
As at 31 December 2018	**271,899**

	Equity assets designated as at FVTOCI RMB'000
As at 1 January 2018	**569,914**
Purchase	**338,141**
Disposals	**(96,253)**
Changes in fair value during the year	**69,715**
As at 31 December 2018	**881,517**

50. FINANCIAL INSTRUMENTS *(continued)*

50.5 Transfers of financial assets

At 31 December 2018, the Group endorsed certain bills receivable with a carrying amount of RMB7,654,452,000 (31 December 2017: RMB5,192,291,000) to certain of its suppliers in order to settle the trade payables due to such suppliers and discounted certain bills receivable with a carrying amount of RMB1,195,378,000 (31 December 2017: RMB667,240,000) to banks which were derecognised by the Group (the "Derecognised Bills"). In accordance with the Law of Negotiable Instruments in the PRC, the holders of the Derecognised Bills have a right of recourse against the Group if the acceptor default (the "Continuing Involvement"). In the opinion of the directors of the Company, the Group has transferred substantially all risks and rewards relating to the Derecognised Bills. Accordingly, it has derecognised the full carrying amounts of the Derecognised Bills and the associated trade payables. The maximum exposure to loss from the Group's Continuing Involvement in the Derecognised Bills and the undiscounted cash flows to repurchase these Derecognised Bills equal to the amounts disclosed above. In the opinion of the directors of the Company, the fair values of the Group's Continuing Involvement in the Derecognised Bills are not significant.

At 31 December 2018, the Group endorsed certain bills receivable (the "Endorsed Bills") with a carrying amount of RMB4,055,254,000 (31 December 2017: RMB3,189,939,000) to certain of its suppliers in order to settle the trade payables due to such suppliers (the "Endorsement") and discounted certain bills receivable (the "Discounted Bills") with a carrying amount of RMB26,429,000 (31 December 2017: RMB35,400,000) to banks. In the opinion of the directors of the Company, the Group has retained the substantial risks and rewards, which include default risks relating to such Endorsed Bills and Discounted Bills, and accordingly, it continued to recognise the full carrying amounts of the Endorsed Bills and Discounted Bills and the associated trade payables. Subsequent to the Endorsement and discounting, the Group does not retain any rights on the use of the Endorsed Bills and Discounted Bills, including sale, transfer or pledge of the bills to any other third parties.

At 31 December 2018, trade receivables amounting to RMB5,468,228,000 (31 December 2017: RMB3,592,859,000) had been factored to a bank on a non-recourse basis. These receivables were derecognised as the Group had transferred the significant risks and rewards relating to the receivables to the bank under the non-recourse factoring agreements. The loss related to derecognition of trade receivables was RMB122,051,000 (2017: RMB77,153,000) in total and charged to profit and loss.

At 31 December 2018, trade receivables amounting to RMB19,000,000 (31 December 2017: RMB452,255,000) had been factored to a bank. The Group has retained the substantial risks and rewards relating to the trade receivables and continue to recognise the trade receivables. Associated liabilities have been recognised and included in borrowings.

At 31 December 2018, trade receivables of RMB6,227,911,000 (2017: Nil) is being securitized by the Group. As the servicing organization in the transaction, the Group only provides collection services in accordance with the agreement without any charges on such services. The Group considers that all the risks and rewards of these trade receivables have been transferred to the counterparties and the trade receivables are derecognised accordingly. During the year ended 31 December 2018, loss of RMB294,135,000 (2017: Nil) was recognised in profit or loss upon the derecognition of these trade receivables.

51. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below shows the detailed major changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Borrowings	**Convertible bonds**	**Interest payable**	**Total**
	RMB000	**RMB000**	**RMB000**	**RMB000**
	Note 39	**Note 44**		
At 1 January 2018 (restated)	**43,997,818**	**4,142,528**	**362,908**	**48,503,254**
Repayment of borrowings	**(51,031,342)**	**—**	**—**	**(51,031,342)**
Proceeds from borrowings	**25,868,679**	**—**	**—**	**25,868,679**
Effect of disposal of subsidiary	**(2,705,951)**	**—**	**—**	**(2,705,951)**
Foreign exchange	**(201,353)**	**197,761**	**—**	**(3,592)**
Changes in fair value	**—**	**(251,412)**	**—**	**(251,412)**
Interest paid	**—**	**—**	**(1,541,868)**	**(1,541,868)**
Interest expenses	**—**	**93,851**	**1,402,498**	**1,496,349**
Non-cash items	**4,705,004**	**—**	**—**	**4,705,004**
At 31 December 2018	**20,632,855**	**4,182,728**	**223,538**	**25,039,121**

	Borrowings	Convertible bonds	Interest payable	Total
	RMB000	RMB000	RMB000	RMB000
	Note 39	Note 44		
At 1 January 2017	37,896,696	4,124,839	363,903	42,385,438
Repayment of borrowings	(88,862,820)	—	—	(88,862,820)
Proceeds from borrowings	91,926,294	—	—	91,926,294
Foreign exchange	15,380	(242,668)	56,313	(170,975)
Changes in fair value	—	166,960	—	166,960
Interest paid	—	—	(1,442,153)	(1,442,153)
Interest expenses	98,000	93,397	1,384,845	1,576,242
Non-cash items	2,924,268	—	—	2,924,268
At 31 December 2017 (restated)	43,997,818	4,142,528	362,908	48,503,254

52. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

Details of the Company's principal subsidiaries at the end of the reporting period are set out below:

Company name	Place and date of incorporation/ establishment and place of operations	Paid-up capital	Percentage of equity interests attributable to the Company Direct (%)		Indirect (%)		Principal activities
		'000	**2018**	2017	**2018**	2017	
CRRC Changchun Railway Vehicles Co., Ltd.* 中車長春軌道客車股份有限公司 ("CRRC Changchun")	PRC 18 March 2002	RMB5,807,947	**93.54**	93.54	**—**	—	Designing and manufacturing passenger coaches, high-speed MUs, rapid transit vehicles and components
CRRC Zhuzhou Locomotive Co., Ltd. * 中車株洲電力機車有限公司	PRC 31 August 2005	RMB4,401,366	**100.00**	100.00	**—**	—	Manufacturing, selling and repairing of locomotives
CRRC Zhuzhou Institute Co., Ltd.* 中車株洲電力機車研究所有限公司	PRC 9 September 1992	RMB8,340,710	**100.00**	100.00	**—**	—	Investment holding, manufacturing and selling of wind turbines
CRRC Qingdao Sifang Co., Ltd.* 中車青島四方機車車輛股份有限公司	PRC 22 July 2002	RMB4,003,794	**97.81**	97.81	**—**	—	Manufacturing, selling and repairing of locomotives
CRRC Tangshan Co.,Ltd.* 中車唐山機車車輛有限公司	PRC 10 July 2007	RMB3,990,000	**100.00**	100.00	**—**	—	Manufacturing railway transportation equipment, high-speed MUs, rapid transit vehicles and components
CRRC Dalian Co., Ltd.* 中車大連機車車輛有限公司	PRC 1 January 1981	RMB4,180,000	**100.00**	100.00	**—**	—	Manufacturing and refurbishing locomotives and components
CRRC Qiche Group Co., Ltd.* 中車齊車集團有限公司	PRC 26 December 2012	RMB7,000,000	**100.00**	100.00	**—**	—	Manufacturing railway transportation equipment and components
CRRC Yangtze Group., Ltd.* 中車長江運輸設備集團有限公司	PRC 17 April 2018	RMB5,400,000	**100.00**	100.00	**—**	—	Manufacturing, selling and repairing of rolling stock
CRRC Investment & Leasing Co., Ltd.* 中車投資租賃有限公司	PRC 26 April 1999	RMB2,909,285	**100.00**	100.00	**—**	—	Trading and finance leasing
CRRC Qishuyan Co., Ltd.* 中車戚墅堰機車有限公司	PRC 26 June 2007	RMB2,092,743	**100.00**	100.00	**—**	—	Manufacturing, selling and repairing of locomotives
CRRC Qishuyan Institute Co., Ltd.* 中車戚墅堰機車車輛工藝研究所有限公司	PRC 15 May 1992	RMB2,060,000	**100.00**	100.00	**—**	—	Research and development of train- related products
CRRC Nanjing Puzhen Co., Ltd.* 中車南京浦鎮車輛有限公司	PRC 27 June 2007	RMB1,759,840	**100.00**	100.00	**—**	—	Manufacturing, selling and repairing of rolling stock
CRRC Hongkong Capital Management Co., Ltd.* 中國中車香港資本管理有限公司	PRC 25 August 2010	RMB2,451,069	**100.00**	100.00	**—**	—	Manufacturing and refurbishing railway vehicles (including MUs), rapid transit vehicles and merger and acquisition

52. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY *(continued)*

Company name	Place and date of incorporation/ establishment and place of operations	Paid-up capital	Percentage of equity interests attributable to the Company Direct (%)		Indirect (%)		Principal activities
		'000	**2018**	2017	**2018**	2017	
CRRC CONSTRUTION ENGRG.CO., LTD.* 中車建設工程有限公司	PRC 10 February 2012	RMB1,500,000	**100.00**	100.00	**—**	—	Project management contracting, sales of machinery and construction materials and leasing of machinery equipment vehicles
CRRC Yongji Motor Co., Ltd.* 中車永濟電機有限公司	PRC 9 July 2007	RMB1,290,000	**100.00**	100.00	**—**	—	Manufacturing and refurbishing general mechanical and electrical equipment
CRRC SifangInstitute Co., Ltd.* 中車青島四方車輛研究所有限公司	PRC 10 June 1994	RMB1,290,000	**100.00**	100.00	**—**	—	Researching and developing and manufacturing vehicles components and related equipment
CRRC Finance Co., Ltd.* 中車財務有限公司	PRC 30 November 2012	RMB2,200,000	**91.36**	91.36	**—**	—	Taking deposits and providing entrusted loans
CRRC Zhuzhou Motor Co., Ltd.* 中車株洲電機有限公司	PRC 14 April 2004	RMB1,043,180	**100.00**	100.00	**—**	—	Manufacturing and selling of electric motors
CRRC Ziyang Co., Ltd.* 中車資陽機車有限公司	PRC 12 May 2006	RMB834,226	**99.61**	99.61	**—**	—	Manufacturing, selling and repairing of locomotives
CRRC Beijing NankouCo., Ltd.* 中車北京南口機械有限公司	PRC 9 July 2007	RMB805,000	**100.00**	100.00	**—**	—	Manufacturing locomotives components
CRRC Datong Co., Ltd.* 中車大同電力機車有限公司	PRC 28 February 2003	RMB656,000	**100.00**	100.00	**—**	—	Manufacturing and refurbishing locomotives and components
CRRC Chengdu Co., Ltd.* 中車成都機車車輛有限公司	PRC 28 June 2007	RMB655,228	**64.52**	64.52	**35.48**	35.48	Repairing locomotives and rolling stock
CRRC Hong Kong Co., Ltd.* 中國中車(香港)有限公司	HK 7 April 2008	HK$800,000	**100.00**	100.00	**—**	—	Trading and investment management
CRRC Dalian R&D Co., Ltd.* 中車大連電力牽引研發中心有限公司	PRC 16 October 2013	RMB388,000	**100.00**	100.00	**—**	—	Researching and developing electric traction and control technologies and selling applicant services and related products
CRRC Dalian Institute Co., Ltd.* 中車大連機車研究所有限公司	PRC 24 September 1995	RMB350,000	**100.00**	100.00	**—**	—	Researching and developing and manufacturing locomotives machinery and electronic devices
CRRC Sifang Co., Ltd.* 中車四方車輛有限公司	PRC 4 September 1980	RMB343,096	**100.00**	100.00	**—**	—	Repairing locomotives and rolling stock

52. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY *(continued)*

Company name	Place and date of incorporation/ establishment and place of operations	Paid-up capital	Percentage of equity interests attributable to the Company Direct (%)		Indirect (%)		Principal activities
		'000	**2018**	2017	**2018**	2017	
CRRC Logistics Co., Ltd.* 中車物流有限公司	PRC 4 April 2002	RMB760,000	**96.84**	96.84	**3.16**	3.16	Logistics services, agent of international freight and trading of raw materials
CRRC (AUSTRALIA) Company Limited 中車澳大利亞有限公司	Australia 10 July 2012	Australian Dollar ("AUD") 1,000	**100.00**	100.00	**—**	—	Trading and after-sale maintaining
CRRC Academy Co., Ltd.* 中車工業研究院有限公司	PRC 25 August 2014	RMB200,000	**100.00**	100.00	**—**	—	Research and development train - related products
CRRC International Co., Ltd.* 中車國際有限公司	PRC 1 June 1998	RMB100,000	**100.00**	100.00	**—**	—	Selling rolling stock equipment
Beijing CNR CR Transportation Equipment Co., Ltd.* 北京北車中鐵軌道交通裝備有限公司	PRC 6 January 2009	RMB20,000	**51.00**	51.00	**—**	—	Manufacturing locomotive components; importing and exporting goods and project management contracting
CRRC Information Technology Co., Ltd.* 中車信息技術有限公司	PRC 8 July 1998	RMB17,000	**51.00**	51.00	**—**	—	Providing training of computer technology, basic software related services, applicant software related services, computer systematic service and data processing services
CRRC SA Rolling Stock (Pty) Ltd. 南非中車車輛有限公司	Republic of South Africa 27 January 2014	ZAR1	**66.00**	66.00	**—**	—	Technology service, technology consulting related to railway locomotives, project planning, project service, procurement, sales, leasing of railway locomotives and components
CRRC Capital Management Co., Ltd. * 中車資本管理有限公司	PRC 8 January 2016	RMB2,000,000	**100.00**	100.00	**—**	—	Assets management, investment management, industrial investment, etc.
ZTE* (i) 株洲中車時代電氣股份有限公司	PRC 26 September 2005	RMB1,175,477	**—**	—	**52.38**	52.03	Manufacturing of train - bore systems and components
ZTNM* (ii) 株洲時代新材料科技股份有限公司	PRC 24 May 1994	RMB802,798	**—**	—	**39.55**	39.55	Manufacturing and selling of polymer compounds, etc.

* The English name of certain companies above represents the direct translation of the Chinese name of these companies as no English name have been registered.

52. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY *(continued)*

(i) As at 31 December 2016, the ownership interests of ZTE held by the CRRCG was 0.80%, the voting rights of which the CRRCG has authorised the Company to exercise, accordingly, the voting rights of ZTE held by the Company was 52.61%.

In January 2017, the CRRCG disposed its 0.80% equity interests in ZTE, the voting rights of which have previously been authorised to the Company, thus the voting rights of ZTE held by the Company was decreased to 51.81%. In July 2017, CRRC HK Capital Management Co, a subsidiary of the Company, purchased 2,606,800 shares of ZTE in public market, thus the equity interests of ZTE held by the Company was increased to 52.03% as at 31 December 2017.

During the year of 2018, CRRC HK Capital Management Co purchased 4,066,800 shares of ZTE in public market, thus the equity interests of ZTE held by the Company was increased to 52.38% as at 31 December 2018.

(ii) As at 31 December 2017 and 2018, the equity interests of ZTNM held by the Company was 39.55%. Since CRRCG held 11.47% equity interest of ZTNM and has authorized the Company to exercise its voting rights, the voting rights of ZTNM held by the Company became 51.02% as at 31 December 2018 (31 December 2017: 51.02%), and ZTNM was considered as a subsidiary of the Company.

The above table lists the subsidiaries of the Group which, in the opinion of the directors of the Company, principally affected the results for the year or formed a substantial portion of the net assets of the Group as at 31 December 2018. To give details of other subsidiaries would, in the opinion of the directors of the Company, result in particulars of excessive length.

None of the subsidiaries had issued debt securities during the year ended 31 December 2017 and 31 December 2018.

Details of non-wholly owned subsidiaries that have material non-controlling interests

The table below shows details of non-wholly-owned subsidiaries of the Group that have material non-controlling interests:

Name of subsidiary	Place of establishment and principal place of business	Proportion of ownership interest held by non-controlling interests		Loss (profit) allocated to non-controlling interests		Accumulated non-controlling interests	
		2018	2017	**2018**	2017 (restated)	**2018**	2017 (restated)
				RMB'000	RMB'000	**RMB'000**	RMB'000
ZTE and its subsidiaries	PRC	**47.62%**	47.97%	**1,282,490**	1,248,023	**9,697,388**	8,769,690
ZTNM and its subsidiaries	PRC	**60.45%**	60.45%	**(265,727)**	39,392	**2,932,212**	3,085,395
CRRC Changchun and its subsidiaries	PRC	**6.46%**	6.46%	**193,754**	187,034	**2,005,125**	1,865,334
Individually immaterial subsidiaries with non-controlling interests				**482,946**	731,621	**6,592,207**	6,615,272
Total				**1,693,463**	2,206,070	**21,226,932**	20,335,691

52. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY *(continued)*

Details of non-wholly owned subsidiaries that have material non-controlling interests

Summarised financial information in respect of each of the Company's subsidiaries that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

ZTE and its subsidiaries

	2018 **RMB'000**	2017 RMB'000
Current assets	**23,582,506**	21,612,648
Non-current assets	**5,452,016**	5,037,000
Current liabilities	**7,836,896**	7,623,291
Non-current liabilities	**1,074,113**	969,792
Equity attributable to owners of ZTE	**19,824,763**	17,764,353
Non-controlling interests of ZTE's subsidiaries	**298,750**	292,212

	2018 **RMB'000**	2017 RMB'000
Revenue	**15,657,901**	15,143,709
Expenses	**13,174,359**	12,623,703
Profit for the year	**2,650,535**	2,562,210
Profit attributable to owners of ZTE	**2,612,488**	2,523,471
Profit attributable to the non-controlling interests of ZTE's subsidiaries	**38,047**	38,739
Other comprehensive expense for the year	**(8,799)**	(27,037)
Total comprehensive income attributable to owners of ZTE	**2,604,257**	2,496,641
Total comprehensive income attributable to the non-controlling interests of ZTE's subsidiaries	**37,479**	38,532
Total comprehensive income for the year	**2,641,736**	2,535,173
Dividends paid to non-controlling interests	**16,060**	8,122
Net cash inflow from operating activities	**3,758,563**	1,469,188
Net cash outflow from investing activities	**(2,350,359)**	(604,129)
Net cash outflow from financing activities	**(451,632)**	(504,080)
Effect of foreign exchange rate changes	**2,246**	(4,631)
Net cash inflow	**958,818**	356,348

52. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY *(continued)*

Details of non-wholly owned subsidiaries that have material non-controlling interests *(continued)*

ZTNM and its subsidiaries *(continued)*

	2018 RMB'000	2017 RMB'000
Current assets	**8,860,864**	8,714,547
Non-current assets	**5,416,201**	5,611,264
Current liabilities	**8,044,605**	5,940,821
Non-current liabilities	**1,441,059**	3,370,496
Equity attributable to owners of ZTNM	**4,700,858**	4,877,620
Non-controlling interests of ZTNM's subsidiaries	**90,543**	136,874

	2018 RMB'000	2017 RMB'000
Revenue	**11,996,047**	11,399,613
Expenses	**12,512,726**	11,387,704
Loss(profit) for the year	**(434,591)**	66,770
Loss(profit) attributable to owners of ZTNM	**(426,963)**	69,224
Loss attributable to the non-controlling interests of ZTNM's subsidiaries	**(7,628)**	(2,454)
Other comprehensive income for the year	**28,480**	60,735
Total comprehensive (expense)income attributable to owners of ZTNM	**(398,470)**	129,959
Total comprehensive expense attributable to the non-controlling interests of ZTNM's subsidiaries	**(7,641)**	(2,454)
Total comprehensive income for the year	**(406,111)**	127,505
Dividends paid to non-controlling interests	**—**	—
Net cash inflow (outflow) from operating activities	**375,428**	(90,562)
Net cash outflow from investing activities	**(594,634)**	(266,723)
Net cash inflow (outflow) from financing activities	**272,528**	(85,917)
Effect of foreign exchange rate changes	**7,336**	14,121
Net cash inflow (outflow)	**60,658**	(429,081)

52. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY *(continued)*

Details of non-wholly owned subsidiaries that have material non-controlling interests *(continued)*

CRRC Changchun and its subsidiaries

	2018 **RMB'000**	2017 RMB'000
Current assets	**41,655,180**	43,919,193
Non-current assets	**13,462,117**	11,620,313
Current liabilities	**35,218,484**	37,101,147
Non-current liabilities	**1,617,129**	1,511,108
Equity attributable to owners of CRRC Changchun	**17,361,038**	15,988,791
Non-controlling interests of CRRC Changchun's subsidiaries	**920,646**	938,460

	2018 **RMB'000**	2017 RMB'000
Revenue	**34,258,852**	30,516,611
Expenses	**31,585,860**	27,946,916
Profit for the year	**2,532,420**	2,284,999
Profit attributable to owners of CRRC Changchun	**2,523,883**	2,259,024
Profit attributable to the non-controlling interests of CRRC Changchun's subsidiaries	**8,537**	25,975
Other comprehensive income(expense)for the year	**44,504**	(33,224)
Total comprehensive income attributable to owners of CRRC Changchun	**2,565,878**	2,225,809
Total comprehensive income attributable to the non-controlling interests of CRRC Changchun's subsidiaries	**11,046**	25,966
Total comprehensive income for the year	**2,576,924**	2,251,775
Dividends paid to non-controlling interests	**107,508**	106,073
Net cash inflow from operating activities	**5,287,788**	2,630,396
Net cash (outflow) inflow from investing activities	**(5,919,969)**	2,945,485
Net cash outflow from financing activities	**(2,134,132)**	(1,233,693)
Effect of foreign exchange rate changes	**24,891**	(22,051)
Net cash (outflow) inflow	**(2,741,422)**	4,320,137

53. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	2018	2017
	RMB'000	RMB'000
Non-current assets		
Property, plant and equipment	**66,549**	53,837
Other intangible assets	**109,148**	108,324
Due from subsidiaries-non-current	**5,701,111**	7,323,891
Interests in subsidiaries	**398,404,613**	396,778,857
Interests in an associate	**5,325,685**	5,336,278
Other non-current assets	**2,430,000**	—
	412,037,106	409,601,187
Current assets		
Trade receivables	**229,006**	186,998
Due from subsidiaries-current	**24,044,855**	31,359,314
Prepayments, deposits and other receivables	**77,813**	284,554
Financial assets at fair value through profit or loss	**61,242**	2,139,563
Available-for-sale investments	**—**	439,497
Pledged bank deposits	**1,002,309**	1,001,564
Cash and bank balances	**7,470,296**	17,729,650
	32,885,521	53,141,140
Current liabilities		
Trade payables	**14,119**	—
Due to subsidiaries	**22,669,027**	22,068,865
Financial liabilities at fair value through profit or loss	**—**	181,755
Other payables and accruals	**754,799**	692,069
Borrowings - due within one year	**9,865,898**	25,425,236
Retirement benefit obligations	**480**	980
Contract Liabilities	**42,518**	—
Convertible bonds-liability component-current	**3,910,829**	—
Convertible bonds-derivative component-current	**271,899**	—
Tax payable	**7**	—
	37,529,576	48,368,905
Net current (liabilities)/assets	**(4,644,055)**	4,772,235
Total assets less current liabilities	**407,393,051**	414,373,422

53. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY *(continued)*

	2018 RMB'000	2017 RMB'000
Capital and reserves		
Share capital	**28,698,864**	28,698,864
Reserves	**375,191,856**	375,032,032
Total equity	**403,890,720**	403,730,896
Non-current liabilities		
Borrowings - due after one year	**3,500,000**	6,495,168
Retirement benefit obligations	**2,090**	4,830
Long-term payables	**241**	—
Convertible bonds- debt component	—	3,630,772
Convertible bonds-derivative component	—	511,756
	3,502,331	10,642,526
Total equity and non-current liabilities	**407,393,051**	414,373,422

53. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY *(continued)*

Movement in the Company's reserves

	Capital reserve RMB'000	Retirement benefit obligations re-measurement reserve RMB'000	Revaluation reserve RMB'000	Statutory surplus reserve RMB'000	Retained earnings RMB'000	Total RMB'000
At 1 January 2017	356,288,472	(8,767)	23,863	2,273,807	6,636,198	365,213,573
Profit for the year	—	—	—	—	5,303,255	5,303,255
Non-public issuance of A shares	10,523,999	—	—	—	—	10,523,999
Re-measurement gain on retirement benefit obligations	—	2,331	—	—	—	2,331
Change in fair value of available-for-sale investments	—	—	15,635	—	—	15,635
Appropriation of statutory surplus reserves	—	—	—	547,755	(547,755)	—
Dividends distributed	—	—	—	—	(6,026,761)	(6,026,761)
At 31 December 2017	366,812,471	(6,436)	39,498	2,821,562	5,364,937	375,032,032
Adjustments	—	—	(39,498)	—	39,498	—
At 1 January 2018	366,812,471	(6,436)	—	2,821,562	5,404,435	375,032,032
Profit for the year	—	—	—	—	4,458,860	4,458,860
Re-measurement gain on retirement benefit obligations	—	3,371	—	—	—	3,371
Appropriation of statutory surplus reserves	—	—	—	458,430	(458,430)	—
Dividends distributed	—	—	—	—	(4,304,830)	(4,304,830)
Others	2,423	—	—	—	—	2,423
At 31 December 2018	366,814,894	(3,065)	—	3,279,992	5,100,035	375,191,856

54. CONTINGENT LIABILITIES

(i) The Group has provided financial guarantees to Wuhu Yun Da rail transportation construction and operation Co., Ltd. in the first-stage of project of Wuhu Rail Transit Line 1 and line 2. The maximum exposure of these financial guarantees to the Group is RMB 5,818,593,000 (2017: RMB7,441,000,000).

(ii) In the course of its normal operations, the Group, due to various factors, may be exposed to potential legal proceedings or investigations in connection with its sales or services.

The Group has learned through relevant media reports of the appointment of a Judicial Commission of Inquiry in South Africa into Allegations of State Capture, Corruption and Fraud in the Public Sector, including organs of state ("Inquiry") for which the terms of reference were published by presidential proclamation on January 25, 2018. In the same context, media reports in South Africa also make reference to violation of laws related to multiple procurements for the supply of locomotives by South African train operator, Transnet. The Group has not received any letter or request for information from any foreign governmental authorities including from the authorities conducting the Inquiry, in relation to this matter other than as described below.

As disclosed in note 35, bank balances totalling approximately RMB 600 million held in two bank accounts of the Group in South Africa are the subject of freezing orders issued by the South African Reserve Bank ("SARB") in relation to allegations of contraventions of the Exchange Control Regulation in South Africa relating to certain locomotive procurements involving Transnet. The Group has submitted applications to the SARB for the utilization of these bank balances. The applications have been received but not yet been approved by the SARB. These bank balances may be subject to forfeiture under the Exchange Control Regulation in South Africa.

Based on the information known to the Group at this time, the Group considers that it is not practicable to estimate the Group's financial exposures in relation to the matters described above. The Group will continue to monitor the development of this matter and its potential effects, if any.

55. EVENTS AFTER THE REPORTING PERIOD

(i) On 5 February 2019, the Bondholders of the 2016 Convertible Bonds as disclosed in note 44 with an aggregate principal amount of US$240,000,000 (the "Redeemed Bonds") gave notice to exercise their rights of redemption at 100 percent pursuant to the terms and conditions of the 2016 Convertible Bonds. Accordingly, the Redeemed Bonds have been cancelled upon such redemption on the same day.

(ii) On 28 March 2019, the Board of Directors proposed a final dividend of RMB0.15 per ordinary share based on 28,698,864,000 shares to shareholders of the Company, and the proposal is subject to the approval by the shareholders in the forthcoming annual general meeting.

DEFINITION

Articles of Association	the Articles of Association of the Company
A Share(s)	the Company's domestic share(s) listed on the Shanghai Stock Exchange
Board	the board of directors of the Company, unless the context requires otherwise
BOGE	BOGE Rubber & Plastics
China United Insurance	China United Insurance Holding Corporation (中華聯合保險集團股份有限公司)
CNR	former China CNR Corporation Limited (中國北車股份有限公司)
CNRG	former China Northern Locomotive & Rolling Stock Industry (Group) Corporation (中國北方機車車輛工業集團公司)
CRRC Changchun	CRRC Changchun Railway Vehicles Co., Ltd. (中車長春軌道客車股份有限公司)
CRRC Financial and Securities	CRRC Financial and Securities Investment Co., Ltd. (中車金證投資有限公司)
CRRCG or CRRC GROUP	CRRC GROUP Co., Ltd. (中國中車集團有限公司)
CRRC or Company	CRRC Corporation Limited (中國中車股份有限公司)
CRRC Sifang	CRRC Qingdao Sifang Co., Ltd. (中車青島四方機車車輛股份有限公司)
CRRC Tangshan	CRRC Tangshan Co., Ltd. (中車唐山機車車輛有限公司)
CRRC ZELRI	CRRC Zhuzhou Institute Co., Ltd. (中車株洲電力機車研究所有限公司)
CRRC Zhuzhou	CRRC Zhuzhou Locomotive Co., Ltd. (中車株洲電力機車有限公司)
CSR	former CSR Corporation Limited (中國南車股份有限公司)
CSR and CNR	CSR and CNR
CSRC	China Securities Regulatory Commission (中國證券監督管理委員會)
CSRG	former CSR Group (中國南車集團公司)
Director(s)	director(s) of the Company, unless the context requires otherwise
Finance Company	CRRC Finance Co., Ltd. (中車財務有限公司)
Financial Leasing Company	CRRC Financial Leasing Co., Ltd. (中車金融租賃有限公司)
Group	the Company and its subsidiaries
Hong Kong Listing Rules	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
H Share(s)	the Company's foreign share(s) listed on the Stock Exchange
Model Code	Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Hong Kong Listing Rules
Qiqihar Group	CRRC Qiqihar Group Co., Ltd. (中車齊車集團有限公司)

SASAC	State-owned Asset Supervision and Administration Commission of the State Council (國務院國有資產監督管理委員會)
Senior Management	senior management of the Company, unless the context requires otherwise
SFO	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
SMD	Soil Machine Dynamics Ltd
SSE	Shanghai Stock Exchange
Stock Exchange	The Stock Exchange of Hong Kong Limited
Supervisor(s)	supervisor(s) of the Company, unless the context requires otherwise
Supervisory Committee	the supervisory committee of the Company, unless the context requires otherwise
Times Electric	Zhuzhou CRRC Times Electric Co., Ltd. (株洲中車時代電氣股份有限公司)
Times New Material	Zhuzhou Times New Material Technology Co., Ltd. (株洲時代新材料科技股份有限公司)

COMPANY PROFILE

CHINESE NAME	中國中車股份有限公司
ENGLISH NAME	CRRC Corporation Limited
REGISTERED OFFICE	No. 16 Central West Fourth Ring Road, Haidian District, Beijing 100036, the PRC
BUSINESS ADDRESS OF THE HEAD OFFICE	No. 16 Central West Fourth Ring Road, Haidian District, Beijing 100036, the PRC
PRINCIPAL PLACE OF BUSINESS IN HONG KONG	Unit H, 41/F., Office Tower, Convention Plaza, No. 1 Harbour Road, Wanchai, Hong Kong
LEGAL REPRESENTATIVE	Liu Hualong
EXECUTIVE DIRECTORS	Liu Hualong Sun Yongcai Xu Zongxiang
NON-EXECUTIVE DIRECTOR	Liu Zhiyong
INDEPENDENT NON-EXECUTIVE DIRECTORS	Li Guo'an Wu Zhuo Sun Patrick
AUTHORIZED REPRESENTATIVE	Sun Yongcai TANG Tuong Hock
JOINT COMPANY SECRETARIES	Xie Jilong TANG Tuong Hock
SECRETARY TO THE BOARD	Xie Jilong
SECURITIES REPRESENTATIVE	Jin Yonggang
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H SHARE REGISTRAR	Computershare Hong Kong Investor Services Limited 17M Floor, Hopewell Centre 183 Queen's Road East Wanchai Hong Kong
PLACES OF LISTING	The Stock Exchange of Hong Kong Limited Shanghai Stock Exchange
STOCK NAME	中國中車 (CRRC)
STOCK CODE	1766 (Hong Kong) 601766 (Shanghai)

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