中国中车股份有限公司
CRRC CORPORATION LIMITED

(a joint stock limited company incorporated in the People's Republic of China with limited liability)
Stock code: 1766

Annual Report 2015

CONNECT Hearts
CONNECT the World

IMPORTANT

1. The board of directors (the "Board") and the supervisory committee (the "Supervisory Committee") of the Company and its directors (the "Director(s)"), supervisors (the "Supervisor(s)") and senior management (the "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 annual report has been considered and approved at the twelfth meeting of the first session of the Board of the Company. All Directors of the Company 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. Cui Dianguo, 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 annual 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 share capital of 27,288,758,333 shares in aggregate as at 31 December 2015.

7. Major risk notice: the major risk factors faced by the Company include policy risks, market risks, product quality risks and exchange rate risks, which have been described in detail in this annual 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	2015 Amount (RMB' 000)	2014 Amount (RMB' 000) (Restated)	Increase %
Revenue (RMB' 000)	237,784,602	218,450,551	8.85
Profit after tax (RMB' 000)	14,097,878	12,346,361	14.19
Profit attributable to shareholders of the Company (RMB' 000)	11,818,398	10,815,468	9.27
Basic earnings per share (RMB/share)	0.43	0.41	4.88

Item	As at the end of 2015 Amount (RMB' 000)	As at the end of 2014 Amount (RMB' 000) (Restated)	Increase %
Total assets (RMB' 000)	311,693,729	298,813,676	4.31
Total liabilities (RMB' 000)	198,119,156	196,636,447	0.75
Total equity (RMB' 000)	113,574,573	102,177,229	11.15
Including: equity attributable to shareholders of the Company (RMB' 000)	96,900,316	89,294,953	8.52
Shareholders' equity per share (RMB/share)	3.55	3.27	8.56

FINANCIAL SUMMARY

	As at 31 December				
	2015 RMB' 000	2014 RMB' 000 (Restated)	2013 RMB' 000 (Restated)	2012 RMB' 000 (Restated)	2011 RMB' 000 (Restated)
Results					
Revenue	237,784,602	218,450,551	191,219,792	179,316,100	165,671,064
Cost of sales	191,249,660	175,619,726	158,584,767	150,828,440	139,569,259
Gross profit	46,534,942	42,830,825	32,635,025	28,487,660	26,101,805
Other income and gains	3,641,718	2,534,333	1,400,379	2,817,779	2,125,937
Distribution and selling expenses	7,953,534	7,401,891	5,122,880	4,893,102	4,203,555
Administrative expenses	22,486,214	19,726,961	15,540,146	15,182,791	13,422,002
Other expenses, net	1,695,118	2,216,899	1,081,023	303,103	292,794
Finance costs	1,412,319	2,269,518	1,882,868	1,888,863	2,126,877
Share of profits and losses of associates and joint ventures	418,956	733,634	654,455	779,613	913,230
Profit before tax	17,048,431	14,483,523	11,062,942	9,817,193	9,095,744
Taxation	2,950,553	2,137,162	1,737,318	1,347,620	1,209,382
Profit for the year	14,097,878	12,346,361	9,325,624	8,469,573	7,886,362
Attributable to:					
Owners of the parent company	11,818,398	10,815,468	8,293,138	7,461,693	6,888,407
Non-controlling interests	2,279,480	1,530,893	1,032,486	1,007,880	997,955
	14,097,878	12,346,361	9,325,624	8,469,573	7,886,362
Earnings per share					
Basic	0.43	0.41	0.33	0.30	0.30
Diluted	0.43	0.41	0.33	0.30	0.30
ASSETS AND LIABILITIES					
TOTAL ASSETS	311,693,729	298,813,676	241,585,624	212,095,970	189,162,952
TOTAL LIABILITIES	198,119,156	196,636,447	155,293,954	135,802,824	134,966,897
TOTAL EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY	96,900,316	89,294,953	74,893,253	67,954,579	47,386,127
TOTAL NON-CONTROLLING INTERESTS	16,674,257	12,882,276	11,398,417	8,338,567	6,809,928
TOTAL EQUITY AT THE END OF THE PERIOD (SHARES)	27,288,758,333	13,803,000,000	13,803,000,000	13,803,000,000	11,840,000,000
NET CASH FLOWS FROM OPERATING ACTIVITIES	14,981,510	28,437,455	10,298,633	4,297,871	4,424,397

CHAIRMAN'S STATEMENT

Dear shareholders,

On 8 June 2015, CRRC officially unveiled itself to the world's capital markets. The establishment of CRRC marks an important milestone for the development of the global rolling stock industry, and opens a new chapter for the rolling stock industry in China and the world.

In 2015, CSR and CNR, as the pioneers, pathfinders and practitioners in deepening the reforms of state-owned enterprises, successfully completed their reorganization and integration, developing a model that can be replicated and reproduced in order to deepen the revolution of central enterprises. The reorganization and integration of CSR and CNR have also attracted much attention in the capital markets. Investors have paid close attention to the reorganization and integration progress as well as post-reorganization development of CRRC, devoting great enthusiasm and placing a higher level of expectation.

In 2015, we took the initiative to adapt to the new norm in economic development by accelerating integration of all businesses in order to realise the effects of the reorganization and integration, and succeeded in responding to a series of difficulties and challenges, achieving steady growth in operating results. Our performance and long-term stable development is not possible without the strong support of our shareholders. On behalf of the Board, I would like to take this opportunity to express our sincere gratitude to our investors.

In 2015, we actively forged new developmental advantages by further deepening technological innovations, operation model innovations and management innovations. We succeeded in the research and development of China standard EMU with a speed of 350km/h, and achieved breakthrough in a series of core technologies. New businesses developed steadily with rapid growth in the businesses of wind power equipment, green products, new energy vehicles and polymer composite materials and so forth. We also actively extended our service chain and gradually transformed to a manufacture + service model, further promoted integration of industrialization and informatization, and formally launched the "中車購" e-commerce platform. The finance business and the main business of manufacturing have formed positive interaction along with closer industry-finance integration, while enhancement of management gained solid progress and a lean management system was initially established, demonstrating a clearer management structure with CRRC characteristics.

In 2015, we accelerated our overseas business layout and continued to promote cross-border operation. General Secretary Xi Jinping and Premier Li Keqiang visited CRRC on several occasions, repeatedly motivating us for our revitalization of the high-end equipment manufacturing industry, which gave us great inspiration and encouragement. Riding on the "high-speed railway diplomacy", the China-Laos railway project, the China-Thailand railway project and the Hungary-Cyprus railway project were successively rolled put, while the Jakarta-Bandung high-speed rail project officially commenced construction, and a preliminary intention was reached for the Sino-US high-speed rail project. The dream for the globalization of China's high-speed railways is gradually becoming true.

2016 is the first year of CRRC's implementation of the "13th Five-Year Plan". With a focus on the three themes of "integration", "reform" and "upgrade", we will stimulate our growth momentum by following the strategy of the state to help boost industrial upgrade. Leveraging on the advantage of rail transits playing an important role in special programs such as "Made in China 2025" and "Internet +", we will make tireless efforts to fully achieve our strategic goals, and will serve the community, reward shareholders and benefit our employees with further development and more exceptional performance.

Cui Dianguo

March 2016

REPORTS OF DIRECTORS

A. BUSINESS OVERVIEW

I. Main Businesses, Operation Mode and Sector Situation of the Company during the Reporting Period

CRRC is an A+H share listed company established through the merger of CSR and CNR under the principle of merger of equals.

CRRC has assumed all businesses and assets of CSR and CNR, as well as the centennial heritage of China's manufacturing industry. It is the world's largest and most diverse rolling stock supplier with advanced technology. The main business scope of the Company includes: research and development, design, manufacturing, refurbishment, sales, leasing and technical support of locomotives, multiple units, rapid transit vehicles, engineering machinery, various electromechanical equipment, electronic equipment and components, electronic devices, environmental protection equipment; information consultation; industry investment and management; asset management; import and export businesses.

(1) Main Businesses of the Company

1. Railway equipment business

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

The Company leveraged on the industry characteristics and development opportunities of railway equipment, deeply understood changes to customers' needs, coordinated the domestic and international markets, reinforced customer relationship management and communication, pursued market segmentation, identified potential demand of the market, strengthened new technological application and new product development to meet diversified and individualized needs of users. High-speed EMU business made new breakthroughs, which played an important role in achieving the overall sales target. As for businesses related to locomotives, passenger carriage and freight wagon, the Company actively expanded external and international markets besides consolidating its position in the domestic market, accelerated the structure adjustment, endeavoured to overcome adverse impact of the declining national railway market. New breakthroughs have been achieved in rail engineering equipment market.

2. Rapid transit vehicles and urban infrastructure business

The rapid transit vehicles and urban infrastructure businesses mainly includes: (1) intercity EMU and city train procured by customers other than CRC; (2) rapid transit vehicles; (3) general contracting of rapid transit vehicles projects.

By capturing the sound opportunity in the rapid development of the domestic urban rail transit and centering around the theme of "integration and innovation, synergy and development", the Company expanded its businesses, reinforced management and endeavoured to foster the overall competitive advantages of rapid transit vehicles business for continuous expansion of the domestic and international rapid transit vehicles markets. In the domestic market, led by market direction and focusing on customer needs to provide systematic solutions by optimizing product technology and lifespan of service, aimed at key areas including the Yangtze River Delta and the Pearl River Delta to reinforce coordination and management for continuous expansion of the ability to obtain more orders and develop the market, the Company deepened innovation in its business model, strengthened communication and cooperation with local government, and strengthened the effort to develop a rapid transit engineering market, which provided a solid foundation for further expansion of general contracting of projects.

- Export of EMU to Malaysia

- 18-metre energy-storage modern light rail vehicle

3. New businesses

The new businesses mainly includes:(1) general mechanical and electrical business (2) new energy equipment business (3) new material business (4) other new businesses.

The businesses of the Company focused on wind power equipment, new materials, new energy vehicles and environmental protection equipment. The Company reinforced its research on national industrial policies, industry development environment and developmental trends to robustly promote the development plan of the new industry leading to the stable development of the industry. Benefiting from extended release of the country's new energy policies and growing attention on energy conservation and environmental protection in 2015, the Company achieved rapid growth in the new business. The Company further reinforced its competitiveness in the market by merging and acquiring BOGE, a foreign company. A breakthrough was made in deepwater robot market and competitiveness in the ship and marine engineering equipment market was reinforced by merging and acquiring SMD, a UK company. In addition, it was awarded waste water treatment projects under the PPP model in Changshu town, Jiangsu. With support from the national and local governments on the trial, promotion and application, breakthroughs were achieved in the decentralized waste water treatment market in rural areas.

4. Modern service business

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

By focusing on financial, similar financial and logistic service businesses, the Company actively conducted resource consolidation and business reorganization, promoted stable development of the modern services business and accelerated the integration between the manufacturing industry and the service industry. It hastened the development of financial and similar financial businesses, fully brought into play the advantages of financial organizations, and promoted internal cooperation between enterprises within the Company. This has reduced the Company's cost and made great achievements in income generation and efficiency improvement. Pilot test has commenced for rail transit passenger information service systems. As for management of the logistic's business, the Company actively innovated its business model and utilized the concept of lean management, professional logistics solution design and information technology to transform the logistics management, created a chain service platform which was integrated with corporate logistics business entrustment, consultation on the management of goods and storage, in order to provide professional services. Based on the concept of centralized procurement, the Company built the "中車購" e-commerce platform to accelerate its pace on the e-commerce model. Supply chain management platform was continuously optimized and improved, with online purchase rate at more than 68%.

5. International business

By firmly seizing the rare strategic opportunity of "One Belt One Road" implemented by the state, the Company vigorously implemented its globalisation strategy. It was awarded the Iran metro projects to set the new record of metro export orders. It was also awarded the largest metro purchase project in Hong Kong and received an order for 120 light rail vehicles from Israel. This is a breakthrough in vehicle orders in the Israeli market. The localized electric locomotive of South Africa successfully launched. Products of the Company have been exported to nearly one hundred countries and regions in six continents. The exported products realized an upgrade from mid-low end to high-end and the exported markets were shifted from Asia, Africa and Latin America to the European and U.S. markets. The form of export has shifted from product export to a mix of export including product, capital, technology, services, etc.

The development of the overseas business network layout has further accelerated. The foundation of the Boston Metro Project was successfully laid in Spring field. The first offshore manufacturing venue of China's railway equipment was built and started operations in Malaysia, which became a new spotlight of "international production cooperation". The jointly established freight wagon company in the U.S. has commenced production of the first series of prototypes, opening a new chapter in the localization of the North American market. The Company acquired the world well-known SMD, a marine engineering enterprise, to strongly enter the high-end deep-sea robot equipment industry. This provides an important support for fostering and developing the high-end marine engineering equipment industry. In addition, it acquired BOGE, a well known rubber company globally, achieving notable results in cross-global integration.

- "Made in China" EMU launched in Europe for the first time

- SDA1 model locomotive exported to Bradken Limited in Australia

- The ground breaking ceremony in Springfield, U.S.

- EMUs for the Brazil Rio Olympics are fully delivered

(2) Operation mode of rolling stock industry

1. Production model: as unit costs of manufacturing rolling stock are high, its production model is to "limit production to market needs", meaning that 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, which is commonly used throughout the industry. As for centralized procurement of bulk ordinary goods, the Company compiles procurement requests from its subsidiaries and develops a centralized procurement plan. In addition, the Company also conducts supplier management and assessment on a centralized basis, procurement price management, procurement bidding management, centralised ordering and clearing of goods. The subsidiaries are responsible for procurement of other materials. They can choose appropriate suppliers through tendering and bidding, etc., and negotiate and enter into contracts. Such a model is conducive to guaranteeing the supply of new material and reducing purchase cost.

3. Selling model: as the value of product per unit is high, the main sales model is through tenders or negotiation of tenders. Through bidding or communications and negotiations with customers on the basis of the historical price, the final price is determined and the order is placed.

(3) Sector situation

The rolling stock industry is a strategic emerging industry designated by the State. It has attracted close attention and concerns from the Party and State leaders that have promoted China's high-speed technologies and equipment globally on multiple occasions. Rolling stock, especially high-speed rail equipment, is increasingly preferred by countries throughout the world as convenient, fast and green products. High-end rolling stock industry is facing an unprecedented opportunity.

With rapid development in recent years, China's rail transit industry has laid a solid foundation. The future development target will be achieving "integration of three networks", namely trunk railway network, intercity rail network and urban transit network to form a complete rail transit network throughout the country. The advancement of the"integration of three networks" will help to achieve interconnection and resources sharing among the three networks, resolve issues arising from the independent development of existing rail transport, improve efficiency and benefits of the overall integrated transport system and promote regional and urban economic development. It can also bring new opportunities for prosperity of the overall rolling stock market. Along with the rapid growth of the inventory of rolling stock, a large number of rolling stock are undergoing a period of maintenance. Meanwhile, due to the continuous influence of factors including technology upgrading, it is predicted that the market related to rail equipment upgrading and maintenance would continue to grow at a relatively rapid pace.

In 2015, under the pressure from the slowdown in the growth of national economic development, CRRC actively adapted to a new environment and new changes, seized market opportunities, coped with market challenges, accurately pursued market development, international operation, technological innovation, synergetic development and other aspects through transformation, upgrading, reform and development, such that it has a leading domestic market share in its main businesses including locomotives, passenger carriage, freight wagon, multiple units, rapid transit vehicles and metro vehicles, etc. Whilst meeting China's needs in railway and urban rail transit development, various types of rolling stock products continued to be exported on all fronts. The products have been comprehensively introduced in developed countries and have been exported to over one hundred countries and regions in six continents. High-speed railway has become a household name for domestic high-end equipment to "venture out". According to rankings of global rolling stock manufactures from SCI Verkehr, a German company, by 2014, CNR and CSR ranked top two among the world's rolling stock suppliers for several consecutive years before their reorganisation and merger. After their reorganisation and merger, a powerful unity has been realised and CRRC will further strengthen China's competitiveness in rolling stock and its position in the global market.

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

During the reporting period, there was no significant change in the major assets of the Company.

III. Analysis of the core competitiveness during the reporting period

CRRC is China's leading company in the rolling stock industry and also a world leader in the rolling stock manufacturing industry. It enjoys an international leading position in its business scale, research and development of core technology, industrial production capacity, manufacturing process, etc. By utilizing its core technology of rolling stock, CRRC is actively expanding its businesses to national strategic emerging industries such as new energy vehicles, wind power equipment, polymer composite materials, etc.

1. Constant improvement of technological innovation systems with significant improvement in independent innovations.

In 2015, CRRC was approved to set up a national engineering lab for rail vehicle system integration, a key national laboratory for high power AC drive electric locomotive systems integration and a key national laboratory for new power semiconductor devices. CRRC established the domestically leading technological innovation platform with components such as the national key (engineering) lab, the national engineering (technology) research center and the national-recognized enterprise technology center. Currently, the Company owns 1 corporate central research station, 4 professional research institutes, and 9 overseas research and development centers. It has established 5 national key/engineering labs, 4 national engineering technology research centers, 20 national-level corporate technology centers. In 2015, the Company took charge of formulating 5 international standards including IEC, participated in formulating 42 international standards, and obtained 3188 licensed patents, among which licensed invention patents totaled 1006, overseas patents applications totaled 158 and licensed overseas patents totaled 23.

2. Continuous advancement in superiority of core technology to provide robust support and guidance for rapid development of the industry.

Type test for China standard EMU at a speed of 350km/h has been completed comprehensively and pilot operation has commenced for the first low-speed maglev train with independent intellectual property rights. Operational assessment for independent intercity EMU at a speed of 250km/h and 160km/h has been completed and type test for the CRH380AM China high-speed comprehensive inspection train has been completed. The SDA1 AC driving diesel locomotive for export to Australia has been successfully researched and manufactured and narrow gauge funnel railway freight cars for export to Australia have been determined as a national key new product by the Ministry of Science and Technology. SRS highway and railway overhead working truck was successfully CE certified and obtained the qualification necessary for access to EU countries. 4400 horsepower diesel locomotives successfully filled the void in this field in China, and mass production for 30-ton-axle-load high power freight electric locomotive was achieved. Research and development for energy-storage type 100% low floor light rail and hanging mass transit vehicles and other products enjoyed smooth progress. New breakthrough was achieved in a series of core technologies for high-speed EMU traction control system and braking system.

3. **Globally leader in industrial manufacturing scale with the ability to leverage development opportunities in domestic and international markets.**

Through continuous improvement in innovation and technical transformation, the Company has built a series of R&D manufacturing bases for high-speed EMU, electric locomotive, diesel locomotives, mass transit vehicles and railway wagons which meet advanced world standard and the world's leading manufacturing scale. Not only do they meet the volatile domestic market demand, but they also rapidly cater to the global rolling stock market demand. With a lean management team as the major resource, the Company constantly improves its operational and management capacity and sets up advanced quality control system and the entire value chain manufacturing system with advanced manufacturing technology. In addition, its product manufacturing technology, major technological devices and measurement/detection means have reached international level. Product quality has been rising steadily and the role of informationization in supporting the development of the Company has been strengthened. Meanwhile, the Company also owns a wide range of sale and service networks domestically and abroad and has the advantage to timely seize domestic and overseas market growth opportunities.

4. **Continuous optimization of business structure with preliminary results achieved upon transformation and upgrading.**

While consolidating the leadership which the traditional rolling stock business enjoys in the domestic industry, the Company, through market-orientated approaches, continuously deepened its cooperative relations with users, and constantly optimized resource allocation to promote the transfer of its resources to emerging strategic industries and the high-end of the value chain. Benefiting from continual loosening of the country's new energy policies and growing attention to energy conservation and environmental protection, the Company made solid steps in new businesses development. It was awarded with the waste water treatment projects of Changshu town in Jiangsu, which has the effect of setting good examples. In addition, the Company achieved rapid growth in new businesses focusing on general mechanical and electrical products, polymer composites, wind power equipment, new energy vehicles and sewage treatment systems, etc. Integration continues to deepen and the new generation of passenger information service system based on the network is put into test run; e-commerce platform of the supply chain was utilized for logistic trade and "中車購" was formally put into service; financial and similar financial businesses made a stable progress with robust operating profit results and the modern services business grew steadily.

5. **Management performance was strengthened with new achievements attained in management innovation.**

The Company intensified the establishment of financial integration and supply chain management platform and constantly promoted deep integration of informationization with lean production and a lean management businesses as the core. It continued to improve the performance evaluation system, lifted test weights of EVA, intensified benchmarking activities, adhered to the goals to lead and strengthen quality management, encouraged leapfrogging and constant improvement, and prompted greater attention to enhancement of quality and efficiency. The Company constantly reinforced its governance capacity, established well-coordinated corporate governance structure with clear-cut responsibilities, clear division of work and effective balancing and effective operating mechanism. The Company also improved the overall risk management system and effectively prevented market risk, capital risk, legal risk and quality and security risk to ensure stable operations, improve management quality and increase its competitiveness.

B. MANAGEMENT DISCUSSION AND ANALYSIS

I. Management discussion and analysis

The founding of CRRC opens a new chapter in rolling stock development in China and even the whole world. Facing a complex and challenging economic situation, fluctuating market environment and other challenges, CRRC voluntarily adapted to the "new norm" of economic development, and actively responded to challenges and difficulties arising from the combination of reconstruction, production and operation. Through rapid integration, reform promotion and development planning, the Company has achieved stable business growth with good results in various projects. A new journey is embarked in developing CRRC.

(1) **The business operation gets off to the best start.** In the face of unprecedented restructuring, market and operation pressure, the Company confronts the difficulties and challenges to maintain growth while keeping the good traditions inherited from CSR and CNR. By reinforcing supervision of operation, intensifying incentives and restraints, focusing on users' needs and expanding the market with all strengths, the Company has generated contracted sales totaling RMB287,500 million (of which, export contracted sales generated by the international businesses amounted to USD5,781 million) during the year. Orders on hand as at the end of the reporting period amounted to RMB214,400 million. The Company has capitalized on the reorganization and enhanced corporate synergy to provide effective support for production and operation. Thanks to joint efforts, the Company's business operation has gotten off to the good start. In 2015, CRRC generated RMB237,785 million in operating revenue, representing an increase of 8.85% as compared to the same period of the previous years and RMB11,818 million in net profit attributable to shareholders of the parent company, representing an increase of 9.27% as compared to the same period of the previous year. It successfully achieved the operational goal of 1+1>2, which writes a significant chapter for a new CRRC.

(2) **Gradual manifestation of reconstructing effect.** Smooth completion of reorganisation and consolidation of CSR and CNR demonstrates an example of the successful reorganisation and consolidation of enterprises which are well matched in strength. Subject to the requirements of "consolidation of business, organizations and staff", the staff and the headquarters have fit in place within a short period of time, with the orderly linking of the work stream and the smooth integration of businesses. The effect of the reorganization gradually manifested. The operational analysis mechanism began to run and the dynamic monitoring has strengthened. Each business segment and each functional system acted quickly to identify problems and accurately pushed for the steady completion of tasks. Internal reorganisation was conducted in an orderly manner and the business reorganizations of logistic company, financial company, leasing company, international company and Hong Kong company have completed. CRRC has built a new image in the capital market and obtained wide recognition from all walks of life and its staff.

(3) **Exploration and innovation of operational mode.** With the aim of "strategically-led, business-dominant, management-support, globally-orientated", the Company has actively established business development as a basis, and functional service and regional management as the support activities. Division of tasks was made for the management with clear-cut roles for each department and each business division of the headquarters. The business-oriented operational ideal takes shape initially, and the matrix management architecture includes three levels, namely the headquarters, each business division and each subsidiary, and two dimensions of business and management have formed gradually. The traditional industry is actively transforming. Each company kept strengthening its tie with users, extending its product and service chain and actively sought new points of business growth. The new industry took a solid step, and the Company was awarded the waste water treatment projects of Changshu town in Jiangsu, which has the effect of setting good examples. In addition, the Company achieved rapid growth of new industries related to new energy cars, wind power generation, environmental protection equipment, polymer composites, etc.. A step forward has been steadily made in capital operation.

- Energy-storage model tram in Huaian

- 6MW direct-drive permanent magnet synchronous generator stator manufacturing lens

(4) **Great achievements in technological innovation.** A series of new developments have been made to product R&D. Type tests for two China Standard EMU at a speed of 350km/h have been fully completed with excellent technical results. This marked the entry of China's EMU development into a new stage of fully autonomous and standardization. Pilot operation has started for China's first low-speed maglev train with independent intellectual property rights in Changsha. Narrow gauge funnel railway freight cars made for export to Australia have been deemed a national key new product by the Ministry of Science and Technology. The ability to innovate in technology has improved. The Company has obtained approval to set up a national engineering lab for rail vehicle system integration, national key laboratory for high power AC drive electric locomotive systems integration, national key laboratory for new power semiconductor devices, and 3 additional companies have obtained approval to establish national enterprise technical centers. Positive progress has been made in the construction of the high-speed train global innovation center, national industry design center and the maglev technology R&D center. The construction of overseas development centers has been proceeding steadily, with Sino-Germany, Sino-Britain and Sino-US joint R&D centers set up successively. With as many as 9 overseas R&D centers, our ability to plan global technical resources has significantly strengthened. As important participants of "Beijing-Shanghai High Speed Railway" project, some affiliates of the Company won the grand prize of national scientific and technological progress awards.

China Standard EMU at a speed of 350km/h conducting high-speed test from Original Pingxi to Yangquxi section of the Datong–Xi'an Passenger Railway

(5) **Remarkable achievements in management enhancement.** The Company carefully planned the "13th Five Five Year Plan". The Company conducted in-depth analysis of the global competition, organized strategic seminars and strategic meetings, and described the development plan of the "13th Five Year Plan". The Company insisted on equal emphasis on merger and enhancement, continuously deepened construction of lean demonstration zone and lean workshop. The lean system framework has been formed initially and the lean management system featured by CRRC has been taking shape. The Company highlighted the performance evaluation guidance, formulated and implemented a uniform performance assessment method and preliminarily constructed an efficient evaluation system. Human resources management system has been increasingly enhanced and talents are passionate in continuing to innovate and create. The Company has made further efforts to form a highly-skilled team, which is growing stronger. High-skilled talents account for more than 60% of all staff.

II. Major Operation Results During The Reporting Period

In 2015, the operating revenue of the Company increased by 8.85% to RMB237.785 billion and net profit attributable to owners of the parent company increased by 9.27% to RMB11.818 billion. As at the end of December 2015, the consolidated total assets of the Company increased by 4.31% to RMB311.694 billion and the owner's equity increased by 11.15% to RMB113.575 billion. The gearing ratio was 63.56%, representing a decrease of 2.25% as compared with that at the beginning of the year.

(I) Analysis of main businesses

1. Analysis of revenue and costs

(1) Information on main businesses

Main Business by Segment

Business	Operating Revenue RMB'000	Operating Costs RMB'000	Gross Profit Margin (%)	Increase/ Decrease in Operating Revenue from Last Year (%)	Increase/ Decrease in Operating Costs from Last Year (%)	Increase/ Decrease in Gross Profit Margin from Last Year (%)
Railway equipment	129,550,512	99,883,006	22.9	2.97	4.44	-1.1
Rapid transit vehicles and urban infrastructure	24,477,162	21,503,633	12.1	36.51	42.86	-4.0
New businesses	52,512,829	40,743,194	22.4	28.13	23.18	3.1
Modern service	31,244,099	29,119,827	6.8	-7.36	-8.61	1.3
Total	237,784,602	191,249,660	19.6	8.85	8.90	0.0

Operating revenue from railway equipment business increased by 2.97% as compared to the same period of the previous year and maintained a stable growth. However, there were changes in the product mix, an increase in the sales of MUs and a decrease in the sales of passenger carriages and freight wagons. Operating costs increased by 4.44% as compared to the same period of the previous year, mainly due to an increase in the operating revenue.

Operating revenue from the rapid transit vehicles and urban infrastructure business increased by 36.51% as compared to the same period of the previous year, mainly due to an increase in delivery of rapid transit and metro vehicles in this period. Operating costs increased by 42.86% as compared to the same period of the previous year, mainly due to an increase in line with the significant growth in operating revenue and differences in costs of various orders and various types of products.

Operating revenue from new businesses increased by 28.13% as compared to the same period of the previous year, mainly due to effective market expansion and an increase in revenue from power generating equipment and automotive equipment. Operating costs increased by 23.18% as compared to the same period of the previous year mainly due to an increase in profit and a slight decrease in cost.

Operating revenue from the modern service business decreased by 7.36% as compared to the same period of the previous year, mainly due to a decrease in revenue from logistics and trades. The operating costs decreased by 8.61% as compared to the same period of the previous year and more than the decrease of the operating revenue, mainly due to changes in the product mix.

Operating revenue of the Company increased by 8.85% 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 54.48%, 10.29%, 22.09% and 13.14% respectively. As to the railway equipment business, revenue generated by the electric locomotive business was RMB32.361 billion with 2,365 locomotives sold; revenue generated by the passenger carriage business was RMB10.227 billion with 2,254 passenger carriages sold; revenue generated by the multiple units business was RMB76.824 billion with 3,782 multiple units sold; revenue generated by the freight wagon business was RMB10.138 billion with 15,797 trains sold; and revenue generated by the business of rapid transit vehicles and metro vehicles was RMB22.485 billion with 4,024 vehicles sold.

• New sleeper EMU departing on time from Beijing West Railway Station

• Medium-low speed maglev train in operation

(2) Information on major suppliers and customers

In 2015, the procurement by the Company from its top 5 suppliers totaled RMB16.010 billion, accounting for 10.09% of the total amount of procurement for the year.

In 2015, the sales of the Company to its top 5 customers totaled RMB131.786 billion, accounting for 55.42% 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 50.36% of the total sales of the Company for the year.

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

• EMU operating at high latitudes and low temperatures in Harbin

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 rail transit transportation operators. Railway customers were divided into railway customers and non-railway customers. Railway customers refer to the Ministry of Railway and the railway bureaus thereunder, which are the largest customers within the industry, and thus the Company relies on them. Non-railway customers were mainly large-scale plant, mining groups and ports, etc., the demand of which shows a trend of year-on-year increase. Such customers were more fragmented and thus the Company were not over-reliant on them. For the year ended 31 December 2015, approximately 55.42% of our products were sold to our five largest customers.

• Self-operating rail transit core system is reviewed in Beijing

• Delivery of the first metro in Nanning

• 18 new energy passenger carriages are driven to the southernmost of Mainland China

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 2015, approximately 10.09% of our products were manufactured by our five largest suppliers.

(3) Main businesses by region

Particulars of main businesses by region

Geographical region	Operating revenue RMB'000	Percentage of operating revenue in total revenue (%)	Year-on-year increase/decrease in operating revenue (%)
Mainland China	211,378,285	88.89	4.34
Other countries and regions	26,406,317	11.11	66.39

The Company's operating revenue from Mainland China during the reporting period increased by 4.34% while its operating revenue from other countries or regions increased by 66.39%, mainly due to the active and effective expansion of international businesses by the Company and an increase in the number of deliveries during the reporting period.

(4) Cost analysis

Costs of Main Businesses by Item

Cost Item	Amount over the Current Period RMB'000	Proportion in Total Costs	Amount over the Same Period of the Previous Year RMB'000	Proportion in Total Costs in the same period of previous year	Year-on-year Increase/ Decrease in Operating Costs (%)
Cost of materials	162,129,955	84.77%	148,647,377	84.64%	9.07
Cost of labor	9,345,303	4.89%	8,523,102	4.85%	9.65
Cost of using Machinery	12,544,266	6.56%	11,379,333	6.48%	10.24
Other expenses	7,230,136	3.78%	7,069,914	4.03%	2.27
Total	191,249,660	100.00%	175,619,726	100.00%	8.90

Other explanations about cost analysis

During the reporting period, due to increase in the operating costs as a result of the increase in operating revenue, manufacturing was the principal business of the Company and direct materials accounted for a majority part of the total costs. The cost of direct materials, direct labor, manufacturing expenses and other costs in this period increased in proportion with the increase in revenue, and the proportionate changes in total costs were mainly due to the effects of changes in the product mix.

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

Item	2015 Amount (RMB'000)	2014 Amount (RMB'000)	Growth Rate %
Selling and distribution expenses	7,953,534	7,401,891	7.45
Administrative expenses	22,486,214	19,726,961	13.99
Financial expenses	1,412,319	2,269,518	-37.78
Share of profits/losses of associated enterprises and joint ventures	418,956	733,634	-42.89
Taxes	2,950,553	2,137,162	38.06

Selling expenses increased by 7.45% as compared to the same period of the previous year, mainly due to the increase in the expected provision of product quality warranty as well as the increase in freight costs as a result of growth in overseas revenue.

Administrative expenses increased by 13.99% as compared to the same period of the previous year, mainly due to the increase in R&D expenses, amortisation of intangible assets and wage expenses etc.

Financial expenses decreased by 37.78% as compared to the same period of the previous year, mainly due to a decrease in the interest expense resulting from a decrease in the number of short-term financing bonds, borrowings and other interest-bearing liabilities, a decline in cost of funds as compared to last year, resulting in a decrease in the financial expenses.

Share of profits/losses of associated enterprises and joint ventures decreased by 42.89% as compared to that of the previous year, mainly due to a decrease in the profits of the associated enterprises and joint ventures.

The amount of income tax paid increased by 38.06% as compared to that of the previous year, mainly due to the overall increase in the operating profits in the current year.

3. **R&D expenses**

Information on R&D Expenses

Unit:'000 Currency: RMB

Expensed R&D Cost in the Current Period	9,930,709
Capitalized R&D Cost in the Current Period	19,503
Total R&D Costs	9,950,212
Proportion of R&D Costs in Revenue (%)	4.18
Number of R&D Personnel in the Company	33,457
Proportion of R&D Personnel in the Staff of the Company (%)	9.49
Proportion of the Capitalized R&D Cost (%)	0.20

Explanation:

R&D costs increased by 18.84% to RMB9.950 billion as compared to the same period of the previous year, mainly due to an increase in the R&D efforts for products such as standard MUs in China as well as an increase in R&D investments for basic, forward-looking and core key technologies.

4. **Analysis of cash flow during the Reporting Period**

Item	2015 Amount (RMB'000)	2014 Amount (RMB'000)	Growth Rate %
Net cash flow from operating activities	14,981,510	28,437,455	-47.32
Net cash flow from investment activities	-5,391,870	-19,784,830	—
Net cash flow from financing activities	-16,687,421	7,272,463	—

The net cash flow from operating activities was a net inflow of RMB14.982 billion, representing a decrease of RMB13.456 billion as compared to the same period of the previous year, mainly due to the fact that the net decrease in cash inflow is greater than the net decrease in cash outflow during the reporting period.

The net cash flow from investment activities was a net outflow of RMB5.392 billion, net outflow decreased by RMB14.393 billion as compared to the same period of the previous year, mainly due to a decrease in cash payments 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 RMB16.687 billion while the net inflow for the same period of the previous year was RMB7.272 billion.

(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

Item	31 December 2015		31 December 2014		
	Amount RMB'000	Proportion %	Amount RMB'000	Proportion %	Increase/ Decrease %
Cash and bank balances	34,754,992	11.15	43,836,907	14.67	-20.72
Trade receivables	72,514,398	23.26	58,423,719	19.55	24.12
Interest-bearing bank and other borrowings – short term	15,259,583	4.90	27,375,105	9.16	-44.26
Trade payables	83,179,106	26.69	71,389,640	23.89	16.51
Interest-bearing bank and other borrowings – long term	14,316,253	4.59	12,215,964	4.09	17.19
Provisions for product warranty – long term	3,741,417	1.20	1,795,359	0.60	108.39

Cash and bank balances decreased by 20.72% as compared to the beginning of the year, mainly due to the large number of payments and prepayments received at the end of last year.

Trade receivables increased by 24.12% as compared to the beginning of the year, mainly due to the increase in size of sales revenue during the reporting period and the concentration of the products delivered the end of the year.

Short-term interest-bearing bank and other borrowings decreased by 44.26% as compared to the beginning of the year, mainly due to the repayment of part of the short-term debentures by the Company.

Trade payables increased by 16.51% as compared to the beginning of the year, mainly due to the increase in size of operations and business volumes and the increase in procurement amounts during the reporting period.

Long-term interest-bearing bank and other borrowings increased by 17.19% as compared to the beginning of the year, mainly due to adjustments to liability structure during the reporting period and the increase in long-term borrowings by the Company.

Long term provisions for product warranty increased by 108.39% as compared to the beginning of the year, mainly due to the increase in acquisition of subsidiaries and the number of vehicles delivered by the Company during the reporting period.

2. Information on Assets Measured at Fair Value

Unit:'000 Currency: RMB

Item	Opening Balance	Gains (Losses) from Changes in Fair Value during the Current Period	Aggregate Changes in Fair Value Included in Equity	Provision for Impairment during the Current Period	Other Changes (Increase/ Decrease) during the Current Period	Closing Balance
Financial assets						
Including:						
1. Financial assets at fair value through profit or loss	4,387	-957	–	–	-6	3,424
Including: derivative financial instruments	4,387	-957	–	–	-6	3,424
2. Available-for-sale investments	5,274,415	–	-273,267	–	480,870	5,482,018
Subtotal of financial assets	5,278,802	-957	-273,267	–	480,864	5,485,442
Financial liabilities						
Including:						
1. Financial liabilities at fair value through profit or loss	1,000	-78	–	–	-563	359
Including: derivative financial instruments	1,000	-78	–	–	-563	359
Subtotal of financial liabilities	1,000	-78	–	–	-563	359

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

Unit:'000 Currency: RMB

Item	Opening Balance	Gains (Losses) from Changes in Fair Value during the Current Period	Aggregate Changes in Fair Value Included in Equity	Provision for Impairment during the Current Period	Other Changes (Increase/ Decrease) during the Current Period	Closing Balance
Financial assets						
Including:						
1. Financial assets at fair value through profit or loss	4,387	-957	–	–	-6	3,424
Including:						
derivative financial instruments	4,387	-957	–	–	-6	3,424
2. Loans and receivables	13,349,105	–	–	–	-6,605,781	6,743,324
Subtotal of financial assets	13,353,492	-957	—	–	-6,605,787	6,746,748
Financial liabilities						
Subtotal of financial liabilities	7,773,527	-78	—	–	-1,790,915	5,982,534

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

(1) Significant capital expenditure

The significant capital expenditure of the Company from January to December 2015 are shown in the table below:

Item	2015 Amount (RMB'000)	2014 Amount (RMB'000)
Property, plant and equipment	8,479,761	8,744,205
Advance payment for land lease	919,552	704,581
Other intangible assets	640,833	394,964
Investment properties	673,568	—
Total capital expenditure	10,713,714	9,843,750

(2) Capital commitment

As at 31 December 2015, the capital expenditure that the Group committed to but had not yet undertaken was RMB4.757 billion, which will be used mainly for property, plant, equipment or used as an advance payment for land lease.

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 - V. Significant Contracts and Their Implementation" of this annual report.

6. Detailed information on mortgaged assets of the Company

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

Item	2015 Amount (RMB'000)
Property, plant and equipment	50,958
Prepaid lease payments	36,450
Time deposits and bank balances	4,613,695
Bills receivable	1,437,104
Total	6,138,207

7. Borrowings, corporate bonds and notes

As at 31 December 2015, the total borrowings of the Group amounted to approximately RMB29.576 billion, representing a decrease of 25.30% from the borrowings as at 31 December 2014 in the amount of RMB39.591 billion, mainly due to the Company's repayment of part of the short-term bonds.

In the total borrowings of the Group as at 31 December 2015, RMB24.929 billion was denominated in Renminbi; RMB1.822 billion was denominated in USD; and RMB2.709 billion was denominated in Euro.

The long-term interest-bearing borrowings and short-term interest-bearing borrowings of the Group as at 31 December 2015 were RMB14.316 billion and RMB15.260 billion respectively.

The following table shows the maturities of the loans repayable by the Group as at 31 December 2014 and 31 December 2015 respectively.

	31 December 2015 Amount (RMB'000)	31 December 2014 Amount (RMB'000)
Within one year (inclusive of the starting date and ending date)	15,259,583	27,375,105
One to two years	5,153,230	737,309
Two to five years	6,369,602	9,953,790
More than five years	2,793,421	1,524,865
Total	29,575,836	39,591,069

As at 31 December 2015, the bank borrowings and other borrowings of the Group with floating interest rates totaled RMB11.248 billion while those as at 31 December 2014 totalled RMB10.532 billion.

As at 31 December 2015, the short-term interbank corporate bonds (with fixed interest rates) and the medium-term notes (with fixed interest rates) issued by the Group totaled respectively RMB6 billion and RMB7.683 billion in terms of principal.

8. Cash Flow

As at 31 December 2015, the cash and cash equivalents owned by the Group amounted to approximately RMB29.944 billion, of which RMB27.991 billion was denominated in CNY; RMB1.488 billion was denominated in its USD equivalent; and RMB164 million was denominated in its Euro equivalent.

(III) Analysis of industrial and operational information

Under the economic "new norm", rolling stock, as an important infrastructure of the country, is an important investment direction of the country and will play a significant role in promoting economic development. Local governments at all levels now also view the development of rail transit as an important measure in stabilizing growth and comprehensive urban transportation system is key in promoting urbanization. Demand for rolling stock products remains at a high level in the country and the industry has good prospects as a whole. However, market demand is extremely imbalanced. The market demand for MUs and rapid transit vehicles keeps growing while the market demand for freight wagons and locomotives is declining.

(IV) Analysis of investment

1. Overall analysis of equity investment

As at the end of the reporting period, the long-term equity investment of the Company was RMB3.613 billion, representing a decrease of RMB1.201 billion or a decrease of 24.95% as compared to the beginning of the year, mainly due to the fact that CRRC Sifang, a wholly-owned subsidiary of the Company, included in its scope of consolidation, BST, a former joint venture. For details, please refer to Notes 20 and 21 to the financial statements of this annual report prepared in accordance with the IFRS.

(1) Significant equity investment

Please refer to Notes 20 and 21 to the financial statements of this annual report prepared in accordance with the IFRSs.

(2) Significant non-equity investment

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

(3) Financial 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	Other Changes (Increase/ Decrease) during the Current Period	Closing Balance
1. Financial assets at fair value through profit or loss	4,387	-957	—	-6	3,424
Including: derivative financial instruments	4,387	-957	—	-6	3,424
2. Available-for-sale investments	5,274,415	—	-273,267	480,870	5,482,018
Total	5,278,802	-957	-273,267	480,864	5,485,442

(V) Significant sale of assets and equity

There is no significant sale of assets and equity during the reporting period.

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

Unit:'000 Currency: RMB

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 Parent Company Shareholders	Net Profit in 2015 Attributable to the Parent Company S hareholders	Operating Revenue in 2015	Operating Profit in 2015
CRRC Changchun	Design, manufacturing, repair, sale and lease of passenger carriages, multiple units, rapid transit vehicles and the accessories thereof, as well as related technical services and technical consultancy	5,807,947	41,925,142	13,410,209	2,909,073	31,506,338	3,250,889
CRRC Sifang	R&D and manufacturing of multiple units, passenger carriages and rapid transit vehicles; and repair services for multiple units and high-end passenger carriages etc.	4,003,794	38,311,765	9,642,102	2,559,482	40,045,044	2,898,265
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, rapid transit vehicles and accessories thereof; and technical consulting services etc.	3,990,000	26,459,011	8,423,037	2,264,792	20,035,731	2,649,438
CRRC Zhuzhou	R&D and manufacturing of electric locomotives, multiple units and rapid transit vehicles etc.	4,401,366	24,225,748	5,982,662	1,454,154	26,076,541	1,590,839
CRRC ZELRI	Research on electric drive and control technologies related to rail transit; manufacturing of relevant electrical equipment; and R&D and manufacturing of railway locomotives and accessories thereof etc.	4,264,500	46,154,665	8,922,882	1,318,479	29,431,656	3,274,513

(VII) Use of proceeds raised

1. Use of the proceeds raised from the issuance of A-shares:

(1) CSR

Unit: 0'000 Currency: RMB

Year of Raising of Proceeds	Method of Raising of Proceeds	Total Proceeds Raised	Total proceeds Used in the Current Year	Total Used proceeds	Total Unutilised Proceed	Purpose and Flow of Unutilised Proceed
2008	Initial offering	654,000	—	654,000	—	—
2012	Non-public	875,498	20,000	823,098	54,206	Temporary supplemental working capital was RMB520 million, balance in designated bank accounts was RMB22.06 million.
Total		1,529,498	20,000	1,477,098	54,206	—

Note: Total amount of the unutilised proceed from non-public issuance was RMB542.06 million which included interest income of RMB18.06 million generated from the deposit of the proceeds in banks.

(2) CNR

Unit: 0'000 Currency: RMB

Year of Raising of Proceeds	Method of Raising of Proceeds	Total Proceeds Raised	Total proceeds Used in the Current Year	Total Used proceeds	Total Unutilised Proceed	Purpose and Flow of Unutilised Proceed
2009	Initial offering	1,390,000	10,517	1,380,915	16,064	Balance in designate bank accounts was RMB160.64 million.
2012	Share allotment	690,859	13,198	679,531	14,077	Balance in designated bank accounts was RMB140.77 million.
Total		2,080,859	23,715	2,060,446	30,141	—

Note: Total amount of the unutilised proceeds raised from the initial public offering was RMB160,64 million, which included interest income of RMB69.79 million generated from the deposit of the proceeds in banks; total amount of the unutlised proceeds from the placement of shares was RMB140.77 million, which included interest income of RMB27.49 million generated from the deposit of the proceeds in banks.

2. **Use of the proceeds raised from the issuance of H-shares**

As approved by the Reply about Approving China CNR Corporation Limited to Issue Overseas Listed Foreign Shares (CSRC Permit No. [2014] 404) issued by the China Securities Regulatory Commission, 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 HKD 10.028 billion. From 1 January 2015 to 31 December 2015, the proceeds raised through issuance of H-shares and used by the Company in aggregate were equivalent to about HKD 6.675 billion, which was used in projects related to new industry business and modern service business, as well as other projects. As at 31 December 2015, the proceeds raised through the issuance of H-shares and used by the Company in aggregate were equivalent to about HKD9.05 billion and interest of bank deposits received amounted to HKD115 million in total. As at 31 December 2015, the unutilised proceeds of the Company raised through issuance of H-shares amounted to HKD1.093 billion.

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

(1) Competitive landscape and development trend of the industry

1. **Intensified adjustment of global competition scenarios with new changes facing the sector's development.**

Currently, the global economy continues to be weak and is on the road to recovery, major economies also continue to be weak. Besides American economy, growth of other developed economies continues to slow down; some emerging markets are in a stagflation dilemma, which means a possible impact from "the third wave" since the global financial crisis. Commodity price remains depressed and there is higher pace of capital outflow. Volatility in the international capital market may now become the norm, further increasing risks from currency fluctuation. Meanwhile, the geopolitical clash intensifies and external development environment becomes unprecedentedly complex and volatile.

From the perspective of the challenges, the slow recovery of the world economy and the changing international political and economic conditions pose significant risks to overseas expansion, investments, and mergers and acquisitions. Secondly, the trend of re-division of tasks has become increasingly evident in the global industry. The developed countries, represented by U.S., are successively implementing the strategy of "re-industrialisation" to reshape the competitive advantage of manufacturing industry, while other developing countries are also speeding up their pace for planning and layout. China's manufacturing industry is facing a two-way pressure from developed and developing countries, as well as more fierce international competition. Thirdly, international trade rules are reshaped and trade protectionism is rising. New barriers are forming. Meanwhile, along with the changing global climate and worsening energy crisis and stricter green requirements against high-end equipment, international expansion becomes increasingly difficult. Fourthly, rapid evolution of technological development may result in more disruptive and fundamental changes within the rolling stock industry.

From the perspective of development opportunities, international commodity prices have declined significantly as a result of profound changes of the world political and economic landscape. Besides, a number of countries have relaxed restrictions on investment in major fields, which brings rare investment opportunity to the Company. Secondly, as the Chinese government deepens implementation of the strategy of “One Belt One Road”, promotes cooperation with overseas production capacity and equipment manufacturing companies, promotes the interconnection of the surrounding infrastructure and construction of “three networks and one industrialization” in Africa, many of the emerging economies involved will have greater demands for rolling stock. Thirdly, due to needs of economic development, the developing countries gradually intensify the construction of infrastructure including rail transit. Integration and upgrading to rail transit products are conducted by developed countries. According to forecast of SCI Verkehr, the authoritative consulting institution based in Germany, the total demand for rail transit throughout the world will exceed 200 billion Euros by 2020. The market demand will trend towards in the positive direction as a whole. Fourthly, the successful operation of China’s high-speed railway in recent years and its strong effect of setting an example across the world has created favorable conditions for the rolling stock industry to speed up its pace for “venturing out”.

2. **The domestic economy is making stable progress with the economy developing towards a new normal.**

The fifth plenary session of the 18th CPC Central Committee has proposed the development goals of “innovation, coordination, green, openness and sharing” and designed a grand blue print for development in the future. The Chinese economy will enter the decisive phase for building a widespread middle class society. The development of the economy has presented new stages of speed variation, structure optimization and power transformation.

With respect to challenges, on the one hand, periodic and structural contradictions coexist for the economic development of China. On the other hand, there are insufficient total demand and effective supply. The stimulatory effect for the demand side is reduced; the extensive development mode may not sustain. It is imperative, therefore, to reinforce the structural reform of the supply side and accelerate the change of the economic development mode. The Company’s development has reached a critical window phase for transformation and upgrading.

With respect to development opportunities, on one hand, China is still at the development stage of strategic importance. There are no changes of fundamentals for long-term constructive economic development for a good support base and conditions for sustainable economic growth and the forward momentum for economic structural adjustment and optimization. Prospects for economic development is still broad. On the other hand, a series of policy measures for “stabilizing growth”, “promoting reform”, “adjusting structure”, “benefiting people” and “preventing risks” researched and developed by the State Council are put into place successively. The Central Economic Working Conference has made general arrangements for comprehensive promotion of economic structural reform. A series of reform measures that will play a significant role in promoting reform will be successively introduced, which will be crucial in boosting market confidence, easing the burden on enterprises and optimizing the economic development environment. The comprehensive implementation of “1+N” document systems related to the deepening of the SOE reform, moreover, will speed up the formation of systems and mechanisms that are beneficial to the scientific development of SOEs and continue to provide energy and motivation so as to make SOEs stronger, better and larger.

3. **The overall development trend of the industry is generally promising, the demand structure is displaying new characteristics**

The current rolling stock manufacturing industry synergies well with the key strategic objective of the Chinese government. The rail transit plays a major role in national major strategies such as “One Belt One Road”, “Integration in Jing-Jin-Ji Area” and “Yangtze River Economic Zone”. Firstly, there is a stable demand for railway equipment. During the 13th Five-year Plan, China plans to further increase 29,000 km of railway operation, which is predicted to reach more than 150,000 km upon completion of the plan. The operational length for high-speed rail is planned to be 11,000 km, which will reach 30,000 km upon completion of the plan. Therefore, the railway equipment market will maintain stable demand. Secondly, the urban-rail transit equipment is of great demand. China is vigorously promoting the construction of infrastructure in cities and rapid development of the intercity railway construction is expected. During the 13th Five-year Plan period, investment is planned for construction of 5,000 km of intercity railways, which will reach 8,000 km upon completion of the plan. Hence, the demand for intercity EMU will increase. With the acceleration of new-type urbanization, meanwhile, the construction of urban rail transit will enter into a significant development stage. Currently, 39 cities are approved by the Chinese government to construct urban rail transit. In 2020, it is predicted that construction of urban-rail transit will commence in 50 cities with the planned length of construction being more than 10,000 km. There will be a huge demand for urban rail transit equipment in the future. Thirdly China has developed a series of policy measures to support the manufacturing development and accelerate the fostering of emerging industries. Therefore, new industries related to the Company will definitely have new opportunities for development, including wind power equipment, treatment of waste water, polymer composites, new energy vehicles, engineering machinery, ships and marine-engineering equipment, automated equipment, photovoltaic power generation and information software. Fourthly, China has implemented the “Made in China 2025” strategy and “Internet +” Action Plan to promote deep integration of industrialization and informatization, which may bring new development space for the transformation and upgrading, structural adjustment and innovation of the business model of the Company.

4. **The “high-speed rail diplomacy” provides valuable opportunities and challenges in business expansion overseas.**

The Party Central Committee, the State Council and SASAC have great expectations for developing the high-end equipment manufacturing industry, and actively promote and strongly support industries such as high-speed rail and nuclear power which have the competitive advantage to accelerates the “venturing out” strategy. Through continuous innovations, China’s rolling stock manufacturing industry is at an advantageous position globally for the comprehensive cost-performance ratio. CRRC has the world’s leading R&D platform for rolling stock, with products comprehensively achieved or approaching the advanced world level. CRRC is also one of the few enterprises in the global rail-transit industry which offer a full range of product. The rolling stock industry of China represented by “high-speed rail” meets a great opportunity for “venturing out”. However, the “venturing out” of high-speed rail is an enormous systematic project; the international competition faced by the Company will be increasingly fierce; foreign governments are setting more and more requirements for “localization”. Multiple challenges are faced in aspects of market competitiveness, technological innovative ability, corporate governance ability, risk prevention ability and international operation ability.

(2) Development strategies of the Company

The 13th Five-year Plan period is the first five-years for CRRC to advance to new goals under the new norm. Based on China's development of related industries and the comprehensive analysis on major target market, CRRC has formulated the strategic-planning guiding principles for the 13th Five-year Plan period. With mid to long term development strategy as guidance, transformation and upgrading as well as crossborder operation as the main focus, growth stabilization, structure adjustment and quality strengthening as the main message, the Company will insist on the development concepts of innovation, cooperation, integration and high-end, so as to achieve the higher-quality, more efficient and more sustainable development and lay sound foundation for development into the world's leading high-end equipment system solution supplier with the core of rolling stock and crossborder operation.

The Company's business development goals:

Railway equipment business: the Company will seize the steady development opportunity for domestic railways; promote technological innovation and management improvement; optimize business structure and resource allocation; strengthen the collaborative construction of platforms; explore the innovation of business models; adopt the core technology to lead the development of the sector; accelerate the shift from supply of products to total solution and from manufacturing enterprise to "manufacturing + services" enterprise.

Rapid transit vehicles and urban infrastructure business: the Company will seize the opportunity made available by China's accelerating urbanization and vigorous development of environmentally friendly public transport; develop in the direction of offering fully-integrated system solutions of rapid transit vehicles; follow the development path of integrating industry and finance and industrial transformation; expand related functional facilities of rapid transit vehicles and urban rail industry chain; develop related businesses such as signals, power-supply system and operation by means of integration, merger and acquisition, joint investment, cooperation, etc. to establish differently competitive advantages that can be distinguished.

- South Africa electric locomotive galloping in the prairie of Africa

- New orders made for metro engineering vehicles

New industry business: the Company will foster a series of future development business groups with outstanding core competition ability and leading industry position by innovating investment and financing channels as well as business model, and exploring new system mechanisms and focusing on wind-power equipment, polymer composites, environmental protection industry and new energy vehicles.

Modern service business: the Company will rely on the financial, similar financial and logistic businesses; strengthen the CRRC brands; focus on the integration of industry and finance; optimize inventory business; expand incremental businesses; expand and integrate with businesses domestically and abroad; introduce new system, mechanisms and top-level talents; foster profitable business groups.

International businesses: the Company will position itself as a technology, brand and market leader, establish a global operation platform, become a locally respectable good corporate citizen, achieve globalization and localization of operation, and integrate with the global culture.

(3) Operation plans

2015 was a year of great changes for the rolling stock industry. The restructure and integration of CSR and CNR has opened a new chapter in the development of the rail transport of China and the world. CRRC has faced unprecedented restructure, market and operation pressure since its establishment. Adhering to the fine traditions of CSR and CNR and through joint efforts, the Company has completed each of the indexes of its operation plans fairly well. The operations of CRRC has demonstated a good start.

2016 will be the first year of complete operation after the establishment of CRRC and the first year of the development plan for the 13th Five-year Plan of the Company. The Company will focus on the three areas of "integration, reform and upgrading", focus on the lean management, aim to reduce costs and increase efficiency, strengthen control of operation, improve management standard, accelerate global operation, maintain revenue stability, reduce year on year costs and expenses, and lay the foundation for development into a globally-leading world-class multinational company with rolling stock and crossborder operation as the core.

(4) Potential risks

1. Policy risks

The impact of domestic macroeconomic policy on the rolling stock manufacturing industry is relatively apparent. After CSR and CNR are restructured into CRRC, changes in policy relating to the industry or government plans related to the future rolling stock manufacturing industry, if any, will cause changes to the market environment and room for development for the Company as well as bring risks for business operation of the Company.

Mitigants: timely collect of information related to the industrial policy or industrial planning; conduct proper studies on policy and trend; positively deal with possible changes in policies and plans. Strengthen internal management; improve operation and management standard of the Company; reduce operation costs; endeavour to improve the efficiency of operation; develop unique advantages of the Company and enhance its ability to mitigate policy risks.

2. Market risks

Domestic market risks: CRC and its affiliated railway administrations, large industrial and mining enterprises such as China Shenhua, SINOPEC and CNPC as well as urban-rail transit operators of large and medium cities are the major clients of the Company. Affected by the slowdown in growth of domestic economy, the market demands for wagons, locomotives and passenger carriages have declined; the issue of excess production capacity has become prominent; and the structural adjustment of the market is more likely to occur.

Mitigants: proactively communicate with major clients; collect information relating to domestic economy, politics and the industry, etc.; conduct proper studies and forecasts of market trends; adjust to the planning of the Company in a timely manner; positively and actively optimize the industrial structure of the Company by transforming the development mode and implementing upgrading; and expand new business models and etc. so as to mitigate against these risks.

International market risks: the international political and economic situations are extremely complex, with slow economic recovery and various forms of emerging protectionism. The International landscape will manifest more uncertain factors beyond our control. Driven by the Chinese "One Belt One Road" strategy, projects invested and operated overseas may increase gradually when the Company is "venturing out". The uncertainty of the international situation and overseas projects will bring more risks to the Company in the course of expanding into the overseas markets.

Mitigants: with respect to expansion of the international market, proactively conduct investigations related to the international market; timely and accurately know the changes in demands and policies of the international market and propose countermeasures. When investing in the overseas market, global political, economic, social and environmental factors will be considered; efficient investment and operation teams will be formed; pre-investment risk assessment and due diligence investigation will be conducted and high-risk businesses will be strictly controlled with proper post-investment management. Attention will also be paid to human resources, environment and culture integration issues.

• Metros in Boston, U.S.

3. Risks related to product quality

The Company is an enterprise with rolling stock as its core business, our products are mainly for the benefits of the public. Product quality issues will cause great impact on the public. With the upgrading of products, higher requirements for product quality and reliability have been put forward, which has also brought new challenges for the Company in respect of technological innovation and technical support, etc.

Mitigants: the Company places emphasis on management of product quality. Firstly, a quality management department is established to monitor quality risks. Secondly, establish and perfect the quality management system and supervise certification and effective implementation of the system. Thirdly, an after-sales-service management system is established to regulate the management of after-sales services. Fourthly, strengthen the management of supplier qualifications to prevent hidden risk of product quality and to conduct quality control at the source.

4. Exchange rate risks

As operational activities such as the export of our products and overseas investments and acquisition accelerate under the rapid international expansion, the Company may be subject to various risks caused by the fluctuations of exchange rates, such as the foreign currency exchange risks caused by the difference between the exchange rates on the day of the transaction and the day of settlement in transactions denominated in foreign currencies, and the risk of changes in value of the overseas subsidiaries due to the fluctuation of exchange rate.

Mitigants: the Company shall pay close attention to the changing trend of exchange rate, increase the related staff's awareness of risk prevention, establish risk prevention mechanism for exchange rate, adopt flexible models of transacting with different currencies and deal with risks of the exchange rate by way of financial hedging.

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

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

After the establishment of CRRC, the Company has formulated and perfected the relevant details 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 August 2015, the Company held the fourth meeting of the first session of the Board, pursuant to which the 2014 Proposal for Profit Distribution Plan of CRRC was considered and approved to distribute cash dividend of RMB0.12 (tax inclusive) per share to all shareholders based on the total share capital of the Company of 27,288,758,333 shares as at 30 June 2015. On 30 October 2015, the first extraordinary general meeting of the Company approved the resolution. On 16 December 2015, the 2014 profit distribution plan has been completed.

On 29 March 2016, the Company held the 12th meeting of the first session of the Board, pursuant to which the 2015 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 27,288,758,333 shares as at 31 December 2015, subject to the consideration and approval of the resolution at the 2015 annual general meeting of the Company.

If the above proposal for profit distribution is considered and approved at the general meeting of the Company, the Company expects to distribute cash dividends by the end of August 2016. Once the date of the annual general meeting is confirmed, the Company will publish a separate announcement which will set out the details of the suspension of the registration of transfer of H shares and the expected cash dividend payment date in respect of the relevant dividend distribution.

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

Unit:'0,000: RMB

Year of distribution	Number of bonus shares given for each 10 shares held	Dividends distributed for each 10 shares held (CNY) (tax inclusive)	Number of shares converted from capital reserve for each 10 shares held	Amount of cash bonus (tax inclusive)	Net profits attributable to shareholders of the listed Company contained in the consolidated financial statements for the year of distribution	Percentage of net profits attributable to shareholders of the listed Company contained in the consolidated financial statements (%)
2015	—	1.5	—	409,331	1,181,840	35
2014	—	1.2	—	327,465	1,081,547	30
2013	—	0.9	—	124,227	416,496	30

V. Tax and Tax Relief

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

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

On 23 December 2015, the Company entered into the Agreement with CRRC Group ("**CRRCG**") to establish CRRC Financial Leasing Co., Ltd. ("**CRRC Financial Leasing Company**") by jointly contributing capital in accordance with the terms and conditions of the Agreement. The registered capital of CRRC Financial Leasing is RMB3 billion, among which the Company shall contribute RMB2.73 billion to the registered capital and CRRCG shall contribute RMB270 million to the registered capital in cash. Upon completion of the transaction, CRRC Financial Leasing Company will become a subsidiary of the Company and its equity interests will be held as to 91% and 9% respectively by the Company and CRRCG.

CRRCG is a controlling shareholder of the Company holding, directly and indirectly, 55.92% equity interests of the Company and is thus a connected person of the Company under the Hong Kong Listing Rules. The establishment of CRRC Financial Leasing Company constitutes a connected transaction of the Company under the Hong Kong Listing Rules. As all applicable percentage ratios in respect of the transactions exceed 0.1% but are less than 5%, the transaction is subject to the annual reporting and announcement requirements, but are exempt from shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

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

For details of the connected transaction, please refer to the connected transaction announcement dated 23 December 2015 published on the Stock Exchange website.

(II) Non-exempt continuing connected transactions

1. Continuing Connected Transactions arising from the merger of CSR and CNR

For details of the merger of CSR and CNR, please refer to section headed "Significant Events - VI. Notes on Other Material Events" of this annual report.

After the successful completion of the merger between CSR and CNR (the "**Merger**"), all assets, liabilities, businesses, personnel, contracts, qualifications and all other rights and obligations of CSR and CNR are held by the Company. Prior to the Merger, certain continuing connected transactions existed between CNR and CNRG as well as between CSR and CSRG. After the completion of the Merger, certain continuing connected transactions existed between the Company and CSRG and CNRG, respectively.

(1) The continuing connected transactions between the Company/CSR and CSRG under the Product Mutual Provision Framework Agreement

CSR and CSRG renewed the Product Mutual Provision Framework Agreement on 25 October 2013 for an effective term from 1 January 2014 to 31 December 2016, pursuant to which CSRG and/or its associates will provide CSR and its subsidiaries raw materials, accessories, components and packing materials etc., and CSR and its subsidiaries will sell raw materials, accessories and energy resources etc. to CSRG and/or its associates.

Upon completion of the Merger, CSRG became a substantial shareholder of the Company and is thus a connected person of the Company under the Hong Kong Listing Rules. Accordingly, the transactions entered into between the Company and CSRG under the above Product Mutual Provision Framework Agreement constitute continuing connected transactions of the Company.

Pursuant to the above Product Mutual Provision Framework Agreement, the annual cap in 2015 for the amounts to be paid by CSR/the Company for the provision of products by CSRG is RMB1 billion; the annual cap in 2015 for the amounts to be paid by CSRG for the provision of products by CSRG to CSR/the Company is RMB900 million. During the reporting period, the actual transaction amounts for the transactions between CSR/the Company and CSRG under the above Product Mutual Provision Framework Agreement did not exceed the applicable annual caps.

For details of the continuing connected transactions, please refer to the announcement on renewal of continuing connected transactions dated 26 October 2013 published by CSR on the Stock Exchange website.

(2) ***The continuing connected transactions between the Company/CNR and CNRG under the Mutual Supply Agreement***

CNR and CNRG renewed the Mutual Supply Agreement on 6 April 2014 for an effective term from 26 June 2014 to 25 June 2017, pursuant to which CNR and its subsidiaries will supply CNRG and its associates products, raw materials and services, and CNRG and its associates will supply CNR and its subsidiaries products, raw materials and services.

Upon completion of the Merger, CNRG became a substantial shareholder of the Company and is thus a connected person of the Company under the Hong Kong Listing Rules. Accordingly, the transactions entered into between the Company and CNRG under the above Mutual Supply Agreement constitute continuing connected transactions of the Company.

Pursuant to the Mutual Supply Agreement, the annual cap in 2015 for the supply of products, raw materials and services by CNRG to CNR/the Company is RMB280 million; the annual cap in 2015 for the supply of products, raw materials and services by CNR/the Company to CNRG is RMB420 million. During the reporting period, the actual transaction amounts for the transactions between CNR/the Company and CNRG under the above Mutual Supply Agreement did not exceed the applicable annual caps.

For details of the continuing connected transactions, please refer to the prospectus of CNR dated 12 May 2014 published on the website of the Stock Exchange.

(3) ***The continuing connected transactions between CSR Finance and CSRG under the Financial Services Framework Agreement***

CSR Finance and CSRG renewed the Financial Services Framework Agreement on 25 October 2013 for an effective term from 1 January 2014 to 31 December 2016, pursuant to which CSR Finance has agreed to provide deposit services, loan services and miscellaneous financial services (including financial and financing consultancy services) to CSRG in accordance with the terms and conditions set out in the Financial Services Framework Agreement.

Upon completion of the Merger, CSRG became a substantial shareholder of the Company and is thus a connected person of the Company under the Hong Kong Listing Rules. Accordingly, the transactions entered into between CSR Finance (a subsidiary of the Company) and CSRG under the above Financial Services Framework Agreement constitute continuing connected transactions of the Company.

Pursuant to the Financial Services Framework Agreement, the maximum daily lending balance (including accrued interest) offered to CSRG by CSR Finance shall not exceed RMB1,000 million. The maximum daily lending balance (including accrued interest) offered to CSRG by CSR Finance during the reporting period did not exceed the applicable cap.

For details of the continuing connected transactions, please refer to the announcement on renewal of continuing connected transactions dated 26 October 2013 published by CSR on the website of the Stock Exchange.

(4) The continuing connected transactions between CNR Finance and CNRG under the Financial Service Agreement

CNR Finance and CNRG entered into the Financial Service Agreement on 9 April 2013, pursuant to which CNR Finance has agreed to provide deposit services, credit services, clearing and settlement services and all other services within the scope of business approved by the China Banking Regulatory Commission to CNRG. CNR Finance and CNRG renewed the Financial Service Agreement on 30 March 2015 for an effective term until 31 December 2015 under substantially the same terms and conditions.

Upon completion of the Merger, CNRG became a substantial shareholder of the Company and is thus a connected person of the Company under the Hong Kong Listing Rules. Accordingly, the transactions between CNR Finance (a subsidiary of the Company) and CNRG under the above Financial Service Agreement constitute continuing connected transactions of the Company.

Under the above Financial Service Agreement, the maximum daily lending balance offered by CNR Finance to CNRG shall not exceed RMB150 million; the maximum daily deposit balance (including interests and fees) placed by CNRG with CNR Finance shall not exceed RMB200 million. The maximum daily lending balance offered by CNR Finance to CNRG during the reporting period and the maximum deposit balance (including interest and expenses) placed by CNRG with CNR Finance during the reporting period did not exceed the applicable caps.

For details of the continuing connected transactions, please refer to the prospectus of CNR dated 12 May 2014 and the announcement on renewal of continuing connected transactions of CNR dated 30 March 2015 published on the website of the Stock Exchange.

(5) The continuing connected transactions between the Company/CNR and Mr. Yu Jinkun

On 25 April 2014, CNR had entered into an accessories sales agreement (the "**Accessories Sales Agreement**") with Mr. Yu Jin Kun ("**Mr. Yu**"). After completion of the Merger, CRRC Changchun, a former subsidiary of CNR, became a subsidiary of the Company, and Mr. Yu is a director of CRRC Changchun. Therefore, Mr. Yu and his associates are connected persons of the Company under the Hong Kong Listing Rules. Mr. Yu's associates include enterprises which are engaged in the manufacturing of rolling stock, core systems, accessories and parts. Due to the production and operational needs, the Group has entered into continuing connected transactions in respect of the mutual provision of products and services with Mr. Yu and his associates.

In order to better rationalize and regulate such continuing connected transactions between the Group and Mr. Yu and his associates after the Merger, the Company and Mr. Yu entered into the master agreement in respect of the mutual provision of products and services between the Group and Mr. Yu and his associates (the "**Master Agreement**") for an effective term from 30 October 2015 to 31 December 2016, which superseded the Accessories Sales Agreement. The transactions contemplated under the Master Agreement is the mutual provision of accessories, commodities, materials and services between Mr. Yu and/or his associates and the Group.

Pursuant to the Accessories Sales Agreement, the annual caps in 2015 for the sale of products and provision of services by Mr. Yu and his associates to CNR are RMB950 million; the annual cap for the sale of products and provision of services by CNR to Mr. Yu and his associates are RMB50 million. Pursuant to the Master Agreement, the annual caps in 2015 for the sale of products and provision of services by Mr. Yu and his associates to the Company are RMB4.5 billion; the annual caps in 2015 for the sale of products and provision of services by the Company to Mr. Yu and his associates are RMB100 million. During the reporting period, the actual transaction amounts for the transactions between CNR/the Company and Mr. Yu and his associates under the Accessories Sales Agreement and the Master Agreement did not exceed the applicable annual caps.

For details of the continuing connected transactions, please refer to the prospectus of CNR dated 12 May 2014 and the continuing connected transaction announcement of the Company dated 30 October 2015 published on the Stock Exchange website.

2. **Continuing Connected Transactions arising from the merger of CSRG and CNRG**

In September 2015, CNRG merged with CSRG by way of absorption ("**Group Merger**") and, CSRG was deregistered and CNRG changed its name to "CRRC Group". All assets, liabilities, business, employees, contracts, qualifications and any other rights and obligations of CSRG are held by CRRCG, including all continuing connected transactions agreements, respectively entered between the Company and CSRG and CNRG, and all associated rights and obligations thereunder.

Due to the similar nature between (1) certain continuing connected transactions entered into between CSR/the Company and CSRG prior to the Group Merger and between the Company and CRRCG after the Group Merger as set out in Paragraph 1 and 3 of Part A above ("**CSRG Continuing Connected Transactions**") and (2) certain continuing connected transactions entered into between CNR/the Company and CNRG prior to the Group Merger and between the Company and CRRCG after the Group Merger as set out in Paragraph 2 and 4 of Part A above ("**CNRG Continuing Connected Transactions**"), the caps for the relevant transactions for the financial year from 1 January 2015 to 31 December 2015 was aggregated to the extent applicable.

For the CNRG Continuing Connected Transactions that cannot be aggregated with any existing CSRG Continuing Connected Transactions above, the current annual cap for the CNRG Continuing Connected Transactions shall continue to apply to the extent applicable for the financial year from 1 January 2015 to 31 December 2015.

During the reporting period, the actual transaction amounts for the CSRG Continuing Connected Transactions and CNRG Continuing Connected Transactions did not exceed the applicable caps.

3. **Other Continuing Connected Transactions**

On 29 March 2016, the Company and CNR Finance respectively renewed certain continuing connected transactions with CRRCG. For details of such continuing connected transactions, please refer to the announcement on renewal of continuing connected transactions of the Company of even date published on the website of the Stock Exchange.

4. **Annual review of non-exempt Continuing Connected Transactions**

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:

- in the ordinary course of business of the Group;
- conducted on normal commercial terms or more favorable terms; and
- conducted on the term of the relevant transaction agreements, which are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The auditors of the Company have reviewed the above non-exempt continuing connected transactions and issued a letter to the Board, stating that nothing has come to its attention that may cause it to believe that such transactions:

- have not been approved by the Board;
- were not entered into, in all material respects, in accordance with the pricing policy of the Group if the transactions involved the provision of goods or services by the Group;
- were not entered into, in all material respects, in accordance with the relevant agreements governing these transactions;
- the actual annual amounts have exceeded the relevant caps as previously disclosed in the announcements of the Company.

5. **Related party transactions**

Save as to the above, certain related party transactions in Note 45 to the consolidated financial statements of the Company also constitute continuing connected transactions under Chapter 14A of the Hong Kong Listing Rules. Such related party transactions have complied with the disclosure requirements in accordance with 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 or substantial shareholders of the Company, please refer to the section headed "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, repairing, sales and leasing of railway locomotives, multiple units, rapid transit vehicles, engineering machinery, various electromechanical equipment, electronic equipment and parts, electric products and environmental protection equipment; technical services; information consultancy; industrial investment and management; asset management; and export/import business.

(II) Major customers and suppliers

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

(III) Reserves

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

(IV) Reserves available for distribution

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

(V) Share capital

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

(VI) Bank loans and other loans

Details of the bank loans and other loans of the Company as at 31 December 2015 are set out in Note 36 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 2015 are set out in Note 15 to the financial statements of this annual report prepared under the IFRSs.

(VIII) Donations

The total charitable and other donations of the Company amounted to approximately RMB8,175,000 during the reporting period.

(IX) Service contracts of Directors and Supervisors

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

(X) Directors and Supervisors' interests in contracts

The Company did not enter into any contract of significance in which Director(s) or Supervisor(s) of the Company held, either directly or indirectly, any material interests for the year ended 31 December 2015.

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

The Company did not provide Directors, Supervisors 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 directly or indirectly which compete 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 38 to the financial statements of this annual report prepared under the IFRSs.

(XVII) The Company's environmental policies and compliance

None of the subsidiaries of the Company are categorised as high-polluting industries pursuant to the requirements of the national environmental protection authority.

After its reorganisation in 2015, CRRC firmly adhered to the concept of low-carbon and green development in order to become a world-leading and crossborder supplier of solutions of high-end equipment systems to further strengthen its energy conservation and emission reduction. The overall energy consumption index and major pollutant discharge index remained stable with a slight decline. The targets in 2015 and the 12th-Five-Year period for energy conservation and emission reduction have been reached.

Based on the initiatives launched by CSR and CNR in respect of energy conservation and emission reduction, the Company continued to implement guidance and perform evaluation in order to establish an organization structure and management network for energy conservation and environmental protection. The Company issued 8 regulations relating to energy and environment protection, created 9 unit consumption indexes, improved and developed the energy and environmental protection statistics system and formulated the CRRC institutional system for energy and environmental protection. The Company launched in full the work relating to the establishment of and certification of energy management systems. 8 companies passed and were certified to possess energy management systems. The Company held on-site meetings regarding energy control and key equipment performance supervision system platform and further provided direction and scope of work relating to energy control during the 13th-Five-Year. At the same time, the Company promoted the application of new technologies and new models for energy conservation and emission reduction and vigorously carried out technical revamp in relation to energy conservation and emission reduction. The total investment this year totalled more than RMB190 million with the implementation of 81 technical revamp projects relating to energy conservation and emission reduction, to achieve energy conservation and consumption reduction through information and technology. The Company performed social responsibilities so that the sky will be bluer, the land will be greener, the water will be cleaner and China will become more beautiful, to shape the Company to become a model enterprise that conserves resource and is environmentally friendly.

For details, please refer to the 2015 Social Responsibility Report of CRRC Corporation Limited of even date disclosed by the Company on the Shanghai Stock Exchange website.

(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 Employees - V. 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 2015, to the best of our knowledge, the Company has complied with the laws and regulations of the relevant areas in all material repects. The Company is listed on the Shanghai Stock Exchange and the Stock Exchange. For the year ended 31 December 2015, the Company has complied with the listing rules of its places of listing and all applicable laws and regulations.

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF

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

Cui Dianguo
Chairman, Executive Director

Zheng Changhong
Vice chairman, Executive Director

Liu Hualong
Vice chairman, Executive Director

Xi Guohua
President, Executive Director

Fu Jianguo
Executive Director

Liu Zhiyong
Non-executive Director

Li Guo'an
Independent non-executive Director

Zhang Zhong
Independent non-executive Director

Wu Zhuo
Independent non-executive Director

Sun Patrick
Independent non-executive Director

Chan Ka Keung, Peter
Independent non-executive Director

I. SHAREHOLDING CHANGES AND REMUNERATION

(I) Shareholding Changes and Remuneration of Current Directors, Supervisors and Senior Management

Unit:0'000 Currency: RMB

Name	Position	Gender	Age	Commencement of term of office	Expiration of term of office	Number of shares held at the beginning of the year (share)	Number of shares held at the end of the year (share)	Changes in number of shares for the year	Reason of the change	Remuneration received from the Company during the reporting period	Welfare expenses including basic pension insurance	Total remuneration before tax received from the Company during the reporting period[Note1]	Whether receiving remuneration from related parties of the Company
Cui Dianguo	Executive Director	Male	61	2015.05.28	2018.05.27	137,500	137,500	–	–	73.57	9.73	83.30	–
	Chairman			2015.06.01	2018.05.27			–					
Zheng Changhong	Executive Director	Male	60	2015.05.28	2018.05.27	60,000	60,000	–	–	77.04	9.73	86.77	–
	Vice chairman			2015.06.01	2018.05.27			–					
Liu Hualong[Note2]	Executive Director	Male	53	2015.05.28	2018.05.27	50,000	50,000	–	–	64.20	8.02	72.22	14.55
	Vice chairman			2015.06.01	2018.05.27			–					
Xi Guohua	Executive Director	Male	52	2015.05.28	2018.05.27	231,800	231,800	–	–	73.57	9.73	83.30	–
	President			2015.06.01	2018.05.27			–					
Fu Jianguo	Executive Director	Male	52	2015.05.28	2018.05.27	50,000	50,000	–	–	68.06	9.73	77.79	–
Liu Zhiyong	Non-executive Director	Male	58	2015.05.28	2018.05.27	–	–	–	–	–	–	–	–
Li Guo'an	Independent non-executive Director	Male	63	2015.05.28	2018.05.27	–	–	–	–	16.30	–	16.30	–
Zhang Zhong	Independent non-executive Director	Male	69	2015.05.28	2018.05.27	–	–	–	–	16.40	–	16.40	–
Wu Zhuo	Independent non-executive Director	Male	65	2015.05.28	2018.05.27	–	–	–	–	15.60	–	15.60	–
Sun Patrick	Independent non-executive Director	Male	57	2015.05.28	2018.05.27	–	–	–	–	15.80	–	15.80	–
Chan Ka Keung, Peter	Independent non-executive Director	Male	64	2015.05.28	2018.05.27	–	–	–	–	15.60	–	15.60	–
Wan Jun	Supervisor	Male	52	2015.05.28	2018.05.27	–	–	–	–	63.66	9.73	73.39	–
	Chairman of Supervisory Committee			2015.06.01	2018.05.27	–	–	–					
Chen Fangping	Supervisor	Male	55	2015.05.28	2018.05.27	–	–	–	–	70.13	9.73	79.86	–
Qiu Wei	Employee Representative Supervisor	Male	56	2015.05.28	2018.05.27	30,000	30,000	–	–	64.90	9.73	74.63	–
Zhao Guangxing	Vice President	Male	57	2015.06.01	2018.05.27	110,000	110,000	–	–	64.94	9.73	74.67	–
Zhan Yanjing	Vice President, Chief Financial Officer	Female	52	2015.06.01	2018.05.27	50,000	50,000	–	–	67.03	9.73	76.76	–
Sun Yongcai	Vice president	Male	51	2015.06.01	2018.05.27	111,650	111,650	–	–	64.78	9.73	74.51	–
Wang Jun	Vice president	Male	52	2015.06.01	2018.05.27	–	–	–	–	66.36	9.73	76.09	–
Lou Qiliang	Vice president	Male	52	2015.06.01	2018.05.27	–	–	–	–	66.36	9.73	76.09	–
Yu Weiping	Vice president	Male	49	2015.06.01	2018.05.27	–	–	–	–	63.66	9.73	73.39	–
Xie Jilong	Secretary to the Board	Male	49	2015.06.01	2018.05.27	73,288	73,288	–	–	69.87	9.73	79.60	–
Total	/	/	/	/	/	904,238	904,238	/	/	1,097.83	144.24	1,242.07	/

Note 1: Total remuneration before tax received from the Company during the reporting period includes the remuneration received from CSR and CNR.

Note 2: Liu Hualong received remuneration from CRRC Group, the controlling shareholder of the Company, since November 2015.

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

Directors

Mr. **Cui Dianguo**, born in 1954, a Chinese national with no right of abode overseas, is a holder of master's degree and a professor-level senior engineer. He serves as the Chairman of the Board, an executive Director and the Deputy Party Secretary of the Company, as well as the chairman of the board and the deputy Party secretary of CRRC Group. Mr. Cui once worked at Dalian Locomotive Research Institute and served as the deputy Party secretary, the deputy Party secretary and the deputy director, the Party secretary, the Party secretary and the deputy director, the director and the Party secretary, and the director and the deputy Party secretary. He also served as the Party secretary of Dalian Locomotive & Rolling Stock Works, a director, a deputy general manager and the chief engineer of China National Railway Locomotive and Rolling Stock Industry Corporation (中國鐵路機車車輛工業總公司) and the vice chairman, the general manager and the deputy Party secretary as well as the general manager and the deputy Party secretary of CNRG. Mr. Cui served as the chairman and the deputy Party secretary of CNR from June 2008 to November 2010, and the chairman and the Party secretary of CNR from November 2010 to May 2015. He has served as an executive Director and the Deputy Party Secretary of the Company since May 2015, and the Chairman of the Board of the Company since June 2015.

Mr. **Zheng Changhong**, born in 1955, a Chinese national with no right of abode overseas, is a holder of doctoral degree and a professor-level senior engineer. He serves as the Party Secretary, the Vice Chairman of the Board, an executive Director of the Company, as well as the Party secretary and the vice chairman of the board of CRRC Group. Mr. Zheng worked as deputy managing director of Beijing Erqi Locomotive Works (北京二七機車廠), director of the Head Office, a director and concurrently a deputy general manager of China National Railway Locomotive & Rolling Stock Industry Corporation (LORIC) (中國鐵路機車車輛工業總公司), as well as a director and concurrently a deputy general manager, a deputy general manager, the Party secretary and concurrently a deputy general manager, the Party secretary, the general manager and concurrently the deputy Party secretary of CSRG. From December 2007 to October 2012, he served as the vice chairman, an executive director, the president and the deputy Party secretary of CSR. From October 2012 to May 2015, he served as the chairman, an executive director and the Party secretary of CSR. He has served as an executive Director and the Party Secretary of the Company since May 2015, and the Vice Chairman of the Board of the Company since June 2015. Mr. Zheng is a member of the World Academy of Productivity Science (世界生產力科學院).

Mr. **Liu Hualong**, born in 1962, a Chinese national with no right of abode overseas, is a holder of bachelor's degree and MBA degree and a professor-level senior engineer. He serves as the Vice Chairman of the Board, an executive Director and the Deputy Party Secretary of the Company, as well as a director, the general manager and the deputy Party secretary of CRRC Group. Mr. Liu served as the deputy general manager, vice chairman and general manager, deputy Party secretary, chairman and the 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 an executive Director and the Deputy Party Secretary of the Company since May 2015, and the Vice Chairman of the Company since June 2015.

Mr. **Xi Guohua**, born in 1963, a Chinese national with no right of abode overseas, is a holder of doctoral degree and a professor-level senior engineer. He serves as an executive Director, the President and a standing member of the Party committee of the Company, as well as a director and a standing member of the Party committee of CRRC Group. Mr. Xi once served as the deputy director, the director and the deputy Party secretary of Zhuzhou Electric Locomotive Research Institute, and a deputy general manager, a deputy general manager and concurrently the chief engineer and the Party secretary of CNRG. From June 2008 to November 2010, he served as an executive director, the president and a standing member of the Party Committee of the CNR. From November 2010 to May 2015, he served as an executive director, the president and the deputy Party secretary of CNR. He has served as an executive Director and a standing member of the Party Committee of the Company since May 2015, and the President of the Company since June 2015. Mr. Xi was granted the award of Zhan Tianyou Award for Railway Science and Technology Achievement (詹天佑鐵道科學技術成就獎), and was an expert in the professional team of modern transportation technology in the State "863" Program (國家"863"計劃).

Mr. **Fu Jianguo**, born in 1963, a Chinese national with no right of abode overseas, is a holder of bachelor's degree and MBA degree and a professor-level senior engineer. He serves as an executive Director and a standing member of the Party Committee of the Company, as well as a standing member of the Party Committee of CRRC Group. Mr. Fu served as the deputy head of Tangshan Locomotives & Rolling Stock Works (唐山機車車輛廠), head and deputy Party secretary of CSR Shijiazhuang Rolling Stock Works and deputy general manager and a standing member of the Party committee of CSRG. He served as a vice president and a standing member of the Party Committee of CSR from December 2007 to June 2014, and an executive director and a standing member of the Party Committee of CSR from June 2014 to May 2015. He has served as an executive Director and a standing member of the Party Committee of the Company since May 2015

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 external director of China National Coal Group Corporation (中國中煤能源集團公司) and a non-executive director of China Coal Energy Company Limited(中國中煤能源股份有限公司). Mr. Liu previously served as the deputy division chief, chief and deputy director of Third Secretary Bureau of the General Office of the State Council (國務院辦公廳秘書三局), the deputy party secretary of Liuzhou, Guangxi (seconded for two years), the chief officer and deputy director of Third Secretary Bureau of the General Office of the State Council, inspector and deputy director of First Secretary Bureau of the General Office of the State Council (responsible for day-to-day business), executive deputy secretary of the Party Committee of the General Office of the State Council. From June 2014 to May 2015, he served as a non-executive director of CSR. Since May 2015, he has served as a non-executive Director of the Company.

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 Wuhan Iron & Steel (Group) Corporation (武漢鋼鐵 (集團) 公司). 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, assistant dean, member of the Party Group, assistant 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), and the deputy general manager and member of the Party Group of China Shipbuilding Industry 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. **Zhang Zhong,** born in 1946, a Chinese national with no right of abode overseas, is a holder of bachelor's degree and a professor-level senior engineer. He serves as an independent non-executive Director of the Company and an external director of China Poly Group Corporation. Mr. Zhang once served as the director of Factory 333 and the head of Development and Planning Bureau and the chief economic manager, the deputy Party secretary and a deputy general manager of China Weapon Industry Group Corporation. From June 2008 to May 2015, he served as an independent non-executive director of CNR. Since May 2015, he has served as an independent non-executive director of the Company.

Mr. **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 and an external director of Wuhan Iron & Steel (Group) Corporation (武漢鋼鐵 (集團) 公司). 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) such as 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. From June 2014 to May 2015, he served as an independent non-executive director of CSR. Since May 2015, he has served as an independent non-executive Director of the Company. Mr. Wu is entitled to a special government allowance from the State Council.

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

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

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 of CRRC Group. 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. Mr. Chan 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. Mr. Qiu once served as the deputy director of Party Committee Office of China National Railways Locomotive and Rolling Stock Industrial Corporation, deputy director of the General Affairs Division of the General Office (辦公室綜合處), the head of the Gerneral Office of CSRG, and deputy chairman of CSRG's Labor Union. He successively served as the deputy director of the Working Committee of Labor Union and the chairman of the Labor Union (appointed in July 2014) of CSR from January 2008 to May 2015, and the employee representative supervisor of CSR from December 2009 to May 2015. He has served as the employee representative Supervisor of the Company since May 2015, and the Chairman of the Labor Union of the Company since June 2015.

Senior Management

Mr. **Xi Guohua**, major experience is same as above.

Mr. **Zhao Guangxing**, born in 1958, a Chinese national with no right of abode overseas, is a holder of master's 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. Zhao once served as the secretary of the division level at the General Office of MOR, a director and assistant to general manager at China National Railway Locomotive & Rolling Stock Industry Corporation, a director and deputy general manager, deputy general manager and a standing member of the Party Committee of CNRG. From June 2008 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 since June 2015.

Ms. **Zhan Yanjing**, born in 1963, a Chinese national with no right of abode overseas, and 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 chief economist as well as director and deputy general manager of Henan Diesel Engine Plant (河南柴油機廠) of China Shipbuilding Industry Corporation, deputy manager of the Securities Department, manager of the Finance Department, deputy chief accountant and manager of the Finance Department, assistant to general manager and manager of the Financial Planning Department, and 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 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. **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 a Vice President and a standing member of the Party Committee of the Company. 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 since May 2015, and a Vice President of the Company since June 2015.

Mr. **Wang Jun**, born in 1963, a Chinese national with no right of abode overseas, and 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 CSR Qingdao Sifang Locomotive & 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. 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, and 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 CSR Nanjing Puzhen Rolling Stock Works, 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 EMBA degree, and is a professor-level senior economist. He serves as the Secretary to the Board of the Company. 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 May 2015, he served as the secretary to the board of CNR. Since June 2015, he has served as the Secretary to the Board of the Company.

(III) Status of Retired Directors, Supervisors and Senior Management of CSR and CNR during the Reporting Period

Details of remuneration received by retired directors, supervisors and senior management of CSR during the period from the beginning of the reporting period to the end of their terms of office (including basic social insurance and housing fund contributed by the Company for them) are as follows:

Wang Yan, chairman of the supervisory committee, did not receive remuneration from the Company and a total remuneration of RMB1,748,100 was received by the following persons: Sun Ke, a supervisor, RMB455,700; Zhang Jun, vice president, RMB317,600; Xu Zongxiang, vice president, RMB317,000; Zhang Xinning, chief engineer, RMB328,900 and Shao Renqiang, secretary to the board, RMB328,900.

Details of remuneration received by retired directors, supervisors and senior management of CNR during the period from the beginning of the reporting period to the end of their terms of office (including basic social insurance and housing fund contributed by the Company for them) are as follows:

Li Fenghua and Shao Ying (both independent non-executive Directors) did not receive remuneration from the Company and a total remuneration of RMB1,836,400 was received by the following persons: Zhu Shanhua, a supervisor, RMB303,600; Liu Zhi, a supervisor, RMB280,300; Gao Zhi, chief financial officer, RMB305,100; Jia Shirui, vice president, RMB310,500; Wei Yan, vice president, RMB305,800 and Wang Yongzhi, chief engineer, RMB331,100.

(IV) 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
Cui Dianguo	CRRC Group	Chairman	September 2015	
Zheng Changhong	CRRC Group	Vice Chairman	September 2015	
Liu Hualong	CRRC Group	Director and General Manager	September 2015	
Xi Guohua	CRRC Group	Director	September 2015	

(II) Positions Held in Other Entities

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

Notes:

(1) Metallurgical Corporation of China Ltd. is a company listed on the Shanghai Stock Exchange (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 Shanghai Stock Exchange (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 Shanghai Stock Exchange (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, an independent Director, who is concurrently a professional external director of SASAC and did not receive remuneration from the Company pursuant to the requirement of SASAC, and Liu Hualong, vice-chairman and executive Director, who has received remuneration from the CRRC Group from November 2015.
Total actual remuneration of all the Directors, Supervisors and Senior Management at the end of the reporting period	The total actual remuneration paid to Directors, Supervisors and Senior Management by the Company was RMB16,005,200 (including remuneration paid by CSR and CNR).

During the reporting period, none of the Directors or Supervisors of the Company waived or agreed to waive the remuneration arrangements, save as disclosed in this annual report.

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

On 18 May 2015, at the respective 2014 annual general meetings held by CSR and CNR, Cui Dianguo, Zheng Changhong, Liu Hualong, Xi Guohua and Fu Jianguo were elected as the executive Directors and Liu Zhiyong was elected as the non-executive Director and Li Guo'an, Zhang Zhong, Wu Zhuo, Sun Patrick and Chan Ka Keung, Peter were elected as the independent non-executive Directors of the first session of the Board of CRRC; Wan Jun and Chen Fangping were elected as the shareholder representative Supervisors of the first session of the Supervisory Committee of CRRC, along with Qiu Wei, the employee representative supervisor previously elected by the employee congress, constituted the first session of the Supervisory Committee. The Directors and Supervisors of CRRC commenced their duties on 28 May 2015. The directors and supervisors of CSR and CNR had resigned from their previous positions as directors and supervisors in CSR and CNR.

On 1 June 2015, at the first meeting of the first session of the Board held by CRRC, Cui Dianguo was elected as the Chairman of the first session of the Board; Zheng Changhong and Liu Hualong were elected as Vice Chairman; Xi Guohua was appointed as the President the Company; Cui Dianguo, Zheng Changhong, Liu Zhiyong, Liu Hualong, Xi Guohua, Fu Jianguo and Wu Zhuo were elected as members of the Strategy Committee, of which, Cui Dianguo serves as chairman and Zheng Changhong and Liu Zhiyong serve as vice chairman; Sun Patrick, Chan Ka Keung, Peter, Liu Zhiyong, Li Guo'an and Zhang Zhong were elected as members of the Audit and Risk Management Committee, of which, Sun Patrick serves as chairman and Chan Ka Keung, Peter serves as vice chairman; Li Guo'an, Zhang Zhong, Cui Dianguo, Zheng Changhong and Wu Zhuo were elected as members of the Nomination Committee, of which, Li Guo'an serves as chairman and Zhang Zhong serves as vice chairman; Wu Zhuo, Chan Ka Keung, Peter, Li Guo'an, Zhang Zhong and Sun Patrick were elected as members of the Remuneration and Evaluation Committee, of which, Wu Zhuo serves as chairman and Chan Ka Keung, Peter serves as vice chairman. On the same day, at the second meeting of the first session of the Board held by the Company, Zhao Guangxing, Sun Yongcai, Wang Jun, Lou Qiliang and Yu Weiping were appointed as vice presidents of the Company; Ms. Zhan Yanjing was appointed as vice president and Chief Financial Officer and Xie Jilong was appointed as the secretary to the Board. The above persons commenced to perform their duties on 1 June 2015. The senior management of CSR and CNR had resigned from their previous positions as senior management in CSR and CNR.

On 1 June 2015, at the first meeting of the first session of the Supervisory Committee held by CRRC, Wan Jun was elected as the chairman of the first session of the Supervisory Committee.

V. STAFF OF THE PARENT COMPANY AND PRINCIPAL SUBSIDIARIES

(I) Staff Information

The Company views its staff as valuable assets of the Company and strives to provide a healthy, long-term and fair development platform for employees. Staff information of the Company are as follows:

Unit: person

Total number of staff with the parent company	235
Total number of staff with principal subsidiaries	186,728
Total number of staff	186,963
Number of employees whose retirement expenses are borne by the parent company and principal subsidiaries	122,385

By profession

Category of profession	Number of each profession
Production personnel	114,232
Technical personnel	32,106
Management personnel	32,574
Other personnel	8,051
Total	186,963

By education

Education level	Number (person)
Doctors	328
Masters	8,471
University graduates	46,391
Tertiary college graduates	42,835
Secondary school and below	88,938
Total	186,963

(II) Remuneration Policies

Upon the Merger, in order to adapt to the production operational features and actual management requirements of CRRC, strengthen the salary and labour cost management, make reasonable adjustments to total salary and labour costs and manage the interplay of internal income distribution, the Company, based on the respective advantages of CSR and CNR, issued documents, including the Measures on Remuneration Management (薪酬管理辦法), the Measures on Remuneration Management of Responsible Persons (企業負責人薪酬管理辦法), the Measures on Performance-based Wage (工效掛鈎辦法), the Measures on Employee Remuneration Budges (職工薪酬預算辦法) and the Measures on Labour Cost Management (人工成本管理辦法) and other relevant documents, which formed the Company's remuneration management system and the "efficiency-based Wages (效益決定工資)" mechanism. At the same time, the Company required implementation of enterprise standards in accordance with the new management system in order to improve the level of employees' salaries on the foundation of improving efficiency.

(III) Personnel Training

Pursuant to the overall training arrangement for 2015, the Company carried out the personnel training and development in an orderly manner by focusing on key points and giving prominence to innovativeness, perspectiveness, pertinence and effectiveness of talent cultivation. In addition, the Company also established and improved the CRRC Training Management System (中國中車培訓管理體系), strengthened the implementation of curriculum system, internal trainer system and EL platform project, endeavoured to promote methodology innovation through the development of training programs, continued to learn through practise, strengthened training by combining theory with practice, promoted the application of action learning tools as such and sped up the development of core technical talent, core management talent and core skill talent teams. In light of actual operation and management needs, the Company introduced high quality domestic and foreign training resources, well planned training plans and created competitive training programs. During the year, the Company organized a total of 30 company-level trainings with 1,146 participants and focused on organizing and implementing key training programs, such as internationalized talents, outstanding leadership, core technical talent, core management talent and core skilled talent. In 2015, there were 386,000 employees who participated in company-level, subsidiary-level and workshop-level trainings, of which approximately 75,000 participants were management personnel, approximately 68,000 participants were professional technicians and approximately 243,000 participants were technical personnels. Orderly and thorough implementing personnel training development work has provided a guarantee of talent and intellectual support for the Company's rapid growth.

(IV) Staff Composition by Profession

Category of profession	Number of each profession
Production personnel	114,232
Technical personnel	32,106
Management personnel	32,574
Other personnel	8,051

(V) Staff Structure by Education Level

By education

Education level	Number (person)
Doctors	328
Masters	8,471
University graduates	46,391
Tertiary college graduates	42,835
Secondary school and below	88,938

CORPORATE GOVERNANCE REPORT

I. 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 Shanghai Stock Exchange 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. SHARE HOLDERS 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 place stringent constraint on individual behaviors and exercised rights and undertook obligations as 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 eleven Directors, including five 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 highly 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 Directors' decision-making role in corporate governance. 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 committees, 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 Board committees to perform specific functions of corporate governance. Details of the Board committees performing corporate governance functions are set out in the section headed "(VII) 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 "(XIII) Financial, business or family relationship among members of the Board" in "Report of Directors – VII. Other Disclosure Matters". Each Director was appointed for a term of three years. Upon expiry, such term is renewable upon re-election.

In 2015, the Company purchased liability insurance for Directors, Supervisors and Senior Management of the Company to provide security for the compensation liabilities that may arise during the performance of their duties in accordance with laws.

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

CRRC

Number of the Board meetings convened during the year	9
Among which: number of meetings convened on-site	8
number of meetings convened by means of communication	1
number of meetings convened by combination of on-site and communication	0

CSR

Number of the Board meetings convened during the year	4
Among which: number of meetings convened on-site	4
number of meetings convened by means of communication	0
number of meetings convened by combination of on-site and communication	0

CNR

Number of the Board meetings convened during the year	5
Among which: number of meetings convened on-site	4
number of meetings convened by means of communication	1
number of meetings convened by combination of on-site and communication	0

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

Name of Directors	Independent Director or not	Attendance at the Board meetings: Required attendance during the year	Attendance in person	Attendance by communication	Attendance by proxy	Absence	Absence from two consecutive meetings or not	Details of attendance at the general meetings: Number of attendance at the general meetings
CRRC								
Cui Dianguo	No	9	9	0	0	–	No	1
Zheng Changhong	No	9	9	0	0	–	No	1
Liu Hualong	No	9	9	0	0	–	No	1
Xi Guohua	No	9	9	0	0	–	No	1
Fu Jianguo	No	9	9	0	0	–	No	1
Liu Zhiyong	No	9	8	0	1	–	No	1
Li Guo'an	Yes	9	9	0	0	–	No	1
Zhang Zhong	Yes	9	9	0	0	–	No	1
Wu Zhuo	Yes	9	8	0	1	–	No	1
Sun Patrick	Yes	9	9	0	0	–	No	1
Chan Ka Keung, Peter	Yes	9	9	0	0	–	No	1
CSR								
Zheng Changhong	No	4	4	0	0	–	No	4
Liu Hualong	No	4	4	0	0	–	No	4
Fu Jianguo	No	4	4	0	0	–	No	4
Liu Zhiyong	No	4	4	0	0	–	No	4
Li Guo'an	Yes	4	4	0	0	–	No	4
Wu Zhuo	Yes	4	4	0	0	–	No	4
Chan Ka Keung, Peter	Yes	4	4	0	0	–	No	4
CNR							No	
Cui Dianguo	No	5	5	0	0	–	No	4
Xi Guohua	No	5	5	0	0	–	No	4
Wan Jun	No	5	5	0	0	–	No	4
Li Fenghua	Yes	5	5	0	0	–	No	4
Zhang Zhong	Yes	5	4	0	1	–	No	4
Shao Ying	Yes	5	5	0	0	–	No	4
Sun Patrick	Yes	5	4	0	1	–	No	3

Note: Mr. Liu Zhiyong failed to attend the 9th meeting of the first session of the Board in person due to business affairs and appointed Mr. Chan Ka Keung, Peter as proxy to vote on his behalf; Mr. Wu Zhuo failed to attend the 6th meeting of the first session of the Board in person due to business affairs and appointed Mr. Li Guo'an as proxy to vote on his behalf; Mr. Zhang Zhong failed to attend the 39th meeting of the second session of the board of CNR in person due to business affairs and appointed Ms. Shao Ying as proxy to vote on his behalf; Mr. Sun Patrick failed to attend the 42nd meeting of the second session of the board of CNR in person due to business affairs and appointed Mr. Li Fenghua as proxy to vote on his behalf.

(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 2015, 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, developing and refreshing 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, the trainings received by each Director in 2015 are as follows:

Name of Director	Trainings *(Note)*
Executive Directors	
Cui Dianguo	A,C
Zheng Changhong	A,C
Liu Hualong	A,C
Xi Guohua	A,C
Fu Jianguo	A,C
Non-executive Directors	
Liu Zhiyong	B,D
Independent Non-executive Directors	
Li Guo'an	C,D
Zhang Zhong	B,C
Wu Zhuo	C,D
Sun Patrick	B,C
Chan Ka Keung, Peter	C,D

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

A. 2015 training session for Directors, Supervisors and Senior Management organized by the Beijing Securities Regulatory Bureau

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

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

D. Attending trainings on laws and regulations of regulatory organs arranged by the Company

(V) Independent non-executive Directors and their independence

The Board currently comprises five 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 non-executive Directors.

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

(VI) Responsibilities of the Board

The Board is the decision-making body of the Company. It reports to the general meeting and exercises the following powers in accordance to the Articles of Association: (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; (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 resolutions proposed by each special committee of the Board; and (8) to manage information disclosure 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 of the first session of the Board comprises Mr. Cui Dianguo, Mr. Zheng Changhong, Mr. Liu Zhiyong, Mr. Liu Hualong, Mr. Xi Guohua, Mr. Fu Jianguo and Mr. Wu Zhuo. Mr. Cui Dianguo serves as the chairman of the committee and Mr. Zheng Changhong and Mr. Liu Zhiyong serve as the vice-chairman of the committee. The Strategy Committee shall be held accountable to the Board and its primary responsibilities is to study and make recommendations on the long-term development strategies and major investment decisions of the Company, and to supervise and examine the annual business plan and the implementation of investment plan under the authorization of the Board.

During the reporting period, the Strategy Committee of the first session of the Board of CRRC held three meetings in total, at which seven resolutions were considered, including, among others, the Resolution on Preparation of "13th Five-Year Development Strategic Plan" and the Resolution on Participation in Bidding for Certain Equity Interests in China United Insurance. The attendance of each member is as follows:

Name of Directors	Number of attendance/ Number of meeting	Attendance rate
Cui Dianguo	3/3	100%
Zheng Changhong	3/3	100%
Liu Zhiyong	2/3	66.7%
Liu Hualong	3/3	100%
Xi Guohua	3/3	100%
Fu Jianguo	3/3	100%
Wu Zhuo	3/3	100%

Note: Mr. Liu Zhiyong failed to attend the third meeting of the Strategy Committee in person due to business affairs and appointed Mr. Wu Zhuo as proxy to vote on his behalf.

During the reporting period, the Strategy Committee of the third session of the board of CSR held three meetings in total, at which nine resolutions were considered, including, among others, the Resolution on the Draft Report for the Merger of CSR Corporation Limited and China CNR Corporation Limited and its Summary, the Resolution on the Annual Financial Budget of the Company for 2014, the Resolution on Issuance of Debt Financing Instruments and the Resolution on Temporary Replenishment of Working Captial by Proceeds, as well as one reporting matter was reviewed. The attendance of each member is as follows:

Name of Directors	Number of attendance/ Number of meeting	Attendance rate
Zheng Changhong	3/3	100%
Liu Zhiyong	3/3	100%
Liu Hualong	3/3	100%
Fu Jianguo	3/3	100%
Wu Zhuo	3/3	100%

During the reporting period, the Strategy Committee of the second session of the board of CNR held four meetings in total, at which 12 resolutions were considered, including, among others, the Resolution on the Financing Plan of China CNR Corporation Limited for 2015. The attendance of each member is as follows:

Name of Directors	Number of attendance/ Number of meeting	Attendance rate
Cui Dianguo	4/4	100%
Xi Guohua	4/4	100%
Wan Jun	3/4	75%
Zhang Zhong	3/4	75%
Shao Ying	4/4	100%

Note: Mr. Wan Jun failed to attend the 16th meeting of the Strategy Committee in person due to business affairs and appointed Mr. Xi Guohua as proxy to vote on his behalf; Mr. Zhang Zhong failed to attend the 18th meeting of the Strategy Committee in person due to business affairs and appointed Ms. Shao Ying as proxy to vote on his behalf.

2. Audit and Risk Management Committee

During the reporting period, the Audit and Risk Management Committee of the Board, in strict compliance with requirements of the Working Rules for Audit and Risk Management Committee of the Board and the Annual Report Working Procedures for the Audit and Risk Management Committee of the Board, performed its duties in an independent and objective manner. The Audit and Risk Management Committee of the first session was served by Mr. Sun Patrick, Mr. Chan Ka Keung, Peter, Mr. Li Guo'an and Mr. Zhang Zhong, who are independent non-executive Directors; and Mr. Liu Zhiyong, a non-executive Director. Mr. Sun, Patrick and Mr. Chan Ka Keung, Peter who have extensive professional knowledge and experience in accounting and are certified public accountants serving as the chairman and vice chairman of the Audit and Risk Management Committee, respectively. The Audit and Risk Management Committee shall be held accountable to the Board and its primary responsibilities are to propose the appointment or replacement of external auditors, to supervise and assess 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. All following work was completed successfully during the reporting period.

(1) Supervising external audit procedures and quality. The Audit and Risk Management Committee communicated with auditors for annual audit plan in respect of the 2015 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 2015.

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

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

(4) Reviewing the Company's implementation of internal control and risk management. The Audit and Risk Management Committee considered the proposals regarding internal control and risk management submitted by the Company and expressed review opinions on the internal control audit report of the Company for 2015.

During the reporting period, the Audit and Risk Management Committee of the first session of the Board of CRRC held three meetings in total, at which eight resolutions were considered, including, among others, the Resolution on the 2015 Interim Report of CRRC Corporation Limited, the Resolution on the 2015 Third Quarterly Report of CRRC Corporation Limited and the Resolution on Provision of Entrusted Loans by CRRC Group to CRRC Corporation Limited. The attendance of each member is as follows:

Name of Directors	Number of attendance/ Number of meeting	Attendance rate
Sun Patrick	3/3	100%
Chan Ka Keung, Peter	3/3	100%
Liu Zhiyong	2/3	66.7%
Li Guo'an	3/3	100%
Zhang Zhong	3/3	100%

Note: Mr. Liu Zhiyong failed to attend the third meeting of the Audit and Risk Management Committee in person due to business affairs and appointed Mr. Chan Ka Keung, Peter as proxy to vote on his behalf.

During the reporting period, the Audit and Risk Management Committee of the third session of the board of CSR held five meetings in total, at which 13 resolutions were considered, including, among others, the Resolution on Approval of Financial Report and Pro Forma Combined Financial Report in relation to the Merger, the Resolution on the 2014 Annual Report of the Company, the Resolution on guarantee Arrangement of the Company and Its Subsidiaries for 2015, the Resolution on Audit Work Plan of the Company for 2015 and the Resolution on the 2015 First Quarterly Report of the Company, as well as three reporting matters were reviewed. The attendance of each member is as follows:

Name of Directors	Number of attendance/ Number of meeting	Attendance rate
Chan Ka Keung, Peter	5/5	100%
Liu Zhiyong	5/5	100%
Li Guo'an	5/5	100%

During the reporting period, the Audit and Risk Management Committee of the second session of the Board of CNR held three meetings in total, at which 15 resolutions were considered, including, among others, the Resolution on Approval of Financial Report in relation to the Merger, the Resolution on 2014 A Share Annual Report and its Summary, H Share Annual Report and its Summary and Results Announcement of China CNR Corporation Limited, the Resolution on 2015 Financial Statements of China CNR Corporation Limited and the Resolution on 2015 First Quarterly Report of China CNR Corporation Limited. The attendance of each member is as follows:

Name of Directors	Number of attendance/ Number of meeting	Attendance rate
Sun Patrick	3/3	100%
Zhang Zhong	3/3	100%
Wan Jun	2/3	66.7%

Note: Mr. Wan Jun failed to attend the 14th meeting of the Audit and Risk Management Committee in person due to business affairs and appointed Mr. Zhang Zhong as proxy to vote on his behalf.

3. Remuneration and Evaluation Committee

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

During the reporting period, the Remuneration and Evaluation Committee of the first session of the Board of CRRC did not hold meetings.

During the reporting period, the third session of the Remuneration and Evaluation Committee of the board of CSR held two meetings in total and considered the Resolution on Termination of the Share Option Scheme of China CSR Corporation Limited. It also considered the Resolution on Payment of Remuneration and Welfares to the Company's Senior Management for 2014 and the Resolution on Payment of Remuneration and Welfares to the Company's Directors and Supervisors for 2014 based on the work of directors, supervisors and senior management and reviewed the remuneration of directors, supervisors and senior management and made recommendations to the Board. The committee considered a total of three resolutions and one reporting match was reversed. The attendance of each member is as follows:

Name of Directors	Number of attendance/ Number of meeting	Attendance rate
Wu Zhuo	2/2	100%
Chan Ka Keung, Peter	2/2	100%
Li Guo'an	2/2	100%

During the reporting period, the second session of the Remuneration and Evaluation Committee of the board of CNR held two meeting in total, at which three resolutions were considered, including, among others, the Resolution on Termination of the Share Option Incentive Scheme of China CNR Corporation Limited and one reporting matter was reviewed. The attendance of each member is as follows:

Name of Directors	Number of attendance/ Number of meeting	Attendance rate
Li Fenghua	2/2	100%
Shao Ying	2/2	100%
Sun Patrick	2/2	100%

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 first session of the Board of the Company comprises of Mr. Li Guo'an (independent non-executive Director), Mr. Zhang Zhong (independent non-executive Director), Mr. Cui Dianguo (executive Director), Mr. Zheng Changhong (executive Director) and Mr. Wu Zhuo (independent non-executive Director). Mr. Li Guo'an serves as the chairman of the committee and Mr. Zhang Zhong serves as the vice chairman of the committee.

The Nomination Committee is held accountable to the Board and its primary responsibilities are to formulate the nomination procedures and selection standards of the Directors and Senior Management and to preliminarily review the eligibility and other qualifications of the candidates for the Directors and Senior Management. The standards of recommendation on the nomination of the Directors include suitable professional knowledge and industry experience, personal conduct, integrity and skills and commitment to devote sufficient time; and to monitor the implementation of the Board Diversity Policy and to review and amend the policy, as appropriate, to ensure its effectiveness.

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

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

During the reporting period, the first session of the Nomination Committee of the Board of CRRC held two meetings in total, at which five resolutions were considered, including, among others, the Resolution on Candidates for Vice President and Chief Financial Officer of China CRRC Corporation Limited, the Resolution on Candidates for Secretary to the Board of China CRRC Corporation Limited and the Resolution on Recommendation of Candidates for Representative Securities Affairs of the Company. The attendance of each member is as follows:

Name of Directors	Number of attendance/ Number of meeting	Attendance rate
Li Guo'an	2/2	100%
Zhang Zhong	2/2	100%
Cui Dianguo	2/2	100%
Zheng Changhong	2/2	100%
Wu Zhuo	2/2	100%

During the reporting period, the third session of the Nomination Committee of the board of CSR held one meeting in total, at which the Resolution on Nomination of Candidates for Directors of the First Session of the Board of the Post-Merger New Company was considered. The attendance of each member is as follows:

Name of Directors	Number of attendance/ Number of meeting	Attendance rate
Li Guo'an	1/1	100%
Zheng Changhong	1/1	100%
Liu Hualong	1/1	100%
Wu Zhuo	1/1	100%
Chan Ka Keung, Peter	1/1	100%

During the reporting period, the second session of the Nomination Committee of the board of CNR held one meeting in total, at which four resolutions were considered, including, among others, the Resolution on Nomination of Candidates for Directors of the First Session of the Board of the Post-Merger New Company. The attendance of each member is as follows:

Name of Directors	Number of attendance/ Number of meeting	Attendance rate
Cui Dianguo	1/1	100%
Xi Guohua	1/1	100%
Li Fenghua	1/1	100%
Zhang Zhong	0/1	0
Shao Ying	1/1	100%

Note: Mr. Zhang Zhong failed to attend the 7th meeting of the Nomination Committee in person due to business affairs and appointed Ms. Shao Ying as proxy to vote on his behalf.

IV. CHAIRMAN AND PRESIDENT

To ensure the balanced distribution of power and authorization and to avoid excessive concentration of power, the positions of the chairman and the president are assumed by Mr. Cui Dianguo and Mr. Xi Guohua respectively, 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 an 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 and 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.

V. SUPERVISORS AND THE SUPERVISORY COMMITTEE

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

VI. RESPONSIBILITIES OF THE MANAGEMENT

The Board is responsible for reviewing and approving the overall strategies and significant events of the Company. The Board delegates to the management of the Company to be in charge of the management of the daily operation and strategy implementation of the Company. The main responsibilities of the management include taking charge of the operation and management of the Company, organising the implementation of the resolutions of the Board, and reporting its work to the Board. The management also organisies 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 review the responsibilities delegated to the management and their performance so as to ensure the overall interest of the group. The management of the Company submit 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 to not to convene and host the general meeting if notice on convening the meeting is not issued by the committee within the stipulated period. Shareholders individually or collectively holding more than ten percent (10%) of the shares of the Company for a consecutive period of ninety (90) days can convene and host the meeting by themselves.

(II) Putting enquiry to the Board by shareholders

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

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

At the general meeting of CSR held on 18 May 2015 and of CNR held on even date, shareholders of CSR and CNR approved the Articles of Association of the Post-Merger New Company. On 28 May 2015, the new Articles of Association became effective upon completion of both the A share share exchange and the H share share exchange in respect of the merger of CSR and CNR. For details, please refer to the circular published by the Company and CNR dated 1 April 2015 and the new Articles of Association of the Company published on the Stock Exchange website on 2 June 2015.

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 2015, 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 2015.

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

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

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

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

As of 31 December 2015, 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 18 May 2015, CSR and CNR convened their 2014 annual general meeting respectively, at which the Resolution on Appointment of Auditors in respect of Financial Report and Auditors in respect of Internal Control for 2015 and the Resolution on Payment of Audit Fees of CSR and CNR for 2014 and Engagement of Auditors of CSR, CNR and the Post-Merger New Company for 2015 were considered and approved. According to the above resolutions, the Company appointed Deloitte Touche Tohmatsu as the auditor for 2015 financial report prepared under the IFRSs; and engaged Deloitte Touche Tohmatsu CPA LLP and KPMG Huazhen LLP as the auditors in respect of financial report prepared under domestic financial reporting standards and in respect of internal control for 2015. Deloitte Touche Tohmatsu CPA LLP is the principal auditor.

In 2015, the Company had paid the auditors an aggregate fee (tax inclusive) of RMB29.6 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 RMB22.8 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 RMB4.6 million and fees (tax inclusive) paid in respect of verification of placement and actual use of the proceeds of the Company amounted to RMB0.2 million.

XIII. INTERNAL CONTROL

(I) Statement on responsibility of internal control and development of internal control system

The Company placed strong emphasis on the development of internal control and has established a comprehensive internal control system according to laws, regulations and regulatory documents. The Company continued to develop a sound internal control system and enhance its standard on corporate governance, so as to further standardise its operations. The general objective of the Company's internal control is to ensure legal and compliant corporate operation and governance, safety of assets, truthful and complete financial report and relevant information, as well as enhancement on the efficiency and results of operation and management, so as to ensure the accomplishment of the strategic objective of corporate rapid growth. In addition, the establishment of sound internal control and the effective implementation thereof is the responsibility of the Board of the Company, and the Supervisory Committee supervises the establishment and implementation of internal control by the Board. On the other hand, the operating divisions are responsible for organising and leading the daily operation of the Company's internal control.

With a view to ensuring the effectiveness of corporate governance, the Company established an internal control system of CRRC on the basis of the original internal control systems of CSR and CNR and formulated the following rules and regulations: the Articles of Association of CRRC, Rules of Procedure for General Meetings, Rules of Procedure for the Board of Directors, Rules of Procedure for Supervisory Committee, Independent Directors' Manual, Working Rules for the Strategy Committee of the Board, Working Rules for the Audit and Risk Management Committee of the Board, Working Rules for the Nomination Committee of the Board, Working Rules for the Remuneration and Evaluation Committee of the Board, President's Manual, Working Rules for the Secretary to the Board, Management Measures on Use of Proceeds, Management Measures on Related Party Transactions, Management Measures on Information Disclosure, Management Measures on Investor Relations, Management Measures on External Guarantees, Management Measures for Persons with Access to Insider Information, Audit Regulation, Internal Control Regulation and Risk Management Regulation, etc.. Furthermore, in compliance with Basic Standards for Enterprise Internal Control and its complementary guidelines jointly issued by five ministries including the Ministry of Finance, Internal Control Guidance for Listed Company by SSE, the Corporate Governance Code by the Stock Exchange and Comprehensive Risk Management Guidance for Central Enterprises by SASAC, The Company, by reference to its own characteristics, established an internal control system that includes control of financial reporting.

The Assessment Report on Internal Control was disclosed by the Company on the websites of SSE (www.sse.com.cn) and the Stock Exchange (www.hkexnews.hk).

The following conclusions were made to the assessment of the internal control of the Company: according to the identification results of material deficiencies in the internal control of the financial report of the Company, there was no material deficiencies in the internal control of the financial report as of the base date of the Assessment Report on Internal Control. Therefore, the Board considered that the Company had maintained an effective internal control of the financial report in all material respects in accordance with the requirements under the corporate internal control standard system and relevant regulations. According to the identification results of material deficiencies in the internal control of the non-financial reporting matters of the Company, there was no material deficiencies in the internal control of the financial reporting matters as at the base date of the Assessment Report on Internal Control. During the period from the base date of the Assessment Report on Internal Control to the issue date of the Assessment Report on Internal Control, no factors that have an influence on the assessment conclusion to the effectiveness of internal control were identified.

(II) Information of the audit report on internal control

Deloitte Touche Tohmatsu CPA LLP and KPMG Huazhen LLP, engaged by the Company, have audited the effectiveness on the internal control of the Company relating to financial reporting, and have issued an audit report with unqualified opinion.

The Audit Report on Internal Control was disclosed by the Company on the websites of SSE (www.sse.com.cn) and the Stock Exchange (www.hkexnews.hk).

RELEVANT INFORMATION OF CORPORATE BONDS

I. BASIC INFORMATION OF CORPORATE BONDS

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

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

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

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

On 5 August 2015, with the approval from SASAC, CNRG and CSRG signed the Merger Agreement of China Northern Locomotive & Rolling Stock Industry (Group) Corporation and CSR Group (《中國北方機車車輛工業集團公司與中國南車集團公司之合併協議》). It was agreed that CNRG will merge with CSRG by way of absorption, CSRG will be de-registered, CNRG will be renamed as "CRRC Group" (中國中車集團公司) and all assets, liabilities, businesses, employees, contracts, qualifications and all other rights and obligations of CSRG will be assumed by CRRCG, the post-merger corporation. On 7 September 2015, the trustee, China International Capital Corporation Limited (中國國際金融股份有限公司), convened a meeting of bondholders, at which the Proposal on CRRC Group' s Assumption of CSR Group' s Obligation of Guarantee for this Tranche of Bond (《關於中國中車集團公司承繼中國南車集團公司對本期債券擔保義務的議案》) was considered. After counting the final voting results, in respect of the votes at this meetng of bondholders, bondholders who have voted for the merger represented 100% of the total bonds held by those bondholders or their proxies present at this meeting of bondholders. On 24 September 2015, CNRG completed the registration of change of name and changed its name to "CRRC Group (中國中車集團公司)". The obligation of CSRG as a guarantor for the 2013 five-year corporate bond of CSR Corporation Limited (first tranche) and the 2013 ten-year corporate bond of CSR Corporation Limited (first tranche) was assumbed by CRRCG.

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

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	2015	2014	Change between the period and the same period last year (%)	Reasons of the change
EBITDA	24,543,813	21,830,969	12.43	
Net cash flows from investing activities	-5,391,870	-19,784,830	—	Significant decrease in cash used for investments during the year
Net cash flows from financing activities	-16,687,421	7,272,463	—	Mainly due to less borrowings than repayment of loans during the year
Balance of cash and cash equivalents at the end of the period	29,944,221	37,034,186	-19.14	
Current ratio	1.22	1.16	5.17	
Quick ratio	0.75	0.69	8.70	
Gearing ratio	63.56%	65.81%	-3.42	
EBITDA to total debts ratio	12.39%	11.10%	11.62	
Interest coverage multiple	12.42	6.31	96.83	Significant decrease of interest expenditure during the year
Cash interest coverage multiple	10.17	10.83	-6.09	
EBITDA interest coverage multiple	16.66	8.31	100.48	Significant decrease of interest expenditure during the year
Loan repayment rate	1.00	1.00	—	
Interest coverage	1.29	0.83	55.42	Repayment of increased interest during the year

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

As at 31 December 2015, details of the Company' s assets with restrictions on title are as follows:

Unit: '000 Currency: RMB

Assets with restrictions on title	Carrying amount
Time deposits and bank balances	4,613,695
Bills receivable	1,437,104
Property, plant and equipment	50,958
Prepaid lease payments	36,450
Total	6,138,207

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

As at 31 December 2015, the table below sets forth details on the amount of bank credit facilities, the utilized amount and the outstanding credit facilities of the Company:

Unit: '000 Currency: RMB

Name of bank	Amount of credit facilities	Utilized amount	Outstanding credit facilities
Banking department of Export-import Bank of China Head Office	24,000,000	2,392,000	21,608,000
Bank of Beijing Beichen Road sub-branch	7,000,000	0	7,000,000
Bank of Communications Beijing Fangqunyuan sub-branch	6,500,000	0	6,500,000
China Development Bank Corporation Beijing branch	13,450,205	4,140,105	9,310,100
Beijing Rural Commercial Bank CBD sub-branch	3,500,000	0	3,500,000
Bank of Communications Beijing Shijicheng sub-branch	6,500,000	0	6,500,000
China Minsheng Bank Beijing Shouti South Road sub-branch	8,500,000	5,679,235	2,820,765
China Merchants Bank Beijing Chongwenmen sub-branch	10,000,000	0	10,000,000
Banking department of China Merchants Bank Beijing branch	10,000,000	0	10,000,000
Ping An Bank Beijing branch	12,000,000	0	12,000,000
China Everbright Bank Beijing branch	3,100,000	0	3,100,000
Beijing West Railway Station sub-branch	5,000,000	0	5,000,000
China Construction Bank Beijing Huicheng sub-branch	4,000,000	0	4,000,000
Bank of China Beijing Fangzhuang Centre sub-branch	17,500,000	0	17,500,000
Bank of Kunlun	2,000,000	0	2,000,000
China Construction Bank Chaoyang sub-branch	11,500,000	0	11,500,000
Total	144,550,205	12,211,340	132,338,865

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

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

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

For a comparison of CRRC's 2015 major solvency indicators with CSR's 2014 data and the analysis on reasons for a change, please refer to the section headed "III. Accounting Data and Financial Indicators of the Company for Last Two Years as at the End of the Reporting Period" in this chapter.

INVESTOR RELATIONS

In 2015, the inception of CRRC opened a new chapter for the rolling stock industry in China and the world. With the doubts and expectations of domestic and international capital markets on the post-merger new company, the Company continued to strengthen the management of investors relation and succeeded in building a smooth and efficient investors relation interactive platform for active exchange and communication with investors, to enable their understanding and recognition of the Company, to maintain long-term, stable and good relations of trust with institutional investors, and to well protect the rights and interests of general investors.

Firstly, combining the rich experiences of CSR and CNR in investors relation management, and pursuant to the "Company Law", "Securities Law", "Working Guidelines for the Relationship Between Listed Companies and Investors (《上市公司與投資者關係工作指引》) and other relevant laws and regulations, we have revised and improved systems such as " Measures on Management of Investors Relation (《投資者關係管理辦法》)" to regulate the work of the new company on investors relation management;

Secondly, we have established an "Investors' Relations" section on our website and update the contents therein on an ongoing basis so that investors can keep abreast of the information of the Company. We have also arranged dedicated staff to answer investors' telephone calls, receive investors' e-mails, and record and answer questions raised by investors with patience and care.

Thirdly, we have continuously collected news of the capital markets, and collected investors information and tracked their movement for regular analysis on shareholding structure. Relevant information was timely sent back to the management and related departments of the Company for use in the daily business activities of the Company. We have also established a system for monitoring public opinions to pay close attention to change in public opinions of the Company and to keep abreast of industry development, so that we can quickly respond to negative public opinions.

Fourthly, we have strengthened communications with investors by participating in investment strategy events organized by securities firms, holding results conferences and analyst conference calls, hosting visits of investors and analysts, organizing roadshows and reverse roadshows and so on. In late January 2015, we held combined roadshows in Hong Kong, Singapore, United Kingdom and United States respectively to meet substantial shareholders of the Company and related organizations for full communication on the background, significance, proposals and timelines of the merger, and have sincere exchanges on other issues of concern to shareholders regarding the merger of the companies as well as on future development. In September, we organized roadshows for interim results in Hong Kong and London, and held several one-to-one and one-to-many meetings to release CRRC's 2015 interim operating results and future prospects of the Company, and to answer questions of investors on issues of market common concern so as to strength investors' confidence in the Company. Apart from convening annual general meetings, we held two extraordinary general meetings in March and October respectively to let shareholders keep abreast of our major decision-making issues and participate in voting of resolutions so as to strengthen their confidence in the development of the Company. During the past year, we have organized in total 2 series of roadshows, received 58 series of visitors, convened 25 conference calls, arranged 10 series of investors to visit our subsidiaries, participated in 17 investment strategy events organized by securities firms, and answered more than 2,000 phone calls (not including personal mobile phone) based on available statistics.

Fifthly, we have actively communicated with the media and customers to give a true picture of where the value of the Company lies. In June, the African Transport Exhibition held in Johannesburg, South Africa was the first time CRRC presented at an overseas exhibition since its inception, realizing a high-quality presentation of CRRC's brand image in the international market. In September, CRRC unveiled its products in the First China-Latin America Scientific and Technological Innovation Forum (首屆中拉科技創新論壇), during which CRRC received widespread attention and praises by guests from all countries. Also in September, the Fifth International Fair of Railway Equipment and Technologies (第五屆俄羅斯國際鐵路工程技術展覽會) was held in Russia. Through the event, CRRC's excellent corporate image and strong technological strength were fully demonstrated which enabled the world to understand CRRC better and to a fuller extent. In October, CRRC participated in the Second China-Russia Expo to allow more investors to understand China's high-speed trains, thus promoting further cooperation between China and Russia in high-speed rail projects. Similarly in October, the Chinese Brand Milan Forum (中國品牌米蘭論壇) plus the "Day of Chinese High-Speed Train (中國中車日)" with "One Belt One Road China-Italy Common Forward (一帶一路,中意同行)" as the theme was held in the site of the 2015 Expo in Milan, Italy. The event once again attracted high attention of investors from around the world on China's high-speed trains while demonstrated CRRC's strength to the word. In late October, the WeChat ID "CRRCNEWS" was recommended as one of the ten WeChat IDS with "the highest gold content", while earlier in September, CRRC was ranked first among listed central enterprises on the "Ranking of Chinese enterprises by IndexMedia (中國企業新媒體傳播指數排行榜)". In November, CRRC took part in the Beijing International Urban Rail Transport Technology Exhibition (北京城軌展), which rooted the image of CRRC deeply in the mind of citizens, thereby enhancing the Company's public influence. In late November, CRRC participated in the Australian Railway Industry Exhibition (澳大利亞鐵路工業展) which played a significant role in strengthening the good cooperation between the Company and its customers.

Going forward, the Company will continue to regard investors relation management as an important measure of enhancing corporate value, and will strive to gain investors' understanding, support and recognition of the objectives, concepts and the team of our development in the future development of the Company, strengthen investor confidence in and enhance their recognition of the Company.

CHANGES IN SHARES AND PARTICULARS OF SHAREHOLDERS

I. CHANGES IN SHARE CAPITAL

(i) Changes in ordinary shares

Unit: share

	Before change		Increase/decrease (+/-)					After change	
	Quantity	Percentage (%)	New issue	Bonus issue	Conversion from reserves	Others	Sub-total	Quantity	Percentage (%)
I. Shares subject to trading moratorium	1,362,103,700	9.87	–	–	–	-1,362,103,700	-1,362,103,700	–	–
1. State-owned legal person shares	1,362,103,700	9.87	–	–	–	-1,362,103,700	-1,362,103,700	–	–
II. Shares not subject to trading moratorium	12,440,896,300	90.13	+13,485,758,333	–	–	+1,362,103,700	+14,847,862,033	27,288,758,333	100
1. Ordinary shares denominated in RM B	10,416,896,300	75.47	+11,138,692,293	–	–	+1,362,103,700	+12,500,795,993	22,917,692,293	83.98
2. Overseas listed foreign shares	2,024,000,000	14.66	+2,347,066,040	–	–	–	+2,347,066,040	4,371,066,040	16.02
III. Total number of ordinary shares	13,803,000,000	100	+13,485,758,333	–	–	–	+13,485,758,333	27,288,758,333	100

The merger of CSR and CNR has been approved by the CSRC in the Approval for Merger by way of Absorption by CSR Corporation Limited with China CNR Corporation Limited (Zheng Jian Xu Ke [2015] No.748) (《關於核准中國南車股份有限公司吸收合併中國北車股份有限公司的批覆》(證監許可[2015] 748號)). The H share share exchange involved in the Merger was completed on 26 May 2015, pursuant to which, the Company issued an additional 2,347,066,040 H Shares. The A share exchange involved in the Merger was completed on 28 May 2015, pursuant to which, the Company issued an additional 11,138,692,293 A Shares. As at the end of the reporting period, the total share capital of the Company was 27,288,758,333 shares.

After the merger of CSR and CNR in 2015, earnings per share and net assets per share were RMB0.43 and RMB3.55, respectively.

(ii) Changes in shares subject to trading moratorium

Unit: share

Name of shareholder	Number of shares subject to trading moratorium at the beginning of the year	Number of shares released from trading moratorium in the year	Number of additional shares subject to trading moratorium in the year	Number of shares subject to trading moratorium at the end of the year	Reasons for trading moratorium	Release date of trading moratorium
CSRG	1,362,103,700	1,362,103,700	—	—	Private issuance of A Shares	16 March 2015
Total	1,362,103,700	1,362,103,700	—	—	/	/

II. ISSUE AND LISTING OF SECURITIES

(i) Issue of securities during the reporting period

Unit: share

Type of shares and derivative equities	Date of issue	Issue price (or interest rate)	Number of shares issued	Date of listing	Number of shares permitted to be traded	Date of release of trading moratorium
Ordinary share						
H Share	26 May 2015	HK$7.32 per share	2,347,066,040	8 June 2015	2,347,066,040	—
A Share	28 May 2015	RMB5.63 per share	11,138,692,293	8 June 2015	11,138,692,293	—

(ii) Changes in total ordinary shares, shareholding structure and assets and liabilities structure of the Company

For changes in the total shares and structures of the Company during the reporting period, please refer to "I.Changes in Share Capital" in this section.

On 28 May 2015, upon completion of the exchange of shares, the total share capital of the Company changed from 12,440,896,300 shares to 27,288,758,333 shares. On 31 December 2015, the gearing ratio of the Company was 63.56%, representing a decrease of 2.25 percentage points as compared to the end of last year.

(iii) 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	1,217,875
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	1,188,123

Note: As at the end of the reporting period, the Company had 1,215,335 holders of A shares and 2,540 holders of H shares; as at the end of the month prior to the date of the annual report, the Company had 1,185,571 holders of A shares and 2,552 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							
					Shares pledged or frozen		
Name of shareholder (full name)	Change during the reporting period	Number of shares held at the end of the period	Percentage (%)	Number of shares subject to trading moratorium held	Pledged or frozen	Quantity	Nature of shareholder
CRRCG [Note 1]	6,990,001,869	14,786,323,011	54.18	–	Nil	–	State-owned legal person
HKSCC NOMINEES LIMITED [Note 2]	2,344,143,720	4,361,580,559	15.98	–	Unknown	–	Overseas legal person
China Securities Finance Corporation Limited	620,091,269	620,091,269	2.27	–	Unknown	–	State-owned legal person
Beijing CNR Investment Co., Ltd.	380,172,012	380,172,012	1.39	–	Nil	–	State-owned legal person
Central Huijin Asset Management Ltd.	304,502,100	304,502,100	1.12	–	Unknown	–	State-owned legal person
Bosera Funds – Agricultural Bank of China – Bosera China Securities and Financial Assets Management Plan	125,366,000	125,366,000	0.46	–	Unknown	–	Unknown
Dacheng Fund – Agricultural Bank of China – Dacheng China Securities and Financial Assets Management Plan	125,366,000	125,366,000	0.46	–	Unknown	–	Unknown
ICBCCS Fund – Agricultural Bank of China – ICBCCS China Securities and Financial Assets Management Plan	125,366,000	125,366,000	0.46	–	Unknown	–	Unknown
GF Fund – Agricultural Bank of China – GF China Securities and Financial Assets Management Plan	125,366,000	125,366,000	0.46	–	Unknown	–	Unknown
ChinaAMC – Agricultural Bank of China – ChinaAMC China Securities and Financial Assets Management Plan	125,366,000	125,366,000	0.46	–	Unknown	–	Unknown

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 period	Percentage (%)	Number of shares subject to trading moratorium held	Shares pledged or frozen: Pledged or frozen	Shares pledged or frozen: Quantity	Nature of shareholder
Harvest Fund – Agricultural Bank of China – Harvest China Securities and Financial Assets Management Plan	125,366,000	125,366,000	0.46	–	Unknown	–	Unknown
China Southern Asset Management– Agricultural Bank of China – China Southern Asset Management China Securities and Financial Assets Management Plan	125,366,000	125,366,000	0.46	–	Unknown	–	Unknown
E Fund – Agricultural Bank of China – E Fund China Securities and Financial Assets Management Plan	125,366,000	125,366,000	0.46	–	Unknown	–	Unknown
Yinhua Fund – Agricultural Bank of China – Yinhua China Securities and Financial Assets Management Plan	125,366,000	125,366,000	0.46	–	Unknown	–	Unknown
Zhongou Asset – Agricultural Bank of China – Zhongou China Securities and Financial Assets Management Plan	125,366,000	125,366,000	0.46	–	Unknown	–	Unknown

Note 1: Among the 14,786,323,011 A shares of the Company actually held by CRRCG, 7,796,321,142 A shares are registered in the name of CSRG and the securities registration procedures for the shares held by CSRG to be transferred to CRRCG are still pending; 6,990,001,869 A shares are registered in the name of CNRG and the procedures for the registered shareholder's change of its name to CRRCG are still pending.

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

Unit: share

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

Name of shareholder	Number of circulating shares not subject to trading moratorium held	Type and number of shares	Number
CRRCG [Note1]	14,786,323,011	Ordinary shares denominated in RMB	14,786,323,011
HKSCC NOMINEES LIMITED [Note2]	4,361,580,559	Overseas listed foreign shares	4,361,580,559
China Securities Finance Corporation Limited	620,091,269	Ordinary shares denominated in RMB	620,091,269
Beijing CNR Investment Co., Ltd.	380,172,012	Ordinary shares denominated in RMB	380,172,012
Central Huijin Asset Management Ltd.	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	125,366,000	Ordinary shares denominated in RMB	125,366,000
Dacheng Fund — Agricultural Bank of China — Dacheng China Securities and Financial Assets Management Plan	125,366,000	Ordinary shares denominated in RMB	125,366,000
ICBCCS Fund — Agricultural Bank of China — ICBCCS China Securities and Financial Assets Management Plan	125,366,000	Ordinary shares denominated in RMB	125,366,000
GF Fund — Agricultural Bank of China — GF China Securities and Financial Assets Management Plan	125,366,000	Ordinary shares denominated in RMB	125,366,000
ChinaAMC — Agricultural Bank of China — ChinaAMC China Securities and Financial Assets Management Plan	125,366,000	Ordinary shares denominated in RMB	125,366,000
Harvest Fund — Agricultural Bank of China — Harvest China Securities and Financial Assets Management Plan	125,366,000	Ordinary shares denominated in RMB	125,366,000
China Southern Asset Management— Agricultural Bank of China — China Southern Asset Management China Securities and Financial Assets Management Plan	125,366,000	Ordinary shares denominated in RMB	125,366,000
E Fund — Agricultural Bank of China — E Fund China Securities and Financial Assets Management Plan	125,366,000	Ordinary shares denominated in RMB	125,366,000
Yinhua Fund — Agricultural Bank of China — Yinhua China Securities and Financial Assets Management Plan	125,366,000	Ordinary shares denominated in RMB	125,366,000
Zhongou Asset — Agricultural Bank of China — Zhongou China Securities and Financial Assets Management Plan	125,366,000	Ordinary shares denominated in RMB	125,366,000
Connections or parties acting in concert among the aforesaid shareholders	Beijing CNR Investment Co., Ltd. is a wholly-owned subsidiary of CRRCG. Save for the above, the Company is not aware of any connections among the other shareholders above, nor aware of any parties acting in concert as defined in the Administrative Measures on Acquisitions by Listed Companies.		

Note 1: Among the 14,786,323,011 A shares of the Company actually held by CRRCG, 7,796,321,142 A shares are registered in the name of CSRG and the securities registration procedures for the shares held by CSRG to be transferred to CRRCG are still pending; 6,990,001,869 A shares are registered in the name of CNRG and the procedures for the registered shareholder's change of its name to CRRCG are still pending.

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

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

As at 31 December 2015, 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
Cui Dianguo	Chairman, Executive Director	A Shares	137,500
Zheng Changhong	Vice chairman, Executive Director	A Shares	60,000
Liu Hualong	Vice chairman, Executive Director	A Shares	50,000
Xi Guohua	Executive Director, President	A Shares	231,800
Fu Jianguo	Executive Director	A Shares	50,000
Qiu Wei	Employee representative Supervisor	A Shares	30,000

Save as disclosed in the annual report, as at 31 December 2015, 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 2015, 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	Beneficial owner	A Shares	Long position	14,786,323,011	64.51	54.18
	Interest of corporation controlled by the substantial shareholder	A Shares	Long position	473,257,727	2.06	1.73
BlackRock, Inc.	Interest of corporation controlled by the substantial shareholder	H Shares	Long position	289,968,919	6.63	1.06
	Interest of corporation controlled by the substantial shareholder		Short position	6,171,000	0.14	0.02
JPMorgan Chase & Co.	Beneficial owner/ Investment manager/ Custodian -corporation/ Approved lending agent	H Shares	Long position	284,408,480	6.50	1.04
	Beneficial owner		Short position	17,269,338	0.39	0.06
	Custodian-corporation/ Approved lending agent		Lending pool	155,730,215	3.56	0.57

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 (%)
Himalaya Capital Investors, L. P. (formerly known as LL Investment Partners L. P.)	Beneficial owner	H Shares	Long position	234,265,000	5.36	0.85
Li Lu	Interest of corporation controlled by the substantial shareholder	H Shares	Long position	234,265,000	5.36	0.85
LL Group, LLC	Interest of corporation controlled by the substantial shareholder	H Shares	Long position	234,265,000	5.36	0.85

Notes:

(1) Among the 14,786,323,011 A shares of the Company held by CRRCG, 7,796,321,142 A shares are registered in the name of CSRG and the securities registration procedures for the shares held by CSRG to be transferred to CRRCG are still pending; 6,990,001,869 A shares are registered in the name of CNRG and the procedures for the registered shareholder's change of its name to CRRCG are still pending. Furthermore, CRRCG held 93,085,715 A shares through CSR Capital Company and held 380,172,012 A shares of the Company through Beijing CNR Investment Co., Ltd.

(2) Except for the holding of the 15,259,580,738 shares by CRRC Group and the proportion details, other information disclosed hereby is based on the information available on the website of the Stock Exchange at www.hkex.com.hk.

Save as disclosed above, as far as the Directors are aware, as at 31 December 2015, 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

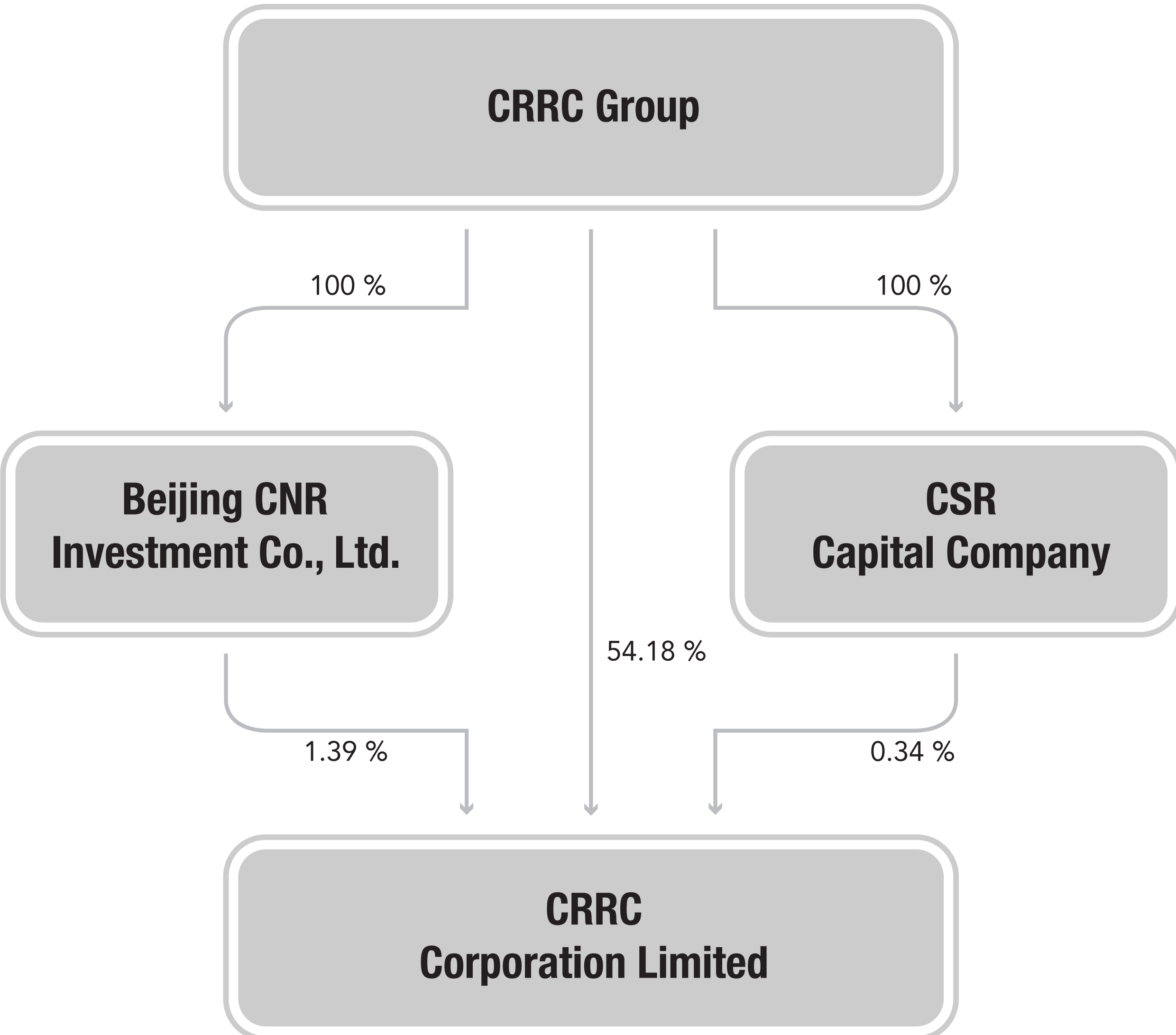
1. Legal person

Name:	CRRC Group (中國中車集團公司)
Legal representative:	Cui Dianguo
Establishment date:	1 July 2002
Principal operations:	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:	It holds 42.64% of the equity interest of South Huiton (南方匯通) (stock code 000920).
Other explanatory statements:	Nil

2. Index and date on changes in controlling shareholder during the reporting period

CSRG, the original first largest shareholder of the Company and CNRG, the original second largest shareholder of the Company entered into the Merger Agreement between China Northern Locomotive & Rolling Stock Industry (Group) Corporation and CSR Group on 5 August 2015. According to the merger agreement, CNRG has absorbed CSRG and CSRG has been de-registered, CNRG has changed its name to "CRRC Group" and all assets, liabilities, businesses, employees, contracts, qualifications and all other rights and obligations of CSRG have been held by the post-merger corporation. The group merger has been approved by the SASAC of the State Council and the CSRC, and anti-trust review clearance has been obtained from the Ministry of Commerce of the People's Republic of China. In September 2015, CNRG completed the registration of change with the competent industry and commerce authority and has changed its name to "CRRC Group". For more details, please refer to the related announcements of the Company published on the websites of the SSE and the Stock Exchange dated 5 August 2015, 10 August 2015, 25 August 2015, 22 September 2015 and 25 September 2015.

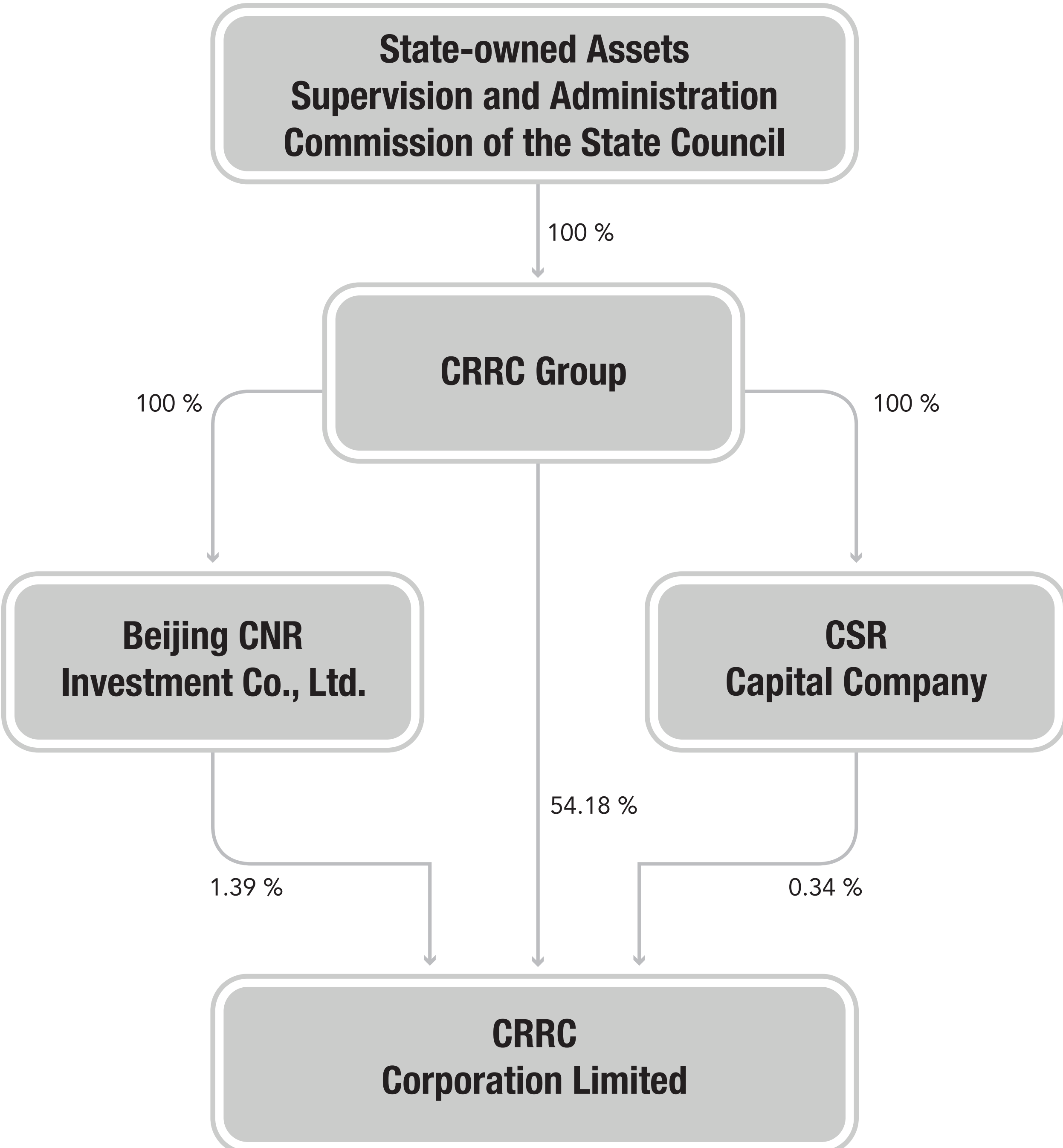
3. Framework of ownership and controlling relationship between the Company and the controlling shareholder



(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



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, according to all 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 2015, the Company did not purchase, sell or redeem any of the Company's securities.

SIGNIFICANT EVENTS

I. PERFORMANCE OF UNDERTAKINGS

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

Undertakings by the Company

1. Non-competition undertaking with Times New Material

On 5 August 2015, CRRC issued the letter of undertaking of non-competition with Zhuzhou Times New Material Technology Co., Ltd. (《關於避免與株洲時代新材料科技股份有限公司同業競爭的承諾函》) in order to resolve the issue of competition between CRRC and Times New Material after the merger between CSR and CNR. The specific undertakings are as follows: the current operations of CRRC in fields such as air springs for rail vehicles and rubber-metal parts for rail vehicles compete with the operations of Times New Material, which is indirectly controlled by CRRC. In order to resolve such competition with Times New Material, in accordance with relevant laws and regulations, CRRC undertook that it will resolve such issue with Times New Material within five years from the date of this letter of undertaking in the manner approved by the regulatory authorities (including but not limited to asset restructuring, business integration etc.).

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

2. Non-competition undertaking with Times Electric

On 5 August 2015, CRRC issued the letter of undertaking of non-competition with Zhuzhou CSR Times Electric Co., Ltd (《關於避免與株洲南車時代電氣股份有限公司同業競爭的承諾函》) in order to resolve the issue of competition between CRRC and Times Electric after the merger between CSR and CNR. The specific undertakings are as follows: the current operations of CRRC in fields such as transmission control systems, network control systems, traction power supply system, braking system, track construction machinery, electronic components and vacuum sanitation system compete with the operations of Times Electric, which is indirectly controlled by the Company. To safeguard the interests of Times Electric in its future development, in accordance with relevant laws and regulation, CRRC undertook that with respect to the operations of CRRC that compete with the operations of Times Electric: (1) CRRC will grant Times Electric a call option, pursuant to which Times Electric will be entitled to elect, at its own discretion, when to request CRRC to sell the competing businesses of CRRC to Times Electric; (2) CRRC will further grant Times Electric a pre-emptive right, pursuant to which if CRRC proposes to sell the competing business to an independent third party, CRRC shall offer to Times Electric the competing business first on the same terms and conditions, and the sale to an independent third party may only be effective after Times Electric refuses to purchase the competing business; (3) the decision of Times Electric to exercise the aforesaid call option and the pre-emptive right shall be made by the independent non-executive directors of Times Electric; (4) the exercise of the aforesaid call option and the pre-emptive right as well as other effective methods to resolve this competition matter will be subject to the applicable regulatory and disclosure requirements and shareholders' approval at the general meeting in the places of listing of CRRC and Times Electric respectively; and (5) the non-competition undertaking will be effective from the date of issuance of this letter of undertaking to the time when Times Electric is de-listed or CRRC ceases to be an indirect controlling shareholder of Times Electric.

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

Undertakings by CRRCG

1. Undertakings in relation to the initial public offering

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

(1) Undertakings on property ownership issues

CSR disclosed in its prospectus that CSR has not yet obtained proper property ownership certificates for 326 properties with a total gross floor area of 282,019.03 square meters, representing 7.85% of the total gross floor area of the property in use of CSR. As for the property which CSR has not yet obtained property ownership certificates, CSRG undertook that properties that could not obtain complete property ownership certificates due to reasons such as incomplete procedures in planning and constructions and, which were included in the asset injection to CSR by CSRG, CSR undertook that such properties satisfy the usage requirements necessary for the production and operations of CSR. Moreover, if there is any loss incurred to CSR due to such properties, CSRG shall undertake all compensation liabilities and all economic losses that CSR incurred.

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

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

CNR disclosed in the prospectus that the land use terms or termination date were not specified in the state-owned land use certificate for part of the authorized lands acquired by CNR. CNRG undertook to compensate the relevant wholly-owned subsidiaries of CNR for the loss caused as a result of the state-owned land use certificate not specifying the land use terms or termination date for the authorized land.

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

2. Non-competition undertakings

As of the time of the listing of CSR and CNR, CSRG and CNRG have respectively undertaken not to have competition. As of the time of the merger between CSR and CNR, CSRG and CNRG have undertaken not to have competition with the post-merger company. As of the time of the merger between CNRG and CSRG, CNRG, by assuming the aforesaid undertakings, issued the letter of undertaking of non-competition with CRRC Corporation Limited (《關於避免與中國中車股份有限公司同業競爭的承諾函》) on 5 August 2015. The specific undertakings are as follows: (1) CNRG undertook that CNRG will not and will, through legal procedures, procure its wholly-owned and non-wholly subsidiaries to not engage in any businesses which might directly compete with the current operating businesses of CRRC; (2) subject to the aforesaid undertaking (1), if CNRG (including its wholly-owned subsidiaries and non-wholly subsidiaries or other connected entities) provide any products or services that might be in competition with the principal products or services of CRRC in the future, CNRG will agree to grant CRRC pre-emptive right to acquire the assets or its entire equity interests in such subsidiaries related to such products or services from CNRG. (3) subject to the aforesaid undertaking (1), CNRG may develop advanced and lucrative projects in the future which fall within the business scope of CRRC, but it should preferentially transfer any achievement on such projects to CRRC for its own operation on equal terms of transfer. (4) CNRG should compensate CRRC for its actual losses arising from any failure to comply with the aforesaid undertakings.

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

3. Undertaking to maintain the independence of a listed company

As of the time of the merger between CSR and CNR, CSRG and CNRG have respectively undertaken to maintain the independence of the post-merger company. As of the time of the merger between CNRG and CSRG, CNRG, by assuming the aforesaid undertakings, issued the letter of undertaking to maintain the independence of CRRC Corporation Limited (《關於保持中國中車股份有限公司獨立性的承諾函》) on 5 August 2015. The specific undertakings are as follows: CNRG undertook to be separate from CRRC in respect of areas such as assets, personnel, finance, organization and business and will, in strict compliance with the relevant requirements on the independence of a listed company imposed by the China Securities Regulatory Commission, not to use its position as the controlling shareholder to violate the standardized operation procedures of a listed company to intervene in the operating decisions of CRRC and to damage the legitimate interests of CRRC and other shareholders. CNRG and other companies under its control undertoook not to, by any means, use the funds of CRRC and companies under its control.

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

4. Undertaking to regulate connected transactions

As of the time of the merger between CSR and CNR, CSRG and CNRG have respectively undertaken to regulate the connected transactions with the post-merger company. As of the time of the merger between CNRG and CSRG, CNRG, by assuming the aforesaid undertakings, issued the letter of undertaking to regulate the connected transactions of CRRC Corporation Limited (《關於規範與中國中車股份有限公司關聯交易的承諾函》) on 5 August 2015. The specific undertakings are as follows: CNRG and other companies controlled by CNRG will endeavor not to enter into or minimise the connected transactions with CRRC and other companies in which it holds a controlling interest. For connected transactions that are inevitable or reasonable, CNRG will continue to perform the obligations under the connected transaction framework agreements entered into between CNRG and CNR and succeeded by the post-merger company as well as the related party transaction framework agreements entered into between CSRG and CSR (the rights and obligations of CSR and CNR under these related party transaction framework agreements will be succeeded by CRRC), and will comply with the approval procedures and information disclosure obligations in accordance with the relevant laws and regulations as well as the provisions under the Articles of Association of CRRC. Prices of the connected transactions will be determined based on prices of the same or comparable transactions conducted with other independent third parties in accordance to the principle of fairness and reasonableness.

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

II. ANALYSIS AND EXPLANATION OF THE BOARD ON THE REASONS FOR AND IMPACTS OF THE CHANGES IN ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND AUDITING METHODS

The Company formulated new accounting methods based on the accounting methods of CSR and CNR, which were considered and approved at the first session of the third meeting of the Board of the Company held on 22 July 2015. On 28 August 2015, the Resolution in Relation to the Changes in Accounting Estimates of CRRC Corporation Limited was approved at the first session of the fourth meeting of the Board of the Company. The Company has unified and adjusted the original maturity profile of receivables and percentage of bad debt provision of CSR and CNR with reference to the recent years' trend of rail transit industry and existing production and operational conditions as well as customers' credit and exposure profile of the Company, based on the management's historical experience in maturity profile and credit risks from the past few years and with reference to comparable public companies' maturity profile of receivables and their percentage of bad debt provision within the industry. The above changes in accounting estimates were effective from 30 June 2015.

III. DESCRIPTION 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.

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

On 20 January 2015, CSR and CNR held a Board meeting and a meeting of the Supervisory Committee respectively to consider and approve the Resolution on Termination of Share Option Scheme of CSR Corporation Limited and the Resolution on Termination of Share Option Incentive Scheme of China CNR Corporation Limited, agreeing to the proposed termination of the respective share option schemes of CSR and CNR conditional upon the completion of the Merger.

On 9 March 2015, the general meetings, the A shareholders' class meetings and the H shareholders' class meetings of CSR and CNR respectively considered and approved their termination of the respective share option schemes conditional upon the completion of the Merger.

On 27 April 2015, CSR published the Announcement on Cancellation of the Third Batch of Share Options Not Being Able to Fulfil Effective Conditions. As the 2014 annual results of the Company failed to fulfil the required financial performance target, the third batch of share options thereunder did not become effective. Pursuant to relevant requirements under the share option scheme, such share options which failed to meet the requirements of becoming effective shall lapse and shall be cancelled by the Company.

On 28 May 2015, the merger of CSR and CNR was completed and the respective share option schemes of CSR and CNR were terminated. The share options granted thereunder but not yet effective were cancelled.

For details of the respective share option scheme of CSR and CNR, please refer to 2015 Interim Report of the Company dated 13 September 2015.

For details of the termination of the abovementioned CSR share option scheme and the cancellation of the share options, please refer to the announcements of CSR dated 20 January 2015, 9 March 2015 and 27 April 2015 published on the website of the SSE, China Securities, Shanghai Securities News, Securities Daily, Securities Times and the website of the Stock Exchange. For details of termination of the abovementioned CNR share option scheme and the cancellation of the share options, please refer to the announcements of CNR dated 20 January 2015 and 9 March 2015 published on the website of the SSE, China Securities, Shanghai Securities News, Securities Daily, Securities Times and the website of the Stock Exchange.

V. 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)	
Total guarantee amount provided during the reporting period (excluding guarantees provided by the Company in favour of its subsidiaries)	0
Total guarantee balance at the end of the reporting period (A) (excluding guarantees provided by the Company in favour of its subsidiaries)	0
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	17,415,671
Total guarantee balance provided to the Company’s subsidiaries at the end of the reporting period (B)	36,708,645
Aggregate guarantee amount provided by the Company (including guarantees provided by the Company in favour of its subsidiaries)	
Total guarantee amount (A+B)	36,708,645
Percentage of total guarantee amount to net assets of the Company (%)	37.88
including:	
Provision of guarantee to shareholders, ultimate controller and their respective connected persons (C)	0
Amount of guarantees directly or indirectly provided in favour of parties with gearing ratio over 70% (D)	21,897,276
The total amount of guarantees provided which exceeds 50% of the net asset (E)	0
Total amount of the three above-stated guarantees (C+D+E)	21,897,276
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 equals the ratio of the guarantee amount over equity attributable to owners of the Company. During the reporting period, total guarantee amount provided by the Company in favour of its subsidiaries was RMB17,416 million. As at 31 December 2015, total guarantee balance was RMB36,709 million, representing 37.88% of the Company's net assets. Out of such guarantee balance, RMB22,744 million and RMB13,965 million were provided to the Company's wholly-owned subsidiaries and non wholly-owned subsidiaries respectively. As far as guarantee type is concerned, RMB7,236 million was provided for bank acceptance bills, RMB6,262 million was provided for loans and medium-term notes, and RMB23,211 million was provided for letters of guarantee, letters of credit and credit facilities, etc. As at the end of the reporting period, the Company did not provide any guarantees in favour of its controlling shareholders, ultimate controller and their related parties; all guarantees provided by the Company were in favour of its subsidiaries. As at the end of the reporting period, the guarantee balance provided by the Company in favour of its subsidiaries with gearing ratio over 70% was RMB21,897 million. Approval procedures have been complied with at the Board meetings and the general meetings as required by the Articles of Associations in respect of the guarantees provided by the Company in favour of its wholly-owned and non wholly-owned subsidiaries with gearing ratio over 70%.

2. Other Material Contracts

During the reporting period, the Company signed a number of material sale contracts. For details, please refer to announcements of the Company dated 26 January 2015, 10 June 2015, 23 July 2015, 29 September 2015, 16 November 2015, 4 December 2015 and 29 December 2015 published on the websites of the SSE and the Stock Exchange.

3. 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	Method of Reward Determination	Amount of Actually Retracted Principal of Entrusted Wealth Management	Actually Gained Income of Entrusted Wealth Management	Does the Entrusted Wealth Management Pass the Legal Procedure?	Total Amount Of Depreciation Reserves of Entrusted Wealth Management	Is Entrusted Wealth Management an Assoicated Transaction?	Whether Any Lawsuit Is Involved	Related Party Relationship
Shanghai Pudong Development Bank Zhuzhou Branch	Breakeven guaranteed profit	100,000	23 January 2014	19 March 2015	Payment of due interest and principal	100,000	1,109	Yes	–	No	No	–
Bank of Communications Beijing Branch Shijicheng Sub-branch	Breakeven guaranteed profit	500,000	21 November 2014	30 January 2015	Payment of due interest and principal	500,000	4,699	Yes	–	No	No	–
Bank of China Zhuzhou Branch	Breakeven guaranteed profit	100,000	27 November 2014	5 January 2015	Payment of due interest and principal	100,000	448	Yes	–	No	No	–
Bank of China	Breakeven guaranteed profit	100,000	27 November 2014	5 January 2015	Payment of due interest and principal	100,000	727	Yes	–	No	No	–
China Guangfa Bank	Breakeven guaranteed profit	100,000	28 November 2014	27 February 2015	Payment of due interest and principal	100,000	1,196	Yes	–	No	No	–
Bank of Changsha Zhuzhou Branch	Breakeven guaranteed profit	100,000	28 November 2014	3 March 2015	Payment of due interest and principal	100,000	1,184	Yes	–	No	No	–
Bank of China Limited	Breakeven guaranteed profit	200,000	9 December 2014	8 January 2015	Payment of due interest and principal	200,000	608	Yes	–	No	No	–
Agricultural Bank of China Zhuzhou Hi-Tech Zone Sub-branch	Breakeven guaranteed profit	200,000	9 December 2014	10 March 2015	Payment of due interest and principal	200,000	2,071	Yes	–	No	No	–
China Construction Bank Zhuzhou Branch	Breakeven floating profit, a supplementary agreement was signed to guarantee income	200,000	9 December 2014	13 March 2015	Payment of due interest and principal	200,000	2,266	Yes	–	No	No	–
Shanghai Pudong Development Bank Zhuzhou Branch	Breakeven guaranteed profit	200,000	9 December 2014	8 June 2015	Payment of due interest and principal	200,000	4,537	Yes	–	No	No	–
China Guangfa Bank Zhuzhou Branch	Breakeven guaranteed profit	200,000	9 December 2014	9 June 2015	Payment of due interest and principal	200,000	4,986	Yes	–	No	No	–

Trustee	Entrusted Wealth Management Product	Entrusted Wealth Management Amount	Starting Date of Entrusted Wealth Management	Ending Date of Entrusted Wealth Management	Method of Reward Determination	Amount of Actually Retracted Principal of Entrusted Wealth Management	Actually Gained Income of Entrusted Wealth Management	Does the Entrusted Wealth Management Pass the Legal Procedure?	Total Amount Of Depreciation Reserves of Entrusted Wealth Management	Is Entrusted Wealth Management an Assoicated Transaction?	Whether Any Lawsuit Is Involved	Related Party Relationship
CITIC Bank Zhuzhou Branch	Breakeven floating profit, a supplementary agreement was signed to guarantee income	200,000	11 December 2014	13 March 2015	Payment of due interest and principal	200,000	2,964	Yes	–	No	No	–
Bank of Changsha Zhuzhou Branch	Breakeven guaranteed profit	100,000	18 December 2014	22 January 2015	Payment of due interest and principal	100,000	431	Yes	–	No	No	–
Everbright Bank Zhuzhou Branch	Breakeven floating profit, a supplementary agreement was signed to g uarantee income	200,000	23 December 2014	24 March 2015	Payment of due interest and principal	200,000	2,443	Yes	–	No	No	–
Bank of Changsha Zhuzhou Branch	Breakeven guaranteed profit	100,000	30 December 2014	4 February 2015	Payment of due interest and principal	100,000	444	Yes	–	No	No	–
CITIC Bank Baoji Branch	Breakeven guaranteed profit	20,000	30 December 2014	9 February 2015	Payment of due interest and principal	20,000	63	Yes	–	No	No	–
Bank of China, Baoji East Zhongshan Road Dongcheng Branch	Breakeven guaranteed profit	60,000	30 December 2014	31 March 2015	Payment of due interest and principal	60,000	651	Yes	–	No	No	–
Shanghai Pudong Development Bank Beijing Branch Sales Department	Not-breakeven fixed profit	200,000	30 December 2014	31 March 2015	Payment of due interest and principal	200,000	2,250	Yes	–	No	No	–
Shanghai Pudong Development Bank Zhuzhou Branch	Breakeven guaranteed profit	120,000	30 December 2014	29 June 2015	Payment of due interest and principal	120,000	2,722	Yes	–	No	No	–
Industrial Bank Zhuzhou Branch	Breakeven floating profit, a supplementary agreement was signed to guarantee income	140,000	31 December 2014	7 January 2015	Payment of due interest and principal	140,000	94	Yes	–	No	No	–
CITIC Bank Zhuzhou Branch	Breakeven floating profit, a supplementary agreement was signed to guarantee income	300,000	31 December 2014	7 January 2015	Payment of due interest and principal	300,000	184	Yes	–	No	No	–

Trustee	Entrusted Wealth Management Product	Entrusted Wealth Management Amount	Starting Date of Entrusted Wealth Management	Ending Date of Entrusted Wealth Management	Method of Reward Determination	Amount of Actually Retracted Principal of Entrusted Wealth Management	Actually Gained Income of Entrusted Wealth Management	Does the Entrusted Wealth Management Pass the Legal Procedure?	Total Amount Of Depreciation Reserves of Entrusted Wealth Management	Is Entrusted Wealth Management an Assoicated Transaction?	Whether Any Lawsuit Is Involved	Related Party Relationship
Bank of China, Baoji East Zhongshan Road Dongcheng Branch	Breakeven guaranteed profit	30,000	31 December 2014	20 January 2015	Payment of due interest and principal	30,000	94	Yes	–	No	No	–
CITIC Bank Baoji Branch	Breakeven floating profit	30,000	31 December 2014	23 January 2015	Payment of due interest and principal	30,000	135	Yes	–	No	No	–
Everbright Bank Zhuzhou Branch	Breakeven floating profit, a supplementary agreement was signed to guarantee income	200,000	31 December 2014	31 March 2015	Payment of due interest and principal	200,000	2,416	Yes	–	No	No	–
Agricultural Bank of China, Beijing Wanshou Road Branch	Breakeven guaranteed profit	200,000	31 December 2014	1 April 2015	Payment of due interest and principal	200,000	2,071	Yes	–	No	No	–
Bank of Communications Beijing Shijicheng Branch	Not-breakeven floating profit	300,000	31 December 2014	1 April 2015	Payment of due interest and principal	300,000	3,534	Yes	–	No	No	–
Industrial and Commercial Bank of China, Huichengmen Sub-branch of Beijing Municipal Branch	Not-breakeven floating profit	200,000	31 December 2014	4 April 2015	Payment of due interest and principal	200,000	2,421	Yes	–	No	No	–
Agricultural Bank High-Tech Zone Sub-branch	Breakeven guaranteed profit	300,000	15 May 2015	14 August 2015	Payment of due interest and principal	300,000	3,107	Yes	–	No	No	–
Guangdong Development Bank Zhuzhou Sub-branch	Breakeven guaranteed profit	500,000	15 May 2015	13 November 2015	Payment of due interest and principal	500,000	12,216	Yes	–	No	No	–
Changsha Bank Zhuzhou Sub-branch	Breakeven guaranteed profit	400,000	15 May 2015	18 September 2015	Payment of due interest and principal	400,000	6,049	Yes	–	No	No	–
Shanghai Pudong Development Bank Zhuzhou Sub-branch	Breakeven guaranteed profit	130,000	19 May 2015	16 November 2015	Payment of due interest and principal	130,000	3,077	Yes	–	No	No	–
Bank of Communications Suzhou Branch Sales Department	Breakeven guaranteed profit	120,000	21 May 2015	24 August 2015	Payment of due interest and principal	120,000	1,406	Yes	–	No	No	–
Bank of Communications Suzhou Branch Sales Department	Breakeven guaranteed profit	190,000	21 May 2015	24 August 2015	Payment of due interest and principal	190,000	2,084	Yes	–	No	No	–

Trustee	Entrusted Wealth Management Product	Entrusted Wealth Management Amount	Starting Date of Entrusted Wealth Management	Ending Date of Entrusted Wealth Management	Method of Reward Determination	Amount of Actually Retracted Principal of Entrusted Wealth Management	Actually Gained Income of Entrusted Wealth Management	Does the Entrusted Wealth Management Pass the Legal Procedure?	Total Amount Of Depreciation Reserves of Entrusted Wealth Management	Is Entrusted Wealth Management an Assoicated Transaction?	Whether Any Lawsuit Is Involved	Related Party Relationship
Shanghai Pudong Development Bank Zhuzhou Sub-branch	Breakeven guaranteed profit	350,000	21 May 2015	18 November 2015	Payment of due interest and principal	350,000	8,285	Yes	–	No	No	–
Bank of Communications Suzhou Branch Sales Department	Breakeven guaranteed profit	90,000	27 May 2015	1 September 2015	Payment of due interest and principal	90,000	1,022	Yes	–	No	No	–
Bank of China Zhuzhou Branch	Breakeven guaranteed profit	100,000	15 December 2015	16 February 2016	Payment of due interest and principal	–	–	Yes	–	No	No	–
Shanghai Pudong Development Bank Zhuzhou Branch	Breakeven guaranteed profit	100,000	16 December 2015	14 February 2016	Payment of due interest and principal	–	–	Yes	–	No	No	–
Agricultural Bank of China Zhuzhou Hi-Tech Zone Branch	Breakeven guaranteed profit	100,000	16 December 2015	17 February 2016	Payment of due interest and principal	–	–	Yes	–	No	No	–
Bank of Changsha Zhuzhou Branch	Breakeven guaranteed profit	200,000	17 December 2015	15 March 2016	Payment of due interest and principal	–	–	Yes	–	No	No	–
CITIC Bank Zhuzhou Branch	Breakeven guaranteed profit	100,000	17 December 2015	17 June 2016	Payment of due interest and principal	–	--	Yes	–	No	No	–
China Guangfa Bank Zhuzhou Branch	Breakeven guaranteed profit	200,000	17 December 2015	17 June 2016	Payment of due interest and principal	–	–	Yes	–	No	No	–
Shanghai Pudong Development Bank	Breakeven guaranteed profit	45,000	18 December 2015	17 January 2016	Payment of due interest and principal	–	–	Yes	–	No	No	–
Bank of Communication Zhuzhou Branch	Breakeven guaranteed profit	200,000	21 December 2015	22 March 2016	Payment of due interest and principal	–	–	Yes	–	No	No	–
Industrial and Commercial Bank of China Shidai Branch	Breakeven floating profit	49,000	22 December 2015	26 January 2016	Payment of due interest and principal	–	–	Yes	–	No	No	–
Bank of China Zhuzhou Branch	Breakeven guaranteed profit	200,000	24 December 2015	13 January 2016	Payment of due interest and principal	–	–	Yes	–	No	No	–
Agricultural Bank of China Guangzhou Branch Biguiyuan Sub-branch	Breakeven guaranteed profit	10,000	26 December 2015	15 January 2016	Payment of due interest and principal	–	–	Yes	–	No	No	–
Industrial Bank Baoji Branch	Breakeven floating profit	50,000	28 December 2015	29 January 2016	Payment of due interest and principal	–	–	Yes	–	No	No	–

Trustee	Entrusted Wealth Management Product	Entrusted Wealth Management Amount	Starting Date of Entrusted Wealth Management	Ending Date of Entrusted Wealth Management	Method of Reward Determination	Amount of Actually Retracted Principal of Entrusted Wealth Management	Actually Gained Income of Entrusted Wealth Management	Does the Entrusted Wealth Management Pass the Legal Procedure?	Total Amount Of Depreciation Reserves of Entrusted Wealth Management	Is Entrusted Wealth Management an Assoicated Transaction?	Whether Any Lawsuit Is Involved	Related Party Relationship
Bank of China, Baoji Dongcheng Branch	Breakeven guaranteed profit	70,000	28 December 2015	3 March 2016	Payment of due interest and principal	–	–	Yes	–	No	No	–
Bank of Changsha Zhuzhou Branch	Breakeven guaranteed profit	200,000	28 December 2015	27 June 2016	Payment of due interest and principal	–	–	Yes	–	No	No	–
CITIC Bank Baoji Branch	Breakeven guaranteed profit	20,000	29 December 2015	3 February 2016	Payment of due interest and principal	–	–	Yes	–	No	No	–
Shanghai Pudong Development Bank Baoji Branch	Mixed guaranteed profit	60,000	29 December 2015	29 March 2016	Payment of due interest and principal	–	–	Yes	–	No	No	–
China Guangfa Bank Zhuzhou Branch	Breakeven guaranteed profit	200,000	29 December 2015	30 June 2016	Payment of due interest and principal	–	–	Yes	–	No	No	–
Shanghai Pudong Development Bank Zhuzhou Branch	Breakeven guaranteed profit	200,000	30 December 2015	27 June 2016	Payment of due interest and principal	–	–	Yes	–	No	No	–
CITIC Bank Branch in Zhuzhou	Breakeven guaranteed profit	400,000	30 December 2015	2 July 2016	Payment of due interest and principal	–	–	Yes	–	No	No	–
Bank of Communications Zhuzhou Branch	Breakeven floating profit	300,000	31 December 2015	28 May 2016	Payment of due interest and principal	–	–	Yes	–	No	No	–
Huarong Xiangjiang Bank Dongyi Road Branch	Breakeven floating profit	200,000	31 December 2015	30 May 2016	Payment of due interest and principal	–	–	Yes	–	No	No	–
Zhuzhou Hi-Tech Zone Subbranch of Agricultural Bank of China	Breakeven guaranteed profit	200,000	31 December 2015	29 June 2016	Payment of due interest and principal	–	–	Yes	–	No	No	–
Bank of China, Baoji Dongcheng Branch	Non-capital-protected and floating income-earning	50,000	31 December 2015	–	Payment of due interest and principal	–	–	Yes	–	No	No	–
Ping An Bank	Breakeven floating profit	5,000	25 September 2015	11 January 2016	Payment of due interest and principal	–	–	Yes	–	No	No	–
Total	/	9,739,000	/	/	/	6,480,000	83,994	/	–	/	/	/

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

Description of Entrusted Wealth Management

The entrusted wealth management balance of the Company as of the end of this period was RMB3,259 million, representing a decrease of 25.9% as compared to the end of last year, which was mainly attributed to the redemption of the bank breakeven-guarantee wealth management products purchased by the Company at maturity for credit into the account.

VI. NOTES ON OTHER MATERIAL EVENTS

(i) Merger of CSR and CNR

On 29 and 30 December 2014, CSR and CNR held a Board meeting respectively to approve their merger proposal and signed the "Merger Agreement between CSR Corporation Limited and China CNR Corporation Limited". On 20 January 2015, CSR and CNR held a Board meeting respectively to consider and approve the Resolution on Draft Report for the Merger of CSR Corporation Limited and China CNR Corporation Limited and its summary (《關於及其摘要的議案》) and other merger-related resolution. In early March 2015, the merger between CSR and CNR (hereinafter referred to as the "Merger") was approved by the SASAC and all necessary overseas anti-trust approvals in the applicable jurisdictions where approval is legally required prior to the Merger have been obtained. On 9 March 2015, CSR and CNR held 2015 First Extraordinary General Meeting, 2015 First A Shareholders Class Meeting and 2015 First H Shareholders' Class Meeting, respectively, at which the merger-related resolution were approved. On 3 April 2015, the Anti-Trust Bureau of the Ministry of Commerce issued the Notification of Examination Results (Shang Fan Long Shen Cha Han [2015] No. 19) (《審查決定通知》 (商反壟審查函[2015]第 19號)) that clearance of anti-trust examination has been obtained for the Merger. On 22 April 2015, the CSRC issued the "Official Approval about CSR Corporation Limited Global Offering" (Zheng Jian Xu Ke [2015] No. 695) 《關於核准中國南車股份有限公司增發境外上市外資股的批復》 (證監許可[2015]695號) to approve the matters in relation to the issuance of additional H Shares by CSR involved in the Merger. On 24 April 2015, the CSRC issued the "Approval for Absorption and Merger by CSR Corporation Limited of China CNR Corporation Limited" (Zheng Jian Xu Ke [2015] No. 748) (《關於核准中國南車股份有限公司吸收合併中國北車股份有限公司的批復》 (證監許可[2015]748號)) to approval the Merger. On 18 May 2015, CSR and CNR held a general meeting respectively to elect the directors and supervisors of the post-merger new company and to consider and approve the Articles of Association (draft), the Rules of Procedure for General Meetings (draft), the Rules of Procedure for the Board of Directors (draft) and the Rules of Procedure for the Supervisory Committee (draft) of the post-merger new company. On 20 May 2015, A shares and H shares of CNR were delisted from SSE and HKSE and shareholders of CNR exchanged A shares and H shares held by them for those of CSR at the ratio of 1:1.10 on the same date. On 26 May 2015, the exchange of H shares involved in the Merger was completed with the issuance of additional 2,347,066,040 H shares by CSR. On 28 May 2015, the exchange of A shares involved in the Merger was completed with the issuance of additional 11,138,692,293 A shares by CSR. On 1 June 2015, CSR completed the registration of change with competent industry and commerce authorities and was renamed as "CRRC Corporation Limited (中國中車股份有限公司)". On 8 June 2015, CRRC resumed the trading of its shares in Shanghai and Hong Kong.

Details of the Merger are disclosed in the related announcements published on the websites of SSE and the Stock Exchange.

(ii) Issuance of ultra short-term debentures

During the reporting period, to supplement its funds for daily operations, supplement the working capital needs of CRRC Sifang, repay the bank loans of its headquarters and supplement its working capital needs, the Company successfully issued six batches of ultra short-term debentures in the total amount of RMB11,000 million. The six batches were issued at 16 July 2015, 23 July 2015, 19 August 2015, 2 November 2015, 2 November 2015 and 17 November 2015 respectively.

(iii) Acquisition of Deepsea Robots Business by Times Electric

On 5 February 2015, Times Electric (a subsidiary of the Company) entered into an agreement with the shareholders of SMD and SMD Investment (a subsidiary of SMD), pursuant to which Times Electric shall purchase the entire equity interest of SMD and entire equity interest of Bywell Holdings Limited through SMD Investment. Times Electric completed the said acquisition on 9 April 2015.

(iv) Times New Material issued non-public shares to Zhuzhou Institute

At its 25th meeting of the sixth session of the Board and the first Extraordinary General Meeting in 2015, Times New Material considered and approved its resolution for non-public issuance of A Shares to its controlling shareholder Zhuzhou Institute by way of non-public issuance. Zhuzhou Institute will subscribe for all shares issued in cash. On 5 January 2016, registration of the A shares in the non-public issuance was completed in the Shanghai branch of the China Securities Depository and Clearing Corporation Limited. The shares are restricted from trading for 36 months.

(v) Consolidation of BST Company

On 25 December 2014, CSR Sifang Ltd., a subsidiary of the Company, and foreign shareholder of BST, a joint venture of CSR Sifang Ltd., signed the amendments to the articles of association of BST with effect from 1 January 2015, pursuant to which CRRC Sifang Ltd. obtained control over BST and BST changed to a subsidiary from a joint venture. Thus, BST will be consolidated in the accounts of the Group starting from 1 January 2015.

(vi) Matters in relation to the intellectual property of China Railway Corporation

According to the State Council institutional reforms and functional transformation plan, China Railway Corporation was formally established in March 2013. In accordance with the approved documents issued by the State Council, the rights and obligations under economic contracts (as a creditor or a debtor), civil contracts and other agreements previously entered into by the former Ministry of Railways will be borne and succeeded by China Railway Corporation; the intangible assets, intellectual property rights, brands, trademarks and other rights and interests owned by the former Ministry of Railways and the national railway system will be owned, used and managed by China Railway Corporation. China Railway Corporation, step by step, began to screen and examine the assets originally held by the former Ministry of Railways, including examining and confirming the arrangements regarding intellectual property rights and future derivative technique ("**relevant intellectual property**") involved in international bidding and technology introduction, which was participated by a bidding consortium of domestic companies (including the Company's predecessor) organized previously by the former Ministry of Railways.

China Railway Corporation, after its establishment, has organized bidding consortium of domestic companies (including the Company) to specifically implement the strategy of pushing high-speed railways to the oversea market. In order to better implement the "One Belt One Road" strategy to accelerate the expansion of the Chinese high-speed railways to the overseas market and achieve a win-win situation, the Company has agreed with China Railway Corporation on arrangements involving the relevant intellectual property of the Company based on the following principles: (1) the relevant intellectual property which, as expressly provided in previous contracts or agreements between the Company (or its predecessor) and the former Ministry of Railways, have been agreed as jointly owned intellectual property, shall remain jointly owned by the Company and China Railway Corporation in accordance to the previous agreements; (2) as to the relevant intellectual property to which there was no such contract or agreement expressly providing for joint ownership, the rights and interests of the Company and China Railway Corporation in the relevant intellectual property shall be determined in accordance with the applicable PRC laws; (3) for those relevant intellectual property determined to be jointly owned by the Company and China Railway Corporation in accordance with the aforesaid (1) and (2), any transfer gains or license fees or royalties derived from the transfer or licensing of such relevant intellectual property to a third party in the future, they shall be distributed fairly between the Company and China Railway Corporation in accordance with relevant provisions, practice and agreements. The Company and China Railway Corporation shall, within the framework of these principles, enter into specific agreements with respect to the individual relevant intellectual property.

The aforesaid relevant intellectual property arrangements are to confirm and implement the parties' rights to the relevant intellectual property based on the previous agreements entered into by the Company (or its predecessor) with the former Ministry of Railways or in accordance with the relevant laws and regulations, and do not constitute disposal of the relevant intellectual property. The confirmation of the aforesaid relevant intellectual property arrangements will not affect the historical financial information of the Company. The Company does not expect actual adverse effect from such arrangements on the Company's future business operations as well as its financial statements.

VII. MATERIAL SUBSEQUENT EVENTS

(vii) Acquisition of equity interest in China United Insurance

On 7 and 8 January 2016, the Company participated and succeeded in the bidding for 2 billion shares ("**the transaction**") in China United Insurance Holding Corporation ("**China United Insurance**") held by Insurance Security Fund listed for transfer at the Beijing Financial Assets Exchange for RMB4,455 million. Upon completion of the transaction, the Company will hold 13.06% of the equity interest of China United Insurance.

For details of the transaction, please refer to related announcements published by the Company on 8 and 12 January and 6 February 2016 on the websites of SSE and the Stock Exchange.

(viii) Issuance of H-share convertible bonds

On 5 February 2016, the Company issued five-year zero coupon H-share convertible bonds in an aggregate principal amount of US$600,000,000.

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

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF CRRC CORPORATION LIMITED

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

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 114 to 258, which comprise the consolidated statement of financial position as at 31 December 2015, 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 a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards 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.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report 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. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2015, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
29 March 2016

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2015

	Notes	2015 RMB'000	2014 RMB'000 (Restated)
Revenue	6	237,784,602	218,450,551
Cost of sales and services	9	(191,249,660)	(175,619,726)
Gross profit		46,534,942	42,830,825
Other income and gains and losses	6	3,641,718	2,534,333
Distribution and selling expenses		(7,953,534)	(7,401,891)
Administrative expenses		(22,486,214)	(19,726,961)
Other expenses	7	(1,695,118)	(2,216,899)
Finance costs	8	(1,412,319)	(2,269,518)
Share of profits of:			
Joint ventures		231,205	598,706
Associates		187,751	134,928
Profit before taxation	9	17,048,431	14,483,523
Income tax expense	12	(2,950,553)	(2,137,162)
Profit for the year		14,097,878	12,346,361
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	37	(24,043)	(272,766)
Items that may be reclassified subsequently to profit or loss:			
Net (loss) gain on revaluation of available-for-sale financial assets		(441,167)	39,822
Income tax relating to items that may be reclassified to profit or loss subsequently		73,424	(8,658)
Exchange differences arising on translation		(52,130)	(114,430)
Other comprehensive expense for the year, net of income tax		(443,916)	(356,032)
Total comprehensive income for the year		13,653,962	11,990,329
Profit for the year attributable to:			
Owners of the Company		11,818,398	10,815,468
Non-controlling interests		2,279,480	1,530,893
		14,097,878	12,346,361
Total comprehensive income for the year attributable to:			
Owners of the Company		11,381,479	10,565,034
Non-controlling interests		2,272,483	1,425,295
		13,653,962	11,990,329
Earnings per share (RMB)	14		
– Basic		0.43	0.41
– Diluted		0.43	0.41

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2015

	Notes	31 December 2015 RMB'000	31 December 2014 RMB'000 (Restated)	1 January 2014 RMB'000 (Restated)
Non-current assets				
Property, plant and equipment	15	**62,179,704**	58,743,008	53,610,149
Investment properties	16	**938,763**	64,408	74,224
Prepaid lease payments	17	**14,428,338**	13,547,706	13,133,615
Goodwill	18	**1,315,234**	792,086	74,943
Other intangible assets	19	**3,259,885**	1,948,552	1,383,404
Interests in joint ventures	20	**1,637,636**	2,888,625	3,060,488
Interests in associates	21	**1,975,241**	1,924,958	1,877,358
Loans and advances to customers		**170,874**	29,700	30,000
Available-for-sale investments	22	**3,156,509**	1,022,006	787,249
Held to maturity investment	23	**197,928**	—	—
Deferred tax assets	24	**2,743,530**	1,927,645	1,040,732
Other non-current assets	25	**14,163,863**	15,362,943	12,626,598
		106,167,505	98,251,637	87,698,760
Current assets				
Prepaid lease payments	17	**348,194**	335,208	396,478
Inventories	26	**59,746,569**	59,628,329	36,606,231
Available-for-sale investments	22	**3,259,000**	4,400,000	700,000
Trade receivables	27	**72,514,398**	58,423,719	63,953,977
Bills receivable	28	**10,166,491**	8,880,020	7,582,503
Prepayments, deposits and other receivables	29	**18,787,454**	19,804,879	18,770,484
Financial assets at fair value through profit or loss		**3,424**	4,387	15,896
Amounts due from customers for contract work	30	**39,632**	38,074	3,369
Tax recoverable		**92,375**	151,211	55,656
Pledged bank deposits	31	**4,613,695**	5,059,305	2,580,983
Cash and bank balances	31	**34,754,992**	43,836,907	23,221,287
Placements with financial institutions	32	**1,200,000**	—	—
		205,526,224	200,562,039	153,886,864

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2015

	Notes	31 December 2015 RMB'000	31 December 2014 RMB'000 (Restated)	1 January 2014 RMB'000 (Restated)
Current liabilities				
Trade payables	33	83,179,106	71,389,640	59,321,984
Bills payable	34	22,790,082	21,551,467	21,581,381
Other payables and accruals	35	41,244,977	47,539,269	28,250,645
Financial liabilities at fair value through profit or loss		359	1,000	1,201
Borrowings - due within one year	36	15,259,583	27,375,105	28,255,445
Retirement benefit obligations	37	351,648	391,335	386,948
Tax payable		1,534,414	1,310,418	1,023,599
Due to customers		1,861,947	1,012,469	455,347
Long-term payables - current portion		76,896	73,680	—
Provision for warranties	38	2,279,999	1,951,783	1,131,096
Deferred income	39	511,895	316,370	234,832
		169,090,906	172,912,536	140,642,478
Net current assets		36,435,318	27,649,503	13,244,386
Total assets less current liabilities		142,602,823	125,901,140	100,943,146
Capital and reserves				
Share capital	41	27,288,758	13,803,000	13,803,000
Reserves		69,611,558	75,491,953	61,090,253
Equity attributable to owners of the Company		96,900,316	89,294,953	74,893,253
Non-controlling interests		16,674,257	12,882,276	11,398,417
Total equity		113,574,573	102,177,229	86,291,670

	Notes	31 December 2015 RMB'000	31 December 2014 RMB'000 (Restated)	1 January 2014 RMB'000 (Restated)
Non-current liabilities				
Borrowings- due after one year	36	14,316,253	12,215,964	4,983,788
Long-term payables		275,924	239,216	31,206
Retirement benefit obligations	37	4,054,445	4,200,975	3,493,881
Provision for warranties	38	3,741,417	1,795,359	1,147,285
Deferred income	39	5,556,354	4,568,943	4,693,879
Deferred tax liabilities	24	241,975	193,458	62,393
Other non-current liabilities		841,882	509,996	239,044
		29,028,250	23,723,911	14,651,476
Total equity and non-current liabilities		142,602,823	125,901,140	100,943,146

The consolidated financial statements on pages 114 to 258 are approved and authorised for issue by the Board of Directors on 29 March 2016 and are signed on its behalf by:

Cui Dianguo
Director

Xi Guohua
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2015

	Attributable to owners of the Company												
	Share capital RMB'000	Capital reserve RMB'000 (Note i)	Available-for- sale investments revaluation reserve RMB'000	Share options reserve RMB'000	Retirement benefit obligations re-measurement reserve RMB'000	Statutory surplus reserve RMB'000 (Note 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 2015, as originally stated	13,803,000	9,914,064	163,751	47,584	28,490	1,123,312	–	136,668	(64,015)	15,357,677	40,510,531	11,011,198	51,521,729
Add: effect of business combination under common control	–	33,888,861	(6,326)	–	(525,148)	–	49,957	38,039	(24,627)	15,342,525	48,763,281	1,817,307	50,580,588
Adjustments to provisional amounts subsequent to acquisition	–	–	–	–	–	–	–	–	13,707	7,434	21,141	53,771	74,912
At 1 January 2015, as restated	13,803,000	43,802,925	157,425	47,584	(496,658)	1,123,312	49,957	174,707	(74,935)	30,707,636	89,294,953	12,882,276	102,177,229
Profit for the year	–	–	–	–	–	–	–	–	–	11,818,398	11,818,398	2,279,480	14,097,878
Other comprehensive income for the year:													
Change in fair value of available-for-sale investments, net of tax	–	–	(367,216)	–	–	–	–	–	–	–	(367,216)	(527)	(367,743)
Re-measurement (losses) gains on retirement benefit obligations	–	–	–	–	(27,572)	–	–	–	–	–	(27,572)	3,529	(24,043)
Exchange differences arising on translation of foreign operations	–	–	–	–	–	–	–	–	(42,131)	–	(42,131)	(9,999)	(52,130)
Total comprehensive income for the year	–	–	(367,216)	–	(27,572)	–	–	–	(42,131)	11,818,398	11,381,479	2,272,483	13,653,962
Deemed acquisition of additional equity interest in a subsidiary (Note vi)	–	(395,006)	–	–	–	–	–	–	–	(96,823)	(491,829)	491,829	–
Issuance of shares for 2015 Business Combination (defined in Note 1) under common control	13,485,758	(13,485,758)	–	–	–	–	–	–	–	–	–	–	–
Acquisition of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	1,425,518	1,425,518
Acquisition of non-controlling interests	–	(11,616)	–	–	–	–	–	–	–	–	(11,616)	(95,362)	(106,978)
Capital contribution from non-controlling shareholders	–	–	–	–	–	–	–	–	–	–	–	519,015	519,015
Dividends declared to non-controlling shareholders of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	(822,424)	(822,424)
Recognition of equity-settled share based payments	–	–	–	(47,584)	–	–	–	–	–	–	(47,584)	–	(47,584)
Dividends distributed	–	–	–	–	–	–	–	–	–	(3,274,651)	(3,274,651)	–	(3,274,651)
Appropriation of general risk reserve	–	–	–	–	–	–	–	164,982	–	(164,982)	–	–	–
Appropriation of statutory surplus reserve	–	–	–	–	–	678,367	–	–	–	(678,367)	–	–	–
Appropriation of special reserves	–	–	–	–	–	–	546,668	–	–	–	546,668	17,430	564,098
Utilisation of special reserves	–	–	–	–	–	–	(546,668)	–	–	–	(546,668)	(17,430)	(564,098)
Others	–	49,564	–	–	–	–	–	–	–	–	49,564	922	50,486
At 31 December 2015	27,288,758	29,960,109	(209,791)	–	(524,230)	1,801,679	49,957	339,689	(117,066)	38,311,211	96,900,316	16,674,257	113,574,573

	Attributable to owners of the Company												
	Share capital RMB'000	Capital reserve RMB'000 (Note i)	Available-for-sale investments revaluation reserve RMB'000	Share options reserve RMB'000	Retirement benefit obligations re-measurement reserve RMB'000	Statutory surplus reserve RMB'000 (Note 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 2014, as originally stated	13,803,000	10,486,183	138,703	79,248	131,970	1,043,985	–	–	(53,543)	11,500,975	37,130,521	9,652,195	46,782,716
Add: effect of business combination under common control	–	26,142,092	(12,442)	–	(356,952)	–	49,957	34,582	(11,470)	11,916,965	37,762,732	1,746,222	39,508,954
At 1 January 2014, as restated	13,803,000	36,628,275	126,261	79,248	(224,982)	1,043,985	49,957	34,582	(65,013)	23,417,940	74,893,253	11,398,417	86,291,670
Profit for the year	–	–	–	–	–	–	–	–	–	10,815,468	10,815,468	1,530,893	12,346,361
Other comprehensive income for the year:													
Change in fair value of available-for-sale investments, net of tax	–	–	31,164	–	–	–	–	–	–	–	31,164	–	31,164
Re-measurement losses on retirement benefit obligations	–	–	–	–	(271,676)	–	–	–	–	–	(271,676)	(1,090)	(272,766)
Exchange differences arising on translation of foreign operations	–	–	–	–	–	–	–	–	(9,922)	–	(9,922)	(104,508)	(114,430)
Total comprehensive income for the year	–	–	31,164	–	(271,676)	–	–	–	(9,922)	10,815,468	10,565,034	1,425,295	11,990,329
Capital contribution from shareholders	–	7,730,082	–	–	–	–	–	–	–	–	7,730,082	–	7,730,082
Acquisition of subsidiaries under common control	–	(554,424)	–	–	–	–	–	–	–	–	(554,424)	–	(554,424)
Acquisition of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	184,330	184,330
Acquisition of non-controlling interests	–	(16,791)	–	–	–	–	–	3,456	–	(3,456)	(16,791)	(124,264)	(141,055)
Capital contribution from non-controlling shareholders	–	–	–	–	–	–	–	–	–	–	–	430,598	430,598
Dividends declared to non-controlling shareholders of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	(420,473)	(420,473)
Recognition of equity-settled share based payments	–	(3,920)	–	(31,664)	–	–	–	–	–	–	(35,584)	(27)	(35,611)
Dividends distributed	–	–	–	–	–	–	–	–	–	(3,306,281)	(3,306,281)	–	(3,306,281)
Appropriation of general risk reserve	–	–	–	–	–	–	–	136,669	–	(136,669)	–	–	–
Appropriation of statutory surplus reserve	–	–	–	–	–	79,327	–	–	–	(79,327)	–	–	–
Appropriation of special reserves	–	–	–	–	–	–	364,563	–	–	–	364,563	7,212	371,775
Utilisation of special reserves	–	–	–	–	–	–	(364,563)	–	–	–	(364,563)	(7,212)	(371,775)
Disposal of subsidiary	–	–	–	–	–	–	–	–	–	–	–	(11,814)	(11,814)
Others	–	19,703	–	–	–	–	–	–	–	(39)	19,664	214	19,878
At 31 December 2014	13,803,000	43,802,925	157,425	47,584	(496,658)	1,123,312	49,957	174,707	(74,935)	30,707,636	89,294,953	12,882,276	102,177,229

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2015

Note i: The balance of capital reserve mainly comprises the capital contribution by equity participants, certain items dealt with directly in the capital reserve of the Company and its subsidiaries (the "Group") in the Company's statutory 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 RPC, an entity established under the PRC Company Law is required to make an appropriation at 10 percent of the profit for the year as shown in the PRC statutory financial statements, prepared in accordance with the PRC accounting standards, to the statutory surplus reserve fund until the balance reaches 50 percent of the registered capital of that entity. The reserve appropriated can only be used to make up losses or to increase the registered capital of that entity and is not distributable.

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

Note iv: According to the relevant provisions of the Ministry of Finance, CSR Finance Co., Ltd and CNR Finance Co., Ltd ("Finance Companies"), subsidiaries of the Company, are required to make an appropriation of general risk reserve from net profit as profit distribution, the balance of general risk reserve should not be less than 1.5 percent of risk assets at the end of the reporting period. According to the resolution of board of directors, Finance Companies made provision for general risk reserve amounting to RMB164,982,000 during the year ended 31 December 2015 (2014: RMB136,669,000).

Note v: It includes statutory surplus reserve provided by subsidiaries amounting to RMB7,318,885,000 as at 31 December 2015 (2014: RMB5,047,196,000).

Note vi: CRRC Zhuzhou Institute Co., Ltd ("CRRC ZI"), a wholly owned subsidiary of the Company, purchased 141,376,060 new shares issued through non-public offering by Zhuzhou Times New Material Technology Co., Ltd. ("ZTNM"), a subsidiary of the Company listed on the Shanghai Stock Exchange in the current year.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2015

	2015 RMB'000	2014 RMB'000
OPERATING ACTIVITIES		
Profit before taxation	17,048,431	14,483,523
Adjustments for:		
Depreciation of property, plant and equipment	4,860,684	4,552,092
Depreciation of items of investment properties	3,902	3,761
Depreciation of items of other non-current assets	45,818	1,485
Amortisation of prepaid lease payments	429,424	335,208
Amortisation of other intangible assets	876,690	351,166
Loss on disposal of property, plant and equipment	51,052	77,110
Loss on disposal of investment properties	—	753
Gain/(loss) on disposal of other intangible assets, net	(2)	15,273
Gain on disposal of prepaid lease payments, net	(2,005)	(507)
Provision against obsolete inventories	604,660	511,950
Impairment of items of property, plants and equipment	41,395	49,817
Impairment of other intangible assets	15,706	—
Impairment of available-for-sale investments	1,806	—
Impairment of trade receivables	811,162	1,538,866
(Reversal of) impairment of other receivables	(76,711)	330,192
Impairment of loans and advances to customers	1,226	800
Impairment of other non-current assets	99,911	34,169
Impairment of goodwill	23,794	—
Interest income	(563,641)	(407,471)
Dividend income	(19,237)	(3,058)
Finance costs	1,412,319	2,269,518
Share of profits of associates and joint ventures	(418,956)	(733,634)
Equity-settled share option expense	(47,153)	(35,324)
Fair value loss (gain) on financial instruments at fair value through profit or loss	316	(11,849)
Gain on disposal of financial instruments at fair value through profit or loss	(563)	—
Gain on disposal of available-for-sale investment	(239,224)	(13,661)
Gain on adjustment of fair value of previously held interest	(55,108)	—
Gain on disposal of investment in an associate	(3,884)	(388,477)
Loss on disposal of a subsidiary	7,702	559
Loss on liquidation of a subsidiary	1,592	—
Investment income from corporate wealth management products	(76,827)	(49,233)

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2015

	2015 RMB'000	2014 RMB'000
Operating cash flows before movements in working capital	24,834,279	22,913,028
Decrease/(increase) in inventories	4,153,002	(23,401,249)
(Increase) /decrease in trade receivables, bills receivable and prepayments, deposits and other receivables	(12,930,803)	3,826,260
Decrease/(increase) in pledged bank deposits	334,952	(2,229,644)
Increase in trade payables, bills payable and other payables and accruals	54,988	31,454,575
Decrease in retirement benefit obligations	(362,436)	(205,704)
Increase in provision for warranties	1,589,345	1,342,416
Decrease/(increase) in other non-current assets	1,359,535	(2,791,266)
Increase in placements with financial institutions	(1,200,000)	—
Cash generated from operations	17,832,862	30,908,416
Interest received	476,811	407,471
Income tax paid	(3,328,163)	(2,878,432)
Net cash generated from operating activities	14,981,510	28,437,455

	Notes	2015 RMB'000	2014 RMB'000
INVESTING ACTIVITIES			
Purchases of property, plant and equipment		(7,386,812)	(9,215,312)
Addition in investment properties		(131,288)	—
Addition to prepaid lease payments		(1,047,932)	(414,007)
Purchases of other intangible assets		(640,835)	(237,075)
Purchases of interests in associates		(104,942)	(202,996)
Purchases of interests in joint ventures		(59,793)	(47,234)
Purchases of available-for-sale investments		(6,337,601)	(6,993,087)
Purchases of held to maturity investment		(197,928)	—
Purchases of financial assets at fair value through profit or loss		—	(64,653)
Prepayment of investments		—	(167,116)
Refund of consideration	42.2(a)	49,770	—
Dividends received from a joint venture		160,456	414,123
Dividends received from available-for-sale investments		19,237	3,813
Dividends received from associates		160,559	29,285
Acquisitions of subsidiaries	42	(487,477)	(1,596,981)
Proceeds from disposal of prepaid land lease payments		187,186	28,176
Proceeds from disposal of items of property, plant and equipment		153,399	316,723
Proceeds from disposal of interests of associates and joint venture		102,639	37,500
Proceeds from disposal of available-for-sale investments		5,269,828	3,075,724
Proceeds from disposal of subsidiaries	43	40,900	6,773
Proceeds from disposal of other intangible assets		10,132	—
Interest income from non-pledged deposits with original maturity of three months or more when acquired		142,521	—
Proceeds from disposal of financial assets at fair value through profit or loss		569	64,048
Withdrawal of non-pledged deposits with original maturity of three months or more when acquired		19,056,005	4,177,459
Placement of non-pledged deposits with original maturity of three months or more when acquired		(15,656,096)	(9,066,826)
Government grants received		1,305,633	66,833
Net cash used in investing activities		(5,391,870)	(19,784,830)

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2015

	2015 RMB'000	2014 RMB'000
FINANCING ACTIVITIES		
Repayment of bonds	–	(9,000,000)
Repayment of borrowings	(104,838,734)	(116,519,430)
Purchase of non-controlling interests	(106,978)	(141,055)
Distribution to shareholders	(3,220,339)	(3,306,281)
Dividends paid to non-controlling interests	(733,830)	(403,734)
Interest paid	(1,935,816)	(2,070,098)
Proceeds from bank and other borrowings	93,544,243	111,947,806
Acquisition of a subsidiary under common control	–	(105,897)
Proceeds from issuance of bonds	–	7,700,000
Bond issue expense	(7,994)	(4,499)
Decrease in pledged time deposit for obtaining financing	110,658	–
Capital contributions from non-controlling shareholders	501,369	443,320
Proceeds from issuance of short-term inter-bank corporate bonds and medium term notes	–	26,922,500
Repayment of short-term inter-bank corporate bonds	–	(15,953,400)
Proceeds from issuance of shares	–	7,822,281
Payment of issuing expenses	–	(59,050)
Net cash (used in)/generated from financing activities	(16,687,421)	7,272,463
Effect of foreign exchange rate changes	7,816	(83,135)
Cash and cash equivalents at beginning of the year	37,034,186	21,192,233
Net (decrease)/increase in cash and cash equivalents	(7,089,965)	15,841,953
Cash and cash equivalents at end of the year	29,944,221	37,034,186

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. In 2012, CSR completed the non-public offering and the total number of shares became 13,803,000,000 after the offering.

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. As at 31 December 2014, the total number of shares issued by CNR was 12,259,780,000.

CSR and CNR published a joint announcement on 30 December 2014, announcing that the two companies entered into a merger agreement with respect to a merger proposal ("2015 Business Combination"). CSR and CNR would merge by CSR issuing, on the basis of a single exchange ratio, CSR A shares and CSR H shares to holders of CNR A shares and CNR H shares respectively in exchange for all of the issued shares of CNR. The exchange ratio was 1:1.10, meaning that each CNR A share should be exchanged for 1.10 CSR A shares to be issued by CSR and that each CNR H share should be exchanged for 1.10 CSR H shares to be issued by CSR. As all of the conditions of the above agreement as specified in the merger agreement had been satisfied, the merger agreement became effective on 28 May 2015. CNR A shares were deregistered from the SSE and CNR H shares were deregistered from the Main Board of HKSE. After completion of the merger, CSR has assumed all the assets, liabilities and business of CNR and CNR was deregistered according to law. The details of the A shares and H shares' issuance are set out in Note 41.

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

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

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

1. GENERAL INFORMATION *(continued)*

Based on the background of the 2015 Business Combination, the merger between CSR and CNR is considered to be a business combination of entities within the same industry and under the common control of the State-owned Assets Supervision and Administration Commission of the State Council ("SASAC"). Details are set out in Note 42.1 (b). 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, which are both under the common control of SASAC, had merged as CRRC Group ("CRRCG") following the merger between the CSR and CNR.

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

2.1 Amendments to IFRSs that are mandatorily effective for the current year

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

- Amendments to IAS 19 — *Defined Benefit Plans: Employee Contributions*;
- Amendments to IFRSs — Annual Improvements to IFRSs 2010-2012 Cycle
- Amendments to IFRSs — Annual Improvements to IFRSs 2011-2013 Cycle

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

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

2.2 New and revised IFRSs in issue but not yet effective and not early adopted

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

IFRS 9	Financial Instruments[1]
IFRS 15	Revenue from Contracts with Customers1[1]
IFRS 16	Leases[2]
Amendments to IFRS 11	Accounting for Acquisitions of Interests in Joint Operations[3]
Amendments to IAS 1	Disclosure Initiative[3]
Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[3]
Amendments to IFRSs	Annual Improvements to IFRSs 2012-2014 Cycle[3]
Amendments to IAS 16 and IAS 41	Agriculture: Bearer Plants[3]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to IFRS 10, IFRS 12 and IAS 28	Investment Entities: Applying the Consolidation Exception[3]
Amendments to IAS 7	Disclosure Initiative[5]
Amendments to IAS 12	Recognition of Deferred Tax Assets for Unrealised Losses[5]

1 Effective for annual periods beginning on or after 1 January 2018.
2 Effective for annual periods beginning on or after 1 January 2019.
3 Effective for annual periods beginning on or after 1 January 2016.
4 Effective for annual periods beginning on or after a date to be determined.
5 Effective for annual periods beginning on or after 1 January 2017.

Other than as further explained below, the directors of the Company do not anticipate that the application of the new and revised IFRSs will have a material effect on the Group's consolidated financial statements.

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

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

IFRS 9 Financial Instruments

IFRS 9 introduced new requirements, among others, for the classification and measurement of financial assets and financial liabilities as well as for derecognition, impairment for financial assets and general hedge accounting.

Key requirements of IFRS 9 that are applicable to the Group are described below:

- All recognised financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at fair value through other comprehensive income. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

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

The directors of the Company anticipate that the adoption of IFRS 9 may affect the measurement of the available-for-sale equity investment currently measured at cost less impairment. Other than the available-for-sale equity investment and the potential early recognition of credit losses based on the expected loss model in relation to the Group's financial assets measured at amortised cost, the directors of the Company do not expect IFRS 9 will have a material impact on the results and financial position of the Group.

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

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

IFRS 15 Revenue from Contracts with Customers

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

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

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

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

The directors of the Company anticipate that the application of IFRS 15 in the future may have a material impact on the amounts reported and disclosures made in the Group's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 15 until the Group performs a detailed review.

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

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

IFRS 16 Leases

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

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

The directors of the Company anticipate that the application of IFRS 16 in the future may have an impact on the amounts reported and/or disclosures made in the Group's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 16 until the Group performs a detailed review.

3. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The consolidated financial statements have been prepared in accordance with IFRSs issued by the International Accounting Standards Board. 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").

The provisions of the new CO (Cap.622) regarding preparation of accounts and directors' reports and audits became effective for the Company for the financial year ended 31 December 2015. Further, the disclosure requirements set out in the Listing Rules regarding annual accounts have been amended with reference to the new CO. Accordingly the presentation and disclosure of information in the consolidated financial statements for the financial year ended 31 December 2015 have been changed to comply with these new requirements. Comparative information in respect of the financial year ended 31 December 2014 are presented or disclosed in the consolidated financial statements based on the new requirements. Information previously required to be disclosed under the predecessor CO or Listing Rules but not under the new CO or amended Listing Rules are not disclosed in these consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Basis of preparation *(continued)*

The principal accounting policies are set out below.

Basis of consolidation

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

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

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

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Basis of consolidation *(continued)*

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. 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, 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 previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39, when applicable, or the cost on initial recognition of an investment in an associate or a joint venture.

Business combinations

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

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 Income Taxes and IAS 19 Employee Benefits respectively.

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 of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Business combinations *(continued)*

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity'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 at subsequent reporting dates in accordance with IAS 39, with the corresponding gain or loss being recognised in profit or loss.

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

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

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 excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

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.

A cash-generating unit 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. 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. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

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. 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.

When there are objective evidences indicating that the Group's investment in an associate or a joint venture may be impaired, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 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 recognised 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)*

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate or a joint venture, or when the investment is classified as held for sale. When the Group retains an interest in the former associate or joint venture and the retained interest is a financial asset, 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 in accordance with IAS 39. The difference between the carrying amount of the associate or joint venture at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of the 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) when the equity method is discontinued.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains 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) from the rendering of services, on the percentage of completion basis, as further explained in the accounting policy for contracts for services below;

(c) revenue from construction services is described in the accounting policy for construction contracts below;

(d) rental income, on a time proportion basis over the lease terms;

(e) interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset on initial recognition; and

(f) dividend income, when the shareholders' right to receive payment has been established.

Contracts for services

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

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

Construction contracts

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

When 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Construction contracts *(continued)*

When 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.

When 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 as "Trade receivables".

Leases

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, assets leased by the Group under operating leases are included in non-current assets, and the rental income from operating leases is recognised in profit or loss on the straight-line basis over the lease terms. 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Foreign currencies

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

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise except for exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when 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 capitalised.

All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Employee benefits

Retirement benefit costs and termination benefits

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

For defined benefit retirement benefit plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each annual reporting period. Remeasurement, comprising actuarial gains and losses, 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. Interest is calculated by applying the discount rate at the beginning of the period to the defined benefit liability. Retirement 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);
- interest expense; and
- remeasurement.

The Group presents the first two components of retirement benefit costs in profit or loss in 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

A liability is recognised for benefits accruing to employees in respect of wages and salaries in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Share-based payment arrangements

The Group operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("equity-settled share-based payments").

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share options reserve).

At the end of each reporting period, the Group revises its estimate of the number of equity instrument expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share options reserve.

Where the terms of an equity-settled share-based payment arrangement are modified, as a minimum, an expense is recognised as if the terms had not been modified, if the original terms of the arrangement are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled share-based payment arrangement is cancelled, it is treated as an acceleration of vesting on the date of cancellation, and any expense not yet recognised for services received over the remainder of the vesting period is recognised immediately in profit or loss.

Taxation

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

Current tax

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Taxation *(continued)*

Deferred tax

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

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

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

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

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

Current and deferred tax for the year

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

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investment properties

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

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

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

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

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

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Intangible assets *(continued)*

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.

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 accumulated impairment losses.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment on tangible and intangible assets other than goodwill

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 asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, 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 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. An impairment loss is recognised immediately in profit or loss.

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

Inventories

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Provisions

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

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

Provisions for product warranties granted by the Group on certain products are recognised based on sales volume and past experience of the level of repairs and returns, discounted to their present values as appropriate.

Financial instruments

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

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

Financial assets

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

Effective interest method

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets *(continued)*

Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:

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

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

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

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

Held-to-maturity investment

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that 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 and are traded in an active market are measured at fair value at the end of each reporting period. Changes in the carrying amount of AFS monetary financial assets relating to interest income calculated using the effective interest method and dividends on AFS equity investments are recognised in profit or loss. 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 (see the accounting policy in respect of impairment loss on financial assets below).

Dividends on AFS equity investments are recognised in profit or loss when the Group's right to receive the dividends is established.

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. Loans and receivables (including trade and bill receivables, other receivables, loans and advances to customers, placements with financial institutions, cash and bank balances as well as pledged bank deposits) are measured at amortised cost using the effective interest method, less any impairment.

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets *(continued)*

Impairment of financial assets

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

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

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
- the 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets *(continued)*

Impairment of financial assets (continued)

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

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

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

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

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 Group are recognised at the proceeds received, net of direct issue costs.

Financial liabilities at FVTPL

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

A financial liability is classified as for trading if:

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

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

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

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial liabilities and equity instruments *(continued)*

Other financial liabilities

Other 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.

Effective interest method

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

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

Derivative financial instruments

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

Financial guarantee contracts

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Offsetting of financial instruments

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

Derecognition

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

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

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

Cash and cash equivalents

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

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.

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 2015 was RMB4,406,093,000 (2014: RMB4,592,310,000).

Estimated impairment of receivables

The Group recognises provision based on the judgement of recovery of accounts receivable. Bad debt provision is required to be recognised when there are evidences indicating that the receivable cannot be recovered. Recognition of bad debt provision requires the use of judgement and estimates. If the revised estimates deviate from the current estimates, then any difference arising from changes of accounting estimates will affect the carrying value of debtors in the relevant accounting periods. The net carrying amounts of trade receivables and deposits and other receivables at 31 December 2015 were RMB72,514,398,000 (2014:RMB58,423,719,000) and RMB6,858,620,000 (2014: RMB6,716,311,000), respectively.

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

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 2015 was RMB59,746,569,000 (2014: RMB59,628,329,000).

Deferred tax assets

Deferred tax assets are recognised for unused tax losses and other deductible temporary differences to the extent that it is probable that taxable profit will be available against which the tax losses and other deductible temporary differences can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying amount of deferred tax assets at 31 December 2015 was RMB2,743,530,000 (2014: RMB1,927,645,000). Further details are contained in Note 24 to the consolidated financial statements.

Estimated impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units 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 2015 was RMB1,315,234,000 (2014: RMB792,086,000). More details are given in Note 18.

Warranty provisions

As explained in Note 38, 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. 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

	2015 RMB'000	2014 RMB'000 (Restated)
Rail transportation products and their extent products and services	237,784,602	218,450,551

Geographical information

Revenue from external customers

	2015 RMB'000	2014 RMB'000 (Restated)
Mainland China	211,378,285	202,580,617
Other countries and regions	26,406,317	15,869,934
	237,784,602	218,450,551

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

5. SEGMENT INFORMATION *(continued)*

Geographical information *(continued)*

Non-current assets

	31 December 2015 RMB'000	31 December 2014 RMB'000 (Restated)
Mainland China	85,050,148	80,517,171
Other countries and regions	3,819,016	2,897,163
	88,869,164	83,414,334

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

Information about a major customer

Revenue, net of sales tax, generated from a single customer which amounted to more than 10% of the Group's revenue for the year ended 31 December 2015 was RMB119,747,903,000 (2014: RMB110,714,836,000). The customers invested and managed by all PRC local railway departments are regarded as a single customer by the directors of the Company.

6. REVENUE, OTHER INCOME AND GAINS AND LOSSES

Revenue mainly represents the net invoiced value of goods sold, after allowance for returns and trade discounts, and excludes sales taxes and intra-group transactions.

An analysis of revenue, other income and gains and losses is as follows:

	2015 RMB'000	2014 RMB'000 (Restated)
Revenue		
Sale of goods and services	237,334,491	218,121,927
Interest income arising from Finance Companies	434,481	326,431
Fee and commission income	15,630	2,193
	237,784,602	218,450,551
Other income		
Government grants	1,681,353	1,096,557
Interest income from banks	563,641	407,471
Technical service income	271,540	273,158
Value-added tax refunds	121,073	201,174
Interest from available-for-sale investments	76,827	49,233
Profit from sales of scrap materials	63,024	40,720
Rental of items of properties	47,157	31,550
Dividend income	19,237	3,058
Others	147,013	19,782
Total	2,990,865	2,122,703
Other gains and losses		
Net foreign exchange gain	345,209	108,754
Gain on disposal of available-for-sale investment	239,224	13,661
Gain on adjustment of fair value of previously held interest	55,108	—
Gain on disposal of associates	3,884	388,477
Gain on disposal of prepaid lease payments	2,005	507
Gain (loss) on disposal of other intangible assets	2	(15,273)
Loss on disposal of investment properties	—	(753)
Loss on disposal of a subsidiary	(7,702)	(559)
Loss on disposal of property, plant and equipment	(51,052)	(77,110)
Others	64,175	(6,074)
Total	650,853	411,630
	3,641,718	2,534,333

7. OTHER EXPENSES

	2015 RMB'000	2014 RMB'000 (Restated)
Other expenses included net:		
Impairment of trade receivables	811,162	1,538,866
Impairment of other non-current assets	99,911	34,169
(Reversal of) impairment of prepayment, deposits and other receivables	(76,711)	330,192
Impairment of property, plant and equipment	41,395	49,817
Impairment of goodwill	23,794	—
Impairment of available-for-sale investment	1,806	—
Impairment of loans and advances to customers	1,226	800
Impairment of other intangible assets	15,706	—
Provision of onerous contracts	6,893	153,153
Relocation expense	769,936	109,902
	1,695,118	2,216,899

8. FINANCE COSTS

An analysis of finance costs is as follows:

	2015 RMB'000	2014 RMB'000 (Restated)
Interest on borrowings	1,389,366	2,605,206
Interest on bills discounted	68,380	20,522
Interest cost recognised in respect of defined benefit obligations (Note 37)	151,216	172,585
Interest on finance lease	15,362	9,787
Bonds Issue expenses	7,994	—
Less: interest capitalised in construction in progress	(219,999)	(538,582)
	1,412,319	2,269,518

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 6.88% (2014: 2.65% to 6.88%) per annum to expenditure on qualifying assets.

9. PROFIT BEFORE TAXATION

Profit before taxation has been arrived at after charging (crediting):

	2015 RMB'000	2014 RMB'000 (Restated)
Cost of inventories sold (Note)	191,026,870	175,579,574
Depreciation of items of property, plant and equipment	4,860,684	4,552,092
Depreciation of items of investment properties	3,902	3,761
Depreciation of items of other non-current assets	45,818	1,485
Amortisation of prepaid lease payments	429,424	335,208
Amortisation of other intangible assets	876,690	351,166
Auditors' remuneration	29,600	29,550
Provision for warranties	3,702,365	3,005,871
Minimum lease payments under operating leases:		
Plant and machinery	464,882	661,383
Land and buildings	242,265	181,585
Research and development costs	9,950,212	8,370,836
Less: Amount capitalised	(19,503)	(3,885)
	9,930,709	8,366,951
Staff costs (including directors', supervisors' and chief executive's remuneration, and employees' benefits other than below)	22,696,752	20,450,295
Contribution to government-operated pension schemes	2,860,045	2,356,879
Contribution to annuity pension schemes	408,444	374,590
Equity-settled share option expense	(47,153)	(35,324)
Retirement benefit obligations - costs recognised	170,528	258,395
	26,088,616	23,404,835

Note: Provision against obsolete inventories amounted to RMB604,660,000 during the year (2014:RMB511,950,000) and was included in "Cost of sales and services" on the consolidated statement of profit or loss and other comprehensive income.

10. DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

Directors', supervisors' and chief executive's emoluments for the year, disclosed pursuant to the Listing Rules and CO, are as follows:

	2015 RMB'000	2014 RMB'000
Fees	797	562
Other emoluments:		
Salaries	1,608	2,410
Performance-related bonuses (Note i)	3,945	3,661
Social security contribution other than pension (Note ii)	415	392
Pension scheme contributions (Note iii)	344	320
Total	7,109	7,345

Notes:

(i) The performance-related bonuses are determined by the remuneration committee in accordance with the relevant human resources 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.

(iv) During the years ended 31 December 2015 and 2014, as the result of the failure to satisfy performance condition attached to the share option schemes (Note 40), the share-based payments expenses charged to profit or loss in the prior periods was reversed against current year profit or loss. For the purpose of this presentation, such reversal of RMB706,000 (2014: RMB847,000) was not reflected under the total emoluments disclosed above.

10. DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVE'S EMOLUMENTS *(continued)*

The names of the directors, supervisors and the chief executive and their emoluments for the year are as follows:

	Fees RMB'000	Salaries RMB'000	Performance-related bonuses RMB'000	Social security contribution other than pension RMB'000	Pension scheme contributions RMB'000	Total RMB'000
Year ended 31 December 2015						
Executive directors:						
Mr. Cui Dianguo	–	160	576	53	44	833
Mr. Zheng Changhong	–	160	610	53	44	867
Mr. Liu Hualong (Note i)	–	133	509	44	36	722
Mr. Xi Guohua (Note ii)	–	160	576	53	44	833
Mr. Fu Jianguo	–	144	537	53	44	778
	–	757	2,808	256	212	4,033
Independent non-executive directors:						
Mr. Li Guo'an	163	–	–	–	–	163
Mr. Zhang Zhong	164	–	–	–	–	164
Mr. Wu Zhuo	156	–	–	–	–	156
Mr. Sun Patrick	158	–	–	–	–	158
Mr. Chan Ka Keung, Peter	156	–	–	–	–	156
	797	–	–	–	–	797
Supervisors:						
Mr. Wan Jun (Note iv)	–	141	496	53	44	734
Mr. Chen Fangping	–	341	361	53	44	799
Mr. Qiu Wei	–	369	280	53	44	746
	–	851	1,137	159	132	2,279
	797	1,608	3,945	415	344	7,109

10. DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVE'S EMOLUMENTS *(continued)*

	Fees RMB'000	Salaries RMB'000	Performance-related bonuses RMB'000	Social security contribution other than pension RMB'000	Pension scheme contributions RMB'000	Total RMB'000
Year ended 31 December 2014						
Executive directors:						
Mr. Cui Dianguo	–	298	624	50	40	1,012
Mr. Zheng Changhong	–	250	659	48	40	997
Mr. Liu Hualong	–	250	659	48	40	997
Mr. Xi Guohua (Note ii)	–	298	624	50	40	1,012
Mr. Fu Jianguo	–	225	580	48	40	893
	–	1,321	3,146	244	200	4,911
Independent non-executive directors:						
Mr. Li Guo'an (Note iii)	89	–	–	–	–	89
Mr. Zhang Zhong	156	–	–	–	–	156
Mr. Wu Zhuo (Note iii)	87	–	–	–	–	87
Mr. Sun Patrick	143	–	–	–	–	143
Mr. Chan Ka Keung, Peter (Note iii)	87	–	–	–	–	87
	562	–	–	–	–	562
Supervisors:						
Mr. Wan Jun (Note iv)	–	265	45	50	40	400
Mr. Chen Fangping	–	481	250	50	40	821
Mr. Qiu Wei	–	343	220	48	40	651
	–	1,089	515	148	120	1,872
	562	2,410	3,661	392	320	7,345

Notes:

(i) Mr. Liu Hualong began to receive his emoluments from CRRCG since November 2015.

(ii) Mr. Xi Guohua is also the president of the Company and his emoluments disclosed above include those for services rendered as president.

(iii) Mr. Li Guo'an, Mr. Wu Zhuo and Mr. Chan Ka Keung, Peter were appointed as independent non-executive directors on 26 May 2014.

(iv) Mr. Wan Jun was non-executive director of CNR before the 2015 Business Combination.

10. DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVE'S EMOLUMENTS *(continued)*

Mr. Wang Yan was supervisor of CSR before the 2015 Business Combination and received emoluments from CSR Group.

Mr. Sun Ke, who was supervisor of CSR before the 2015 Business Combination, Mr. Zhu Sanhua and Mr. Liu Zhi, who were supervisors of CNR before the 2015 Business Combination, received emoluments of RMB456,000, RMB304,000 and RMB280,000 (2014: RMB714,000, RMB755,000 and RMB703,000) respectively during the period from 1 January 2015 to date of completion of the 2015 Business Combination.

Mr. Li Fenghua and Ms. Shao Ying were independent non-executive directors of CNR before the 2015 Business Combination and received emoluments from CRRCG.

The executive directors' and supervisors' emoluments shown above were mainly 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 mainly 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 the year.

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.

11. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees of the Group during both years are neither directors, supervisors nor chief executive.

Details of the remuneration paid to the five highest paid employees during the year are as follows:

	2015 RMB'000	2014 RMB'000
– Salaries	2,100	2,143
– Performance-related bonuses	7,486	6,436
– Social security contribution other than pension	323	410
– Pension scheme contributions	217	526
Total	10,126	9,515

Note:

During the years ended 31 December 2015 and 2014, as the result of the failure to satisfy performance condition attached to the share option schemes (Note 40), the share-based payments expenses charged to profit or loss in the prior periods was reversed against current year profit or loss. For the purpose of this presentation, such reversal of RMB839,000 (2014: RMB554,000) was not reflected under the remuneration disclosed above.

The number of five highest paid employees whose remuneration fell within the following band is as follows:

	Number of employees	
	2015	2014
HK$2,000,001 to HK$2,500,000	3	3
HK$2,500,001 to HK$3,000,000	2	2

12. INCOME TAX EXPENSE

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

	2015 RMB'000	2014 RMB'000 (Restated)
Current tax charge comprises		
PRC enterprise income tax	3,467,313	3,020,713
Hong Kong Profits Tax	48,281	11,091
Other jurisdictions	35,463	12,263
	3,551,057	3,044,067
Overprovision in respect of current tax in previous years	(9,015)	(17,931)
Deferred tax credit (Note 24)	(591,489)	(888,974)
	2,950,553	2,137,162

Pursuant to the relevant laws and regulations in the PRC, the statutory enterprise income tax rate of 25% (2014:25%) 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% (2014: 15%) because they are recognised as the high sand new technology enterprises by the local governments in the PRC.

Hong Kong Profits Tax has been provided at the rate of 16.5% (2014: 16.5%) on the estimated assessable profits arising in Hong Kong during the year.

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

A reconciliation of the income tax expense to profit before taxation on the consolidated statement of profit and loss and other comprehensive income are as follows:

	2015 RMB'000	2014 RMB'000 (Restated)
Profit before taxation	17,048,431	14,483,523
Tax at the applicable tax rate (25%)	4,262,108	3,620,881
Tax effect of share of associates and joint ventures	(104,739)	(183,409)
Tax effect of expenses not deductible for tax purpose	221,097	136,570
Entities subject to lower statutory income tax rates	(1,639,941)	(1,308,291)
Overprovision in respect of current tax in previous years	(9,015)	(17,931)
Utilisation of tax losses and temporary differences previously not recognised	(154,762)	(83,281)
Tax effect of tax losses and temporary differences not recognised	1,095,966	474,058
Others (Note)	(720,161)	(501,435)
	2,950,553	2,137,162

Note: Others mainly comprised income tax benefits on research and development expenditure.

13. DIVIDENDS

Dividends recognised as distribution during the year:

	2015 RMB'000	2014 RMB'000 (Restated)
Dividend paid:		
RMB0.12 (2014:RMB0.09) per share by the Company	3,274,651	1,242,270
RMB0.20 per share by CNR (Note)	—	2,064,011
	3,274,651	3,306,281

Note: Since the 2015 Business Combination is accounted for as a business combination involving entities under common control, accordingly, the dividend paid is restated to include those of CNR as if it had always been part of the Group.

Subsequent to the end of the reporting period a final dividend of RMB4,093,314,000 at RMB0.15 per share in respect of the year ended 31 December 2015, based on 27,288,758,000 shares as at 31 December 2015, has been proposed by the directors of the Company and is subject to the approval by the shareholders in the forthcoming annual general meeting.

14. EARNINGS PER SHARE

The weighted average number of shares for the purpose of basic and diluted earnings per share for the year ended 31 December 2015 and 2014 has taken into account the issue of 13,485,758,333 new shares in exchange of the entire equity interest in CNR arising from the 2015 Business Combination.

The calculation of the basic and diluted earnings per share attributable to the owners of the Company is based on the following data:

	2015 RMB'000	2014 RMB'000 (Restated)
Earnings		
Earnings for the purposes of basic and diluted earnings per share (profit for the year attributable to owners of the Company)	11,818,398	10,815,468
Number of Shares		
Number of shares for the purpose of basic earnings per share	27,288,758	26,449,209

14. EARNINGS PER SHARE *(continued)*

The computation of diluted earnings per share for the year ended 31 December 2015 does not assume the exercise of the share options during the period for which they are outstanding as the exercise prices of those share options were higher than the average market price during that period.

The computation of diluted earnings per share for the year ended 31 December 2014 does not assume the exercise of the share options as the exercise prices of those share options were higher than the average market price during that year.

15. PROPERTY, PLANT AND EQUIPMENT

	Notes	Freehold Land RMB'000	Buildings RMB'000	Plant, machinery and equipment RMB'000	Motor vehicles RMB'000	Computer equipment and others RMB'000	Construction in progress RMB'000	Total RMB'000
Cost								
Balance at 1 January 2014		–	13,966,688	15,837,134	832,674	1,704,493	3,665,088	36,006,077
Effect of business combination under common control	42.1(b)	–	14,387,823	16,310,140	1,472,168	1,454,516	5,211,377	38,836,024
Balance at 1 January 2014 (Restated)		–	28,354,511	32,147,274	2,304,842	3,159,009	8,876,465	74,842,101
Additions		21,287	306,762	1,009,659	60,011	168,273	7,178,213	8,744,205
Transfer from construction in progress		–	3,936,022	3,157,009	101,444	323,532	(7,518,007)	–
Transfer from investment property	16	–	17,351	–	–	–	–	17,351
Acquisitions of subsidiaries		131,906	687,500	540,639	1,822	250,470	135,879	1,748,216
Transfer to construction in progress		–	(54,704)	(61,079)	(2,469)	–	118,252	–
Transfer to investment property	16	–	(3,663)	–	–	–	(122)	(3,785)
Transfer to other intangible assets	19	–	–	–	–	–	(151,510)	(151,510)
Transfer to other non-current assets		–	(115,313)	(12,956)	(505)	(1,585)	–	(130,359)
Disposal of subsidiaries		–	–	–	(2,240)	(1,367)	–	(3,607)
Disposals		–	(54,830)	(689,165)	(78,162)	(139,463)	(74,978)	(1,036,598)
Exchange adjustments		(9,491)	(26,473)	(51,427)	(56)	(20,716)	(3,193)	(111,356)

15. PROPERTY, PLANT AND EQUIPMENT *(continued)*

	Notes	Freehold Land RMB'000	Buildings RMB'000	Plant, machinery and equipment RMB'000	Motor vehicles RMB'000	Computer equipment and others RMB'000	Construction in progress RMB'000	Total RMB'000
Balance at 31 December 2014 (Restated)		143,702	33,047,163	36,039,954	2,384,687	3,738,153	8,560,999	83,914,658
Additions		66,621	182,617	1,328,261	112,243	268,634	6,521,385	8,479,761
Transfer from construction in progress		–	3,257,920	2,195,679	130,564	265,615	(5,849,778)	–
Transfer from investment properties	16	–	23,847	–	–	–	–	23,847
Acquisitions of subsidiaries	42.1(a)	–	685,768	291,565	910	32,954	29,319	1,040,516
Transfer to construction in progress		–	(22,516)	(8,143)	(4,328)	(7,717)	42,704	–
Transfer to investment property	16	–	(351,008)	–	–	–	(2,244)	(353,252)
Transfer to prepaid lease payments	17	–	–	–	–	–	(376,185)	(376,185)
Transfer to other intangible assets	19	–	–	–	–	–	(162,676)	(162,676)
Disposal of subsidiaries	43	–	(102,020)	(56,727)	(984)	(2,770)	–	(162,501)
Disposals		(4,658)	(150,012)	(293,399)	(57,345)	(76,160)	–	(581,574)
Exchange adjustments		542	(81,185)	(25,876)	(1,164)	(14,604)	(4,276)	(126,563)
Balance at 31 December 2015		206,207	36,490,574	39,471,314	2,564,583	4,204,105	8,759,248	91,696,031
Depreciation								
Balance at 1 January 2014		–	(2,691,470)	(6,084,976)	(508,703)	(925,075)	–	(10,210,224)
Effect of business combination under common control	42.1(b)	–	(2,805,725)	(6,442,132)	(608,562)	(855,409)	–	(10,711,828)
Balance at 1 January 2014 (Restated)		–	(5,497,195)	(12,527,108)	(1,117,265)	(1,780,484)	–	(20,922,052)
Provided for the year		–	(1,090,345)	(2,807,740)	(224,671)	(429,336)	–	(4,552,092)
Transfer from investment property	16	–	(7,967)	–	–	–	–	(7,967)
Transfer to construction in progress		–	21,739	41,727	1,975	–	(65,441)	–
Transfer to investment property	16	–	88	–	–	–	–	88
Transfer to other non-current assets		–	53,817	11,906	491	1,511	–	67,725
Disposal of subsidiaries		–	–	–	722	664	–	1,386
Disposals		–	27,881	385,347	57,059	104,277	–	574,564
Exchange adjustments		–	721	8,862	27	2,233	–	11,843
Balance at 31 December 2014 (Restated)		–	(6,491,261)	(14,887,006)	(1,281,662)	(2,101,135)	(65,441)	(24,826,505)
Provided for the year		–	(1,209,085)	(3,000,392)	(216,041)	(435,166)	–	(4,860,684)
Transfer from investment property	16	–	(16,073)	–	–	–	–	(16,073)
Transfer to investment property	16	–	138,300	–	–	–	–	138,300
Transfer to construction in progress		–	7,578	4,109	2,270	4,047	(18,004)	–
Disposal of subsidiaries	43	–	11,609	20,769	856	2,027	–	35,261
Disposals		–	37,402	225,845	45,229	67,005	–	375,481
Exchange adjustments		–	1,699	2,777	144	1,428	–	6,048
Balance at 31 December 2015		–	(7,519,831)	(17,633,898)	(1,449,204)	(2,461,794)	(83,445)	(29,148,172)

15. PROPERTY, PLANT AND EQUIPMENT *(continued)*

	Notes	Freehold Land RMB'000	Buildings RMB'000	Plant, machinery and equipment RMB'000	Motor vehicles RMB'000	Computer equipment and others RMB'000	Construction in progress RMB'000	Total RMB'000
Impairment								
Balance at 1 January 2014		–	(13,947)	(75,120)	(750)	(4,060)	(576)	(94,453)
Effect of business combination under common control	42.1(b)	–	(30,755)	(164,049)	(6,201)	(5,189)	(9,253)	(215,447)
Balance at 1 January 2014 (Restated)		–	(44,702)	(239,169)	(6,951)	(9,249)	(9,829)	(309,900)
Provided for the year		–	(1,321)	(47,508)	(128)	(860)	–	(49,817)
Transfer from investment property	16	–	(385)	–	–	–	–	(385)
Transfer to construction in progress		–	–	2,449	416	–	(2,865)	–
Transfer from equipment to furniture, fixtures and others		–	–	224	–	(224)	–	–
Disposals		–	14	12,815	114	1,371	–	14,314
Exchange adjustments		–	–	643	–	–	–	643
Balance at 31 December 2014 (Restated)		–	(46,394)	(270,546)	(6,549)	(8,962)	(12,694)	(345,145)
Provided for the year		–	–	(41,384)	–	(11)	–	(41,395)
Disposals		–	2,732	12,267	364	533	–	15,896
Transfer to investment property	16	–	2,489	–	–	–	–	2,489
Balance at 31 December 2015		–	(41,173)	(299,663)	(6,185)	(8,440)	(12,694)	(368,155)
Carrying amount								
Balance at 31 December 2015		206,207	28,929,570	21,537,753	1,109,194	1,733,871	8,663,109	62,179,704
Balance at 31 December 2014		143,702	26,509,508	20,882,402	1,096,476	1,628,056	8,482,864	58,743,008

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 2015, all of the Group's properties are located in the PRC with the exception of buildings and freehold land amounting to RMB1,160,176,000 (2014:RMB855,755,000).

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 36.

The Group is in the process of applying for the title certificates for certain of its buildings with an aggregate carrying amount of RMB7,054,874,000 (2014: RMB7,982,318,000) at 31 December 2015. The directors of the Company are of the opinion that the Group is entitled to lawfully and validly occupy or use the above mentioned properties.

16. INVESTMENT PROPERTIES

	Notes	2015 RMB'000	2014 RMB'000 (Restated)
Cost			
Balance at 1 January		—	—
Effect of business combination under common control	42.1(b)	207,959	223,277
Balance at 1 January (Restated)		207,959	223,277
Additions		673,568	—
Transfer from property, plant and equipment	15	353,252	3,785
Transfer to property, plant and equipment	15	(23,847)	(17,351)
Disposals		—	(1,752)
Balance at 31 December		1,210,932	207,959
Depreciation			
Balance at 1 January		—	—
Effect of business combination under common control	42.1(b)	(129,657)	(134,673)
Balance at 1 January (Restated)		(129,657)	(134,673)
Provided for the year		(3,902)	(3,761)
Transfer to property, plant and equipment	15	16,073	7,967
Transfer from property, plant and equipment	15	(138,300)	(88)
Disposals		—	898
Balance at 31 December		(255,786)	(129,657)
Impairment			
Balance at 1 January		—	—
Effect of business combination under common control	42.1(b)	(13,894)	(14,380)
Balance at 1 January (Restated)		(13,894)	(14,380)
Transfer to property, plant and equipment	15	—	385
Transfer from property, plant and equipment	15	(2,489)	—
Disposals		—	101
Balance at 31 December		(16,383)	(13,894)
Carrying amount			
Balance at 31 December		938,763	64,408

17. PREPAID LEASE PAYMENTS

	Notes	2015 RMB'000	2014 RMB'000 (Restated)
CARRYING AMOUNT			
Balance at 1 January		13,882,914	4,550,378
Effect of business combination under common control	42.1(b)	—	8,979,715
Balance at 1 January (Restated)		13,882,914	13,530,093
Additions		919,552	704,581
Transfer from property, plant and equipment	15	376,185	—
Acquisitions of subsidiaries	42.1(a)	221,068	22,589
Disposal of subsidiaries	43	(6,504)	—
Released to profit or loss	9	(429,424)	(335,208)
Exchange adjustments		(2,080)	(10,965)
Disposals		(185,179)	(28,176)
At 31 December		14,776,532	13,882,914
Analysed for reporting purpose as:			
Current assets		348,194	335,208
Non-current assets		14,428,338	13,547,706

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 RMB8,260,000 (2014: RMB9,960,000) 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 36.

The Group is in the process of obtaining the land use right certificates for certain land use rights with carrying amount of RMB361,071,000 (2014: RMB359,436,000) 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.

18. GOODWILL

	Note	2015 RMB'000	2014 RMB'000 (Restated)
COST			
Balance at 1 January, as originally stated		823,943	107,904
Effect of business combination under common control	42.1(b)	—	13,557
Adjustments to fair values of assets acquired and measurement of consideration for acquisitions in prior period	42.2(a)	14,661	—
Balance at 1 January		838,604	121,461
Acquisitions of subsidiaries	42.1(a)	535,872	738,332
Exchange adjustments		11,070	(21,189)
Balance at 31 December		1,385,546	838,604
IMPAIRMENT			
At 1 January		(46,518)	(46,518)
Impairment loss recognised in the year (Note i)		(23,794)	—
At 31 December		(70,312)	(46,518)
CARRYING AMOUNT			
At 31 December		1,315,234	792,086

Note i:

The basis for determining the recoverable amounts of the subsidiaries and the major underlying assumptions are summarised below:

The recoverable amounts in respect of subsidiaries, which are principally engaged in manufacturing, have been determined based on value in use calculation. That calculation uses cash flow projections based on the most recent financial budgets of five years approved by management and an extrapolated cash flow projections for the following five years, and a discount rate of 8.4% -12.0% (2014: 9.10%) per annum. The cash flows beyond the 5-year period are extrapolated using a growth rate of 1.3% - 2.0% (2014: 1.5% - 2.0%). One major assumption is annual growth rates in revenue which vary among different subsidiaries for the most recent financial budgets period. The growth rates are based on the relevant industry growth forecasts and do not exceed the average long-term growth rate for the relevant industry. Another key assumption for the value in use calculations is the stable budgeted gross margin, which is determined based on the subsidiaries' past performance. During the year ended 31 December 2015, the Group recognised an impairment loss of RMB23,794,000 of which the recoverable amounts of the relevant subsidiaries are RMB37,865,000.

19. OTHER INTANGIBLE ASSETS

	Notes	Patents and technical know-how RMB'000	Computer software and others RMB'000	Client relationships RMB'000	Backlogs and technical service preferential orders RMB'000	Total RMB'000
Cost						
Balance at 1 January 2014		931,942	646,540	—	—	1,578,482
Effect of business combination under common control	42.1(b)	619,984	501,787	—	—	1,121,771
Balance at 1 January 2014 (Restated)		1,551,926	1,148,327	—	—	2,700,253
Additions		117,825	271,747	—	5,392	394,964
Transfer from construction in progress	15	67,049	84,461	—	—	151,510
Acquisitions of subsidiaries		63,535	5,267	259,414	69,657	397,873
Disposals		(4,057)	(32,359)	—	—	(36,416)
Exchange adjustments		(4,933)	1,570	(12,214)	(6,927)	(22,504)
Balance at 31 December 2014		1,791,345	1,479,013	247,200	68,122	3,585,680
Additions		420,999	157,485	62,349	—	640,833
Transfer from construction in progress	15	11,870	150,806	—	—	162,676
Acquisitions of subsidiaries	42.1(a)	1,318,379	4,614	—	55,753	1,378,746
Disposals		(9,286)	(20,770)	—	—	(30,056)
Disposal of subsidiaries		—	(140)	—	—	(140)
Exchange adjustments		1,994	27,657	17,737	2,641	50,029
Balance at 31 December 2015		3,535,301	1,798,665	327,286	126,516	5,787,768

19 OTHER INTANGIBLE ASSETS *(continued)*

	Notes	Patents and technical know-how RMB'000	Computer software and others RMB'000	Client relationships RMB'000	Backlogs and technical service preferential orders RMB'000	Total RMB'000
Amortisation						
Balance at 1 January 2014		(381,046)	(309,306)	—	—	(690,352)
Effect of business combination under common control	42.1(b)	(184,949)	(273,217)	—	—	(458,166)
Balance at 1 January 2014 (Restated)		(565,995)	(582,523)	—	—	(1,148,518)
Provided for the year		(141,684)	(187,981)	(7,318)	(14,183)	(351,166)
Disposals		3,767	21,004	—	—	24,771
Exchange adjustments		3,073	(167)	3,036	174	6,116
Balance at 31 December 2014		(700,839)	(749,667)	(4,282)	(14,009)	(1,468,797)
Provided for the year		(561,356)	(205,264)	(35,787)	(74,283)	(876,690)
Disposals		3,200	16,726	—	—	19,926
Disposal of subsidiaries		—	140	—	—	140
Exchange adjustments		362	(16,171)	(2,683)	67	(18,425)
Balance at 31 December 2015		(1,258,633)	(954,236)	(42,752)	(88,225)	(2,343,846)
Impairment:						
Balance at 1 January 2014		(144,331)	—	—	—	(144,331)
Effect of business combination under common control	42.1(b)	(24,000)	—	—	—	(24,000)
Balance at 1 January 2014 and 31 December 2014		(168,331)	—	—	—	(168,331)
Provided for the year		(15,706)	—	—	—	(15,706)
Balance at 31 December 2015		(184,037)	—	—	—	(184,037)
Carrying amounts						
Balance at 31 December 2015		2,092,631	844,429	284,534	38,291	3,259,885
Balance at 31 December 2014		922,175	729,346	242,918	54,113	1,948,552

19. 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
Client relationships	7-15 years
Backlogs and technical service preferential orders	Over the service providing periods

20. INTERESTS IN JOINT VENTURES

	2015 RMB'000	2014 RMB'000 (Restated)
Cost of investments, unlisted	734,312	672,019
Share of post-acquisition profit and other comprehensive income, net of dividends received	903,324	2,216,606
Carrying amount	1,637,636	2,888,625

Particulars of the principal joint venture of the Group at 31 December 2015 are as follow:

Company name	Date of establishments	Place of operation	Fully paid up registered capital	Proportion of Ownership interest and voting rights held		Principal activities
				2015 %	2014 %	
Hitachi Yongji Electric Equipment. (Xi'an) Co., Ltd ("Hitachi Yongji") 日立永濟電氣設備（西安）有限公司	29 August 2003	PRC	US$35,460,000	50.00	50.00	Manufacturing and selling of locomotives accessories

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 joint venture of the Group. To give details of other joint ventures would, in the opinion of the directors, result in particulars of excessive length.

20. INTERESTS IN JOINT VENTURES *(continued)*

Summarised financial information of material joint venture

Summarised financial information in respect of the Group's material joint venture is set out below. The summarised financial information below represents amounts shown in the joint venture's financial statements prepared in accordance with IFRSs.

Hitachi Yongji

	31 December 2015 RMB'000	31 December 2014 RMB'000
Current assets	1,661,339	1,629,437
Non-current assets	160,314	164,927
Current liabilities	599,493	613,512
Non-current liabilities	263,504	313,048

The above amounts of assets and liabilities include the following:

	2015 RMB'000	2014 RMB'000
Cash and cash equivalents	64,098	342,555
Current financial liabilities (excluding trade and other payable and provisions)	326,098	392,544
Non-current financial liabilities (excluding trade and other payable and provisions)	254,527	301,034

	2015 RMB'000	2014 RMB'000
Revenue	638,921	1,007,896
Profit and total comprehensive income for the year	90,404	176,962
Dividends received from the joint venture during the year	9,000	15,500

20. INTERESTS IN JOINT VENTURES *(continued)*

Summarised financial information of material joint venture *(continued)*

Hitachi Yongji *(continued)*

The above profit for the year include the following:

	2015 RMB'000	2014 RMB'000
Depreciation and amortisation	9,493	10,809
Interest income	9,264	9,555
Interest expenses	10,600	10,847
Income tax expense	10,937	35,689

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

	31 December 2015 RMB'000	31 December 2014 RMB'000
Net assets of the joint venture	958,656	867,804
Proportion of the Group's ownership interest in Hitachi Yongji	50%	50%
Carrying amount of the Group's interest in Hitachi Yongji	479,328	433,902

Aggregate information of joint ventures that are not individually material

	2015 RMB'000	2014 RMB'000
The Group's share of profit and total comprehensive income for the year	186,003	473,347
Aggregate carrying amount of the Group's interests in these joint ventures	1,158,308	2,454,723

21. INTERESTS IN ASSOCIATES

	2015 RMB'000	2014 RMB'000 (Restated)
Cost of investments, unlisted	1,645,799	1,699,773
Share of post-acquisition profit and other comprehensive income, net of dividends received	329,442	225,185
Carrying amount	1,975,241	1,924,958

Aggregate information of associates that are not individually material:

	2015 RMB'000	2014 RMB'000
The Group's share of profit and total comprehensive income for the year	187,751	134,928
Aggregate carrying amount of the Group's interests in these associates	1,975,241	1,924,958

22. AVAILABLE-FOR-SALE INVESTMENTS

	2015 RMB'000	2014 RMB'000 (Restated)
Unlisted financial assets, at fair value	3,259,000	4,400,000
Unlisted equity investments, at cost less impairment	933,491	147,591
Listed equity investments, in the PRC, at fair value	2,223,018	874,415
	6,415,509	5,422,006

Analysed for reporting purpose as:

	2015 RMB'000	2014 RMB'000 (Restated)
Current asset	3,259,000	4,400,000
Non-current asset	3,156,509	1,022,006
	6,415,509	5,422,006

During the year, the gross loss in respect of the Group's available-for-sale investments recognised in other comprehensive income before tax amounted to RMB441,167,000 (2014: gain of RMB39,822,000), including RMB167,900 (2014:nil) which was reclassified to profit or loss upon disposal.

Unlisted financial assets

Unlisted financial assets represent investment in corporate wealth management products issued by PRC banks.

Unlisted equity investments

Unlisted equity investments are not stated at fair value but at cost less any accumulated impairment losses, because they do not have a quoted market price in an active market, the range of reasonable fair value estimates is significant and the probabilities of the various estimates cannot be reasonably assessed.

23. HELD TO MATURITY INVESTMENT

	2015 RMB'000	2014 RMB'000
Debt securities	197,928	–

The Group's held-to-maturity investment represents debt securities which are listed in Singapore Exchange Securities Trading Limited and The Irish Stock Exchange plc, and carry fixed interest at 8.13% per annum payable semi-annually in arrear, and will mature on 3 December 2018.

24. DEFERRED TAX ASSETS/LIABILITIES

The following is the analysis of the deferred tax balances for financial reporting purposes:

	2015 RMB'000	2014 RMB'000 (Restated)
Deferred tax assets	2,743,530	1,927,645
Deferred tax liabilities	(241,975)	(193,458)
	2,501,555	1,734,187

The deferred tax assets (liabilities) recognised by the Group and movements thereon during the year are as follows:

	Warranty claims provision RMB'000	Government grants RMB'000	Accrued commission RMB'000	Assets impairment RMB'000	Unrealised profits in inventories RMB'000	Accrued royalty fee RMB'000	Wages payable RMB'000	Financial assets at fair value through profit or loss RMB'000	Fair value adjustments arising from acquisitions of subsidiaries RMB'000	Depreciation difference RMB'000	Fair value adjustments arising from available-for- sale investments RMB'000	Other temporary differences RMB'000	Total RMB'000
At 1 January 2014 (Restated)	342,517	95,328	63,677	327,879	79,558	30,613	26,270	(636)	(29,656)	(14,682)	(23,700)	81,171	978,339
(Charge) credit to profit or loss	200,627	2,875	75,104	347,206	86,592	9,243	38,162	636	11,183	(2,229)		120,366	889,765
Change of tax rate	–	–	–	(643)	–	–	–	–	–	–	–	(148)	(791)
Acquisitions of subsidiaries	–	–	–	–	–	–	–	–	(136,469)	–	–	12,001	(124,468)
Credited to other comprehensive income	–	–	–	–	–	–	–	–	–	–	(8,658)	–	(8,658)
At 31 December 2014 (Restated)	543,144	98,203	138,781	674,442	166,150	39,856	64,432	–	(154,942)	(16,911)	(32,358)	213,390	1,734,187
(Charge) credit to profit or loss	263,787	73,803	(58,690)	218,565	25,412	2,651	(24,303)	54	61,960	(5,097)	–	33,347	591,489
Acquisitions of subsidiaries	101,653	–	–	33,451	–	–	–	–	(136,365)	–	–	113,218	111,957
Exchange adjustments	–	–	–	–	–	–	–	–	(9,302)	(200)	–	–	(9,502)
Credited to other comprehensive income	–	–	–	–	–	–	–	–	–	–	73,424	–	73,424
At 31 December 2015	908,584	172,006	80,091	926,458	191,562	42,507	40,129	54	(238,649)	(22,208)	41,066	359,955	2,501,555

24. DEFERRED TAX ASSETS/LIABILITIES *(continued)*

The Group has tax losses arising in Mainland China of RMB7,771,932,000 (2014: RMB4,512,348,000) and deductible temporary differences of RMB3,246,020,000 (2014: RMB2,851,182,000) as at 31 December 2015. Deferred tax assets have not been recognised in respect of these losses and deductible temporary differences as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses and deductible temporary differences can be utilised.

The tax losses unrecognised for deferred tax assets that will expire in:

	2015 RMB'000	2014 RMB'000 (Restated)
2015	—	376,649
2016	472,131	493,084
2017	520,851	521,358
2018	1,036,827	1,168,045
2019	1,856,395	1,953,212
2020	3,885,728	—
Total	7,771,932	4,512,348

25. OTHER NON-CURRENT ASSETS

	2015 RMB'000	2014 RMB'000 (Restated)
Deposits for acquisition of land use rights	1,559,853	1,663,134
Prepayments for other intangible assets	128,748	192,655
Long term prepaid expenses	170,908	96,656
Deposits for acquisition of property, plant and equipment	1,113,099	928,889
Build-Transfer project	405,978	555,441
Long-term receivables (Note)	10,623,522	11,302,511
Others	161,755	623,657
	14,163,863	15,362,943

Note: The balances mainly represent receivables arising from finance leases and instalment sales. As at 31 December 2015, the unearned finance income in respect of the long-term receivables amounted to RMB3,261,967,000 (2014: RMB3,108,758,000).

The maturity profile of the long-term receivables of the Group at the end of the reporting period is as follows:

	Note	2015 RMB'000	2014 RMB'000 (Restated)
Within one year		4,410,793	3,791,311
In the second to tenth years, inclusive		10,691,597	11,409,334
Less: Impairment recognised		(68,075)	(106,823)
Long-term receivables		15,034,315	15,093,822
Analysed for reporting purpose as:			
Current assets	29	4,410,793	3,791,311
Non-current assets		10,623,522	11,302,511

26. INVENTORIES

	2015 RMB'000	2014 RMB'000 (Restated)
Cost, net of provision		
Raw materials	20,362,718	21,803,477
Work in progress	26,077,124	26,511,200
Finished goods	13,306,727	11,313,652
	59,746,569	59,628,329

27. TRADE RECEIVABLES

	2015 RMB'000	2014 RMB'000 (Restated)
Trade receivables	76,858,677	61,851,546
Less: allowance for doubtful debts	(4,344,279)	(3,427,827)
	72,514,398	58,423,719

An aged analysis of the trade receivables at the end of the reporting period, based on the revenue recognition date and net of provision for impairment of receivables, is as follows:

	2015 RMB'000	2014 RMB'000 (Restated)
Within 6 months	55,938,509	43,545,220
6 months to 1 year	7,131,606	7,759,022
Over 1 year	9,444,283	7,119,477
	72,514,398	58,423,719

27. TRADE RECEIVABLES *(continued)*

Ageing of trade receivables which are past due but not impaired is as follows:

	2015 RMB'000	2014 RMB'000 (Restated)
6 months to 1 year	6,157,462	5,424,875
Over 1 year	299,638	1,987,983
	6,457,100	7,412,858

Receivables that were past due but not impaired relate to some customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

The movements in provision for impairment of trade receivables are as follows:

	Note	2015 RMB'000	2014 RMB'000 (Restated)
At 1 January		3,427,827	1,875,863
Impairment loss recognised	7	1,133,383	1,600,265
Amounts recovered during the year	7	(322,221)	(61,399)
Amount written off as uncollectible		(16,863)	(44,382)
Exchange adjustment		(608)	(14)
Others		122,761	57,494
At 31 December		4,344,279	3,427,827

Included in the above provision for impairment of trade receivables is a provision for individually impaired trade receivables of RMB2,458,453,000 (2014: RMB1,428,603,000) with a carrying amount before provision of RMB43,731,774,000 (2014: RMB2,567,743,000). The individually impaired trade receivables relate to customers that were in financial difficulties and only a portion of the receivables is expected to be recovered.

27. TRADE RECEIVABLES *(continued)*

Included in trade receivables are the following amounts denominated in foreign currencies:

	2015 RMB'000	2014 RMB'000 (Restated)
US$	2,140,349	1,508,836
Euros ("EUR")	1,801,329	732,423
Swiss franc ("SFr")	10,211	10,005
Singapore dollars ("SGD")	164,737	8,332
Japanese yen ("JPY")	119,720	4,435
HK$	81	775,454
Australian dollar ("AUD")	865	16,928
Great Britain pounds ("GBP")	93,409	10,282
Canadian dollar ("CAD")	655	4,869
Malaysian dollars ("MYR")	254,490	127,247
Turkish lira ("LT")	80,172	90,637
South Africa Rand ("ZAR")	—	41,041
	4,666,018	3,330,489

The amounts due from the related parties of the Group are included in Note 45.

28. BILLS RECEIVABLE

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

	2015 RMB'000	2014 RMB'000 (Restated)
Within 6 months	9,511,622	8,628,983
6 months to 1 year	654,869	251,037
	10,166,491	8,880,020

The above balances are neither past due nor impaired.

28. BILLS RECEIVABLE *(continued)*

The nature profile of the bills receivable of the Group at the end of the reporting period is as follows:

	2015 RMB'000	2014 RMB'000 (Restated)
Bank acceptance bills	8,665,466	6,555,744
Commercial acceptance bills	1,501,025	2,324,276
	10,166,491	8,880,020

29. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2015 RMB'000	2014 RMB'000 (Restated)
Prepayments	9,533,803	10,846,375
Deposits and other receivables	9,971,914	9,776,967
Less: allowance for doubtful debts	(718,263)	(818,463)
	18,787,454	19,804,879

Movements in provision for impairment of prepayments, deposits and other receivables are as follows:

	Note	2015 RMB'000	2014 RMB'000 (Restated)
At 1 January		818,463	535,757
Impairment loss (reversed) recognised	7	(76,711)	330,192
Written off		(509)	(564)
Others		(22,980)	(46,922)
At 31 December		718,263	818,463

29. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES *(continued)*

An analysis of deposits and other receivables is as follows:

	Note	2015 RMB'000	2014 RMB'000 (Restated)
Prepayments		9,194,629	10,567,921
Other receivables		2,870,805	2,980,165
Dividends receivable		7,363	21,434
Interest receivables		7,791	63,482
Long-term receivables - due within one year	25	4,410,793	3,791,311
Value added tax recoverables		2,164,366	2,003,155
Others		131,707	377,411
		18,787,454	19,804,879

The amounts due from the related parties included in the prepayments, deposits and other receivables are disclosed in Note 45.

30. AMOUNTS DUE FROM CUSTOMERS FOR CONTRACT WORK

	2015 RMB'000	2014 RMB'000 (Restated)
Contract costs incurred plus recognised profits less recognised losses in connection with construction contracts in progress	912,732	758,806
Less: progress billings	(873,100)	(720,732)
Gross amounts due from customers for contract work	39,632	38,074

The gross amounts due from customers for contract work at 31 December 2015 and 2014 were all expected to be recovered within one year.

31. CASH AND BANK BALANCES AND PLEDGED BANK DEPOSITS

	2015 RMB'000	2014 RMB'000 (Restated)
Cash and bank balances	39,368,687	48,896,212
Less: Pledged bank deposits	(4,613,695)	(5,059,305)
Cash and bank balances in the consolidated statement of financial position	34,754,992	43,836,907
Less: Non-pledged time deposits with original maturity of three months or more when acquired	(4,810,771)	(6,802,721)
Cash and cash equivalents in the consolidated statement of cash flows	29,944,221	37,034,186

Included in cash and cash equivalents are the following amounts denominated in foreign currencies:

	2015 RMB'000	2014 RMB'000 (Restated)
– US$	1,488,197	7,707,600
– HK$	45,975	1,211,906
– MYR	–	31,320
– ZAR	–	452,008
– JPY	13,213	9,130
– EUR	164,491	276,470
– SGD	143,322	8,821
– Other currencies	98,263	115,956
	1,953,461	9,813,211

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The Group's cash and cash equivalents are held in major financial institutions located in the PRC, which management believes are of high credit quality.

The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Pledged bank deposits represent balances pledged to banks for the issuance of the Group's bills payable and letters of credit, and for the grant of bank loans to the Group. Further details of the bank loans are set out in Note 36.

32. PLACEMENTS WITH FINANCIAL INSTITUTIONS

	2015 RMB'000	2014 RMB'000 (Restated)
Inter-bank borrowing	1,200,000	—

The placements are the inter-bank borrowings that CNR Finance Co., Ltd made to China Construction Bank.

33. TRADE PAYABLES

An aged analysis of trade payables at the end of the reporting period, based on the invoice date, is as follows:

	2015 RMB'000	2014 RMB'000 (Restated)
Within 6 months	61,039,748	61,920,634
6 months to 1 year	18,056,462	6,320,673
Over 1 year	4,082,896	3,148,333
	83,179,106	71,389,640

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:

	2015 RMB'000	2014 RMB'000 (Restated)
JPY	422,884	380,154
GBP	745	19,732
MYR	—	117,610
US$	85,427	652,263
EUR	29,495	549,872
AUD	6,737	6,113
CAD	3,846	110
HK$	677,134	68,010
ZAR	—	20,285
LT	—	2,963
Brazilian real	—	11,847
	1,226,268	1,828,959

The amounts due to the related parties of the Group included in trade payables are disclosed in Note 45.

The above balances are unsecured, interest-free and repayable on similar credit terms to those offered by major suppliers of the Group.

34. BILLS PAYABLE

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

	2015 RMB'000	2014 RMB'000 (Restated)
Within 6 months	22,230,845	20,407,678
6 months to 1 year	559,237	1,143,789
	22,790,082	21,551,467

The amounts due to the related parties of the Group included in bills payable are disclosed in Note 45.

The above balances are interest-free and repayable on similar credit terms to those offered by major suppliers of the Group.

35. OTHER PAYABLES AND ACCRUALS

	2015 RMB'000	2014 RMB'000 (Restated)
Other payables	6,996,246	6,540,237
Advances from customers	29,693,134	35,903,699
Accruals	4,555,597	5,095,333
	41,244,977	47,539,269

The amounts due to the related parties included in other payables, advances from customers and accruals are disclosed in Note 45.

The above balances are unsecured, interest-free and have no fixed terms of repayment.

36. BORROWINGS

	2015			2014		
	Effective interest rate per annum %	Maturity	RMB'000	Effective interest rate per annum %	Maturity	RMB'000 (Restated)
Current						
Bank loans						
– Secured	1.19-5.91	2016	3,593,162	1.21-7.25	2015	1,218,966
– Unsecured	0.85-6.56	2016	3,718,631	1.90-6.36	2015	6,237,620
Short-term bonds						
– Unsecured	3.03-3.34	2016	6,000,000	4.60-5.50	2015	16,988,892
Other loans						
– Secured	10.00	–	8,000	3.00-10.00	2015	84,710
– Unsecured	6.00	2016	45,720	5.04-6.30	2015	804,980
Current portion of long-term bank loans						
– Secured	Interest free -6.22	2016	24,420	0.03-6.22	2015	343,763
– Unsecured	2.90 -6.17	2016	1,864,350	4.20-6.90	2015	1,694,174
Current portion of other loans						
– Secured	3.20-4.92	2016	5,300	–	–	–
– Unsecured	–	–	–	Interest free	2015	2,000
			15,259,583			27,375,105
Non-current						
Bank loans						
– Secured	0.02-5.20	2019-2039	2,653,404	0.03-6.22	2016-2039	1,625,898
– Unsecured	1.08-6.17	2017-2035	3,980,285	interest free-6.90	2016-2035	2,160,502
Other loans						
– Secured	–	–	–	3.20	2016	5,000
– Unsecured	–	–	–	5.04	2017	750,000
Long-term bonds						
– Unsecured	4.70-6.20	2017-2023	7,682,564	4.70-6.20	2017-2023	7,674,564
			14,316,253			12,215,964
			29,575,836			39,591,069

36. BORROWINGS *(continued)*

	2015 RMB'000	2014 RMB'000 (Restated)
Analysed into:		
Bank loans repayable:		
Within one year	9,200,563	9,494,523
In the second year	2,457,833	1,018,955
In the third to fifth years, inclusive	2,882,435	2,743,266
Beyond five years	1,293,421	24,179
	15,834,252	13,280,923
Short term bonds repayable:		
Within one year	6,000,000	16,988,892
Long term bonds repayable:		
More than one year	7,682,564	7,674,564
Other borrowings repayable:		
Within one year	59,020	891,690
In the second year	—	5,000
In the third to fifth years, inclusive	—	750,000
	59,020	1,646,690

The above secured bank loans and other banking facilities were secured by certain assets and their carrying amounts are as follows:

	2015 RMB'000	2014 RMB'000 (Restated)
Property, plant and equipment	50,958	51,612
Prepaid lease payments	36,450	36,743
Time deposits and bank balances	4,613,695	5,059,305
Bills receivable	1,437,104	1,005,917
	6,138,207	6,153,577

36. BORROWINGS *(continued)*

Included in borrowings are the following amounts denominated in foreign currencies:

	2015 RMB'000	2014 RMB'000 (Restated)
US$	1,821,709	2,734,832
GBP	10,482	53,193
HK$	–	838,167
EUR	2,708,648	1,872,600
JPY	105,891	62,423
ZAR	–	206,604
Confederation Helvetica Franc	–	61,349
	4,646,730	5,829,168

37. RETIREMENT BENEFIT OBLIGATIONS

In addition to the monthly contributions to various defined contribution pension schemes regulated by the PRC government, the Group provided supplementary pension subsidies to its employees who retired at normal retirement ages on or before 30 June 2007 and early retirement benefits to certain qualified employees before 30 June 2007. The amounts of employee benefit obligations recognised in the consolidated statement of financial position represent the present value of the unfunded obligations.

CNR and its subsidiaries ("CNR Group") also provided supplementary pension subsidies to its employees who retired at normal retirement ages on or before 31 December 2007.

In 2014, the Group acquired and obtained control of Rubber & Plastics Business held by ZF Friedrichshafen AG ("Germany BOGE "). The retirement benefit obligations in Germany are the liabilities which are based on the pension plan provided by Germany BOGE. Germany BOGE's pension plan provides an unfunded schemes. According to the Rentenordnung 2005 and Versorgungszusage 2004, Germany BOGE has provided traditional German pension planning groups which include normal and early retirement benefits and the benefits provided to the disabled people and the dead staff survivors. These plans are defined benefit retirement benefit plan, and adjusting capture puts scale by different wage.

37. RETIREMENT BENEFIT OBLIGATIONS *(continued)*

	2015 RMB'000	2014 RMB'000 (Restated)
Retirement benefit obligations in the PRC (Note i)	3,653,131	3,864,412
Retirement benefit obligations in Germany (Note ii)	699,459	686,962
Others	53,503	40,936
	4,406,093	4,592,310
Analysed for reporting purpose as:		
Current liabilities	351,648	391,335
Non-current liabilities	4,054,445	4,200,975

Note i:

The movements in the supplementary pension subsidies and early retirement benefit obligations recognised in the consolidated statement of financial position are as follows:

	2015 RMB'000	2014 RMB'000 (Restated)
At beginning of the year	3,864,412	3,842,077
Costs recognised	117,508	146,971
– Interest cost	137,985	167,454
– Past service cost	(20,477)	(20,483)
Re-measurement of retirement benefit pension plans	30,050	272,766
Benefits paid	(358,839)	(397,402)
At end of year	3,653,131	3,864,412

The provision for supplementary pension subsidies and early retirement benefits recognised in the consolidated statement of financial position is determined as follows:

	2015 RMB'000	2014 RMB'000 (Restated)
Present value of unfunded benefit obligations	3,653,131	3,864,412
Amount due within one year	(326,010)	(362,611)
Amount due after one year	3,327,121	3,501,801

37. RETIREMENT BENEFIT OBLIGATIONS *(continued)*

Note i: *(continued)*

The above employee benefit obligations were determined based on actuarial valuation performed by two independent actuaries. The actuary for CSR is Towers Watson, whose registered office is located at 1266 Nanjing West Road, 39/F, Plaza 66, Shanghai, the PRC. The actuary for CNR is Mercer Consulting, whose registered office is located at 660-686 Jiujiang Road, 13/F, Shanghai, the PRC. The actuaries used the projected unit credit method and the material actuarial assumptions used in valuing these obligations are as follows:

	2015 %	2014 %
Discount rate adopted	2.8/3.0	3.4/3.8
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 2015, the defined benefit obligation would decrease by RMB304,030,000 (increase by RMB364,260,000).

If the discount rate increases (decreases) by 1% as at 31 December 2014, the defined benefit obligation would decrease by RMB309,610,000 (increase by RMB369,970,000).

If the healthcare cost increases (decreases) by 1% as at 31 December 2015, the defined benefit obligation would increase by RMB156,710,000 (decrease by RMB130,810,000).

If the healthcare cost increases (decreases) by 1% as at 31 December 2014, the defined benefit obligation would increase by RMB166,140,000 (decrease by RMB138,670,000).

Since some of the assumptions may be associated to each other, an assumption cannot change in isolation, so the above sensitivity analysis may not reflect the actual change of present value of retirement benefit obligations.

Note ii:

For the year ended 31 December 2015, the present value of the defined benefit plan changes as follows:

	2015 RMB'000	2014 RMB'000 (Restated)
At beginning of the year	686,962	—
Acquisition of a subsidiary	—	624,959
Costs recognised	53,020	111,424
– Current service cost	39,789	106,293
– Interest cost	13,231	5,131
Actuarial gain	(6,007)	—
The impact of exchange rate differences	(30,919)	(49,421)
Actual benefit payments	(3,597)	—
At end of year	699,459	686,962

37. RETIREMENT BENEFIT OBLIGATIONS *(continued)*

Note ii: *(continued)*

The provision for pensions plans provided by Germany BOGE recognised in the consolidated statement of financial position is determined as follows:

	2015 RMB'000	2014 RMB'000 (Restated)
Present value of unfunded benefit obligations	699,459	686,962
Net liability arising from defined benefit obligations	699,459	686,962
Amount due within one year	(25,638)	(28,724)
Amount due after one year	673,821	658,238

The average duration of the defined benefit obligation at 31 December 2015 is 26.5 years (2014: 27 years).

The retirement benefit obligation of Germany BOGE was determined based on projected unit credit method by Mercer Deutschland GmbH. In addition to the life forecast of hypothesis, as mentioned above, other important assumptions are as follows:

	2015 %	2014 %
Discount rate adopted	2.5	2.5
Expected growth of wages and salaries	2.7	2.7
Growth of pension	1.3	1.3
Fluctuation	1.7	2.0

The expected growth of wages and salaries mainly depends on inflation, wage standards, Germany BOGE's operating performance and other factors.

38. PROVISION FOR WARRANTIES

	Note	2015 RMB'000	2014 RMB'000 (Restated)
At 1 January		3,747,142	2,278,381
Acquisitions of subsidiaries	42.1(a)	684,929	126,345
Charged for the year		3,702,365	3,005,871
Utilised during the year		(2,113,020)	(1,663,455)
At 31 December		6,021,416	3,747,142
Analysed for reporting purpose as:			
Current liabilities		2,279,999	1,951,783
Non-current liabilities		3,741,417	1,795,359

The above represents the warranty costs for repairs and maintenance, which are estimated based on prevailing after-sales service policies, the sales volume and the past experience of the level of repairs and returns. The estimation basis is reviewed on an ongoing basis and revised where appropriate.

39. DEFERRED INCOME

	2015 RMB'000	2014 RMB'000 (Restated)
At 1 January	4,885,313	4,928,711
Government grants received during the year	2,602,566	999,174
Recognised as other income during the year	(1,419,630)	(1,042,572)
At 31 December	6,068,249	4,885,313
Analysed for reporting purpose as:		
Current liabilities	511,895	316,370
Non-current liabilities	5,556,354	4,568,943

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.

40. SHARE-BASED PAYMENT TRANSACTIONS

The reversal of share-based payment expenses during the years ended 31 December 2015 and 2014 is as follows:

	2015 RMB'000	2014 RMB'000 (Restated)
	(47,153)	(35,324)

40. SHARE-BASED PAYMENT TRANSACTIONS *(continued)*

(i) In March 2011, CSR submitted a share option scheme to the China Securities Regulatory Commission, and got no dissent. On 26 April 2011, the share option scheme was approved by the 2011 first extraordinary general meeting. Then CSR adopted an A share option scheme ("2011 Share Option Scheme") for the purpose of providing incentives to eligible participants. The eligible participants of the 2011 Share Option Scheme included the directors (excluding independent non-executive directors), senior management, and key technical personnel and management personnel who have direct contribution to the performance and continuing development of the subsidiaries and the associates.

On 27 April 2011, the board of the directors of CSR granted 36,605,000 share options to the participants under the 2011 Share Option Scheme to subscribe for 36,605,000 A shares of par value RMB1.00 each of CSR pursuant to the resolution of the general meeting. The number of the share options granted doesn't exceed 1% of the total number of A shares of CSR in issue, and the share options granted have a validity period of seven years, commencing from the grant date determined by the board of the directors of CSR. Subject to fulfillment of all effective conditions under the 2011 Share Option Scheme and after the expiry of the two-year lock-up period from the grant date, the share options shall become exercisable in three batches according to the following effective arrangements:

	Maximum percentage exercisable	**Period for vesting of the relevant percentage of the option**
Lot 1:	1/3 of the total share options granted	From the first trading day after the expiration of the 24- month period following the grant date to the last trading day preceding the expiration of the 60-month period following the grant date
Lot 2:	1/3 of the total share options granted	From the first trading day after the expiration of the 36-month periodfollowing the grant date to the last trading day preceding the expiration of the 72-month period following the grant date
Lot 3:	1/3 of the total share options granted	From the first trading day after the expiration of the 48-month periodfollowing the grant date to the last trading day preceding the expiration of the 84-month period following the grant date

The share options granted but not effective as a result of failure to meet performance conditions forfeited and cancelled by CSR.

The exercise price is the price at which CSR entitled the participants of the 2011 Share Option Scheme to subscribe for each share of the underlying stock. The exercise price was determined at the higher of the closing price of the A shares on the trading day immediately preceding the date of the 2011 Share Option Scheme Announcement and the average closing price of the A shares for the 30 trading days immediately preceding the date of the 2011 Share Option Scheme Announcement, which was RMB5.43 per share.

40. SHARE-BASED PAYMENT TRANSACTIONS *(continued)*

(i) *(continued)*

The fair value of the share options granted in 2011 is RMB151,010,000. Due to the failure to satisfy the performance conditions, i.e. the revenue growth requirement (the year growth rate of revenue not lower than 25%), the third batch of the share options was forfeited in the current year, and CSR reversed the relevant cost recorded in the previous year by RMB47,153,000. Up to the date of 31 December 2015, all share options have expired.

The movement of share options of CSR during the year is as follow:

	Year ended 31 December 2015 Number'000	Year ended 31 December 2014 Number'000
Outstanding at the beginning of the year	11,767	24,403
Forfeited during the year	(11,767)	(12,636)
Outstanding at the end of the year	–	11,767

(ii) "China CNR Corporation Limited Share Option Scheme" ("2012 Share Option Scheme") which was effective from 1 November 2012 was approved at the general meeting of CNR on 26 October 2012. The eligible participants of the 2012 Share Option Scheme included the directors (excluding independent non-executive directors and supervisors), senior management, and key technical personnel and management personnel who have direct contribution to the performance and continuing development of CNR Group.

CNR granted 85,333,500 share options to the participants under the 2012 Share Option Scheme to subscribe for 85,333,500 shares of CNR. The number of the share options granted accounted for 0.83% of the total number of shares of CNR in issue, and have a validity period of seven years. The share option granted shall become exercisable in three batches after the expiry of the two-year lock-up period from the grant date according to the following effective arrangements:

	Maximum percentage exercisable	Period for vesting of the relevant percentage of the option
Lot 1:	33% of the total share options granted	The first trading day after the expiration of the 24-month/2-year period following the grant date
Lot 2:	33% of the total share options granted	The first trading day after the expiration of the 36-month/3-year period following the grant date
Lot 3:	34% of the total share options granted	The first trading day after the expiration of the 48-month/4-year period following the grant date

40. SHARE-BASED PAYMENT TRANSACTIONS *(continued)*

(ii) *(continued)*

The share options granted but not effective shall as a result of failure to meet performance conditions shall be forfeited and cancelled by CNR.

According to the 2012 Share Option Scheme, the eligible participants have the right to subscribe the share option at RMB4.34 per share. On 26 August 2013, the exercise price of the share option was modified to RMB4.24 per share which was approved by the board of directors of CNR. On 29 August 2014, the exercise price of the share option, was modified to RMB4.04 per share which was approved by the board of directors of CNR.

As the performance of CNR did not satisfy the growth rate of the revenue required by the 2012 Share Option Scheme, the first and second batches of share options did not become effective and were forfeited as at 31December 2014. In addition, the third batch of share options has been cancelled in December 2014 due to the 2015 Business Combination.

The movement of share options of CNR during the year is as follow:

	Year ended 31 December 2015 Number'000	Year ended 31 December 2014 Number'000
Outstanding at the beginning of the year	–	85,334
Forfeited during the year	–	(56,321)
Cancelled during the year	–	(29,013)
Outstanding at the end of the year	–	–

41. EQUITY

Share capital

	Notes	Number of shares '000	Amount RMB'000
Registered capital			
– A shares of RMB1.00 each		22,917,692	22,917,692
– H shares of RMB1.00 each		4,371,066	4,371,066
		27,288,758	27,288,758
Issued and fully paid			
At 1 January 2014 and 31 December 2014			
– A shares of RMB1.00 each		11,779,000	11,779,000
– H shares of RMB1.00 each		2,024,000	2,024,000
		13,803,000	13,803,000
Issue of H shares on the Main Board of the HKSE on 26 May 2015	i	2,347,066	2,347,066
Issue of A shares on the SSE on 28 May 2015	ii	11,138,692	11,138,692
At 31 December 2015			
– 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

41. EQUITY *(continued)*

Share capital *(continued)*

	31 December 2015 RMB'000	31 December 2014 RMB'000
Shown in the consolidated statement of financial position	27,288,758	13,803,000

Note i:

Pursuant to a special resolution passed at the first extraordinary general meeting of 2015 and the first H shareholders' class meeting of 2015 held on 9 March 2015, the Company issued 2,347,066,040 H shares of RMB1.00 each at a price of HKD15.00 per share with fair value or total price of approximately RMB27,780,695,000 on 26 May 2015 in exchange for the entire issued H shares of CNR.

Note ii:

Pursuant to a special resolution passed at the first extraordinary general meeting of 2015 and the first A shareholders' class meeting of 2015 held on 9 March 2015, the Company issued 11,138,692,293 A shares of RMB1.00 each at a price of RMB29.45 per share with fair value or total price of approximately RMB328,034,488,000 on 28 May 2015 in exchange for the entire issued A shares of CNR.

Reserves

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity.

42. BUSINESS COMBINATION

42.1 Acquisition during the year ended 31 December 2015

(a) Acquisitions from independent third parties

(1) Bombardier Qingdao

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

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

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

42. BUSINESS COMBINATION *(continued)*

42.1 Acquisition during the year ended 31 December 2015 *(continued)*

(a) Acquisitions from independent third parties *(continued)*

(1) Bombardier Qingdao *(continued)*

An analysis of the cash flow in respect of the acquisition of the above subsidiary is as follows:

	RMB'000
Consideration paid in cash	—
Less: Cash and bank balances acquired	(587,330)
Net inflow of cash and bank balances included in cash flows from the acquisition of subsidiaries	587,330

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

(2) SMD Group

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

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

42. BUSINESS COMBINATION *(continued)*

42.1 Acquisition during the year ended 31 December 2015 *(continued)*

(a) Acquisitions from independent third parties *(continued)*

(2) SMD Group *(continued)*

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

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

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

42. BUSINESS COMBINATION *(continued)*

42.1 Acquisition during the year ended 31 December 2015 *(continued)*

(a) Acquisitions from independent third parties *(continued)*

(2) SMD Group *(continued)*

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

The trade receivables acquired with a fair value of RMB115,694,000 at the date of acquisition had gross contractual amounts of RMB115,694,000. The whole amount was expected to be collectible at the acquisition date.

The consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development and the assembled workforce of the acquiree. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

None of the goodwill arising on the acquisition is expected to be deductible for tax purposes.

An analysis of the cash flow in respect of the acquisition of the above subsidiary is as follows:

	RMB'000
Consideration paid in cash	1,085,220
Less: Cash and bank balances acquired	(10,413)
Net outflow of cash and bank balances included in cash flows from the acquisition of subsidiaries	1,074,807

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

Had the acquisition of SMD Group been completed on 1 January 2015, total group revenue and profit for the year ended 31 December 2015 would have been approximately RMB237,920,864,000 and RMB14,032,021,000, respectively. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2015, nor is it intended to be a projection of future results.

42. BUSINESS COMBINATION *(continued)*

42.1 Acquisition during the year ended 31 December 2015 *(continued)*

(b) Business combination under common control

As disclosed in Note 1, the 2015 Business Combination was completed on 28 May 2015 and the principle of merger accounting for business combination involving entities under common control was applied.

As a result of the combination, the relevant line items of the consolidated statement of financial position at 31 December 2014 and 1 January 2014 and the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2014 have been restated as follows:

	The Group	CNR Group	Eliminations	Adjustments to fair values of Germany BOGE	The Group (Restated)
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Note i)	(Note i)	(Note ii)	(Note iii)	
Consolidated statement of financial position as at 31 December 2014:					
Non-current assets					
Property, plant and equipment	28,827,564	29,915,922	(478)	—	58,743,008
Investment properties	—	64,408	—	—	64,408
Prepaid lease payments	4,678,027	8,869,679	—	—	13,547,706
Goodwill	763,868	13,557	—	14,661	792,086
Other intangible assets	1,147,889	767,698	(180)	33,145	1,948,552
Interests in joint ventures	1,741,187	1,147,438	—	—	2,888,625
Interests in associates	873,588	1,051,370	—	—	1,924,958
Loans and advances to customers	29,700	—	—	—	29,700
Available-for-sale investments	972,453	117,451	(67,898)	—	1,022,006
Deferred tax assets	1,153,124	774,521	—	—	1,927,645
Other non-current assets	6,586,877	8,732,848	(252)	43,470	15,362,943
	46,774,277	51,454,892	(68,808)	91,276	98,251,637

42. BUSINESS COMBINATION *(continued)*

42.1 Acquisition during the year ended 31 December 2015 *(continued)*

(b) Business combination under common control *(continued)*

	The Group RMB'000 (note i)	CNR Group RMB'000 (note i)	Eliminations RMB'000 (note ii)	Adjustments to fair values of Germany BOGE RMB'000 (note iii)	The Group (Restated) RMB'000
Current assets					
Prepaid lease payments	130,305	204,903	—	—	335,208
Inventories	30,663,146	28,965,494	(311)	—	59,628,329
Available-for-sale investments	4,400,000	—	—	—	4,400,000
Trade receivables	33,541,848	25,689,985	(808,114)	—	58,423,719
Bills receivable	6,693,741	2,275,811	(89,532)	—	8,880,020
Prepayments, deposits and other receivables	9,979,964	9,853,039	(73,341)	45,217	19,804,879
Financial assets at fair value through profit or loss	6	4,381	—	—	4,387
Amounts due from customers for contract work	—	38,074	—	—	38,074
Tax recoverable	69,714	81,497	—	—	151,211
Pledged bank deposits	2,748,993	2,310,312	—	—	5,059,305
Cash and bank balances	15,563,015	28,273,892	—	—	43,836,907
	103,790,732	97,697,388	(971,298)	45,217	200,562,039
Current liabilities					
Trade payables	38,235,379	33,965,949	(811,688)	—	71,389,640
Bills payable	12,419,349	9,221,650	(89,532)	—	21,551,467
Other payables and accruals	29,009,634	18,614,132	(69,767)	(14,730)	47,539,269
Financial liabilities at fair value through profit or loss	—	1,000	—	—	1,000
Borrowings - due within one year	3,175,766	24,199,339	—	—	27,375,105
Retirement benefit obligations	170,261	221,074	—	—	391,335
Tax payable	730,216	580,202	—	—	1,310,418
Due to customers	135,588	876,881	—	—	1,012,469

42. BUSINESS COMBINATION *(continued)*

42.1 Acquisition during the year ended 31 December 2015 *(continued)*

(b) Business combination under common control *(continued)*

	The Group	CNR Group	Eliminations	Adjustments to fair values of Germany BOGE	The Group (Restated)
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(note i)	(note i)	(note ii)	(note iii)	
Long-term payables - current portion	73,680	—	—	—	73,680
Provision for warranties	1,310,265	641,518	—	—	1,951,783
Deferred income	192,852	123,518	—	—	316,370
	85,452,990	88,445,263	(970,987)	(14,730)	172,912,536
Net current assets	18,337,742	9,252,125	(311)	59,947	27,649,503
Total assets less current liabilities	65,112,019	60,707,017	(69,119)	151,223	125,901,140
Capital and reserves					
Share capital	13,803,000	12,259,780	(12,259,780)	—	13,803,000
Reserves	26,707,531	36,534,337	12,228,944	21,141	75,491,953
Equity attributable to owners of the Company	40,510,531	48,794,117	(30,836)	21,141	89,294,953
Non-controlling interests	11,011,198	1,855,590	(38,283)	53,771	12,882,276
Total equity	51,521,729	50,649,707	(69,119)	74,912	102,177,229

42. BUSINESS COMBINATION *(continued)*

42.1 Acquisition during the year ended 31 December 2015 *(continued)*

(b) Business combination under common control *(continued)*

	The Group RMB'000 (Note i)	CNR Group RMB'000 (Note i)	Eliminations RMB'000 (Note ii)	Adjustments to fair values of Germany BOGE RMB'000 (Note iii)	The Group RMB'000 (Restated)
Non-current liabilities					
Borrowings - due after one year	7,282,443	4,933,521	—	—	12,215,964
Long-term payables	235,010	4,206	—	—	239,216
Retirement benefit obligations	2,000,961	2,200,014	—	—	4,200,975
Provision for warranties	1,795,359	—	—	—	1,795,359
Deferred income	1,742,675	2,826,268	—	—	4,568,943
Deferred tax liabilities	116,811	336	—	76,311	193,458
Other non-current liabilities	417,031	92,965	—	—	509,996
	13,590,290	10,057,310	—	76,311	23,723,911
Total equity and non-current liabilities	65,112,019	60,707,017	(69,119)	151,223	125,901,140
Consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2014:					
Revenue	117,944,498	102,756,163	(2,250,110)	—	218,450,551
Cost of sales and services	(93,880,329)	(83,993,972)	2,224,907	29,668	(175,619,726)
Gross profit	24,064,169	18,762,191	(25,203)	29,668	42,830,825
Other income and gains and losses	1,854,255	695,904	(15,826)	—	2,534,333
Distribution and selling expenses	(5,369,221)	(2,025,402)	25	(7,293)	(7,401,891)
Administrative expenses	(11,247,855)	(8,518,609)	39,503	—	(19,726,961)
Other expenses	(1,036,891)	(1,180,008)	—	—	(2,216,899)
Finance costs	(762,294)	(1,507,224)	—	—	(2,269,518)
Share of profits of:					
Joint ventures	346,379	252,327	—	—	598,706
Associates	2,920	132,029	(21)	—	134,928

42. BUSINESS COMBINATION *(continued)*

42.1 Acquisition during the year ended 31 December 2015 *(continued)*

(b) Business combination under common control *(continued)*

	The Group RMB'000 (note i)	CNR Group RMB'000 (note i)	Eliminations RMB'000 (note ii)	Adjustments to fair values of BOGE RMB'000 (note iii)	The Group RMB'000 (Restated)
Profit before taxation	7,851,462	6,611,208	(1,522)	22,375	14,483,523
Income tax expense	(1,219,880)	(921,247)	—	3,965	(2,137,162)
Profit for the year	6,631,582	5,689,961	(1,522)	26,340	12,346,361
Other comprehensive income, net of income tax					
Items that will not be reclassified to profit or loss:					
Re-measurement of retirement benefit pension plans	(103,480)	(169,286)	—	—	(272,766)
Items that may be reclassified subsequently to profit or loss:					
Net gain on revaluation of available-for-sale financial assets	32,717	7,105	—	—	39,822
Income tax relating to items that may be reclassified to profit or loss subsequently	(7,669)	(989)	—	—	(8,658)
Exchange differences arising on translation	(151,908)	1,114	(12,208)	48,572	(114,430)
Other comprehensive expense, net of income tax	(230,340)	(162,056)	(12,208)	48,572	(356,032)
Total comprehensive income for the year	6,401,242	5,527,905	(13,730)	74,912	11,990,329

42. BUSINESS COMBINATION *(continued)*

42.1 Acquisition during the year ended 31 December 2015 *(continued)*

(b) Business combination under common control *(continued)*

	The Group RMB'000 (Note i)	CNR Group RMB'000 (Note i)	Eliminations RMB'000 (Note ii)	The Group RMB'000 (Restated)
Consolidated statement of financial position as at 1 January 2014:				
Non-current assets				
Property, plant and equipment	25,701,400	27,909,060	(311)	53,610,149
Investment properties	—	74,224	—	74,224
Prepaid lease payments	4,444,950	8,688,665	—	13,133,615
Goodwill	61,386	13,557	—	74,943
Other intangible assets	743,799	639,805	(200)	1,383,404
Interests in joint ventures	2,116,311	944,177	—	3,060,488
Interests in associates	837,306	1,040,052	—	1,877,358
Loans and advances to customers	30,000	—	—	30,000
Available-for-sale investments	708,842	134,096	(55,689)	787,249
Deferred tax assets	589,395	451,337	—	1,040,732
Other non-current assets	3,383,116	9,243,482	—	12,626,598
	38,616,505	49,138,455	(56,200)	87,698,760
Current assets				
Prepaid lease payments	105,428	291,050	—	396,478
Inventories	17,969,922	18,636,789	(480)	36,606,231
Available-for-sale investments	700,000	—	—	700,000
Trade receivables	34,403,110	30,384,966	(834,099)	63,953,977
Bills receivable	6,144,132	1,534,300	(95,929)	7,582,503
Prepayments, deposits and other receivables	7,949,113	10,823,766	(2,395)	18,770,484
Financial assets at fair value through profit or loss	10,989	4,907	—	15,896

42. BUSINESS COMBINATION *(continued)*

42.1 Acquisition during the year ended 31 December 2015 *(continued)*

(b) Business combination under common control *(continued)*

	The Group RMB'000 (Note i)	CNR Group RMB'000 (Note i)	Eliminations RMB'000 (Note ii)	The Group RMB'000 (Restated)
Amounts due from customers for contract work	—	3,369	—	3,369
Tax recoverable	46,387	9,269	—	55,656
Pledged bank deposits	1,496,002	1,084,981	—	2,580,983
Cash and bank balances	14,974,222	8,247,065	—	23,221,287
	83,799,305	71,020,462	(932,903)	153,886,864
Current liabilities				
Trade payables	32,115,482	28,024,625	(818,123)	59,321,984
Bills payable	13,675,679	8,001,631	(95,929)	21,581,381
Other payables and accruals	12,625,265	15,643,750	(18,370)	28,250,645
Financial liabilities at fair value through profit or loss	—	1,201	—	1,201
Borrowings- due within one year	7,646,292	20,609,153	—	28,255,445
Retirement benefit obligations	139,430	247,518	—	386,948
Tax payable	501,942	521,657	—	1,023,599
Due to customers	33,157	422,190	—	455,347
Provision for warranties	595,196	535,900	—	1,131,096
Deferred income	234,832	—	—	234,832
	67,567,275	74,007,625	(932,422)	140,642,478
Net current assets	16,232,030	(2,987,163)	(481)	13,244,386
Total assets less current liabilities	54,848,535	46,151,292	(56,681)	100,943,146
Capital and reserves				
Share capital	13,803,000	10,320,056	(10,320,056)	13,803,000
Reserves	23,327,521	27,460,286	10,302,446	61,090,253
Equity attributable to owners of the Company	37,130,521	37,780,342	(17,610)	74,893,253
Non-controlling interests	9,652,195	1,785,293	(39,071)	11,398,417
Total equity	46,782,716	39,565,635	(56,681)	86,291,670

42. BUSINESS COMBINATION *(continued)*

42.1 Acquisition during the year ended 31 December 2015 *(continued)*

(b) Business combination under common control *(continued)*

	The Group RMB'000 (Note i)	CNR Group RMB'000 (Note i)	Eliminations RMB'000 (Note ii)	The Group RMB'000 (Restated)
Non-current Liabilities				
Borrowings - due after one year	3,568,511	1,415,277	—	4,983,788
Long-term payables	—	31,206	—	31,206
Retirement benefit obligations	1,323,890	2,169,991	—	3,493,881
Provision for warranties	1,147,285	—	—	1,147,285
Deferred income	1,815,329	2,878,550	—	4,693,879
Deferred tax liabilities	61,210	1,183	—	62,393
Other non-current liabilities	149,594	89,450	—	239,044
	8,065,819	6,585,657	—	14,651,476
Total equity and non-current liabilities	54,848,535	46,151,292	(56,681)	100,943,146

Note i: The amounts are extracted from the audited consolidated financial statements of the CSR and CNR for the year ended 31 December 2014, with certain figures have been reclassified to align the presentation.

Note ii: The adjustments represent the elimination of intragroup assets and liabilities, income and expenses between the CSR and the CNR.

Note iii: The amounts result from the adjustments to provisional amounts subsequent to acquisition as detailed in Note 42.2(a) (2).

42.2 Acquisition during the prior year

(a) Acquisitions from independent third parties

(1) CSR Zhejiang Electric Vehicles Co., Ltd. ("CSR Zhejiang")

On 1 September 2014, CRRC Zhuzhou Locomotive Co., Ltd. ("Zhuzhou Locomotive", formerly CSR Zhuzhou Electric Locomotive Co.,Ltd) and Mr. Zhu Fenglinhong and Hongxun Investment Co., Ltd. jointly entered into an equity transfer agreement. Zhuzhou Locomotive acquired 51% interest in CSR Zhejiang (formerly Ningbo Jijiang Automotive Manufacturing Co., Ltd) at a cash consideration of RMB15,300,000. After the completion of the transaction on 15 September 2014, the Group has got the control of CSR Zhejiang and the transaction has been accounted for using the acquisition method.

42. BUSINESS COMBINATION *(continued)*

42.2 Acquisition during the prior year *(continued)*

(a) Acquisitions from independent third parties *(continued)*

(1) CSR Zhejiang Electric Vehicles Co., Ltd. ("CSR Zhejiang") *(continued)*

CSR Zhejiang, incorporated in Ningbo, is engaged in the production of passenger car and van truck, the research and development, manufacturing, system integration and services of intelligent transport system, computer software and products.

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

	Fair value
	RMB'000
Property, plant and equipment	4,170
Inventories	1,068
Prepayments, deposits and other receivables	138
Cash and bank balances	28,017
Bills payable	(38,000)
Other payables and accruals	(85)
Tax payable	(7,393)
	(12,085)
Consideration transferred	15,300
Plus: non-controlling interests	(5,922)
Less: net liabilities acquired	12,085
Goodwill arising on acquisition	21,463
Satisfied by:	
Cash and cash equivalents	15,300

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

Other receivables acquired with a fair value of RMB138,000 at the date of acquisition had gross contractual amounts of RMB138,000.

42. BUSINESS COMBINATION *(continued)*

42.2 Acquisition during the prior year *(continued)*

(a) Acquisitions from independent third parties *(continued)*

(1) CSR Zhejiang Electric Vehicles Co., Ltd. ("CSR Zhejiang") *(continued)*

The goodwill recognised above is attributed to the expected synergies and other benefits from combining the assets and activities of CSR Zhejiang with those of the Group. None of the recognised goodwill is expected to be deductible for income 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	15,300
Less: Cash and bank balances acquired	(28,017)
Net inflow of cash and bank balances included in cash flows from the acquisition of subsidiaries	12,717

The financial impact of acquisition of CSR Zhejiang on the Group was insignificant.

After the acquisition, Zhuzhou Locomotive and the non-controlling shareholders made capital injection proportionately to CSR Zhejiang and the registered share capital of CSR Zhejiang was increased to RMB40,800,000.

42. BUSINESS COMBINATION *(continued)*

42.2 Acquisition during the prior year *(continued)*

(a) Acquisitions from independent third parties *(continued)*

(2) Germany BOGE

On 10 December 2013, ZTNM entered into a master acquisition agreement and in accordance with which ZTNM acquired 100% equity interests of Germany BOGE at a cash consideration of Euro244,700,000 (equivalently to approximately RMB1,981,713,000) which is subject to the adjustment as specified in the master acquisition agreement. ZTNM obtained the control of Germany BOGE on 1 September 2014.

On 30 June 2015, the Final Declaration of Effective Date was signed and cash consideration was finalised as Euro238,635,209 (equivalently to approximately RMB1,931,943,000).

The Group engaged the independent appraisers KPMG Advisory (China) Ltd. and KPMG (Germany) Co., Ltd. to perform the fair value assessment. The fair values of consideration payables, identifiable assets acquired, and liabilities assumed on 1 September 2014 in Germany BOGE were provisional as previously stated in the consolidated financial statements for the year ended 31 December 2014. During the measurement period, the Group has obtained new information about facts and circumstances that existed as of the acquisition date. The fair value measurement was completed in 2015. Accordingly, the Group retrospectively adjusted the fair values of consideration paid, identifiable assets acquired and liabilities assumed in Germany BOGE. The comparative figures for the year ended 31 December 2014 have been restated as if the initial accounting had been completed from the acquisition date. The details are included in Note 42.1(b).

Acquisition-related costs relating to the above acquisition are RMB110,649,000 and have been excluded from the cost of acquisition and recognised directly in profit or loss.

42. BUSINESS COMBINATION *(continued)*

42.2 Acquisition during the prior year *(continued)*

(a) Acquisitions from independent third parties *(continued)*

(2) Germany BOGE *(continued)*

The receivables acquired (primarily comprised of trade and other receivables) with a fair value of RMB519,861,000 at the date of acquisition had gross contractual amounts of RMB521,196,000. The best estimate at acquisition date of the contractual cash flows not expected to be collected amounted to RMB1,335,000.

The considerations paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development and the assembled workforce of the acquiree. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

None of the goodwill arising on the acquisition is expected to be deductible for tax purposes.

An analysis of the cash flow in respect of the acquisition of the Germany BOGE is as follows:

	Fair Value
	RMB'000
Consideration paid in cash	(1,931,943)
Less: Cash and bank balances acquired	213,731
Net outflow of cash and bank balances included in cash flows from the acquisition of subsidiaries	(1,718,212)

Included in the profit for the year ended 31 December 2014 was a loss of RMB23,096,000 attributable to Germany BOGE. Revenue for the year ended 31 December 2014 includes RMB1,786,148,000 attributable to Germany BOGE.

Had the acquisition of Germany BOGE been completed on 1 January 2014, total group revenue for the year ended 31 December 2014 would have been approximately RMB222,303,971,000 and profit for the year ended 31 December 2014 would have been approximately RMB12,327,593,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisitions been completed on 1 January 2014, nor is it intended to be a projection of future results.

42. BUSINESS COMBINATION *(continued)*

42.2 Acquisition during the prior year *(continued)*

(a) Acquisitions from independent third parties *(continued)*

(3) Other acquisitions

As at 31 December 2014, Zhuzhou Locomotive, CRRC ZI (formerly CSR Zhuzhou Electric Locomotive Research Institute Co., Ltd) and CRRC Yangtze Co., Ltd ("CRRC Yangtze ", formerly CSR Yangtze Co., Ltd) obtained control of CSR Nanning Railway Traffic Equipment Co., Ltd, CSR Guangzhou Railway Transportation Research Institute Co., Ltd, CSR MNG Rail System Vehicles Industry and Commerce Ltd. Co., E + M Drilling Technologies GmbH and CSR Yangtze (Australia) Vehicle Technology Service Co., Ltd pursuant to the amendments to the Articles of Association of these entities or supplemental agreements signed. These entities were previously joint ventures of the Group. The fair values of the identifiable assets and liabilities of the above acquired subsidiaries as at the date of acquisition were as follows:

	Fair value
	RMB'000
Property, plant and equipment	379,729
Prepaid lease payments	22,589
Other intangible assets	590
Other non-current assets	8,040
Inventories	43,980
Trade receivables	8,861
Prepayments, deposits and other receivables	107,927
Cash and bank balances	158,284
Trade payables	(20,520)
Other payables and accruals	(12,043)
Borrowings - due within one year	(14,898)
Borrowings - due after one year	(201,927)
Other non-current liabilities	(9,000)
	471,612
Consideration transferred	281,360
Plus: non-controlling interests	190,252
Less: net assets acquired	(471,612)
Goodwill arising on acquisition	—
Satisfied by:	
Fair value of previously held interests in joint ventures	281,360

42. BUSINESS COMBINATION *(continued)*

42.2 Acquisition during the prior year *(continued)*

(a) Acquisitions from independent third parties *(continued)*

(3) Other acquisitions

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

The receivables acquired (primarily comprised of trade and other receivables) with a fair value of RMB54,529,000 at the date of acquisition had gross contractual amounts of RMB54,529,000.

An analysis of the cash flow in respect of the acquisitions of the above subsidiaries is as follows:

	RMB'000
Consideration paid in cash	—
Less: Cash and bank balances acquired	(158,284)
Net inflow of cash and bank balances included in cash flows from the acquisitions of subsidiaries	158,284

The financial impact of acquisition of the above subsidiaries on the Group was insignificant.

(b) Business combinations under common control

On 28 November 2014, CRRC Guiyang Co., Ltd. ("CRRC Guiyang", formerly CSR Guiyang Co.,Ltd.), a wholly-owned subsidiary of CRRC, acquired the 36.79% equity interest of Guiyang Times Wharton Technology Co, Ltd. ("Times Wharton") held by CRRC ZI, which as well as an extra cash consideration of RMB58,805,000 were used to swap the railway freight wagon business of South Huiton Co., Ltd. ("South Huiton"). On 31 December 2014, the Group completed the acquisition of South Huiton ("2014 Combination").

As the Group and South Huiton were under common control of CRRCG before and after the 2014 Combination, the acquisition is considered as a combination of business under common control during the year ended 31 December 2014.

43. DISPOSAL OF A SUBSIDIARY

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

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

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

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

Loss on disposal of a subsidiary

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

Net cash inflow on disposal of a subsidiary

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

44. COMMITMENTS

(a) Operating lease commitments

(a) 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:

	31 December 2015 RMB'000	31 December 2014 RMB'000
Within one year	133,933	50,511
In the second to fifth years, inclusive	475,548	183,533
More than five years	343,193	376,770
	952,674	610,814

(b) 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:

	31 December 2015 RMB'000	31 December 2014 RMB'000 (Restated)
Within one year	147,298	99,611
In the second to fifth years, inclusive	409,838	183,539
More than five years	165,895	126,017
	723,031	409,167

44. COMMITMENTS *(continued)*

(b) Capital commitments

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

	31 December 2015 RMB'000	31 December 2014 RMB'000 (Restated)
Contracted, but not provided for:		
– Property, plant and equipment and prepaid lease payment	4,737,321	4,504,869
– Other intangible assets	19,209	19,417
	4,756,530	4,524,286

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

	31 December 2015 RMB'000	31 December 2014 RMB'000 (Restated)
Contracted, but not provided for:		
– Property, plant and equipment and prepaid lease payment	182	—
Contracted, but not provided for:		
– Investments in associates	—	81,897

(c) Other commitments

As at 31 December 2015, the Group's commitment for establishment of new entities amounted to RMB819,291,000 (31 December 2014: RMB510,208,000).

45. RELATED PARTY TRANSACTIONS

In addition to the transactions and balances detailed elsewhere in these consolidated financial statements, the Group had the following material transactions with related parties during the year ended 31 December 2015 and 2014:

	2015 RMB'000	2014 RMB'000 (Restated)
45.1 Purchase of materials and components from:		
– CRRCG and its subsidiaries, excluding the Group (the "CRRCG Group")	403,859	410,759
– Joint ventures	3,842,342	5,274,498
– Associates	1,129,329	857,337
	5,375,530	6,542,594
45.2 Sale of goods to:		
– CRRCG Group	359,185	303,810
– Joint ventures	1,454,861	1,368,983
– Associates	941,537	468,005
	2,755,583	2,140,798
45.3 Provision of service to:		
– CRRCG Group	22,813	4,508
– Joint ventures	7,023	4,562
– Associates	296,034	238,860
	325,870	247,930

45. RELATED PARTY TRANSACTIONS *(continued)*

	2015 RMB'000	2014 RMB'000 (Restated)
45.4 Service fee:		
– CRRCG Group	10,482	9,032
– Joint ventures	24,171	1,711
– Associates	1,876	23,080
	36,529	33,823
45.5 Rental of investment real estates from:		
– CRRCG Group	87,760	83,469
45.6 Rental of investment real estates to:		
– CRRCG Group	4,824	300
– Joint ventures	5,006	699
– Associates	6,772	—
	16,602	999
45.7 Fee and commission income from:		
– CRRCG Group	5,017	3,110
45.8 Interest expense:		
– CRRCG Group	102,190	84,808
– An associate	3	—
	102,193	84,808

45. RELATED PARTY TRANSACTIONS *(continued)*

45.9 Loans from related parties:

	Amount	Start date	Maturity date
Borrower			
CRRCG Group	45,210	20/1/2015	19/1/2018
CRRCG Group	254,760	12/3/2015	11/3/2018
CRRCG Group	52,560	25/12/2015	24/12/2016
CRRCG Group	601,980	24/12/2015	23/12/2016
Lender			
CRRCG Group	20,000	22/01/2015	21/01/2017

45.10 Purchase of property, plant and equipment from:		
– CRRCG Group	9,309	31,827
45.11 Purchase of intangible assets from:		
– CRRCG Group	–	3,958
45.12 Guarantees received from		
– CRRCG Group	1,452,130	8,028

45. RELATED PARTY TRANSACTIONS *(continued)*

45.13 Outstanding balances with related parties

The Group had the following outstanding balances with related parties:

	31 December 2015 RMB'000	31 December 2014 RMB'000 (Restated)
(i) Other non-current assets:		
– CRRCG Group	2,046	7,891
– Joint ventures	10	—
– Associates	—	4,400
	2,056	12,291
(ii) Loans and advances to customers:		
– CRRCG Group	50,000	80,000
(iii) Trade receivables:		
– CRRCG Group	195,915	182,786
– Joint ventures	686,118	443,933
– Associates	772,869	291,486
	1,654,902	918,205
(iv) Bills receivable:		
– CRRCG Group	3,200	—
– Joint ventures	10,109	—
– Associates	54,792	8,879
	68,101	8,879
(v) Prepayments, deposits and other receivables:		
– CRRCG Group	1,288	1,939
– Joint ventures	135,395	7,532
– Associates	26,859	48,768
	163,542	58,239
(vi) Trade payables:		
– CRRCG Group	118,370	91,616
– Joint ventures	2,470,132	1,703,122
– Associates	443,823	93,569
	3,032,325	1,888,307

45. RELATED PARTY TRANSACTIONS *(continued)*

45.13 Outstanding balances with related parties *(continued)*

	31 December 2015 RMB'000	31 December 2014 RMB'000 (Restated)
(vii) Bills payable:		
– CRRCG Group	16,078	11,970
– Joint ventures	769,792	41,550
– Associates	188,133	213,970
	974,003	267,490
(viii) Other payables and accruals:		
– CRRCG Group	87,153	364,662
– Joint ventures	1,364	5,097
– Associates	22,174	95,414
	110,691	465,173
(ix) Borrowings:		
– CRRCG Group	1,704,510	1,461,980
(x) Due to customers:		
– CRRCG Group	1,861,635	1,012,431
– Associates	18	—
	1,861,653	1,012,431

45. RELATED PARTY TRANSACTIONS *(continued)*

45.14 Compensation of key management personnel of the Group:

	2015 RMB'000	2014 RMB'000 (Restated)
Short-term employee benefits (Note)	15,151	20,011
Post-employment benefits	854	1,721
Total compensation paid/payable to key management personnel	16,005	21,732
Number of share options to key management personnel (unit: shares)	–	2,898,492

Note:

During the years ended 31 December 2015 and 2014, as the result of the failure to satisfy performance condition attached to the share option schemes (Note 40), the share-based payments expenses charged to profit or loss in the prior periods was reversed against current year profit or loss. For the purpose of this presentation, such reversal of RMB2,242,000 (2014: RMB3,143,000, including the amount of share-based payments expenses of RMB572,000 recognised) was not reflected under the total compensation disclosed above.

45.15 Commitments with related parties:

The Group had the following commitments with related parties at the reporting period, which are contracted for, but not included in the financial statements:

	31 December 2015 RMB'000	31 December 2014 RMB'000 (Restated)
Sale of goods to:		
– CRRCG Group	–	–
– Joint ventures	790,155	504
– Associates	–	56,054
	790,155	56,558
Purchase of materials and components from:		
– CRRCG Group	3,384	40,958
– Joint ventures	829,785	980,874
– Associates	5,647	13,550
	838,816	1,035,382

45. RELATED PARTY TRANSACTIONS *(continued)*

45.16 Transactions with other government-related entities in the PRC:

The company is ultimately controlled by the PRC government and the Group operates in an economic environment currently predominated by entities controlled, jointly controlled or under significant influence by the PRC government ("Government-related Entities"). In addition, the Group itself is part of a larger group of companies under CRRCG which is controlled by the PRC government. During the year, the Group conducts business with other Government-related Entities, including but not limited to, sales and purchases. The China Railway Corporation and entities invested and managed by local railway departments ("CRC Group") are identified as a single Government-related Entity by the directors of the Company. The revenue from CRC Group amounted to RMB119,747,903,000 for the year ended 31 December 2015 (2014:RMB110,714,836,000).

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 other Government-related Entities.

46. FINANCIAL INSTRUMENTS

46.1 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 2015

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	Total RMB'000
Financial assets at fair value through profit or loss	–	–	–	3,424	3,424
Available-for-sale investments	–	6,415,509	–	–	6,415,509
Trade receivables	72,514,398	–	–	–	72,514,398
Bills receivable	10,166,491	–	–	–	10,166,491
Financial assets included in prepayments, deposits and other receivables	6,828,920	–	–	–	6,828,920
Pledged bank deposits	4,613,695	–	–	–	4,613,695
Cash and bank balances	34,754,992	–	–	–	34,754,992
Financial assets included in other non-current assets	11,029,500	–	–	–	11,029,500
Loans and advances to customers (including amounts due within one year)	200,574	–	–	–	200,574
Held to maturity investments	–	–	197,928	–	197,928
	140,108,570	6,415,509	197,928	3,424	146,725,431

46. FINANCIAL INSTRUMENTS *(continued)*

46.1 Categories of financial instruments *(continued)*

As at 31 December 2014

	Loans and receivables RMB'000	Available-for-sale investments RMB'000	Financial assets at fair value through profit or loss RMB'000	Total RMB'000
Financial assets at fair value through profit or loss	—	—	4,387	4,387
Available-for-sale investments	—	5,422,006	—	5,422,006
Trade receivables	58,423,719	—	—	58,423,719
Bills receivable	8,880,020	—	—	8,880,020
Financial assets included in prepayments, deposits and other receivables	6,666,811	—	—	6,666,811
Pledged bank deposits	5,059,305	—	—	5,059,305
Cash and bank balances	43,836,907	—	—	43,836,907
Financial assets included in other non-current assets	11,857,952	—	—	11,857,952
Loans and advances to customers (including amounts due within one year)	79,200	—	—	79,200
	134,803,914	5,422,006	4,387	140,230,307

46. FINANCIAL INSTRUMENTS *(continued)*

46.1 Categories of financial instruments *(continued)*

Financial liabilities

	31 December 2015 RMB'000	31 December 2014 RMB'000
At amortised cost:		
Trade payables	83,179,106	71,389,640
Bills payable	22,790,082	21,551,467
Financial liabilities included in other payables and accruals	9,276,826	9,317,433
Borrowings	29,575,836	39,591,069
Due to customers	1,861,947	1,012,469
Long-term payables (including amounts due within one year)	352,820	312,896
	147,036,617	143,174,974
At fair value through profit or loss:		
Financial liabilities at fair value through profit or loss	359	1,000

46.2 Financial risk management objectives and policies

The Group's principal financial instruments comprise bank and other borrowings, 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

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.

46. FINANCIAL INSTRUMENTS *(continued)*

46.2 Financial risk management objectives and policies *(continued)*

Credit risk *(continued)*

For sales under credit terms, a sales contract shall stipulate the payment term and credit amounts. The payment date should not exceed the credit term, and the credit amount in aggregate should not exceed the credit limit.

The Group continuously monitors its trade receivable balances by assigning the salespersons responsible for cash collection. In addition, the Group reviews the recoverable amount of each material individual debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts.

The Group's other financial assets include cash and cash equivalents and other receivables. The credit risk of these financial assets arises from default of counterparties who transact with the Group, with a maximum exposure equal to the carrying amounts of these instruments.

Other than the concentration of credit risk in respect of receivables from CRC Group, the Group does not have any other significant concentration of credit risk.

Liquidity risk

In the management of the liquidity risk, the Group's objectives are to maintain a balance between continuity and flexibility through measures such as bills settlement, loans and short term commercial paper, to adopt an appropriate combination of long term and short term financing, and to improve the financing structure.

The Group has already obtained banking facilities from various commercial banks for its working capital and capital expenditure.

The Group's management monitors the working capital position to ensure that there is adequate liquidity to meet with all the financial obligations when they become due and to maximise the return of the Group's financial resources.

46. FINANCIAL INSTRUMENTS *(continued)*

46.2 Financial risk management objectives and policies *(continued)*

Liquidity risk *(continued)*

The table below summarises the maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments. 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 2015

	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 31/12/2015 RMB'000
Non-derivative financial liabilities						
Borrowings	16,052,648	5,595,611	7,066,018	2,928,364	31,642,641	29,575,836
Trade payables	83,179,106	–	–	–	83,179,106	83,179,106
Bills payable	22,790,082	–	–	–	22,790,082	22,790,082
Financial liabilities included in other payables and accruals	9,276,826	–	–	–	9,276,826	9,276,826
Due to customers	1,868,464	–	–	–	1,868,464	1,861,947
Long-term payables (including amounts due within one year)	84,812	203,726	77,149	1,234	366,921	352,820
	133,251,938	5,799,337	7,143,167	2,929,598	149,124,040	147,036,617
Derivatives financial liabilities - gross settlement						
Held-for-trading financial liabilities						
– Foreign currency forward contracts						
– inflow	28,296	–	–	–	28,296	28,296
– outflow	(28,655)	–	–	–	(28,655)	(28,655)
	(359)	–	–	–	(359)	(359)

46. FINANCIAL INSTRUMENTS *(continued)*

46.2 Financial risk management objectives and policies *(continued)*

Liquidity risk *(continued)*

As at 31 December 2014

	On demand or less than one year RMB'000	1-2 years RMB'000	2-5 years RMB'000	>5 years RMB'000	Total undiscounted Cash Flows RMB'000	Carrying Amount at 31/12/2014 RMB'000
Non-derivative financial liabilities						
Borrowings	28,333,262	2,540,738	9,350,699	1,775,929	42,000,628	39,591,069
Trade payables	71,389,640	–	–	–	71,389,640	71,389,640
Bills payable	21,551,467	–	–	–	21,551,467	21,551,467
Financial liabilities included in other payables and accruals	9,317,433	–	–	–	9,317,433	9,317,433
Due to customers	1,024,036	–	–	–	1,024,036	1,012,469
Long-term payables (including amounts due within one year)	87,945	89,151	163,149	246	340,491	312,896
	131,703,783	2,629,889	9,513,848	1,776,175	145,623,695	143,174,974
Derivatives financial liabilities - gross settlement						
Held-for-trading financial liabilities						
– Foreign currency forward contracts						
– inflow	3,417	–	–	–	3,417	3,417
– outflow	(4,417)	–	–	–	(4,417)	(4,417)
	(1,000)	–	–	–	(1,000)	(1,000)

46. FINANCIAL INSTRUMENTS *(continued)*

46.2 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. The Group's exposure to the cash flow interest rate risk of changes in market interest rates relates primarily to the Group's 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 before tax (through the impact on floating rate borrowings) without considering the effect of capitalisation of borrowing costs.

	2015	2014
Reasonably possible change in interest rate	100 basis points	100 basis points

	2015 RMB'000	2014 RMB'000
Increase (decrease) in profit before taxation for the year		
as a result of increase in interest rate	(35,342)	(20,946)
as a result of decrease in interest rate	35,342	20,946

The sensitivity analysis in interest rate does not affect other components of equity.

Other price risk

The Group is exposed to equity securities price risk in relation to its listed equity investments which are measured based on quoted prices as detailed in Note 22. The management closely monitors such risk by maintaining a portfolio of investments with different risks.

The Group is also exposed to other price risk through its investment in corporate wealth management products. 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 investment in corporate wealth management products is insignificant, taking into account the short- term duration of such financial products.

46. FINANCIAL INSTRUMENTS *(continued)*

46.2 Financial risk management objectives and policies *(continued)*

Market risk *(continued)*

The sensitivity analyses below have been determined based on the exposure to equity price risks for its listed equity investments at the reporting date assuming all other variables were held constant.

	2015	2014
Reasonably possible change in equity price	5%	5%

	2015 RMB'000	2014 RMB'000
Increase (decrease) in other comprehensive income for the year		
as a result of increase in equity price	111,151	43,721
as a result of decrease in equity price	(111,151)	(43,721)

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.

46. FINANCIAL INSTRUMENTS *(continued)*

46.2 Financial risk management objectives and policies *(continued)*

Market risk *(continued)*

For business contracts denominated in foreign currencies under negotiation, the Group requires price quotations to be based on the expected exchange rate changes and the relevant terms clearly state the range of exchange rate fluctuations so as to have the related risk to be shared by both the seller and buyer. For import activities, the relevant import entities are required to monitor the timing of settlement to reduce the foreign currency risk.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the Euro and US dollar exchange rates, with all other variables held constant, of the Group's profit before taxation (due to changes in the foreign currency denominated monetary assets and liabilities). In the opinion of the directors, 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.

	Increase/ in (decrease) exchange rate %	Increase/ (decrease) in profit before tax RMB'000
Year ended 31 December 2015		
If RMB strengthens against Euro	(7.72)	62,203
If RMB weakens against Euro	7.72	(62,203)
If RMB strengthens against US dollar	(6.22)	(106,093)
If RMB weakens against US dollar	6.22	106,093

	Increase/ in (decrease) exchange rate %	Increase/ (decrease) in profit before tax RMB'000
Year ended 31 December 2014		
If RMB strengthens against Euro	(14.05)	233,430
If RMB weakens against Euro	14.05	(233,430)
If RMB strengthens against US dollar	(1.06)	(60,636)
If RMB weakens against US dollar	1.06	60,636

46. FINANCIAL INSTRUMENTS *(continued)*

46.2 Financial risk management objectives and policies *(continued)*

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 2015 was 63.56% (at 31 December 2014: 65.81%).

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.

46. FINANCIAL INSTRUMENTS *(continued)*

46.3 Fair value measurements of financial instruments

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

Some of the Group's financial assets and liabilities are measured at fair value at the end of each reporting period.

	Fair value as at			
	At 31 December 2015 (RMB'000)	At 31 December 2014 (RMB'000)	Fair value hierarchy	Valuation technique(s) and key input(s)
Financial assets				
Listed equity security classified as available-for-sale financial assets	2,223,018	874,415	Level 1	Quoted market price
Foreign currency forward contracts classified as financial assets at fair value through profit or loss	3,424	4,387	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 available-for-sale financial assets	3,259,000	4,400,000	Level 2	Discounted cash flow. Future cash flows are estimated based on expected return, discounted at a rate that reflects the credit risk of various counterparties
Financial liabilities				
Foreign currency forward contracts classified as financial liabilities at fair value through profit or loss	359	1,000	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.

During the year ended 31 December 2015 and 2014, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3.

46. FINANCIAL INSTRUMENTS *(continued)*

46.3 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 consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate to their fair values.

	30 December 2015		31 December 2014	
	Carrying amount RMB'000	Fair value RMB'000	Carrying amount RMB'000	Fair value RMB'000
Held to maturity investment	197,928	194,450	—	—
Other non current assets- with fixed rate	405,978	369,994	555,441	466,359
Long-term receivables - with fixed rate	10,623,522	9,803,993	11,302,511	10,263,065
Borrowings - due after one year – with fixed rate	2,471,353	2,108,883	1,906,288	1,846,185
Long-term bonds	7,682,564	7,829,488	7,674,564	7,488,518

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

46. FINANCIAL INSTRUMENTS *(continued)*

46.4 Transfers of financial assets

At 31 December 2015, the Group endorsed certain bills receivable (the "Endorsed Bills") with a carrying amount of RMB566,437,000 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 RMB176,067,000 to banks. In the opinion of the directors, 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 2015, the Group endorsed certain bills receivable with a carrying amount of RMB7,580,116,000 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 RMB1,424,498,000 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, 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, the fair values of the Group's Continuing Involvement in the Derecognised Bills are not significant.

As at 31 December 2015, trade receivables amounted to RMB4,198,255,000 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.

47. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

Details of the Company's subsidiaries at the end of the reporting period are set out below:

Company name	Place and date of incorporation/ establishment and place of operations	Paid-up capital	Percentage of equity interests attributable to the Company Direct (%) 2015	Direct (%) 2014	Indirect (%) 2015	Indirect (%) 2014	Principal activities
CRRC Changchun Railway Vehicle Co., Ltd * ("CRRC Changchun") 中車長春軌道客車股份有限公司	PRC 18 March 2002	RMB5,807,947,000	93.54	93.54	–	–	Designing and manufacturing passenger carriages, high-speedMUs, rapid transit vehicles and components
Zhuzhou Locomotive* 中車株洲電力機車有限公司	PRC 31 August 2005	RMB4,401,365,846	100.0	100.0	–	–	Manufacturing, selling and repairing of locomotives
CRRC ZI* 中車株洲電力機車研究所有限公司	PRC 9 September 1992	RMB4,264,500,000	100.0	100.0	–	–	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	RMB4,003,794,100	97.8	97.8	–	–	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	RMB3,990,000,000	100.0	100.0	–	–	Manufacturing railway transportation equipment, high-speed MUs, rapid transit vehicles and components
CRRC Dalian Co., Ltd.* 中車大連機車車輛有限公司	PRC 1 January 1981	RMB3,600,000,000	100.0	100.0	–	–	Manufacturing and refurbishing locomotives and components
CRRC Qiqihaer Co., Ltd.* 中車齊齊哈爾交通裝備有限公司	PRC 26 December 2012	RMB3,100,000,000	100.0	100.0	–	–	Manufacturing railway transportation equipment and components
CRRC Yangtze* 中車長江車輛有限公司	PRC 14 September 2006	RMB2,383,868,800	100.0	100.0	–	–	Manufacturing, selling and repairing of rolling stock
CRRC Investment & Leasing Co., Ltd.* 中車投資租賃有限公司	PRC 26 April 1999	RMB2,300,000,000	100.0	100.0	–	–	Trading and finance leasing
CRRC Qishuyan Co., Ltd.* 中車戚墅堰機車有限公司	PRC 26 June 2007	RMB2,092,742,757	100.0	100.0	–	–	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	RMB2,060,000,000	100.0	100.0	–	–	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	RMB1,759,840,000	100.0	100.0	–	–	Manufacturing, selling and repairing of rolling stock

47. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY *(continued)*

Company name	Place and date of incorporation/ establishment and place of operations	Paid-up capital	Percentage of equity interests attributable to the Company Direct (%) 2015	Direct (%) 2014	Indirect (%) 2015	Indirect (%) 2014	Principal activities
CRRC Hong Kong Capital Management Co., Ltd.* 中國中車香港資本管理有限公司	PRC 25 August 2010	RMB1,564,939,000	100.0	100.0	–	–	Manufacturing and refurbishing railway vehicles (including MUs), rapid transit vehicles and merger and acquisition
CRRC Engineering Co., Ltd.* 中車建設工程有限公司	PRC 10 February 2012	RMB1,500,000,000	100.0	100.0	–	–	Project management contracting, sales of machinery and construction materials and leasing of machinery equipment
CRRC Beijing Erqi Locomotive Co., Ltd.* 中車北京二七機車有限公司	PRC 9 July 2007	RMB1,350,000,000	100.0	100.0	–	–	Manufacturing railway vehicles and urban rapid transit vehicles
CRRC Yongji Moto Co., Ltd.* 中車永濟電機有限公司	PRC 9 July 2007	RMB1,290,000,000	100.0	100.0	–	–	Manufacturing and refurbishing general mechanical and electrical equipment
CRRC Sifang Institute Co., Ltd.* 中車青島四方車輛研究所有限公司	PRC 10 June 1994	RMB1,290,000,000	100.0	100.0	–	–	Researching and developing and manufacturing vehicles components and related equipment
CRRC Jinan Co., Ltd.* 濟南軌道交通裝備有限責任公司	PRC 9 July 2007	RMB1,260,000,000	100.0	100.0	–	–	Manufacturing and refurbishing locomotives, freight wagons and components
CNR Finance Co., Ltd.* 中國北車集團財務有限公司	PRC 30 November 2012	RMB1,200,000,000	91.66	91.66	–	–	Taking deposits and providing entrusted loans
CRRC Zhuzhou Moto Co., Ltd.* 中車株洲電機有限公司	PRC 14 April 2004	RMB1,043,180,000	100.0	100.0	–	–	Manufacturing and selling of electric motors
Finance Company* 南車財務有限公司	PRC 4 December 2012	RMB1,000,000,000	91.0	91.0	–	–	Banking, insurance, other financial services
CNR Investment & Leasing Corp., Ltd.* ("I&L Co") 北車投資租賃有限公司.	PRC 11 January2008	RMB1,000,000,000	100.0	100.0	–	–	Leasing and selling of transportation vehicles and machinery equipment
CNR Shenyang Locomotive & Rolling Stock Co., Ltd.* 中車沈陽機車車輛有限公司	PRC 25 November 1979	RMB951,532,000	100.0	100.0	–	–	Manufacturing and refurbishing freight wagons

47. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY *(continued)*

Company name	Place and date of incorporation/ establishment and place of operations	Paid-up capital	Percentage of equity interests attributable to the Company Direct (%) 2015	Direct (%) 2014	Indirect (%) 2015	Indirect (%) 2014	Principal activities
CRRC Xi'an Co., Ltd.* 中車西安車輛有限公司	PRC 9 July 2007	RMB860,000,000	100.0	100.0	–	–	Refurbishing passenger carriages, and freight wagons; researching and developing and manufacturing railway box wagons
CRRC Ziyang Co., Ltd.* 中車資陽機車有限公司	PRC 12 May 2006	RMB834,225,725	99.61	99.61	–	–	Manufacturing, selling and repairing of locomotives
CRRC Beijing Nankou Co., Ltd.* 中車北京南口機械有限公司	PRC 9 July 2007	RMB805,000,000	100.0	100.0	–	–	Manufacturing locomotives components
Shanghai Railway Equipment Development Co., Ltd.* 上海軌道交通設備發展有限公司	PRC 17 February 2003	RMB676,041,000	51.0	51.0	–	–	Manufacturing and refurbishing rapid transit vehicles
CRRC Datong Co., Ltd.* 中車大同電力機車有限公司	PRC 18 February 2003	RMB656,000,000	100.0	100.0	–	–	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	RMB655,227,701	100.0	100.0	–	–	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$800,000,000	100.0	100.0	–	–	Trading and investment management
CSR international Co., Ltd.* 南車國際裝備工程有限公司	PRC 13 May 2013	RMB600,000,000	100.0	100.0	–	–	Trading equipment engineering
CRRC Guiyang* 中車貴陽車輛有限公司	PRC 30 September 2014	RMB550,000,000	100.0	100.0	–	–	Manufacturing, selling and repairing of rolling stock
CRRC Luoyang Co., Ltd.* 中車洛陽機車有限公司	PRC 27 June 2007	RMB508,956,400	100.0	100.0	–	–	Repairing locomotives and rolling stock
CNR Southern Co., Ltd.* 北車南方有限公司	PRC 27 September 2013	RMB500,000,000	100.0	100.0	–	–	Researching and developing, designing and selling railway vehicles (including MUs) and rapid transit vehicles
CRRC Dalian R&D Co., Ltd.* 中車大連電力牽引研發中心有限公司	PRC 16 October 2013	RMB388,000,000	100.0	100.0	–	–	Researching and developing electric traction and control technologies and selling applicant services and related products
CRRC Erqi Vehicle Co., Ltd.* 中車北京二七車輛有限公司	PRC 28 June 2007	RMB381,873,228	100.0	100.0	–	–	Manufacturing, selling and repairing of rolling stock

47. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY *(continued)*

Company name	Place and date of incorporation/ establishment and place of operations	Paid-up capital	Percentage of equity interests attributable to the Company Direct (%) 2015	Direct (%) 2014	Indirect (%) 2015	Indirect (%) 2014	Principal activities
CRRC Dalian Institute Co., Ltd.* 中車大連機車研究所有限公司	PRC 24 September 1995	RMB350,000,000	100.0	100.0	–	–	Researching and developing and manufacturing locomotives machinery and electronic devices
Sifang Co* 中車四方車輛有限公司	PRC 4 September 1980	RMB343,095,500	100.0	100.0	–	–	Repairing locomotives and rolling stock
CRRC Meishan Co., Ltd.* 中車眉山車輛有限公司	PRC 28 June 2007	RMB337,848,600	100.0	100.0	–	–	Manufacturing and selling of rolling stock
CRRC Taiyuan Co., Ltd.* 中車太原機車車輛有限公司	PRC 9 July 2007	RMB327,000,000	100.0	100.0	–	–	Manufacturing and refurbishing locomotives and components
CRRC Lanzhou Co., Ltd.* 中車蘭州機車有限公司	PRC 9 July 2007	RMB320,000,000	100.0	100.0	–	–	Refurbishing diesel and electric locomotives
CRRC Logistics Co., Ltd.* 中車物流有限公司	PRC 4 April 2002	RMB300,000,000	92.0	92.0	8.0	8.0	Logistics services, agent of international freight and trading of raw materials
CRRC Shijiazhuang Co., Ltd.* 中車石家莊車輛有限公司	PRC 28 June 2007	RMB204,621,800	100.0	100.0	–	–	Repairing locomotives and rolling stock
CRRC Corporation (Australia) PTY Ltd.* 中國中車(澳洲) 有限公司	Australia 10 July 2012	Australian Dollar ("AUD") 1,000,000	100.0	100.0	–	–	Trading and after-sale maintaining
CRRC Industrial Institute Co., Ltd.* 中車工業研究院有限公司	PRC 25 August 2014	RMB200,000,000	100.0	100.0	–	–	Research and development train - related products
CRRC International Co., Ltd.* 中車國際有限公司	PRC 1 June 1998	RMB100,000,000	100.0	100.0	–	–	Selling rolling stock equipment
Beijing CNR railway Transportation Equipment Co., Ltd.* 北京北車中鐵軌道交通裝備有限公司	PRC 6 January 2009	RMB20,000,000	51.0	51.0	–	–	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	RMB17,000,000	51.0	51.0	–	–	Providing training of computer technology, basic software related services, applicant software related services, computer systematic service and data processing services

47. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY *(continued)*

Company name	Place and date of incorporation/ establishment and place of operations	Paid-up capital	Percentage of equity interests attributable to the Company Direct (%)		Indirect (%)		Principal activities
			2015	2014	2015	2014	
CRRC MA Corporation.* 中車(美國)公司	USA 18 March 2014	US$30,500,000	51.0	51.0	49.0	49.0	Technology service, technology consulting related to railway locomotives, project planning, project service, procurement, sales, leasing of railway locomotives and components
CNR Rolling Stock South Africa Proprietary Limited * 北車車輛(南非)公司	Republic of South Africa 27 January 2014	ZAR1274.04	66.0	66.0	–	–	Technology service, technology consulting related to railway locomotives, project planning, project service, procurement, sales, leasing of railway locomotives and components
CRRC Malaysia Corporation.* 北車(馬來西亞)股份有限公司	Malaysia 26 May 2015	USD450,000	90.0	N/A	10.0	N/A	Technology service, technology consulting related to railway locomotives, project planning, project service, procurement, sales, leasing of railway locomotives and components
ZTE* 株洲中車時代電氣股份有限公司	PRC 26 September 2005	RMB1,175,476,637	–	–	51.81	51.81	Manufacturing of train – bore systems and components
ZTNM* (i) 株洲時代新材料科技股份有限公司	PRC 24 May 1994	RMB661,422,092	–	–	40.84	28.22	Manufacturing and selling of polymer compounds, etc.

47. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY *(continued)*

* The English name of certain companies above represents the direct translation of the Chinese name of these companies as no English name have been registered.

(i) In 2014, the proportion of voting rights and ownership interests held by the Company was 28.22%. The proportion of voting rights and ownership interests held by the CRRCG was 13.90% of which the CRRCG has authorised the Company to exercise, accordingly, the proportion of voting rights of the Company was 42.12%.

The directors of the Company concluded that it has had control over ZTNM on the basis of the Group's absolute size of holding and voting rights in ZTNM and the relative size and dispersion of the shareholdings owned by the other shareholders.

In 2015, CRRC ZI, a subsidiary of the Company, purchased 141,376,060 new shares issued through non-public offering by ZTNM, a subsidiary of the Company in the current year, thus the portion of voting rights held by the Company increased to 52.31%.

The above table lists the subsidiaries of the Group which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group as at 31 December 2015. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

Other than that ZTNM had issued RMB700,000,000 of medium-term debenture in 2014, in which the Group has no interest, none of the subsidiaries had issued debt securities during both years.

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 incorporation and principal place of business	Proportion of ownership interest held by non-controlling interests		Profit allocated to non-controlling interests		Accumulated non-controlling interests	
		2015	2014	2015 RMB'000	2014 RMB'000	2015 RMB'000	2014 RMB'000
ZTE and its subsidiaries	PRC	48.19%	48.19%	1,436,437	1,151,253	6,677,089	5,476,331
ZTNM and its subsidiaries	PRC	59.16%	71.78%	185,200	48,443	2,832,927	2,190,888
CRRC Changchun and its subsidiaries	PRC	6.46%	6.46%	177,627	188,662	987,045	851,349
Individually immaterial subsidiaries with non-controlling interests				480,216	142,535	6,177,196	4,363,708
Total				2,279,480	1,530,893	16,674,257	12,882,276

Summarised financial information in respect of each of the Group's subsidiaries that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

47. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY *(continued)*

Details of non-wholly owned subsidiaries that have material non-controlling interests *(continued)*

ZTE and its subsidiaries

	31 December 2015 RMB'000	31 December 2014 RMB'000
Current assets	18,002,901	14,165,962
Non-current assets	3,809,426	2,758,942
Current liabilities	6,150,135	4,986,750
Non-current liabilities	1,985,590	767,388
Equity attributable to owners of the Company	13,472,267	10,990,996
Non-controlling interests	204,335	179,770
Revenue	14,144,718	12,676,197
Expenses	10,996,933	10,311,996
Profit for the year	2,969,703	2,392,009
Profit attributable to owners of the Company	2,958,358	2,394,818
Profit attributable to the non-controlling interests	11,345	(2,809)
Other comprehensive expense for the year	(11,031)	(10,984)
Total comprehensive income attributable to owners of the Company	2,947,239	2,386,542
Total comprehensive income (expense) attributable to the non-controlling interests	11,433	(5,517)
Total comprehensive income for the year	2,958,672	2,381,024
Dividends paid to non-controlling interests	1,944	2,691
Net cash inflow from operating activities	1,636,780	2,056,706
Net cash outflow from investing activities	(1,481,222)	(2,128,447)
Net cash (outflow) inflow from financing activities	558,717	(397,932)
Effect of foreign exchange rate changes	1,471	(913)
Net cash inflow (outflow)	715,746	(470,586)

47. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY *(continued)*

Details of non-wholly owned subsidiaries that have material non-controlling interests *(continued)*

ZTNM and its subsidiaries

	31 December 2015 RMB'000	31 December 2014 RMB'000
Current assets	8,428,926	5,926,442
Non-current assets	4,655,252	4,516,869
Current liabilities	4,932,359	3,964,038
Non-current liabilities	3,412,170	3,451,933
Equity attributable to owners of the Company	4,668,761	2,964,038
Non-controlling interests	70,888	63,302
Revenue	10,825,107	6,007,777
Expenses	10,592,551	5,964,542
Profit for the year	257,323	68,651
Profit attributable to owners of the Company	255,574	71,608
Profit attributable to the non-controlling interests	1,749	(2,957)
Other comprehensive expense for the year	(43,651)	(134,676)
Total comprehensive income (expense) attributable to owners of the Company	211,923	(63,068)
Total comprehensive income (expense) attributable to the non-controlling interests	1,749	(2,957)
Total comprehensive income (expense) for the year	213,672	(66,025)
Dividends paid to non-controlling interests	163	200
Net cash inflow from operating activities	270,815	294,417
Net cash outflow from investing activities	(433,382)	(2,166,800)
Net cash inflow from financing activities	1,948,451	1,992,790
Effect of foreign exchange rate changes	(15,139)	(597)
Net cash inflow	1,770,745	119,810

47. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY *(continued)*

Details of non-wholly owned subsidiaries that have material non-controlling interests *(continued)*

CRRC Changchun and its subsidiaries

	31 December 2015 RMB'000	31 December 2014 RMB'000
Current assets	31,169,295	26,117,864
Non-current assets	10,755,847	10,353,903
Current liabilities	26,972,979	23,159,127
Non-current liabilities	1,418,850	1,866,877
Equity attributable to owners of the Company	13,410,209	11,326,078
Non-controlling interests	123,104	119,685
Revenue	31,506,338	30,277,420
Expenses	28,268,284	26,731,755
Profit for the year	2,899,092	2,972,541
Profit attributable to owners of the Company	2,909,073	2,976,137
Profit attributable to the non-controlling interests	(9,981)	(3,596)
Other comprehensive expense for the year	(16,857)	(16,877)
Total comprehensive income attributable to owners of the Company	2,892,216	2,959,260
Total comprehensive expense attributable to the non-controlling interests	(9,981)	(3,596)
Total comprehensive income for the year	2,882,235	2,955,664
Net cash inflow from operating activities	6,058,141	4,223,438
Net cash outflow from investing activities	(7,064,568)	(764,008)
Net cash outflow from financing activities	(4,933,375)	(1,743,915)
Effect of foreign exchange rate changes	14,709	(694)
Net cash (outflow) inflow	(5,925,093)	1,714,819

48. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	2015 RMB'000	2014 RMB'000
Non-current assets		
Property, plant and equipment	151,538	47,899
Other intangible assets	116,178	30,250
Interests in subsidiaries	400,798,773	35,138,247
Interests in an associate	820,421	398,684
Available-for-sale investments	—	678
	401,886,910	35,615,758
Current assets		
Trade receivables	11,013	—
Bills receivable	6,000	411,462
Prepayments, deposits and other receivables	26,174,013	15,044,127
Available-for-sale investments	—	900,000
Pledged bank deposits	1,002,932	1,010,790
Cash and bank balances	5,669,504	2,444,951
	32,863,462	19,811,330
Current liabilities		
Trade payables	10,184	—
Other payables and accruals	13,514,369	17,843,238
Borrowings - due within one year	19,496,540	80,000
Retirement benefit obligations	1,470	360
Tax payable	2,212	4,276
	33,024,775	17,927,874
Net current (liabilities) assets	(161,313)	1,883,456
Total assets less current liabilities	401,725,597	37,499,214
Capital and reserves		
Share capital	27,288,758	13,803,000
Reserves	364,724,647	18,936,397
Total equity	392,013,405	32,739,397
Non-current liabilities		
Borrowings - due after one year	9,702,639	4,750,000
Retirement benefit obligations	9,553	9,817
	9,712,192	4,759,817
Total equity and non-current liabilities	401,725,597	37,499,214

48. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY *(continued)*

Movement in the Company's reserves

	Share Capital reserve RMB'000	obligations option reserve RMB'000	Retirement benefit re-measurement reserve RMB'000	Statutory surplus reserve RMB'000	Retained profits RMB'000	Total RMB'000
At 1 January 2014	13,959,047	79,248	(9,857)	1,043,985	4,342,969	19,415,392
Profit for the year	–	–	–	–	793,269	793,269
Re-measurement gains on retirement benefit obligations	–	–	1,670	–	–	1,670
Transfer from profit	–	–	–	79,327	(79,327)	–
Dividends distributed	–	–	–	–	(1,242,270)	(1,242,270)
Recognition of equity-settled share based payments	–	(31,664)	–	–	–	(31,664)
At 31 December 2014	13,959,047	47,584	(8,187)	1,123,312	3,814,641	18,936,397
Profit for the year	–	–	–	–	6,783,680	6,783,680
Re-measurement losses on retirement benefit obligations	–	–	(2,620)	–	–	(2,620)
Issuance of shares for 2015 Business Combination under common control	342,329,425	–	–	–	–	342,329,425
Appropriation of statutory surplus reserves	–	–	–	678,367	(678,367)	–
Dividends distributed	–	–	–	–	(3,274,651)	(3,274,651)
Recognition of equity-settled share based payments	–	(47,584)	–	–	–	(47,584)
At 31 December 2015	356,288,472	–	(10,807)	1,801,679	6,645,303	364,724,647

49. EVENTS AFTER THE REPORTING PERIOD

(i) The 2016 Convertible Bond

The Company received the "Approval for the Overseas Issue of Convertible Bonds of H shares"(Fa Gai Ban Wai Zi Bei [2015] No.454) from National Development and Reform Commission and the approval from China Securities Regulatory Commission for issuing the convertible bonds of no more than US$1,000,000,000 in Hong Kong. On 5 February 2016, the Company issued zero coupon convertible bonds due 2021 with an aggregate principal amount of US$600,000,000.

(ii) Acquisition of 13.06% equity interests in China United Insurance Holding Corporation ("China United Insurance")

On 7 and 8 January 2016, the Company acquired 2 billion shares in China United Insurance (the "Transaction"). The transaction price for the shares is RMB4.455 billion. Upon the completion of the Transaction, the Company holds 13.06% equity interests of China United Insurance.

(iii) On 29 March 2016, the Board of Directors proposed a final dividend of RMB0.15 per ordinary share totaling RMB4,093,314,000 in respect of the year ended 31 December 2015, based on 27,288,758,333 shares to shareholders of the Company and the proposal is subject to the approval by the shareholders in the forthcoming annual general meeting.

Articles of Associations	the Articles of Associations of the Company
BST	Bombardier Sifang (Qingdao) Transportation Ltd.（青島四方龐巴迪鐵路運輸設備有限公司）
China United Insurance	China United Insurance Holding Corporation（中華聯合保險控股股份有限公司）
CNR	former China CNR Corporation Limited（中國北車股份有限公司）
CNRG	former China Northern Locomotive & Rolling Stock Industry (Group) Corporation（中國北方機車車輛工業集團公司）
Company Law	the Company Law of the People's Republic of China
CRC	China Railway Corporation（中國鐵路總公司）
CRRC or Company	CRRC Corporation Limited（中國中車股份有限公司）
CRRC Changchun	CRRC Changchun Railway Vehicle Co., Ltd.（中車長春軌道客車股份有限公司）, formerly known as Changchun Railway Vehicle Co., Ltd.（長春軌道客車股份有限公司）
CRRCG	CRRC Group（中國中車集團公司）
CRRC Sifang	CRRC Qingdao Sifang Locomotive & Rolling Stock Co., Ltd.（中車青島四方機車車輛股份有限公司）
CRRC Sifang Ltd.	CRRC Sifang Rolling Stock Co., Ltd.（中車四方車輛有限公司）
CRRC Tangshan	CRRC Tangshan Railway Vehicle Co., Ltd.（唐山軌道客車有限責任公司）
CRRC ZELRI	CRRC Zhuzhou Electric Locomotive Research Institute Co., Ltd.（中車株洲電力機車研究所有限公司）
CRRC Zhuzhou	CRRC Zhuzhou Electric 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	the China Securities Regulatory Commission
CSRG	former CSR Group（中國南車集團公司）
Hong Kong Listing Rules	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
Model Code	Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Hong Kong Listing Rules
SASAC	State-owned Asset Supervision and Administration Commission of the State Council

Securities Law	the Securities Law of the People' s Republic of China
SFO	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
Shanghai Listing Rules	the Listing Rules of Shanghai Stock Exchange
SMD	SMD Limited
South Huiton	South Huiton Co., Ltd.（南方匯通股份有限公司）
SSE	Shanghai Stock Exchange
Stock Exchange	The Stock Exchange of Hong Kong Limited
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）

BASIC INFORMATION OF THE COMPANY

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
PR INCIPA L PLACE OF BUSINESS IN HONG KONG	Unit H, 41/F., Office Tower, Convention Plaza, No. 1 Harbour Road, Wanchai, Hong Kong
LEGAL REPRESENTATIVE	Cui Dianguo
EXECUTIVE DIRECTORS	Cui Dianguo, Zheng Changhong Liu Hualong, Xi Guohua Fu Jianguo
NON-EXECUTIVE DIRECTOR	Liu Zhiyong
INDEPENDENT NON-EXECUTIVE DIRECTORS	Li Guo'an, Zhang Zhong Wu Zhuo, Sun Patrick Chan Ka Keung, Peter
AUTHORIZED REPRESENTATIVES	Xi Guohua, Wong Kai Yan, Thomas
JOINT COMPANY SECRETARIES	Xie Jilong, Wong Kai Yan, Thomas
SECRETARY TO THE BOARD	Xie Jilong
SECURITIES REPRESENTATIVE	Ding Youjun
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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

BASIC INFORMATION OF THE COMPANY

PLACES OF LISTING	The Stock Exchange of Hong Kong Limited Shanghai Stock Exchange
STOCK NAME	中國中車(CRRC)
STOCK CODE	1766 (Hong Kong) 601766 (Shanghai)
PRC INDEPENDENT AUDITORS	Deloitte Touche Tohmatsu Certified Public Accountants LLP Certified Public Accountants 30th Floor, Bund Center 222 Yan An Road East Shanghai the PRC KPMG Huazhen LLP Certified Public Accountants 8th Floor, Office Tower II (East), Oriental Plaza, Dongcheng District, Beijing, the PRC
INTERNATIONA L INDEPENDENT AUDITORS	Deloitte Touche Tohmatsu Certified Public Accountants 35th Floor, One Pacific Place 88 Queensway, Admiralty Hong Kong
LEGAL ADVISERS	As to Hong Kong laws: Baker & McKenzie 14th Floor, Hutchison House, 10 Harcourt Road, Central, Hong Kong As to PRC laws: Jia Yuan Law Firm F408 Ocean Plaza, 158 Fuxing Men Nei Avenue, Beijing, the PRC

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