



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



Connect Hearts  
Connect The World

Interim Report  
2017

# IMPORTANT

- I. The board of directors (the "Board") and the supervisory committee (the "Supervisory Committee") of the Company and its director(s) (the "Director(s)"), supervisor(s) (the "Supervisor(s)") and senior management (the "Senior Management") hereby warrant the truthfulness, accuracy and completeness of the contents of this interim report and that there is no false representation, misleading statement or material omission in this report, for which they will assume, severally and jointly, legal responsibility.
- II. This interim report has been considered and approved by the twenty-fifth meeting of the first session of the Board and all the Directors attended the meeting of the Board.
- III. The interim report is unaudited.
- IV. Mr. Liu Hualong, Chairman of the Company, Ms. Zhan Yanjing, the Chief Financial Officer and Mr. Wang Jian, the head of accounting department (person in charge of accounting affairs), hereby state to guarantee the truthfulness, accuracy and completeness of the financial report in the interim report.
- V. The Company does not have any proposal on profit distribution or transfer of capital reserve fund during the reporting period considered and approved by the Board.
- VI. Disclaimer for forward-looking statements

This report contains forward-looking statements that are based on subjective assumptions and judgements on future policies and economic trends and are subject to a variety of uncertainties. The actual results or trends may differ from these forward-looking statements.

Investors should be aware that the forward-looking statements included in this report in relation to future plans, development strategies, etc. do not constitute any substantive commitment to investors by the Company.

- VII. There was no appropriation of funds by the controlling shareholder and its associates for non-operating purposes.
- VIII. There was no provision of guarantee by the Company in favour of any external party in violation of the prescribed decision-making procedures.
- IX. Major risk reminder

The major risk factors faced by the Company include policy risks, market risks, product quality risks, industry structure adjustment risks and exchange rate risks, which have been described in detail in this report. Please refer to the description of "potential risks" in "Report of Directors".

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



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## COMPANY INFORMATION

1. Name of the Company in Chinese 中國中車股份有限公司  
 Short name of the Company in Chinese 中國中車  
 Name of the Company in English CRRC Corporation Limited  
 Short name of the Company in English CRRC  
 Legal representative of the Company Liu Hualong
  
2.
 

	<b>Secretary to the Board</b>	<b>Securities Affairs Representative</b>
Name	Xie Jilong	Tan Mu
Contact address	No. 16, Central West Fourth Ring Road, Haidian District, Beijing	No. 16, Central West Fourth Ring Road, Haidian District, Beijing
Telephone	010-51862188	010-51862188
Facsimile	010-63984785	010-63984785
E-mail	crrc@crrcgc.cc	crrc@crrcgc.cc
  
3. Registered address of the Company No. 16, Central West Fourth Ring Road, Haidian District, Beijing  
 Postal code of registered address of the Company 100036  
 Business address of the Company No. 16, Central West Fourth Ring Road, Haidian District, Beijing  
 Postal code of business address of the Company 100036  
 Company website www.crrcgc.cc  
 E-mail crrc@crrcgc.cc
  
4. Newspapers designated for A-share information disclosure by the Company China Securities Journal, Shanghai Securities News, Securities Times and Securities Daily  
 Website designated by the CSRC for publication of A-share interim report www.sse.com.cn  
 Website designated by the Stock Exchange for publication of H-share interim report www.hkex.com.hk  
 Place where interim report of the Company is available for inspection the Board Office at No. 16, Central West Fourth Ring Road, Haidian District, Beijing
  
5.
 

<b>Type of shares</b>	<b>Place of listing of the shares</b>	<b>Stock abbreviation</b>	<b>Stock code</b>	<b>Stock abbreviation before change</b>
A shares	SSE	中國中車	601766	中國南車
H shares	HKSE	CRRC	1766	CSR
  
6. During the reporting period, there was no change in the registration details of the Company.

## COMPANY INFORMATION

- |     |  |   |
|-----|--|---|
| 7.  | PRC independent auditors:                                      | <p>Deloitte Touche Tohmatsu Certified Public Accountants LLP<br/>         Certified Public Accountants<br/>         30th Floor, Bund Center<br/>         222 Yan An Road East<br/>         Shanghai<br/>         the PRC</p> <p>KPMG Huazhen LLP<br/>         Certified Public Accountants<br/>         5th Floor, Office Tower II (East)<br/>         Oriental Plaza<br/>         Dongcheng District, Beijing<br/>         the PRC</p> |
|     | International independent auditors:                            | <p>Deloitte Touche Tohmatsu<br/>         Certified Public Accountants<br/>         35th Floor, One Pacific Place<br/>         88 Queensway, Admiralty<br/>         Hong Kong</p>  |
| 8.  | Joint company secretary  | Xie Jilong, Wong Kai Yan, Thomas  |
| 9.  | Authorized representative                                      | Wong Kai Yan, Thomas <sup>Note</sup>  |
| 10. | Legal adviser  |   |
|     | As to Hong Kong law  | <p>Baker &amp; McKenzie<br/>         14th Floor, Hutchison House, 10 Harcourt Road, Central,<br/>         Hong Kong</p>   |
|     | As to the PRC law  | <p>Beijing Jiayuan Law Firm<br/>         F408 Ocean Plaza, 158 Fuxingmennei Avenue, Beijing, PRC</p>  |
| 11. | Principal place of business in Hong Kong                       | <p>Unit H, 41st Floor, Office Tower, Convention Plaza,<br/>         1 Harbour Road, Wanchai, Hong Kong</p>  |
| 12. | Domestic registrar and transfer office Correspondence address  | <p>China Securities Depository and Clearing Corporation Limited Shanghai Branch<br/>         36/F, China Insurance Building, 166 Lujiazui East Avenue,<br/>         Pudong New District, Shanghai</p>   |
| 13. | Hong Kong registrar and transfer office Correspondence address | <p>Computershare Hong Kong Investors Services Limited<br/>         17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong</p>  |

Note: Mr. Xi Guohua and Mr. Wong Kai Yan, Thomas jointly served as the authorized representative of the Company during the reporting period. Mr. Xi Guohua resigned as an executive Director of the Company on 26 July 2017 and ceased to be an authorized representative of the Company. The Board is identifying suitable candidate to fill in the vacancy and will issue further announcements on relevant appointment.

## RESULTS HIGHLIGHTS

From January to June 2017, the Company achieved revenue of RMB86,826 million, representing a year-on-year decrease of 5.95%, profit after tax of RMB4,604 million, representing a year-on-year decrease of 24.21%, profit attributable to the owners of the Company of RMB3,673 million, representing a year-on-year decrease of 23.41%, and basic earnings per share of RMB13 cents.

<b>Revenue (RMB' 000)</b> From January to June 2017: <b>86,825,745</b> From January to June 2016: 92,321,137 <b>-5.95%</b>	<b>Profit after tax (RMB' 000)</b> From January to June 2017: <b>4,604,004</b> From January to June 2016: 6,074,383 <b>-24.21%</b>	<b>Profit attributable to owners of the Company (RMB' 000)</b> From January to June 2017: <b>3,672,542</b> From January to June 2016: 4,794,773 <b>-23.41%</b>
<b>Basic earnings per share (RMB/share)</b> From January to June 2017: <b>0.13</b> From January to June 2016: 0.18 <b>-27.78%</b>	<b>Total assets (RMB'000)</b> 30 June 2017: <b>360,667,671</b> 31 December 2016: 338,310,612 <b>+6.61%</b>	<b>Total liabilities (RMB'000)</b> 30 June 2017: <b>226,750,708</b> 31 December 2016: 214,505,996 <b>+5.71%</b>
<b>Total equity (RMB'000)</b> 30 June 2017: <b>133,916,963</b> 31 December 2016: 123,804,616 <b>+8.17%</b>	<b>Including: Equity attributable to owners of the Company (RMB'000)</b> 30 June 2017: <b>114,457,760</b> 31 December 2016: 104,856,609 <b>+9.16%</b>	<b>Shareholders' interest per share (RMB/share)</b> 30 June 2017: <b>3.99</b> 31 December 2016: 3.84 <b>+3.91%</b>



## REPORT OF DIRECTORS



### A. BUSINESS OVERVIEW

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

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

##### (I) 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.

Focusing on the development requirements for energy saving, environmental protection, safety reliability and intelligence, the Company strengthened innovations in its railway equipment technology, products and service models, enhanced the research and application of key technologies of railway equipment in respect of heavy load, quickness, high-speed, overhaul, energy saving and environmental protection and intellectualization, accelerated the research and production of new products and created a systematic, modular and standardized product structure and technology platform, with a view to constantly meeting and adapting itself to the changes and development trend in the domestic and overseas railway transportation market. Confronted with the gradual decrease in new orders for domestic railway equipment, the Company actively carried out strategic cooperation with users, explored potential market demand, actively explored external and international railway markets, enhanced its advanced refurbishment capacity, promoted its service transformation and stabilized the development of the railway equipment business.

## REPORT OF DIRECTORS

### 2. Rapid transit vehicles and urban infrastructure business

The rapid transit vehicles and urban infrastructure businesses mainly include: (1) rapid transit vehicles; (2) general contracting of rapid transit vehicles projects; (3) general contracting of other projects.

Facing the global market, the Company expedited its development and innovations in city train products and continued to upgrade its product structure, consolidated a leading position in the domestic market with its high quality products and services and constantly expanded its global market. By fully grasping the huge development opportunity in the construction of urban rail transit and prioritizing the development of its urban rail transit products, the Company gave full play to its comprehensive competitiveness in equipment manufacturing, business portfolio and the integration of industry and finance, actively yet prudently undertook the construction of urban rail transit projects under the PPP model, enhanced its order obtainment capacity and market competence in the urban rail transit market, and improved its general contracting capacity of projects, to achieve rapid development in its rapid transit vehicles and urban infrastructure business.

### 3. New industry businesses

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

In the general mechanical and electrical business, the Company strengthened technical innovation of key systems, core parts and components, enhanced industry chain supply capability and strengthened the core technical advantages of rail transportation equipment. Besides supporting the technical upgrade of the Company's main products, the Company diversified its product series, actively expanded into application fields such as transportation, energy, industrial power supply and marine industry equipment, and achieved professional, systematic, diversified and large-scale development of relevant products. In the emerging industry businesses, in accordance with the principles of "relevance and multi-dimensions, high-end positioning and industry-leading products and services", the Company focused on strategic emerging industries including new materials, wind power equipments, new energy vehicles, marine industry equipments and environmental protection water treatment equipment businesses, increased its presence in the niche market, strengthened its asset allocation and established a number of industrial clusters which have outstanding core capabilities and leading industry position. Benefiting from national policies for new energy, energy saving and environmental protection, the new energy vehicle business, the wind power business and the environmental protection equipment business achieved relatively rapid development.

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#### 4. Modern service businesses

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

In the financial and similar financial business, the Company stuck to the development strategy of combining industry and finance and promoting industry through finance, strengthened overall coordination, enhanced risk prevention and established the domestic and overseas financial service platform, investment and financing platform and finance leasing platform, thereby promoting rapid industrial development. In the logistics and trading business, the Company leveraged its centralized procurement strengths to strengthen the development of the “CRRC GO (中車購)” e-commerce platform, increase upstream and downstream tradings, develop modern logistics and establish the domestic and overseas logistic trading platforms. The Company also actively explored “Internet+High-end Equipment+Manufacturing Services”, propelled the integration of the manufacturing business and the service business and achieved the stable and healthy development of the modern service business.

#### 5. International businesses

Seizing the strategic opportunities brought by the “One Belt and One Road” and international capacity cooperation, the Company coordinated the advancement of the overseas business layout and resources allocation and accelerated the establishment of the international operation system by focusing on the trial establishment of regional companies in North America and Latin America. With a focus on the repairing and manufacturing base of rapid transit vehicles in Springfield, the United States, the locomotive manufacturing base in South Africa and the rapid transit vehicle manufacturing center in Malaysia, the Company accelerated the development of overseas repairing and manufacturing bases, deepened localized operations and endeavored to develop its competitive advantages with technology, brand, quality, service and capital as the core, so as to enhance its international operation capability. Making its best effort to expand into the overseas market, the Company focused on operating in the rail transportation markets in North America, Europe, CIS and India while consolidating its presence in traditional markets in Asia and Africa and continued to maintain the overall export of various rail transportation equipments.

## REPORT OF DIRECTORS

### (II) Operation mode of rolling stock industry

1. **Production model:** as unit costs of manufacturing rolling stock are comparatively 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 comparatively 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.

### (III) Industry situation

During the “13th Five-Year” period, the domestic rail transit market will continue to grow steadily. The PRC promulgated and implemented the “Medium and Long-term Railway Network Plan” in 2016, which proposes to “improve the ordinary-speed railway network, build high-speed railway network, construct integrated transport hubs and build a modern integrated transport system”. By 2020, the railway mileage will reach 150,000 kilometers, of which high-speed rail mileage in operation will reach 30,000 kilometers, covering more than 80% of the major cities; railway investment will exceed RMB3.5 trillion; and investment in railway equipment will reach RMB500 billion. Nevertheless, demands such as “zero distance” passenger transfer, “seamless” logistics connection and “integrated” transport services put forward higher standards on railway equipments, highlighting the structural imbalance between markets supply and demand. As urban rail transit operation continues to grow and with the acceleration of new urbanization and urban agglomeration, urban rail transit will gradually constitute a new growth point in the national economy. With the loosening of policies in urban rail transit construction application, urban rail transit construction will welcome better development opportunities, and PPP model will become an important development model in the field of rail transit, providing huge development space for general project contracting businesses, urban infrastructure construction and subsequent operations. At the same time, along with the rapid growth of existing rail transit equipment, a huge amount of rail transit equipment will enter into the maintenance period with more urgent technology upgrade needs, suggesting a rapid growth in the rail transportation equipment maintenance services market.

## REPORT OF DIRECTORS

As the largest rolling stock equipment supplier worldwide, CRRC has manufacturing bases with the international advanced level and a complete production organization system. Aiming at “becoming a leading company group with top multinational operation and rolling stock equipment as its core business”, CRRC carefully studied and judged the domestic and international economic development environment and the industry trend, fully grasped new opportunities and new challenges, focused on three main themes of “innovation”, “reform” and “internationalization”, put emphasis upon the improvement of development quality and efficiency, focused on the rail transportation equipment industry and created emerging pillar industries, adhered to innovation-driven operation, continued to deepen reform, strengthened its transformation and upgrades, enhanced its operational management, as well as strengthened the development and research of advanced and suitable rail transportation products. While meeting the need for the development of the domestic railway and urban mass transit and consolidating our leading position in China, we speeded up the expansion into the overseas market. While continuing to fully export all kinds of rolling stock equipment, we strengthened our resource allocation overseas, deepened the localization of the operations, improved the international operation capability and speeded up the transformation from a local enterprise to a multinational corporation.

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

Item	Amount at the end of the period	Amount at the end of the period as a percentage of total assets (%)	Amount at the end of last year	Amount at the end of last year as a percentage of total assets (%)	Amount at the end of the period
					compared to amount at the end of last year (%)
Held to maturity investments	1,258,098	0.35	966,970	0.29	30.11
Available-for-sale investments – current portion	409,274	0.11	51,699	0.02	691.65
Trade receivables	96,610,204	26.79	74,052,872	21.89	30.46
Tax payable	748,120	0.21	1,272,252	0.38	-41.20
Due to customers	1,183,772	0.33	2,711,370	0.80	-56.34

Held to maturity investments increased by 30.11%, mainly due to the new investment in medium-term notes during the reporting period.

Available-for-sale investments – current portion increased by 691.65%, mainly due to the purchase of wealth management products during the reporting period.

Trade receivables increased by 30.46%, mainly due to the fact that the funds were uncollected during the reporting period.

Tax payable decreased by 41.20%, mainly due to the fact that the income tax paid during the reporting period was higher than the income tax provided for the period.

Due to customers decreased by 56.34%, mainly due to the decrease in deposits received by the Finance Company during the reporting period.

## REPORT OF DIRECTORS

### III. Analysis of the core competitiveness during the reporting period

As a leading enterprise in the global rolling stock equipment manufacturing industry, CRRC is in the leading place worldwide in terms of the scale of operation, research and development of core technologies, capability of industrialization, manufacturing process and others. Aiming to build a world-class multinational enterprise group, CRRC adhered to innovation-driven operation, enhanced the operational management, promoted the transformation and upgrades, and focused on the improvement of the development quality and operation efficiency. According to the Fortune Global 500 ranking released in July 2017, CRRC ranked the 318th.

- 1. Accelerating paces of technological innovation.** The scientific and technological innovation system and mechanism are further optimized, and the innovation and vitality are constantly stimulated. With the accelerating construction of the “National High-speed Train Technological Innovation Center” and the key special work “National Key Research Program - Advanced Rail Transportation” being carried out in an orderly manner, the leading position of CRRC in the industry in China was further highlighted. China’s standard EMU “Fuxinghao”, which has full independent intellectual property rights and achieved the world advanced level, has been in bulk put into operation on the Beijing-Shanghai High-speed Railway. CRH5G EMU, which has advantages of high cold and wind-sand tolerance, debut on Baoji-Lanzhou High-speed Railway. The new-type sleeping EMU was launched officially. The central power EMU with a speed of 160 km per hour completed the prototype trial-production and the factory joint testing. China’s standard EMU with a speed of 250 km per hour completed the program design. The major special projects, such as “the research on and application of the technologies of failure prognostics and health management of rolling stock equipment”, were pushed forward steadily. The key special projects, such as “the research on automatic driving technologies of high-speed EMU” and “the study on energy conservation and emission reduction technologies of rail transit vehicles”, were conducted smoothly. Through continuous construction, the Company owns 11 national level industry research and development institutions, 21 national level corporate technological centers as well as 12 overseas research and development centers, building up three internationally advanced railway transportation technological platforms covering equipment design, manufacturing and products development. In the first half of 2017, the Company applied for a total of 2,064 patents, including 177 foreign patents and 85 PCT patents. Our technological innovation capability has been increasing and our dominant position in the industry was further consolidated.
- 2. Advanced industrial manufacturing bases.** Through continuous innovation capacity building and technological transformation, CRRC has built a number of internationally advanced rolling stock equipment manufacturing bases, forming a complete industrial chain system nationwide with the main engine enterprise as the core and supporting enterprises as the backbone, which can not only adapt to the volatile domestic market demand, but also can respond quickly to the global rolling stock equipment market demand. With the informationalized and lean management as a crucial means, the operation and management capabilities continued to improve; the quality control system and the full industry chain security system were continuously enhanced; and the product manufacturing technology, technological equipment technology, testing and detection technology and measuring and detection methods are in the leading position worldwide. The Company has further promoted integration of informatization and digitization, the supporting role of which in the development of our enterprise were growing.

## REPORT OF DIRECTORS



- 3. Continuous optimizing in resources allocation.** The Company faced the market and raced to grasp the opportunities, focused on new energy vehicles, wind energy equipment, ocean engineering equipment, new materials and other emerging industries, promoted the allocation of company resources to the strategic emerging industries and high-end of the value chain, and thus accelerated the transformation and upgrade of the industry structure. For the new energy vehicle project with core technical advantages, the effect of industrialization was growing; in terms of polymer composites technologies, the Company has become the leader in the industry, and the industrialization capacity was improving; the Company has a mature and complete wind power equipment industrial chain with an annual manufacturing capacity of 2,000 units/sets of wind turbines; and the industrial drive system and deep-water robots with core technologies possessed comparatively strong competitiveness and good brand profiles. The new industries, which focused on mechanical and electrical products, polymer composites, wind power equipment and new energy vehicles, has provided key support for the diversified development of the Company and the industrial structure continued to optimize.
- 4. Continued enhancement of our international operations capacity.** Overseas regional companies in North America and Latin America have been set up in succession; the locomotive production base in South Africa and the urban rail manufacturing base in Springfield, the United States, were progressing smoothly; the rail equipment manufacturing center in Malaysia has become the highlight of the China and ASEAN regional economic and trade cooperation and the demonstration base of the international cooperation under the “One Belt One Road”. The 12 overseas research and development centers set up in the United States, Germany and the United Kingdom proceeded smoothly, further improving the application of global innovation resources; and the mergers and acquisitions of BOGE in Germany and SMD in the United Kingdom have been well consolidated. The overseas market development capability continued to improve. Upon obtaining metro vehicle orders from Boston and Chicago, the United States, in the first half of 2017, the Company received metro vehicle orders or railway carriage orders from Boston, Los Angeles and Philadelphia, and successfully bided for double-deck passenger coach orders from Montreal, Canada and EMU orders from Malaysia. The railway equipment products exported to Iran, Pakistan, Thailand and Argentina were delivered consecutively. The products of the Company have been exported to 102 countries and regions in the seven continents across the globe. High-speed train has become a highlight of the “venturing out” high-end equipment of our country.

## REPORT OF DIRECTORS

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

In the first half of 2017, in face of the extremely difficult business conditions, CRRC proactively launched the “1+11” quality enhancement and efficiency improvement event with the core of “Maintain Revenue, Increase Profit” and substantially achieved the expected target. The Company generated RMB86,826 million in revenue, representing a decrease of 5.95% over the same period last year; and RMB3,673 million in profit attributable to owners of the Company, representing a decrease of 23.41% over the same period last year.

**I. Discussion and analysis of operation****(I) Analysis of main businesses****1. Analysis of changes in relevant items in the financial statements**

Item	From January to June 2017 Amount (RMB'000)	From January to June 2016 Amount (RMB'000)	Growth rate %
Revenue	86,825,745	92,321,137	-5.95
Cost of sales	68,242,146	71,678,953	-4.79
Distribution and selling expenses	2,815,874	3,178,659	-11.41
Administrative expenses	10,368,870	9,987,283	3.82
Finance costs	594,915	608,618	-2.25
Net cash flow from operating activities	-17,509,635	-8,118,373	—
Net cash flow from investing activities	4,169,351	-9,855,186	—
Net cash flow from financing activities	9,287,831	13,604,525	-31.73
Research and development expenses	4,351,670	4,012,378	8.46

Reasons for the change in revenue: representing a decrease of 5.95% over the same period last year, mainly due to the decrease in the number of deliveries for major products during the reporting period.

Reasons for the change in cost of sales: representing a decrease of 4.79% over the same period last year, mainly due to the cost of sales decreased in line with the decrease in revenue.

Reasons for the change in distribution and selling expenses: representing a decrease of 11.41% over the same period last year, mainly due to the projected provisions for product warranties and the decrease in overseas selling expenses.

Reasons for the change in administrative expenses: representing an increase of 3.82% over the same period last year, mainly due to the increase of administrative expenses as a result of more development efforts invested during the reporting period.

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Reasons for the change in finance costs: representing a decrease of 2.25% over the same period last year, mainly due to the decrease in discounted interest expense of notes during the reporting period.

Reasons for the change in net cash flow from operating activities: net cash flow from operating activities referred to a net cash outflow of RMB17,510 million, representing an increase of RMB9,391 million over the same period last year, mainly due to the fact that the amount of decrease in cash received from sales of goods and provision of services of the Company during the reporting period over the same period last year is larger than the amount of decrease in cash paid for the purchase of goods and obtaining of services over the same period last year.

Reasons for the change in net cash flow from investing activities: net cash flow from investing activities referred to a net cash inflow of RMB4,169 million, as compared to the net cash outflow of RMB9,855 million from investing activities for the same period last year, mainly due to the increase of the recovery of investment funds by the Company during the reporting period and the decrease in new investments as compared to that for the same period last year.

Reasons for the change in net cash flow from financing activities: the net cash flow from financing activities of the Company referred to a net cash inflow of RMB9,288 million, representing a decrease of RMB4,317 million over the same period last year, mainly due to the decrease in bonds issued during the reporting period over the same period last year and the increase of repayment of debts.

Reasons for the change in research and development expenses: representing an increase of 8.46% over the same period last year, mainly due to the increase of input in research and development.

## 2. Others

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

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

### 1. Main businesses by industry and by business type

Unit: '000 Currency: RMB

#### Main businesses by industry

By industry	Revenue	Cost of sales	Gross profit margin (%)	Increase/ (decrease) in revenue as compared to the corresponding period of the previous year (%)	Increase/ (decrease) in cost of sales as compared to the corresponding period of the previous year (%)	Increase/ (decrease) in gross profit margin as compared to the corresponding period of the previous year
Rolling stock and its extension industry	86,825,745	68,242,146	21.40	-5.95	-4.79	Decreased by 0.96 percentage points

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## Main businesses by business type

By business	Revenue	Cost of sales	Gross profit margin (%)	Increase/	Increase/	Increase/
				(decrease) in revenue as compared to the corresponding period of the previous year (%)	(decrease) in cost of sales as compared to the corresponding period of the previous year (%)	(decrease) in gross profit margin as compared to the corresponding period of the previous year
Railway equipment	42,156,748	32,269,110	23.45	-10.92	-8.63	Decreased by 1.93 percentage points
Rapid transit vehicles and urban infrastructure	13,481,473	11,190,668	16.99	35.49	32.20	Increased by 2.07 percentage points
New businesses	20,806,562	15,105,807	27.40	-15.56	-16.49	Increased by 0.81 percentage points
Modern services	10,380,962	9,676,561	6.79	-0.22	-1.35	Increased by 1.07 percentage points
Total	86,825,745	68,242,146	21.40	-5.95	-4.79	Decreased by 0.96 percentage points

Revenue from the railway equipment business decreased by 10.92% as compared to the same period of the previous year, mainly due to the decrease in the number of deliveries for major products in the railway market during this period. Cost of sales decreased by 8.63% as compared to the same period of the previous year, mainly due to a decrease in the costs in line with decreased revenue. The decrease in the costs was slightly lower than the decrease in the revenue as a result of changes in the product mix during this period.

Revenue from the rapid transit vehicles and urban infrastructure business increased by 35.49% as compared to the same period of the previous year, mainly due to an increase in the number of deliveries of rapid transit vehicles in this period. Cost of sales increased by 32.20% as compared to the same period of the previous year, mainly due to an increase in the costs in line with the growth in revenue. The increase in the costs was lower than the increase in revenue due to the difference in product types.

Revenue from the new businesses decreased by 15.56% as compared to the same period of the previous year, mainly due to a decrease in the number of wind power equipment during this period. Cost of sales decreased by 16.49% as compared to the same period of the previous year, mainly due to a decrease in the costs in line with decreased revenue. The decrease in cost of sales was slightly higher than the decrease in revenue mainly due to the difference in product types.

Revenue from the modern service business decreased by 0.22% as compared to the same period of the previous year, remaining relatively stable.

## REPORT OF DIRECTORS



Revenue of the Company decreased by 5.95% as compared to the same period of the previous year, and contributions made by the railway equipment business, rapid transit vehicles and urban infrastructure business, new businesses and modern service business accounted for 48.55%, 15.53%, 23.96% and 11.96% of the total revenue respectively. As to the railway equipment business, revenue generated by the locomotive business was RMB8,189 million; revenue generated by the passenger carriage business was RMB1,967 million; revenue generated by the EMUs business was RMB20,570 million; revenue generated by the freight wagon business was RMB11,431 million.

## 2. Main businesses by geographical locations

Regions	Revenue (RMB'000)	Increase/ (decrease) in revenue as compared to the corresponding period of the previous year (%)
Mainland China	78,105,315	-6.14
Other countries and regions	8,720,430	-4.26

The Company's revenue from Mainland China during the reporting period decreased by 6.14%, mainly due to the decrease in the number of deliveries for major products during the reporting period. The revenue from other countries or regions decreased by 4.26%, mainly due to the decrease in product delivery during the reporting period according to the export order delivery cycle.

## REPORT OF DIRECTORS

**(III) Explanation of significant changes in profit due to non-principal business**

During the reporting period, the Company had no significant changes in profit resulting from any non-principal business.

**(IV) Debt structure, liquidity and cash flow****1. Capital structure**

As at 30 June 2017, the gearing ratio of the Company decreased to 62.87% from 63.41% at the beginning of the year.

**2. Significant capital expenses and capital commitments****(1) Significant capital expenses**

From January to June 2017, the significant capital expenses of the Company are set out in the following table:

Item	From January to June 2017 Amount (RMB'000)	From January to June 2016 Amount (RMB'000)
Property, plant and equipment	3,000,274	3,710,449
Prepaid land lease payments	379,755	27,444
Other intangible assets	64,875	640,833
Total capital expenses	3,444,904	4,378,726

**(2) Capital commitments**

As at 30 June 2017, the Group had capital commitments of RMB4,426 million contracted for but not yet incurred, which would be mainly used for property, plant and equipment and prepaid lease payments.

**3. Particulars of contingent liabilities of the Company**

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

**4. Particulars of pledge of assets of the Company**

As at the end of the reporting period, the following assets of the Company with a total book value of RMB5,099 million were pledged to obtain bank loans and other banking facilities. Such assets included cash and cash equivalents of RMB3,819 million, bills receivable of RMB997 million, trade receivables of RMB10 million, other non-current assets of RMB245 million, property, plant and equipment of RMB24 million and prepaid land lease payments of RMB4 million.

## REPORT OF DIRECTORS

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

As at 30 June 2017, the Group had total borrowings, bonds and notes of approximately RMB42,867 million, as compared to the total amount of RMB41,655 million as at 31 December 2016.

As at 30 June 2017, out of the total borrowings, bonds and notes of the Group, RMB32,599 million was denominated in Renminbi, RMB7,615 million was denominated in US dollar, and RMB2,346 million was denominated in Euro.

The Group's long-term interest-bearing borrowings, bonds and notes and short-term interest-bearing borrowings, bonds and notes as at 30 June 2017 were RMB11,462 million and RMB31,405 million, respectively.

As at 30 June 2017, the total bank and other borrowings of the Group with floating interest rates amounted to RMB12,797 million, as compared to RMB9,381 million as at 31 December 2016.

The following table sets forth the maturity profile of the borrowings, bonds and notes repayable of the Group as at 31 December 2016 and 30 June 2017:

	30 June 2017 Amount (RMB'000)	31 December 2016 Amount (RMB'000)
Within one year, inclusive	31,404,523	27,184,026
One to two years	2,397,574	1,893,980
Two to five years	7,303,462	9,703,211
Over five years	1,761,195	2,874,221
Total	42,866,754	41,655,438

As at 30 June 2017, the total borrowings, bonds and notes of the Group amounted to approximately RMB42,867 million, representing an increase of 2.91% from RMB41,655 million as at 31 December 2016, mainly due to the increase in short-term borrowings.

**6. Cash flow**

As at 30 June 2017, the Group had cash and cash equivalents of approximately RMB23,877 million, out of which RMB15,272 million was denominated in Renminbi, RMB6,600 million was denominated in US dollar, and RMB736 million was denominated in Euro.

## REPORT OF DIRECTORS

**(V) Analysis on investment****1. General analysis of external investment in equity**

As at 30 June 2017, the Company's long-term equity investment was RMB8,741 million, representing an increase of RMB270 million or 3.18% as compared to the beginning of the year, details of which are set out in Note 13 Interests in Associates to the financial statements.

**(1) Significant equity investment**

The Company had no significant equity investment during the reporting period.

**(2) Significant non-equity investment**

The Company had no significant non-equity investment during the reporting period.

**(3) Financial assets measured at fair value**

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
1. Financial assets at fair value through profit or loss	731,916	12,375	—	—	54,055	798,346
Including: Derivative financial instruments	2,986	-410	—	—	—	2,576
Including: Corporate wealth management products	514,527	12,785	—	—	—	527,312
Including: Equity instrument investment	214,403	—	—	—	54,055	268,458
2. Available-for-sale investment	2,922,879	—	99,074	—	-121,692	2,900,261
Including: Listed equity instrument investment	2,426,580	—	105,870	—	-470,687	2,061,763
Including: Listed perpetual bond investment and listed preference share investment	444,600	—	-14,371	—	-1,005	429,224
Including: Non-listed financial assets	51,699	—	7,575	—	350,000	409,274
Subtotal of financial assets	3,654,795	12,375	99,074	—	-67,637	3,698,607

## REPORT OF DIRECTORS



## 2. Use of proceeds

### (1) A shares

For details of the use of proceeds raised from A share offering and issuance of the Company during the reporting period, please refer to the interim announcement of Specific Report on Deposit and Actual Use of A Share Proceeds of CRRC Corporation Limited in the First Half of 2017 (《中國中車股份有限公司2017年上半年A股募集資金存放與實際使用情況的專項報告》) dated 25 August 2017 published by the Company on the website of SSE.

### (2) H shares

Pursuant to “The Approval on the Issue of Overseas Listed Foreign Shares of China CNR Corporation Limited” (Zheng Jian Xu Ke [2014]No. 404) (《關於核准中國北車股份有限公司發行境外上市外資股的批復》(證監許可[2014]404號)) issued by the CSRC, in May 2014, CNR made a public offering of 1,939,724,000 overseas listed foreign shares (H shares) (including over-allotment) and the total proceeds raised were HKD10,028 million. As at 30 June 2017, an accumulated amount of approximately HKD9,050 million out of the H share proceeds has been put into use, while interest from bank deposits accumulating HKD115 million has been received. The Company’s unused H share proceeds was HKD1,093 million as at 30 June 2017.

On 5 February 2016, the Company issued H share convertible bonds in an aggregate amount of US\$600 million. The net proceeds of such issuance were approximately US\$595.80 million. As at 30 June 2017, the Company used approximately US\$414.09 million of such proceeds for the following purposes: (1) approximately US\$46.90 million for the repayment of bank loans, (2) approximately US\$4.59 million for the equity investment, (3) approximately US\$33.59 million for supplementing working capital, and (4) approximately US\$329.01 million for the business operation needs of CRRC Hong Kong Capital Management Co., Limited, a wholly-owned subsidiary of the Company. As at 30 June 2017, the Company received a deposit interest of approximately US\$7.48 million in respect of the proceeds from the issuance of the H share convertible bonds and the balance of the proceeds was approximately US\$181.71 million.

## REPORT OF DIRECTORS

## 3. Analysis of major companies controlled or invested in by the Company (figures below are prepared under the PRC GAAP)

Company name	Product and scope of main business	Registered capital	Total assets at the end of the period	Net assets at the end of the period attributable to the shareholders of the Company	Net profit in January to June of 2017 attributable to the shareholders of the Company	Revenue in January to June of 2017	Operating profit in January to June of 2017
CRRC Sifang	Research and development 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	51,695,187	11,657,031	1,063,981	14,008,729	1,186,743
CRRC Changchun	Design, manufacturing, repair, sale and lease of passenger carriages, multiple units, rapid transit vehicles and the accessories thereof, as well as related technical services and technical consultancy etc.	5,807,947	49,823,614	16,060,626	651,357	10,203,748	727,354
CRRC ZELRI	Research on electric drive and control technologies related to rail transit; manufacturing of relevant electrical equipment; and research and development and manufacturing of railway locomotives and accessories thereof etc.	8,287,910	51,476,072	14,768,665	511,863	13,317,574	1,058,110
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	24,329,447	9,675,970	425,535	6,862,192	499,396
CRRC Zhuzhou	Research and development and manufacturing of electric locomotives, multiple units and rapid transit vehicles etc.	4,446,576	26,645,663	6,963,908	387,310	6,234,315	394,703

## REPORT OF DIRECTORS

**4. Structured entities controlled by the Company**

There were no structured entities under the control of the Company during the reporting period.

**5. Material disposal of assets and equity interests**

There was no significant assets and equity disposal during the reporting period.

**II. Other events****Potential risks****1. Policy risks**

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

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

**2. Market risks**

- (1) Domestic market risks: with China's railway market growth decelerating, the "ceiling" effect appearing and the railway passenger and freight transportation reform, as well as product structure adjustment and optimization, the demand in market may face structural adjustments.

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

- (2) International market risks: the international political and economic situations are extremely complex, with slow economic recovery and increased restrictions of trade protectionism. The international landscape will manifest more uncertain factors beyond our control. The implementation of the "internationalization" strategy of the Company will also increase market and operational risks in the overseas market.

## REPORT OF DIRECTORS

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

### **3. Risks related to product quality**

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

Responding measures: firstly, the Company specially established the quality management department to monitor quality risks; secondly, the Company established and improved the quality management system and monitored the certification and effective operation of this system; thirdly, the Company established the after-sales service management standard system to regulate our after-sales service management; fourthly, the Company strengthened suppliers' qualification management with a view to preventing potential product quality risk and controlling quality at source.

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

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

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

## REPORT OF DIRECTORS

**5. Exchange rate risks**

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

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

## SIGNIFICANT EVENTS

### I. BRIEF INTRODUCTION TO GENERAL MEETINGS

Session of meeting	Convening date	Query index of the designated website where the resolutions were published	Disclosure date of the published resolutions
2016 annual general meeting of CRRC Corporation Limited	20 June 2017	www.sse.com.cn	21 June 2017

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

#### Interim profit distribution proposal and proposal for capital increase by way of transfer from reserves

The Company does not have distribution and capital increase by way of transfer proposal during the reporting period.

### III. PERFORMANCE OF UNDERTAKINGS

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

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

## SIGNIFICANT EVENTS

Background	Type	Covenantors	Undertakings	Validity period	Whether duration specified	Whether timely and strictly performed	If not perform timely, describe the specific reasons	If not perform timely, describe plans in next steps
Resolution of same industry competitions	CRRCG		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 owned subsidiaries to not engage in any businesses which might directly compete with the current operating businesses of CRRC; (2) subject to the aforesaid undertaking (1), if CNRG (including its wholly-owned subsidiaries and non-wholly owned subsidiaries or other connected entities) provide any products or services that might be in competition with the principal products or services of CRRC in the future, 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; and (4) CNRG should compensate CRRC for its actual losses arising from any failure to comply with the aforesaid undertakings.	Undertakings dated 5 August 2015, during the course of performance	No	Yes	—	—
Others	CRRCG		Undertaking to maintain the independence of 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 CSRC, not to use its position as the controlling shareholder to violate the standardized operation procedures of a listed company to intervene in the operating decisions of CRRC and to damage the legitimate interests of CRRC and other shareholders. CNRG and other companies under its control undertook not to, by any means, use the funds of CRRC and companies under its control.	Undertakings dated 5 August 2015, during the course of performance	No	Yes	—	—

## SIGNIFICANT EVENTS

Background	Type	Covenants	Undertakings	Validity period	Whether duration specified	Whether timely and strictly performed	If not perform timely, describe the specific reasons	If not perform timely, describe plans in next steps
	Resolution of connected transactions	CRRCG	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.	Undertakings dated 5 August 2015, during the course of performance	No	Yes	—	—
Undertakings in relation to the initial public issuance	Others	CRRCG	Undertakings on property ownership issues: CSR 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.	Undertakings dated 18 August 2008, during the course of performance	No	Yes	—	—
	Others	CRRCG	Undertakings on the state-owned land use certificate without specifying the land use terms or termination date: CNR 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.	Undertakings dated 10 December 2009, during the course of performance	No	Yes	—	—

## SIGNIFICANT EVENTS

Background	Type	Covenants	Undertakings	Validity period	Whether duration specified	Whether timely and strictly performed	If not perform timely, describe the specific reasons	If not perform timely, describe plans in next steps
Undertakings in relation to the refinancing	Others	CRRC	Undertaking to not provide financial assistance or compensation to the target subscriber: on 27 May 2016, the Company issued the letter of undertaking pursuant to which the Company and its relevant parties undertook to not default on provisions including Article 17 of the Administrative Measures on the Offering and Underwriting of Securities, to directly or indirectly, provide financial assistance and compensation to investment companies, asset management products and its trustee or partnership and partners involved in this subscription.	Undertakings dated 27 May 2016, expire on 17 January 2017	Yes	Yes	—	—
	Others	CRRCG	Undertaking to not provide financial assistance or compensation to the target subscriber: on 27 May 2016, CRRCG issued the letter of undertaking pursuant to which CRRCG and its relevant parties undertook to not default on provisions including Article 17 of the Administrative Measures on the Offering and Underwriting of Securities, to directly or indirectly, provide financial assistance and compensation to investment companies, asset management products and its trustee or partnership and partners involved in this subscription.	Undertakings dated 27 May 2016, expire on 17 January 2017	Yes	Yes	—	—
	Others	Directors, Senior Management of the Company	Undertaking to adopt measures of mitigating the potential dilution of return for the current period: the Directors and Senior Management of the Company have made the following undertakings on 27 May 2016: (1) to not transfer interests to other entities or individuals without consideration or with unfair consideration nor otherwise damage the Company's interests in any other ways; (2) to constrain expenses relating to the performance of their duties; (3) to not use the Company's assets for investments and consumption activities unrelated to the performance of their duties; (4) that the remuneration system formulated by the Board or the remuneration committee is in line with implementation of the remedial measures for the returns by the Company; (5) that the vesting conditions of share incentives to be formulated by the Company will be in line with the implementation of the remedial measures for returns by the Company if the Company were to make such share incentive plans in the future; (6) to perform the remedial measures for returns formulated by the Company as well as any commitment made by them for such remedial measures. The Directors and Senior Management will be liable for indemnifying the Company or the investors for their losses in the event of failure to perform the commitment.	Undertakings dated 27 May 2016, during the course of performance	No	Yes	—	—
	Others	CRRCG	Undertaking to adopt measures of mitigating the potential dilution of return for the current period: on 27 May 2016, CRRCG committed not to intervene in the operation and management activities of the Company or unlawfully infringe upon the Company's interests.	Undertakings dated 27 May 2016, during the course of performance	No	Yes	—	—

## SIGNIFICANT EVENTS

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

#### IV. APPOINTMENT AND REMOVAL OF AUDITORS

The Company considered and approved the Resolution in Relation to the Engagement of Audit Firms of CRRC Corporation Limited for 2017 at the 2016 annual general meeting held on 20 June 2017. It was resolved that Deloitte Touche Tohmatsu was appointed as the auditor in respect of the Company's financial reports for the year 2017 prepared in accordance with overseas financial reporting standards; Deloitte Touche Tohmatsu CPA LLP and KPMG Huazhen (Special General Partnership) were appointed as the auditors in respect of the Company's financial reports for the year 2017 prepared in accordance with domestic financial reporting standards and the internal control system. Deloitte Touche Tohmatsu CPA LLP is the principal auditor.

#### V. BANKRUPTCY AND REORGANIZATION

The Company was not involved in any bankruptcy or reorganization during the reporting period.

#### VI. MATERIAL LITIGATION AND ARBITRATION

The Company was not involved in any material litigation or arbitration during the reporting period.

#### VII. SHARE OPTION SCHEME OF THE COMPANY AND THEIR IMPACTS

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

## SIGNIFICANT EVENTS

## VIII. IMPORTANT CONTRACTS AND PERFORMANCE THEREOF

## (I) Guarantees

Unit: '000 Currency: RMB

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

## SIGNIFICANT EVENTS

Guarantees provided by the Company to external parties (excluding guarantees provided by the Company in favour of its subsidiaries)													
Guarantor	Relationship between the guarantor and the listed company	Guarantee	Guaranteed amount	Date of guarantee (Date of signing agreement)	Commencement date	Maturity date	Guarantee type	Whether the guarantee has been fulfilled	Guarantee overdue	Outstanding amount of		Whether the guarantee is provided to a connected party or not	Connection relationship
										guarantee	Counter guarantee		
Total guarantee amount provided during the reporting period (excluding guarantees provided by the Company in favour of its subsidiaries)													7,441,000
Total guarantee balance at the end of the reporting period (A) (excluding guarantees provided by the Company in favour of its subsidiaries)													7,441,000
Guarantees provided by the Company in favour of its subsidiaries													
Total guarantee amount provided to the Company's subsidiaries during the reporting period													6,970,711
Total guarantee balance provided to the Company's subsidiaries at the end of the reporting period (B)													41,058,478
Aggregate guarantee amount provided by the Company (including guarantees provided by the Company in favour of its subsidiaries)													
Total guarantee amount (A+B)													48,499,478
Percentage of total guarantee amount to net assets of the Company (%)													42.37
Including:													
Provision of guarantee to shareholders, ultimate controller and their respective connected persons (C)													—
Amount of guarantees directly or indirectly provided in favour of parties with gearing ratio over 70% (D)													11,087,811
The total amount of guarantees provided which exceeds 50% of the net asset (E)													—
Total amount of the three above-stated guarantees (C+D+E)													11,087,811
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. As at 30 June 2017, total guarantee balance was RMB48,499 million, representing 42.37% of the Company's net assets. Out of such guarantee balance, RMB19,326 million and RMB21,732 million were provided to the Company's wholly-owned subsidiaries and non wholly-owned subsidiaries respectively. As far as guarantee type is concerned, RMB4,525 million was provided for bank acceptance bills, RMB3,824 million was provided for loans and medium-term notes, and RMB40,150 million was provided for letters of guarantee, letters of credit and credit facilities, etc..

At the end of the period, the guarantee balance provided by the Company in favour of its subsidiaries with gearing ratio over 70% was RMB11,088 million. Approval procedures have been complied with at the Board meetings and the general meetings as required by the Articles of Associations in respect of the guarantees provided by the Company in favour of its wholly-owned and non wholly-owned subsidiaries with gearing ratio over 70%.

**(II) Other material contracts or transactions**

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

## SIGNIFICANT EVENTS

## IX. INFORMATION ON THE CONVERTIBLE CORPORATE BONDS

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

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

## (I) Dilution impact of the Convertible Bonds on shares

As at 30 June 2017, the outstanding principal amount of the Convertible Bonds was US\$600,000,000. Based on the adjusted conversion price of HK\$9.29 per H share, the maximum number of H shares issuable by the Company upon full conversion of the Convertible Bonds will be 503,134,553 H shares. The following table sets out the shareholding structure of the Company upon full conversion of the Convertible Bonds with reference to the shareholding structure of the Company as at 30 June 2017 and assuming no further issuance of shares by the Company:

Name of shareholders	Numbers of shares	Percentage of total issued shares
CRRCG and its associates <sup>Note</sup>	15,491,375,889 A Shares	53.05%
Public shareholders:		
Subscribers of the Bonds	503,134,553 H Shares	1.72%
Other public shareholders	4,371,066,040 H Shares	14.97%
	7,426,316,404 A Shares	25.43%
Issued share capital enlarged by the issuance of conversion shares	29,201,998,641 Shares	100%

*Note:* As of 30 June 2017, CRRCG held 93,085,715 A shares through CSR Capital Company and 380,172,012 A shares through CRRC Financial and Securities Investment Co., Ltd.. As at 31 July 2017, CSR Capital Company transferred its all 93,085,715 A shares in the Company to CRRC Financial and Securities Investment Co., Ltd. at nil consideration, CRRCG then holds 473,257,727 A shares through CRRC Financial and Securities Investment Co., Ltd..

An analysis of the impact on the earnings per share if the Convertible Bonds were fully converted into shares of the Company as at 30 June 2017 is set out in note 10 to the financial statements of this report.

## SIGNIFICANT EVENTS

### (II) Principal terms of Convertible Bonds

The principal terms of the Convertible Bonds are as follows:

#### 1. Conversion right

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

The initial conversion price of the Convertible Bonds is HK\$9.65 per H share which is adjusted to HK\$9.50 per H share since 28 June 2016 as a result of the distribution of 2015 cash dividend. The Company distributed a cash dividend of RMB0.21 per share (tax inclusive) to all shareholders pursuant to the 2016 profit distribution plan considered and approved at the general meeting held on 20 June 2017. The conversion price of the Convertible Bonds was adjusted to HK\$9.29 per H share from the 2016 adjusted conversion price of HK\$9.50 per H share pursuant to the terms and conditions of the Bonds with effect from 30 June 2017. The number of shares that may be converted is determined by the principal amount of the Bonds divided by the conversion price of the Bonds at the time of conversion. The fixed exchange rate of US dollar against HK dollar is HK\$7.7902 to US\$1.00.

#### 2. Redemption option of the issuer

##### (1) Redemption at maturity

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

## SIGNIFICANT EVENTS

### (2) Conditional redemption

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

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

### (3) Redemption at the option of the bondholders

The holders of the Convertible Bonds by giving a notice of not less than 30 nor more than 60 days before redemption option date (i.e. 5 February 2019), the issuer will have the right, at the option of the holders of the Convertible Bonds, require the Company to redeem all or some of that holders' Convertible Bonds at 100% of their outstanding principal amount on the redemption option date.

## (III) Accounting for the Convertible Bonds

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

- (1) Debt component was initially recognized at fair value amounting to approximately RMB3,488,045,000. It was subsequently measured by using effective interest method, and was measured at amortized cost by applying an effective interest rate of 2.53% on master debt contract after considering the effect of the underwriting fees and other issue costs. During the current period, the interest expenses of the debt component of the Convertible Bonds, were recognized as finance cost amounted to RMB46,822,000 by applying an effective interest rate, and the corresponding exchange gain of RMB88,802,000 was changed to current profit or loss.
- (2) Derivative component was initially recognized and subsequently measured at fair value, relevant transaction costs were charged to current profit or loss and the gain or loss on fair value change were changed to the current profit or loss.

## SIGNIFICANT EVENTS

Underwriting fees and other issue costs relating to the Convertible Bonds were allocated in proportion to the fair values of debt component and derivative component. Underwriting fees and other issue costs amounting to approximately RMB28,745,000 relating to the debt component were included in the initial carrying amount of the debt component and amortized over the remaining period of the bonds using the effective interest method. Underwriting fees and other issue costs amounting to approximately RMB3,550,000 relating to derivative component were charged to current finance costs directly. The gain on fair value change of derivative component of the Convertible Bonds amounted to RMB46,351,000 and the corresponding exchange gain or RMB8,917,000 were charged to current profit or loss.

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

Unit: '000 Currency: RMB

	Debt component	Derivative component	Total
Issue date of Convertible Bonds (5 February 2016)	3,488,045	430,795	3,918,840
Transaction costs	-28,745	—	-28,745
Accrued interest during the period (5 February 2016 to 30 June 2016)	35,302	—	35,302
Exchange gains or losses (5 February 2016 to 30 June 2016)	53,126	6,556	59,682
Gains or losses on changes in fair value (5 February 2016 to 30 June 2017)	—	-3,485	-3,485
Balance at the end of the period (31 December 2016)	3,547,728	433,866	3,981,594
Accrued interest during the period (30 June 2016 to 31 December 2016)	46,004	—	46,004
Exchange gains or losses (30 June 2016 to 31 December 2016)	165,010	17,514	182,524
Gains or losses on changes in fair value (30 June 2016 to 31 December 2016)	—	-85,283	-85,283
Balance at the end of the period (31 December 2016)	3,758,742	366,097	4,124,839
Accrued interest during the period	46,822	—	46,822
Exchange gains or losses	-88,802	-8,917	-97,719
Gains or losses on changes in fair value during the period	—	-46,351	-46,351
Balance at the end of the period (30 June 2017)	3,716,762	310,829	4,027,591

## SIGNIFICANT EVENTS

### (IV) Others

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

As at 30 June 2017, no conversion right has been exercised and no redemption has been made by the holders of the Convertible Bonds and no redemption has been made by the Company.

## X. CORPORATE GOVERNANCE

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

### (I) Compliance with the Corporate Governance Code

The Board has reviewed the documents in relation to corporate governance adopted by the Company, and is of the opinion that, during the reporting period, except temporarily failing to comply with the requirement under Code Provision A.5.1 of the Corporate Governance Code in Appendix 14 to the Hong Kong Listing Rules that the nomination committee should comprise a majority of independent non-executive directors due to the fact that the Nomination Committee of the Board only comprised two executive Directors and two independent non-executive Directors after the resignation of Mr. Zhang Zhong as (among others) independent non-executive Director and vice chairman and member of the Nomination Committee on 20 June 2017 and before the appointment of Mr. Sun Patrick as a member of the Nomination Committee on 27 June 2017, the Company was in compliance with the principles and code provisions in the Corporate Governance Code, and adopted part of the recommended best practices specified therein. In certain aspects, the corporate governance practices adopted by the Company are more stringent than the code provisions set out in the Corporate Governance Code.

### (II) Securities transactions by Directors and Supervisors

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

### (III) Review of the interim report by the Audit and Risk Management Committee

The Audit and Risk Management Committee has reviewed the Company’s unaudited interim condensed consolidated financial statements and the interim report for the six months ended 30 June 2017, and has agreed on their submission to the Board for consideration and approval.

## SIGNIFICANT EVENTS

### XI. OTHER SIGNIFICANT EVENTS

#### (I) Non-public issuance of A shares

On 27 May 2016, the fourteenth meeting of the first session of the Board of the Company considered and approved the Resolution Regarding the Plan on Non-public Issuance of A Shares by CRRC Corporation Limited (《關於中國中車股份有限公司非公開發行A股股票預案的議案》) and non-public issuance related resolutions. The Company intended to issue not more than 1,385,681,291 A shares to raise funds in an amount of not more than RMB12 billion. On 7 June 2016, SASAC issued Reply on Issues in respect of Non-public Issuance of A Shares by CRRC Corporation Limited (Guozichanquan[2016]No.465) (《關於中國中車股份有限公司非公開發行A股股票有關問題的批復》(國資產權[2016]465號)) and principally agreed the plan of this non-public issuance of A shares of the Company. On 16 June 2016, the Company held 2015 annual general meeting considering and approving the Resolution Regarding the Plan on Non-public Issuance of A Shares by CRRC Corporation Limited and non-public issuance related resolutions. On 5 August 2016, the Company adjusted the issue price and amount of non-public issuance of A shares upon completion of 2015 annual profit distribution plan. On 17 August 2016, the Company received the Notice Regarding CSRC's Feedback on Review of Items Subject to Administrative Licensing (《中國證監會行政許可項目審查反饋意見通知書》(No. 161634)) (the "Feedback") from CSRC. On 2 September 2016, the Company disclosed its replies to the Feedback. On 9 November 2016, the Company's application for non-public issuance of A shares was approved by the Issuance Examination Commission of CSRC. On 30 December 2016, the Company's application for non-public issuance of A shares was approved by CSRC. On 17 January 2017, the Company completed registration and trusteeship procedures with the Shanghai branch of China Securities Depository and Clearing Corporation Limited for its A shares in non-public issuance. The period of trading moratorium is 36 months.

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

#### (II) Particulars of interbank debt financing instruments

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

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

## CHANGE IN SHARES AND PARTICULARS OF SHAREHOLDERS



### I. CHANGES IN SHARE CAPITAL

#### (I) Changes in shares

##### 1. Changes in the shares

Unit: share

	Before		Changes (+,-)		After	
	Number of shares	Percentage (%)	New issue	Subtotal	Number of shares	Percentage (%)
I. Restricted shares	0	0	1,410,105,755	1,410,105,755	1,410,105,755	4.91
State-owned legal person shares	0	0	1,410,105,755	1,410,105,755	1,410,105,755	4.91
II. Tradable unrestricted shares	27,288,758,333	100	0	0	27,288,758,333	95.09
1. Ordinary shares denominated in RMB	22,917,692,293	83.98	0	0	22,917,692,293	79.86
2. Overseas listed foreign shares	4,371,066,040	16.02	0	0	4,371,066,040	15.23
III. Total number of shares	27,288,758,333	100	1,410,105,755	1,410,105,755	28,698,864,088	100

## CHANGE IN SHARES AND PARTICULARS OF SHAREHOLDERS



### 2. Particulars of changes in shares

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

### 3. Public float

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

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

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

## CHANGE IN SHARES AND PARTICULARS OF SHAREHOLDERS

## (II) Changes in restricted shares

Unit: share

Name of shareholders	Number of restricted shares at the beginning of the period	Number of expired restricted shares during the reporting period	Change in number of restricted shares during the reporting period	Change in number of restricted shares at the end of reporting period	Reasons for selling restrictions	Termination date of the lock-up period
CRRCG	0	0	705,052,878	705,052,878	Selling restrictions imposed by the Non-public Issuance of A shares	17 January 2020
Shanghai Xinghan Asset — Industrial Bank Co., Ltd. — China Industrial International Trust Limited	0	0	235,017,626	235,017,626	Selling restrictions imposed by the Non-public Issuance of A shares	17 January 2020
China Development Bank Capital Corporation Limited	0	0	176,263,219	176,263,219	Selling restrictions imposed by the Non-public Issuance of A shares	17 January 2020
Shanghai Zhaoyin Equity Fund Management Co., Ltd.	0	0	117,508,813	117,508,813	Selling restrictions imposed by the Non-public Issuance of A shares	17 January 2020
CDB Jingcheng (Beijing) Investment Fund Company Limited	0	0	117,508,813	117,508,813	Selling restrictions imposed by the Non-public Issuance of A shares	17 January 2020
CDB Siyuan (Beijing) Investment Fund Co., Ltd.	0	0	58,754,406	58,754,406	Selling restrictions imposed by the Non-public Issuance of A shares	17 January 2020
Total	0	0	1,410,105,755	1,410,105,755	/	/

## II. PARTICULARS OF SHAREHOLDERS

## (I) Total number of shareholders:

Total number of shareholders as at the end of the reporting period (shareholder)<sup>Note</sup> 968,291

Note: As at the end of the reporting period, the Company had 965,769 holders of A shares and 2,522 registered holders of H shares.

## CHANGE IN SHARES AND PARTICULARS OF SHAREHOLDERS

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

Unit: share

Name of shareholder (full name)	Change during the reporting period	Number of shares held at the end of the reporting period	Percentage (%)	Shareholdings of the top ten shareholders			
				Number of shares subject to trading moratorium held	Shares pledged or frozen	Pledged or frozen	Nature of shareholder
CRRCG	705,052,878	15,491,375,889	53.98	705,052,878	Nil	—	State-owned legal person
HKSCC NOMINEES LIMITED <sup>Note</sup>	50,950	4,360,365,259	15.19	—	Unknown	—	Overseas legal person
China Securities Finance Corporation Limited (中國證券金融股份有限公司)	571,957,613	1,356,282,807	4.73	—	Unknown	—	State-owned legal person
CRRC Financial and Securities Investment Co., Ltd. (中車金證投資有限公司)	—	380,172,012	1.32	—	Nil	—	State-owned legal person
Central Huijin Asset Management Ltd. (中央匯金資產管理有限責任公司)	—	304,502,100	1.06	—	Unknown	—	State-owned legal person
Shanghai Xinghan Asset - Industrial Bank - China Industrial International Trust Limited (上海興瀚資產—興業銀行—興業國際信託有限公司)	235,017,626	235,017,626	0.82	235,017,626	Unknown	—	State-owned legal person
China Development Bank Capital Corporation Limited (國開金融有限責任公司)	176,263,219	176,263,219	0.61	176,263,219	Unknown	—	State-owned legal person
Bosera Funds – Agricultural Bank of China – Bosera China Securities and Financial Assets Management Plan (博時基金—農業銀行—博時中證金融資產管理計劃)	—	125,366,000	0.44	—	Unknown	—	Unknown

## CHANGE IN SHARES AND PARTICULARS OF SHAREHOLDERS

Name of shareholder (full name)	Shareholdings of the top ten shareholders						
	Change during the reporting period	Number of shares held at the end of the reporting period	Percentage (%)	Number of shares subject to trading moratorium held	Shares pledged or frozen		
					Pledged or frozen	Number	Nature of shareholder
E Fund – Agricultural Bank of China – E Fund China Securities and Financial Assets Management Plan (易方達基金–農業銀行–易方達中證金融資產管理計劃)	–	125,366,000	0.44	–	Unknown	–	Unknown
Dacheng Fund – Agricultural Bank of China – Dacheng China Securities and Financial Assets Management Plan (大成基金–農業銀行–大成中證金融資產管理計劃)	–	125,366,000	0.44	–	Unknown	–	Unknown
Harvest Fund - Agricultural Bank of China - Harvest China Securities and Financial Assets Management Plan (嘉實基金–農業銀行–嘉實中證金融資產管理計劃)	–	125,366,000	0.44	–	Unknown	–	Unknown
GF Fund – Agricultural Bank of China – GF China Securities and Financial Assets Management Plan (廣發基金–農業銀行–廣發中證金融資產管理計劃)	–	125,366,000	0.44	–	Unknown	–	Unknown
Zhong'ou Asset – Agricultural Bank of China – Zhongou China Securities and Financial Assets Management Plan (中歐基金–農業銀行–中歐中證金融資產管理計劃)	–	125,366,000	0.44	–	Unknown	–	Unknown

## CHANGE IN SHARES AND PARTICULARS OF SHAREHOLDERS

Name of shareholder (full name)	Shareholdings of the top ten shareholders						
	Change during the reporting period	Number of shares held at the end of the reporting period	Percentage (%)	Number of shares subject to trading moratorium held	Shares pledged or frozen		
					Pledged or frozen	Number	Nature of shareholder
ChinaAMC - Agricultural Bank of China - ChinaAMC China Securities and Financial Assets Management Plan (華夏基金－農業銀行－華夏中證金融資產管理計劃)	—	125,366,000	0.44	—	Unknown	—	Unknown
Yinhua Fund – Agricultural Bank of China – Yinhua China Securities and Financial Assets Management Plan (銀華基金－農業銀行－銀華中證金融資產管理計劃)	—	125,366,000	0.44	—	Unknown	—	Unknown
China Southern Asset Management – Agricultural Bank of China – China Southern Asset Management China Securities and Financial Assets Management Plan (南方基金－農業銀行－南方中證金融資產管理計劃)	—	125,366,000	0.44	—	Unknown	—	Unknown
ICBCCS Fund – Agricultural Bank of China – ICBCCS China Securities and Financial Assets Management Plan (工銀瑞信基金－農業銀行－工銀瑞信中證金融資產管理計劃)	—	125,366,000	0.44	—	Unknown	—	Unknown

## CHANGE IN SHARES AND PARTICULARS OF SHAREHOLDERS

## Shareholdings of the top ten shareholders not subject to trading moratorium

Name of shareholders	Number of tradable shares held not subject to trading moratorium	Class and number of shares	
		Class	Number
CRRCG	14,786,323,011	Ordinary shares denominated in RMB	14,786,323,011
HKSCC NOMINEES LIMITED <sup>Note</sup>	4,360,365,259	Overseas listed foreign shares	4,360,365,259
China Securities Finance Corporation Limited (中國證券金融股份有限公司)	1,356,282,807	Ordinary shares denominated in RMB	1,356,282,807
CRRG Financial and Securities Investment Co., Ltd. (中車金證投資有限公司)	380,172,012	Ordinary shares denominated in RMB	380,172,012
Central Huijin Asset Management Ltd. (中央匯金資產管理有限責任公司)	304,502,100	Ordinary shares denominated in RMB	304,502,100
Bosera Funds – Agricultural Bank of China – Bosera China Securities and Financial Assets Management Plan (博時基金–農業銀行–博時中證金融資產管理計劃)	125,366,000	Ordinary shares denominated in RMB	125,366,000
E Fund – Agricultural Bank of China – E Fund China Securities and Financial Assets Management Plan (易方達基金–農業銀行–易方達中證金融資產管理計劃)	125,366,000	Ordinary shares denominated in RMB	125,366,000
Dacheng Fund – Agricultural Bank of China – Dacheng China Securities and Financial Assets Management Plan (大成基金–農業銀行–大成中證金融資產管理計劃)	125,366,000	Ordinary shares denominated in RMB	125,366,000
Harvest Fund – Agricultural Bank of China – Harvest China Securities and Financial Assets Management Plan (嘉實基金–農業銀行–嘉實中證金融資產管理計劃)	125,366,000	Ordinary shares denominated in RMB	125,366,000
GF Fund – Agricultural Bank of China – GF China Securities and Financial Assets Management Plan (廣發基金–農業銀行–廣發中證金融資產管理計劃)	125,366,000	Ordinary shares denominated in RMB	125,366,000
Zhongou Asset – Agricultural Bank of China – Zhongou China Securities and Financial Assets Management Plan (中歐基金–農業銀行–中歐中證金融資產管理計劃)	125,366,000	Ordinary shares denominated in RMB	125,366,000
China AMC – Agricultural Bank of China – China AMC China Securities and Financial Assets Management Plan (華夏基金–農業銀行–華夏中證金融資產管理計劃)	125,366,000	Ordinary shares denominated in RMB	125,366,000
Yinhua Fund – Agricultural Bank of China – Yinhua China Securities and Financial Assets Management Plan (銀華基金–農業銀行–銀華中證金融資產管理計劃)	125,366,000	Ordinary shares denominated in RMB	125,366,000
China Southern Asset Management – Agricultural Bank of China – China Southern Asset Management China Securities and Financial Assets Management Plan (南方基金–農業銀行–南方中證金融資產管理計劃)	125,366,000	Ordinary shares denominated in RMB	125,366,000
ICBCCS Fund – Agricultural Bank of China – ICBCCS China Securities and Financial Assets Management Plan (工銀瑞信基金–農業銀行–工銀瑞信中證金融資產管理計劃)	125,366,000	Ordinary shares denominated in RMB	125,366,000

Connections or parties acting in concert among the aforesaid shareholders

CRRG Financial and Securities Investment Co., Ltd. is a wholly-owned subsidiary of CRRCG. Save for the above, the Company is not aware of any connections among the other shareholders above, nor aware of any parties acting in concert as defined in the Administrative Measures on Acquisitions by Listed Companies.

Note: H shares held by HKSCC Nominees Limited are held on behalf of its various clients.

## CHANGE IN SHARES AND PARTICULARS OF SHAREHOLDERS

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

Unit: share

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

Explanation on the connected or acting in concert relationship of the above shareholders

Both China Development Bank Jingcheng (Beijing) Investment Fund Co., Ltd. and China Development Bank Siyuan (Beijing) Investment Fund Co., Ltd. are corporate PE investment funds and are managed by China Development Bank Investment and Development Fund Management (Beijing) Co., Ltd., which is a wholly-owned subsidiary of China Development Bank Capital Corporation Limited (國開金融有限責任公司).

## CHANGE IN SHARES AND PARTICULARS OF SHAREHOLDERS

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

As at 30 June 2017, the persons set out in the table below had an interest or short position in the Company's shares as recorded in the register required to be kept under section 336 of the SFO:

Name of shareholders	Capacity	H shares or A shares	Nature of interest	Number of H shares or A shares held	Percentage of H shares or A shares held in the total issued H shares or total issued A shares (%)
CRRCG	Beneficial owner	A Shares	Long position	15,491,375,889	63.68
	Interest of corporation controlled by the substantial shareholder	A Shares	Long position	473,257,727	1.95
Himalaya Capital Investors, L.P.	Beneficial owner	H Shares	Long position	267,904,000	6.13
Li Lu	Interest of corporation controlled by the substantial shareholder	H Shares	Long position	267,904,000	6.13
LL Group, LLC	Interest of corporation controlled by the substantial shareholder	H Shares	Long position	267,904,000	6.13
BlackRock, Inc.	Interest of corporation controlled by the substantial shareholder	H Shares	Long position	249,581,184	5.71
	Interest of corporation controlled by the substantial shareholder	H Shares	Short position	10,916,000	0.25

*Note:*

- (1) As at 30 June 2017, CRRCG held 93,085,715 A shares through CSR Capital Company and 380,172,012 A shares through CRRC Financial and Securities Investment Co., Ltd.. As at 31 July 2017, CSR Capital Company transferred its all 93,085,715 A shares in the Company to CRRC Financial and Securities Investment Co., Ltd. at nil consideration, CRRCG then holds 473,257,727 A shares through CRRC Financial and Securities Investment Co., Ltd..
- (2) Except for the 15,964,633,616 A shares of the Company held by CRRCG and the proportion details, other information disclosed hereby is based on the information available on the website of the Stock Exchange at ([www.hkex.com.hk](http://www.hkex.com.hk)).

Save as disclosed above, as far as the Directors are aware, as at 30 June 2017, no other person had interests and/or short positions in the shares or underlying shares (as the case may be) of the Company which were required to be recorded in the register pursuant to section 336 of Part XV of the SFO, or was otherwise a substantial shareholder (as defined in the Hong Kong Listing Rules) of the Company.

## CHANGE IN SHARES AND PARTICULARS OF SHAREHOLDERS

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

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

**III. CHANGES IN THE CONTROLLING SHAREHOLDER OR THE ULTIMATE CONTROLLER**

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

## DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

### I. CHANGES IN SHAREHOLDING

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

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

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

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

#### (III) Shareholding interests of Directors, Supervisors and chief executive

As at 30 June 2017, the following Directors and Supervisors had interests in the A shares of the Company and relevant details are set out as follows:

Name	Position	Capacity	Type of shares held	Number of shares held
Liu Hualong	Chairman, Executive Director	Beneficial owner	A Shares	50,000
Xi Guohua <sup>Note</sup>	Vice chairman, Executive Director, President	Beneficial owner	A Shares	231,800
Sun Yongcai	Executive Director	Beneficial owner	A Shares	111,650
Qiu Wei	Employee Representative Supervisor	Beneficial owner	A Shares	30,000

*Note:* Mr. Xi Guohua tendered his written resignation as vice chairman of the Board, executive Director, president, a member of the Strategy Committee of the Board and a member of the Nomination Committee of the Board due to work adjustment with effect from 26 July 2017 when serving his written resignation on the Board.

Save as disclosed above, as at 30 June 2017, none of the Directors, Supervisors or chief executives 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.

## DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

**II. CHANGES IN DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT**

<b>Name</b>	<b>Position</b>	<b>Change</b>
Zhang Zhong	Independent non-executive Director	Resignation
Sun Yongcai	Vice president	Resignation
Sun Yongcai	Executive Director	Election
Xu Zongxiang	Executive Director	Election
Xi Guohua	Vice chairman of the Board, executive Director, president	Resignation

Note:

On 22 May 2017, Mr. Sun Yongcai resigned from his position as vice president of the Company. On 20 June 2017, Mr. Sun Yongcai and Mr. Xu Zongxiang were newly elected at the annual general meeting as executive Directors of the first session of the Board of the Company and their term of office shall end on the date of expiry of the term of office of the first session of the Board.

On 20 June 2017, Mr. Zhang Zhong, an independent non-executive Director of the Company, has ceased to hold his positions with the Company as an independent non-executive Director, a member of the Audit and Risk Management Committee, vice chairman and a member of the Nomination Committee and a member of the Remuneration and Evaluation Committee of the Board due to his age.

On 27 June 2017, Mr. Sun Yongcai, Mr. Xu Zongxiang and Mr. Li Guo'an were added as members of the Strategy Committee; Mr. Wu Zhuo was added as a member of the Audit and Risk Management Committee; Mr. Sun Patrick was added as a member of the Nomination Committee; and Mr. Liu Zhiyong was added as a member of the Remuneration and Evaluation Committee. The terms of office of the above members shall end on the date of expiry of the term of office of the first session of the Board of the Company.

On 26 July 2017, Mr. Xi Guohua resigned from his position as vice chairman of the Board, executive Director, president, a member of the Strategy Committee of the Board and a member of the Nomination Committee of the Board due to work adjustment.

## RELEVANT INFORMATION OF CORPORATE BONDS

### I. BASIC INFORMATION OF CORPORATE BONDS

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

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

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

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

#### Interests payment for corporate bonds

On 19 April 2017, CRRC Corporation Limited published its Announcement on Interests Payment of 13 CSR 01 Corporate Bond and Announcement on Interests Payment of 13 CSR 02 Corporate Bond and paid the interests of 13 CSR 01 and 13 CSR 02 for the period from 22 April 2016 to 21 April 2017 on 24 April 2017 (as 22 April was not a trading day, therefore it was postponed to the next working day after that date). No interests payment was made for 16 CRRC 01 during the reporting period.

### 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 the second meeting of bondholders of 2013 corporate bond of CSR Corporation Limited (first tranche) in 2015 at meeting room No. 2810 of China International Capital Corporation Limited at 28th Floor, China World Office 2, 1 Jianguomenwai Avenue, Beijing, P.R. China, where the Proposal on CRRC Group’s Assumption of CSR Group’s Obligation of Guarantee for this Tranche of Bond (《關於中國中車集團公司承繼中國南車集團公司對本期債券擔保義務的議案》) was considered and approved. On 24 September 2015, CNRG completed the registration of change of name and changed its name to “CRRC Group (中國中車集團公司)”. The obligation of CSRG as a guarantor for the 2013 five-year corporate bond of CSR Corporation Limited (first tranche) and the 2013 ten-year corporate bond of CSR Corporation Limited (first tranche) was assumed by CRRCG.

From 2014 to 2016 and January to March 2017, there was no material default in the course of business of CRRCG with its major customers or any delay in the repayment of principal and interest on debt financing instruments.

## RELEVANT INFORMATION OF CORPORATE BONDS

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

Major indicator	End of the reporting period	End of last year	Change between the end of the reporting period and the end of last year (%)	Reasons of the change
	Reporting period (January to June)	Same period last year	Change between the reporting period and the same period last year (%)	
Current ratio	1.21	1.20	0.83	—
Quick ratio	0.75	0.76	-1.32	—
Gearing ratio	62.87%	63.41%	-0.85	—
Loan repayment rate	1.00	1.00	—	—
EBITDA interest coverage multiple	14.23	20.35	-30.07	EBITDA decreased as compared with that of last period
Interest coverage	1.33	1.39	-4.32	—

## RELEVANT INFORMATION OF CORPORATE BONDS

## IV. BANK CREDIT FACILITIES OF THE COMPANY DURING THE REPORTING PERIOD

The table below sets forth details on the amount of bank credit facilities, the utilized amount and the outstanding credit facilities of the Company as at 30 June 2017:

Unit: '000 Currency: RMB

Name of bank	Amount of credit facilities	Utilized amount	Outstanding credit facilities
CITIC Bank	28,000,000	568,132	27,431,868
The Export-Import Bank	24,000,000	535,000	23,465,000
Bank of China	20,000,000	2,161,372	17,838,628
China Minsheng Bank	20,000,000	6,784,000	13,216,000
China Development Bank	15,800,000	3,800,000	12,000,000
ICBC	13,500,000	3,566,984	9,933,016
China Construction Bank	11,500,000	2,905,032	8,594,968
China Merchants Bank	10,000,000	2,000,000	8,000,000
Agricultural Bank of China	9,440,000	1,150,000	8,290,000
Bank of Beijing	7,500,000	—	7,500,000
Bank of Communications	6,500,000	1,000,000	5,500,000
Everbright Bank	3,500,000	100,000	3,400,000
Beijing Rural Commercial Bank	3,500,000	1,400,000	2,100,000
Industrial Bank	3,000,000	1,000,000	2,000,000
SPD Bank	2,500,000	—	2,500,000
Bank of Kunlun	2,300,000	2,000,000	300,000
Total	181,040,000	28,970,520	152,069,480

Unit: '000 Currency: US dollars

Name of bank	Amount of credit facilities	Utilized amount	Outstanding credit facilities
Standard Chartered Bank	450,000	—	450,000
DBS	100,000	2,416	97,584
Total	550,000	2,416	547,584

## RELEVANT INFORMATION OF CORPORATE BONDS

### **V. DESCRIPTION OF THE EXECUTION OF RELEVANT COVENANTS OR UNDERTAKINGS SET OUT IN THE PROSPECTUS OF CORPORATE BONDS OF THE COMPANY DURING THE REPORTING PERIOD**

During the durations of the bonds, China International Capital Corporation Limited, as the bond trustee of the 2013 five-year corporate bond of CSR Corporation Limited (first tranche), the 2013 ten-year corporate bond of CSR Corporation Limited (first tranche) and the 2016 corporate bond of CRRC Corporation Limited (first tranche), has strictly followed the Bond Trustee Management Agreement and continuously tracked the Company's credit status, utilization of bond proceeds and repayment of principals and interests. The bond trustee has also advised the Company to fulfill obligations as described in the corporate bond prospectus and actively exercised its duty to protect the bondholders' legitimate rights and interests.

### **VI. SIGNIFICANT EVENTS OF THE COMPANY AND THEIR IMPACTS ON THE OPERATION AND SOLVENCY OF THE COMPANY**

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

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2017

		Six months ended 30 June	
Notes	2017	2016	
	RMB'000	RMB'000	
Revenue	4	86,825,745	92,321,137
Cost of sales		(68,242,146)	(71,678,953)
Gross profit		18,583,599	20,642,184
Other income and gains and losses	4	1,064,139	1,193,497
Distribution and selling expenses		(2,815,874)	(3,178,659)
Administrative expenses		(10,368,870)	(9,987,283)
Other expenses	5	(460,526)	(837,089)
Finance costs	6	(594,915)	(608,618)
Share of profits of:			
Joint ventures		49,200	98,361
Associates		184,032	234,938
Profit before taxation	7	5,640,785	7,557,331
Income tax expense	8	(1,036,781)	(1,482,948)
Profit for the period		4,604,004	6,074,383
Other comprehensive income, net of income tax			
<i>Items that will not be reclassified to profit or loss:</i>			
Re-measurement of retirement benefit pension plans		—	—
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Net gain (loss) on revaluation of available-for-sale financial assets		99,074	(1,196)
Income tax relating to items that may be reclassified subsequently		(16,814)	(1,020)
Share of other comprehensive income of associates		4,257	33,903
Exchange differences arising on translation		(41,035)	(68,340)
Other comprehensive income (expense) for the period, net of income tax		45,482	(36,653)
Total comprehensive income for the period		4,649,486	6,037,730

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
FOR THE SIX MONTHS ENDED 30 JUNE 2017

		<b>Six months ended 30 June</b>	
Notes	2017	2016	
	RMB'000	RMB'000	
Profit for the period attributable to:			
Owners of the Company	3,672,542	4,794,773	
Non-controlling interests	931,462	1,279,610	
	<b>4,604,004</b>	<b>6,074,383</b>	
Total comprehensive income for the period attributable to:			
Owners of the Company	3,700,301	4,787,576	
Non-controlling interests	949,185	1,250,154	
	<b>4,649,486</b>	<b>6,037,730</b>	
Earnings per share (RMB)			
– Basic	0.13	0.18	10
– Diluted	0.12	0.18	

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2017

	Notes	30 June 2017 RMB'000	31 December 2016 RMB'000
<b>Non-current Assets</b>			
Property, plant and equipment	11	65,968,059	66,364,108
Investment properties		1,032,089	969,537
Prepaid lease payments	12	14,987,149	14,492,402
Goodwill		1,281,491	1,286,760
Other intangible assets		2,619,115	2,819,779
Interests in joint ventures		1,383,652	1,276,435
Interests in associates	13	7,357,840	7,195,541
Loans and advances to customers		200,741	203,144
Available-for-sale investments		4,058,219	3,819,162
Held to maturity investment		1,258,098	966,970
Deferred tax assets		3,122,283	3,009,338
Other non-current assets	14	15,267,155	14,953,993
		<b>118,535,891</b>	<b>117,357,169</b>
<b>Current Assets</b>			
Prepaid lease payments	12	396,578	364,163
Inventories	15	67,524,773	54,401,578
Available-for-sale investments		409,274	51,699
Trade receivables	16	96,610,204	74,052,872
Bills receivable	17	12,456,855	15,099,951
Prepayments, deposits and other receivables	18	28,700,109	30,501,413
Financial assets at fair value through profit or loss		798,346	731,916
Amounts due from customers for contract work		25,627	14,586
Tax recoverable		180,634	140,282
Pledged bank deposits	19	3,819,549	4,561,051
Cash and bank balances	19	31,209,831	41,033,932
		<b>242,131,780</b>	<b>220,953,443</b>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2017

	Notes	30 June 2017 RMB'000	31 December 2016 RMB'000
<b>Current Liabilities</b>			
Trade payables	20	103,745,775	91,949,851
Bills payable	21	17,060,912	19,797,275
Other payables and accruals	22	42,596,589	38,217,294
Financial liabilities at fair value through profit or loss		—	16,983
Borrowings - due within one year	23	31,404,523	27,184,026
Retirement benefit obligations		228,825	319,782
Tax payable		748,120	1,272,252
Due to customers		1,183,772	2,711,370
Long-term payable - current portion		56,272	90,688
Provision for warranties		1,894,389	1,865,822
Deferred income		625,304	801,832
		<b>199,544,481</b>	<b>184,227,175</b>
<b>Net Current Assets</b>		<b>42,587,299</b>	<b>36,726,268</b>
<b>Total Assets less Current Liabilities</b>		<b>161,123,190</b>	<b>154,083,437</b>
<b>Capital and Reserves</b>			
Share capital	24	28,698,864	27,288,758
Reserves		85,758,896	77,567,851
<b>Equity attributable to owners of the Company</b>		<b>114,457,760</b>	<b>104,856,609</b>
<b>Non-controlling interests</b>		<b>19,459,203</b>	<b>18,948,007</b>
<b>Total Equity</b>		<b>133,916,963</b>	<b>123,804,616</b>
<b>Non-current Liabilities</b>			
Borrowings - due after one year	23	7,745,469	10,712,670
Long-term payable		179,808	212,679
Retirement benefit obligations		3,607,720	3,516,307
Provision for warranties		4,449,100	4,535,894
Deferred income		5,948,026	5,944,764
Deferred tax liabilities		212,042	235,835
Convertible bonds-debt component	25	3,716,762	3,758,742
Convertible bonds-derivative component	25	310,829	366,097
Other non-current liabilities		1,036,471	995,833
		<b>27,206,227</b>	<b>30,278,821</b>
<b>Total Equity and Non-current Liabilities</b>		<b>161,123,190</b>	<b>154,083,437</b>

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2017

	Attributable to owners of the Company										Non-controlling interests RMB'000	Total equity RMB'000
	Share capital RMB'000	Capital reserve RMB'000	Available-for-sale investments revaluation reserve RMB'000	Retirement benefit obligations re-measurement reserve RMB'000	Statutory surplus reserve RMB'000 (Note i)	Special reserve RMB'000 (Note ii)	General risk reserve RMB'000 (Note iii)	Translation reserve RMB'000	Retained earnings RMB'000 (Note iv)	Total RMB'000		
At 1 January 2017	27,288,758	30,167,624	235,652	(474,615)	2,273,807	49,957	551,265	(65,072)	44,829,233	104,856,609	18,948,007	123,804,616
Profit for the period	-	-	-	-	-	-	-	-	3,672,542	3,672,542	931,462	4,604,004
Other comprehensive income for the period												
Change in fair value of available-for-sale investments, net of tax	-	-	82,754	-	-	-	-	-	-	82,754	(494)	82,260
Share of other comprehensive income of associates	-	-	4,257	-	-	-	-	-	-	4,257	-	4,257
Exchange differences arising on translation of foreign operations	-	-	-	-	-	-	-	(59,252)	-	(59,252)	18,217	(41,035)
Total comprehensive income for the period	-	-	87,011	-	-	-	-	(59,252)	3,672,542	3,700,301	949,165	4,649,466
Non-public offering of A shares (Note v)	1,410,106	10,523,999	-	-	-	-	-	-	-	11,934,105	-	11,934,105
Disposal of a subsidiary	-	-	-	-	-	-	-	-	-	-	264	264
Acquisition of non-controlling interests	-	(6,838)	-	-	-	-	-	-	-	(6,838)	(29,552)	(36,390)
Capital contribution from non-controlling shareholders	-	-	-	-	-	-	-	-	-	-	56,905	56,905
Dividends declared to non-controlling shareholders of subsidiaries	-	-	-	-	-	-	-	-	-	-	(458,886)	(458,886)
Dividends distributed	-	-	-	-	-	-	-	-	(6,026,761)	(6,026,761)	-	(6,026,761)
Appropriation of special reserves	-	-	-	-	-	142,395	-	-	(142,395)	-	-	-
Utilisation of special reserves	-	-	-	-	-	(142,395)	-	-	142,395	-	-	-
Others	-	344	-	-	-	-	-	-	-	344	(6,720)	(6,376)
At 30 June 2017	28,698,864	40,685,129	322,663	(474,615)	2,273,807	49,957	551,265	(124,324)	42,475,014	114,457,760	19,459,203	133,916,963

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE SIX MONTHS ENDED 30 JUNE 2017

	Attributable to owners of the Company										Non-controlling interests RMB'000	Total equity RMB'000
	Share capital RMB'000	Capital reserve RMB'000	Available-for-sale investments revaluation reserve RMB'000	Retirement benefit obligations re-measurement reserve RMB'000	Statutory surplus reserve RMB'000 (Note i)	Special reserve RMB'000 (Note ii)	General risk reserve RMB'000 (Note ii)	Translation reserve RMB'000	Retained earnings RMB'000 (Note iv)	Total RMB'000		
At 1 January 2016	27,288,758	29,960,109	(209,791)	(524,230)	1,801,679	49,957	339,689	(117,066)	38,311,211	96,900,316	16,674,257	113,574,573
Profit for the period	-	-	-	-	-	-	-	-	4,794,773	4,794,773	1,279,610	6,074,383
Other comprehensive income for the period												
Change in fair value of available-for-sale investments, net of tax	-	-	(2,318)	-	-	-	-	-	-	(2,318)	102	(2,216)
Share of other comprehensive income of associates	-	-	33,903	-	-	-	-	-	-	33,903	-	33,903
Exchange differences arising on translation of foreign operations	-	-	-	-	-	-	-	(38,782)	-	(38,782)	(29,558)	(68,340)
Total comprehensive income for the period	-	-	31,585	-	-	-	-	(38,782)	4,794,773	4,787,576	1,250,154	6,037,730
Acquisition of a subsidiary	-	-	-	-	-	-	-	-	-	-	2,399	2,399
Disposal of a subsidiary	-	-	-	-	-	-	-	-	-	-	5,751	5,751
Acquisition of non-controlling interests (Note vi)	-	6,235	-	-	-	-	-	-	(556)	5,679	(82,740)	(77,061)
Capital contribution from non-controlling shareholders	-	687	-	-	-	-	-	-	-	687	89,747	90,434
Dividends declared to non-controlling shareholders of subsidiaries	-	-	-	-	-	-	-	-	-	-	(604,919)	(604,919)
Dividends distributed	-	-	-	-	-	-	-	-	(4,093,314)	(4,093,314)	-	(4,093,314)
Appropriation of special reserves	-	-	-	-	-	151,924	-	-	(151,924)	-	-	-
Utilisation of special reserves	-	-	-	-	-	(151,924)	-	-	151,924	-	-	-
Others	-	2,239	-	-	-	-	-	-	-	2,239	421	2,660
At 30 June 2016	27,288,758	29,969,270	(178,206)	(524,230)	1,801,679	49,957	339,689	(155,848)	39,012,114	97,603,183	17,335,070	114,938,253

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2017

- Note i: According to relevant laws and regulations of the PRC, an entity established under the PRC Company Law is required to make an appropriation at 10 percent of the profit for the year as shown in the PRC statutory financial statements, prepared in accordance with the PRC accounting standards, to the statutory surplus reserve fund until the balance reaches 50 percent of the registered capital of that entity. The reserve appropriated can only be used to make up losses or to increase the registered capital of that entity and is not distributable.
- Note ii: Pursuant to the relevant regulations of the PRC, the Group is required to transfer safety production funds at fixed rates based on production volume to a specific reserve accounts. The safety production funds could be utilised when expenses or capital expenditures on safety measures occur. The amount of safety production funds utilised would be transferred from the specific reserve account to retained earnings.
- Note iii: According to the relevant provisions of the Ministry of Finance, CRRC Finance Co., Ltd ("Finance Company"), subsidiary of the Company, is required to make an appropriation of general risk reserve from net profit as profit distribution, the balance of general risk reserve should not be less than 1.5 percent of risk assets at 30 June 2017. According to the resolution of board of directors, Finance Company made no provision for general risk reserve during the six months ended 30 June 2017 (six months ended 30 June 2016: Nil).
- Note iv: It included statutory surplus reserve provided by subsidiaries amounting to RMB9,663,603,000 (six months ended 30 June 2016: RMB7,322,071,000) as at 30 June 2017.
- Note v: The Company completed the non-public offering of 1,410,106,000 A shares with par value RMB1.00 each, and the issue price was RMB8.51 per share, which was approved by the China Securities Regulatory Commission ("CSRC") through Zheng Jian Xu Ke [2016] No. 3203. The net amount of proceeds from the non-public offering of A shares was RMB11,934,105,000, including share capital which increased by RMB1,410,106,000, and capital reserve which increased by RMB10,523,999,000.
- Note vi: During the six months ended 30 June 2016, CRRC Nanjing Puzhen Co., Ltd. ("CRRC NP"), a wholly owned subsidiary of the Company, obtained 20% equity interest of Nanjing Puzhen Haitai Braking Equipment Co., Ltd, a subsidiary of the Group, at a cash consideration of RMB77,061,000, which caused an increase of RMB6,235,000 in capital reserve and a decrease of RMB83,296,000 in non-controlling interests. During the six months ended 30 June 2016, both CRRC Zhuzhou Institute Co., Ltd ("CRRC ZI"), a wholly owned subsidiary of the Company, and the non-controlling shareholders of CRRC Hunan Times Electromobile Co., Ltd ("HTE"), a subsidiary of the Group, made a capital contribution to HTE not on the original proportion of equity interest and resulted in increasing CRRC ZI's equity interest of HTE by 1.3%, which caused a decrease of RMB556,000 in retained earnings and an increase of RMB556,000 in non-controlling interests.

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2017

	Six months ended 30 June	
	2017 RMB'000	2016 RMB'000
Net cash used in operating activities	(17,509,635)	(8,118,373)
Net cash generated from (used in) investing activities	4,169,351	(9,855,186)
Net cash generated from financing activities	9,287,831	13,604,525
Net decrease in cash and cash equivalents	(4,052,453)	(4,369,034)
Cash and cash equivalents at 1 January	28,014,246	29,944,221
Effect of foreign exchange rate changes	(85,024)	182,559
Cash and cash equivalents at 30 June, represented by Bank balances and cash	23,876,769	25,757,746

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2017

## 1. GENERAL AND BASIS OF PREPARATION

CRRC Corporation Limited (formerly known as CSR Corporation Limited (“CSR”)) (“CRRC” or “the Company”) was incorporated in the PRC on 28 December 2007 as a joint stock company with limited liability under the Company Law of the PRC. CRRC’s A shares were listed on the Shanghai Stock Exchange (the “SSE”) on 18 August 2008 and the CRRC’s H shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “HKSE”) on 21 August 2008. In 2012, the CRRC completed the non-public offering and the total number of shares became 13,803,000,000 after the offering. In 2015, the CSR merged China CNR Corporation Limited (“CNR”) by adoption by CSR issuing, on the basis of a single exchange ratio, CSR A shares and CSR H shares to holders of CNR A shares and CNR H shares respectively in exchange for all of the issued shares of CNR (the “2015 Business Combination”). In 2017, the Company completed the non-public offering of 1,410,106,000 A shares with par value RMB1.00 each, and the issue price was RMB8.51 per share, which was approved by CSRC through Zheng Jian Xu Ke [2016] No. 3203. The details of the A shares and H shares’ issuance are set out in note 24.

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

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

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

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2017

### 2. PRINCIPAL ACCOUNTING POLICIES

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

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2017 are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2016.

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

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

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

### 3. SEGMENT INFORMATION

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

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE SIX MONTHS ENDED 30 JUNE 2017

#### 4. REVENUE, OTHER INCOME AND GAINS AND LOSSES

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

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

	Six months ended 30 June	
	2017 RMB'000	2016 RMB'000
<b>Revenue</b>		
Sales of goods and services	86,610,837	92,210,752
Interest income arising from Finance Company	214,673	109,446
Fee and commission income	235	939
	<b>86,825,745</b>	<b>92,321,137</b>
<b>Other income</b>		
Government grants	390,315	449,237
Profit from sundry operations	178,754	120,868
Interest income from banks	171,207	154,169
Value-added tax refunds	105,413	206,446
Income from corporate wealth management products	57,923	49,110
Dividend income	39,402	39,349
Technical service income	31,246	80,781
Interest from held-to-maturity investment	25,705	—
Rental of items of properties	23,061	11,583
Others	47,573	—
	<b>1,070,599</b>	<b>1,111,543</b>
<b>Other gains and losses</b>		
Gain on fair value change of convertible bonds derivative component (Note 25)	46,351	3,485
Gain on disposal of available-for-sale investments	39,377	2,391
Gain (loss) on fair value change of derivative financial instrument	29,358	(790)
Gain on disposal of subsidiaries (Note 27)	2,869	11,212
Gain on disposal of other intangible assets	912	11
Gain (loss) on disposal of property, plant and equipment	163	(5,298)
Net foreign exchange (loss) gain	(152,859)	21,524
Others	27,369	49,419
	<b>(6,460)</b>	<b>81,954</b>
	<b>1,064,139</b>	<b>1,193,497</b>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE SIX MONTHS ENDED 30 JUNE 2017

## 5. OTHER EXPENSES

	Six months ended 30 June	
	2017 RMB'000	2016 RMB'000
Included in other expenses, net:		
Impairment of long-term receivables	288,059	7,167
Impairment of trade receivables	137,319	511,205
Impairment of prepayments, deposits and other receivables	23,465	89,152
Impairment of other intangible assets	6,520	—
Relocation expense	4,590	5,201
Impairment of available-for-sale investments	700	222,579
Provision of onerous contracts	—	3,199
Reversal of loans and advances to customers	(177)	(1,414)
Others	50	—
	<b>460,526</b>	<b>837,089</b>

## 6. FINANCE COSTS

An analysis of finance costs is as follows:

	Six months ended 30 June	
	2017 RMB'000	2016 RMB'000
Interest on borrowings	605,161	587,995
Interest cost recognised in respect of defined benefit obligations	55,871	55,272
Interest expenses on 2016 convertible bonds (Note 25)	46,822	35,302
Interest on bills discounted	11,676	31,211
Interest on finance leases	3,583	3,990
Others	2,557	3,550
Less: Interest capitalised in construction in progress	(130,755)	(108,702)
	<b>594,915</b>	<b>608,618</b>

Borrowing costs capitalised during the period mainly arose on the general borrowing pool and are calculated by applying a capitalisation rate ranging from 1.08% to 5.65% (six months ended 30 June 2016: 1.08% to 6.88%) per annum to expenditure on qualifying assets.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE SIX MONTHS ENDED 30 JUNE 2017

## 7. PROFIT BEFORE TAXATION

Profit before taxation has been arrived at after charging:

	Six months ended 30 June	
	2017 RMB'000	2016 RMB'000
Cost of inventories sold (Note)	68,216,222	71,644,437
Depreciation of items of property, plant and equipment	2,706,503	2,464,711
Depreciation of investment properties	15,677	13,949
Depreciation of other non-current assets	26,178	28,990
Amortisation of prepaid lease prepayments	176,087	171,035
Amortisation of other intangible assets	322,931	400,318
Provision for warranties	1,077,176	1,488,030
Minimum lease payments under operating leases:		
Plant and machinery	176,323	252,251
Land and buildings	155,624	87,446
Research and development costs	4,351,670	4,012,378
Less: Amount capitalised	(6,702)	(1,207)
	<b>4,344,968</b>	<b>4,011,171</b>

Note: Provision against obsolete inventories amounted to RMB204,804,000 (six months ended 30 June 2016: RMB248,776,000) in the interim period and was included in "Cost of sales" on the condensed consolidated statement of profit or loss and other comprehensive income.

## 8. INCOME TAX EXPENSE

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

	Six months ended 30 June	
	2017 RMB'000	2016 RMB'000
Current tax charge comprises		
PRC enterprise income tax	1,157,745	1,763,148
Hong Kong Profits Tax	8,861	6,709
Other jurisdictions	35,432	17,105
	<b>1,202,038</b>	<b>1,786,962</b>
(Over) under provision in previous year		
PRC enterprise income tax	(11,705)	20,368
Deferred tax credit	(153,552)	(324,382)
	<b>1,036,781</b>	<b>1,482,948</b>

Pursuant to the relevant laws and regulations in the PRC, the statutory enterprise income tax rate of 25% (six months ended 30 June 2016: 25%) is applied to the Group, except for certain subsidiaries which were either exempted from tax or entitled to different preferential tax rates during the years. Certain subsidiaries of the Company are entitled to the preferential tax rate of 15% (six months ended 30 June 2016: 15%) because they are recognised as the high and new technology enterprises by the local governments in the PRC.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2017

### 8. INCOME TAX EXPENSE (continued)

Hong Kong Profits Tax has been provided at the rate of 16.5% (six months ended 30 June 2016: 16.5%) on the estimated assessable profits arising in Hong Kong for the period.

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

### 9. DIVIDENDS

Dividends recognised as distribution in the interim period:

	Six months ended 30 June	
	2017 RMB'000	2016 RMB'000
Dividend paid:		
RMB0.21 (2016:RMB0.15) per share by the Company	6,026,761	4,093,314

The final dividend of RMB6,026,761,000 in respect of the year ended 31 December 2016 (final dividend of RMB4,093,314,000 in respect of the year ended 31 December 2015), was approved by shareholders in the annual general meeting in June 2017. The directors of the Company do not recommend the payment of an interim dividend for the six months ended 30 June 2017 (six months ended 30 June 2016: Nil).

### 10. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2017 RMB'000	2016 RMB'000
<b>Earnings</b>		
Earnings for the purpose of basic earnings per share (profit for the period attributable to owners of the Company)	3,672,542	4,794,773
Effect of effective interest on the debt component of 2016 convertible bonds (Note 25)	46,822	26,477
Effect of gain recognised on the derivative component of 2016 convertible bonds (Note 25)	(46,351)	(2,614)
Effect of exchange adjustments recognised on the 2016 convertible bonds (Note 25)	(97,719)	44,762
Earnings for the purpose of diluted earnings per share	3,575,294	4,863,398

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE SIX MONTHS ENDED 30 JUNE 2017

## 10. EARNINGS PER SHARE *(continued)*

	Six months ended 30 June	
	2017 '000 shares	2016 '000 shares
<b>Weighted average number of shares</b>		
Number of ordinary shares		
for the purpose of basic earnings per share	28,574,214	27,288,758
effect of conversion of 2016 convertible bonds	492,074	391,344
Weighted average number of ordinary shares		
for the purpose of diluted earnings per share	29,066,288	27,680,102

## 11. PROPERTY, PLANT AND EQUIPMENT

In the current interim period, the Group acquired property, plant and equipment of RMB733,376,000 (six months ended 30 June 2016: RMB380,134,000, including RMB230,000 through acquisition of subsidiaries).

In addition, the Group incurred costs for construction in progress of RMB2,266,898,000 (six months ended 30 June 2016: RMB3,330,545,000).

In the current interim period, the Group disposed of property, plant and equipment with a net book value of RMB246,482,000 (six months ended 30 June 2016: RMB113,433,000) which resulted in a net gain on disposal of RMB163,000 (six months ended 30 June 2016: net loss on disposal of RMB5,298,000).

The amount of borrowing costs capitalised in the six months ended 30 June 2017 was RMB130,755,000 (six months ended 30 June 2016: RMB108,702,000). The weighted average rate used to determine the amount of borrowing costs eligible for capitalisation was 1.08%-5.65% (six months ended 30 June 2016: 1.08%-6.88%).

Property, plant and equipment with an aggregate carrying amount of RMB23,800,000 (31 December 2016: RMB67,049,000) are pledged for acquiring bank borrowings.

The Group is in the process of applying for the title certificates for certain of its buildings with an aggregate carrying amount of RMB9,750,845,000 (31 December 2016: RMB9,006,192,000) at 30 June 2017. The directors of the Company are of the opinion that the Group is entitled to lawfully and validly occupy or use these buildings.

## 12. PREPAID LEASE PAYMENTS

The leasehold lands are held under medium term leases and are situated in the PRC, except for the leasehold lands with a carrying amount of RMB8,146,000 (31 December 2016: RMB8,168,000) are located in the Malaysia. The Group is in the process of obtaining the land use right certificates for certain land use rights with carrying amount of RMB249,041,000 (31 December 2016: RMB310,024,000) located in the PRC. The directors of the Company are of the opinion that the Group is entitled to lawfully and validly occupy or use these land use rights.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE SIX MONTHS ENDED 30 JUNE 2017

### 13. INTERESTS IN ASSOCIATES

	30 June 2017 RMB'000	31 December 2016 RMB'000
Cost of investments, unlisted	6,760,612	6,716,612
Share of post-acquisition profit and other comprehensive income, net of dividends received	597,228	478,929
Carrying amount	7,357,840	7,195,541

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

Particulars of the principal associate of the Group at 30 June 2017 are as follow:

Company name	Date of establishments	Place of operation	Fully paid up registered capital	Proportion of ownership interest and voting rights held		Principal activities
				30 June 2017	31 December 2016	
China United Insurance. Holding Corporation ("China United Insurance") 中華聯合保險控股股份有限公司	5 June 2006	PRC	RMB15,310,000,000	13.0633%	13.0633%	Insurance

The Company holds 13.0633% equity interest of China United Insurance and has the right to appoint a director on the board since the date of purchase. Thus, the Company has the right to participate in the decision-making procedure of China United Insurance and has significant influence over it.

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

The above table lists the principal associate of the Group. To give details of other associates would, in the opinion of the directors of the Company, result in particulars of excessive length.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE SIX MONTHS ENDED 30 JUNE 2017

### 13. INTERESTS IN ASSOCIATES *(continued)*

#### Summarised financial information of material associate

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

#### China United Insurance

	30 June 2017 RMB'000	31 December 2016 RMB'000
Total assets	72,976,824	64,307,123
Total liabilities	56,665,585	48,764,451
	Six months ended 30 June 2017 RMB'000	Period from date of purchase to 30 June 2016 RMB'000
Revenue	19,115,326	13,263,961
Profit for the period	732,769	1,354,762
Profit attributable to owners of China United Insurance	639,616	1,284,392
Other comprehensive income for the period	35,797	259,529
Total comprehensive income for the period	768,566	1,543,921
Dividends received from the associate in the period	—	—

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

	30 June 2017 RMB'000	31 December 2016 RMB'000
Net assets of China United Insurance	16,311,239	15,542,672
Less: Non-controlling interests of China United Insurance's subsidiaries	1,782,393	1,686,030
Proportion of the Group's ownership interest in China United Insurance	13.0633%	13.0633%
Goodwill on acquisition of China United Insurance	2,982,365	2,982,365
Carrying amount of the Group's interest in China United Insurance	4,880,312	4,792,500

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE SIX MONTHS ENDED 30 JUNE 2017

### 13. INTERESTS IN ASSOCIATES *(continued)*

#### Summarised financial information of material associate *(continued)*

##### China United Insurance *(continued)*

Aggregate information of associates that are not individually material:

	Six months ended 30 June	
	2017 RMB'000	2016 RMB'000
The Group's share of profit and total comprehensive income for the current interim period	100,477	67,154
	30 June 2017 RMB'000	31 December 2016 RMB'000
	2,477,528	2,403,041
Aggregate carrying amount of the Group's interests in these associates		

### 14. OTHER NON-CURRENT ASSETS

	30 June 2017 RMB'000	31 December 2016 RMB'000
Prepayments for other intangible assets	966,590	1,235,002
Long-term prepaid expenses	179,552	192,487
Deposits for acquisition of property, plant and equipment	1,396,977	1,044,282
Build-Transfer project	394,692	394,692
Long-term receivables	11,024,798	11,012,361
Senior notes	1,125,005	946,595
Others	179,541	128,574
	15,267,155	14,953,993

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE SIX MONTHS ENDED 30 JUNE 2017

## 15. INVENTORIES

	30 June 2017 RMB'000	31 December 2016 RMB'000
Cost, net of provision		
Raw materials	22,014,180	18,879,793
Work in progress	32,702,292	23,187,373
Finished goods	12,808,301	12,334,412
	<b>67,524,773</b>	<b>54,401,578</b>

## 16. TRADE RECEIVABLES

	30 June 2017 RMB'000	31 December 2016 RMB'000
Trade receivables	100,899,862	78,285,528
Less: allowance for doubtful debts	(4,289,658)	(4,232,656)
	<b>96,610,204</b>	<b>74,052,872</b>

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

	30 June 2017 RMB'000	31 December 2016 RMB'000
Within 6 months	62,837,354	53,235,286
6 months to 1 year	24,067,059	11,213,962
Over 1 year	9,705,791	9,603,624
	<b>96,610,204</b>	<b>74,052,872</b>

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

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2017

**17. BILLS RECEIVABLE**

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

	2017 RMB'000	2016 RMB'000
Within 6 months	11,368,045	12,883,910
6 months to 1 year	1,088,810	2,216,041
	<b>12,456,855</b>	<b>15,099,951</b>

The above balances are neither past due nor impaired.

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

	2017 RMB'000	2016 RMB'000
Bank acceptance bills	7,914,618	8,613,566
Commercial acceptance bills	4,542,237	6,486,385
	<b>12,456,855</b>	<b>15,099,951</b>

**18. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES**

	30 June 2017 RMB'000	31 December 2016 RMB'000
Prepayments	12,096,426	12,236,728
Deposits and other receivables	17,506,900	19,143,407
Less: allowance for doubtful debts	(903,217)	(878,722)
	<b>28,700,109</b>	<b>30,501,413</b>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE SIX MONTHS ENDED 30 JUNE 2017

## 18. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES *(continued)*

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

	30 June 2017 RMB'000	31 December 2016 RMB'000
Prepayments	11,715,119	11,872,252
Long-term receivables - due within one year	8,282,126	8,156,919
Other receivables	5,176,978	4,420,452
Value added tax recoverables	2,003,654	1,173,739
Corporate wealth management products	751,020	3,837,300
Dividends receivable	82,262	39,649
Interest receivables	63,502	25,975
Others	625,448	975,127
	<b>28,700,109</b>	<b>30,501,413</b>

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

## 19. CASH AND BANK BALANCES AND PLEDGED BANK DEPOSITS

Cash and cash equivalents are comprised of the following:

	30 June 2017 RMB'000	31 December 2016 RMB'000
Cash and bank balances	35,029,380	45,594,983
Less: Pledged bank deposits	(3,819,549)	(4,561,051)
Cash and bank balances in the condensed consolidated statement of financial position	31,209,831	41,033,932
Less: Non-pledged time deposits with original maturity of three months or more when acquired	(7,333,062)	(13,019,686)
Cash and cash equivalents in the condensed consolidated statement of cash flows	<b>23,876,769</b>	<b>28,014,246</b>

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2017

**19. CASH AND BANK BALANCES AND PLEDGED BANK DEPOSITS** *(continued)*

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

	2017 RMB'000	2016 RMB'000
– United States dollar (“US\$”)	6,600,108	6,926,442
– Euros (“EUR”)	735,918	900,687
– Hong Kong dollar (“HK\$”)	735,694	80,493
– Singapore dollar (“SGD”)	350,377	1,555
– Japanese yen (“JPY”)	9,692	30,601
– Malaysian dollars (“MYR”)	7,651	4,500
– South African Rand (“ZAR”)	18	18
– Other currencies	165,983	109,717
	<b>8,605,441</b>	<b>8,054,013</b>

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 balances represented balances pledged to banks for the issuance of the Group’s bills payable and letters of credit, and for the grant of bank loans to the Group. Further details of the bank loans are set out in Note 23.

**20. TRADE PAYABLES**

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

	30 June 2017 RMB'000	31 December 2016 RMB'000
Within 6 months	81,459,920	76,524,078
6 months to 1 year	17,405,598	9,420,030
Over 1 year	4,880,257	6,005,743
	<b>103,745,775</b>	<b>91,949,851</b>

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE SIX MONTHS ENDED 30 JUNE 2017

## 21. BILLS PAYABLE

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

	30 June 2017 RMB'000	31 December 2016 RMB'000
Within 6 months	16,329,864	18,237,079
6 months to 1 year	731,048	1,560,196
	<b>17,060,912</b>	<b>19,797,275</b>

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

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

## 22. OTHER PAYABLES AND ACCRUALS

	30 June 2017 RMB'000	31 December 2016 RMB'000
Other payables	9,170,470	8,053,333
Advances from customers	22,841,515	25,773,476
Accruals	10,584,604	4,390,485
	<b>42,596,589</b>	<b>38,217,294</b>

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

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

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2017

## 23. BORROWINGS

	30 June 2017			31 December 2016		
	Effective interest rate per annum (%)	Maturity	RMB'000	Effective interest rate per annum (%)	Maturity	RMB'000
Current						
Bank loans						
– Secured	0.60-4.60	2018	5,276,553	1.19-8.51	2017	5,033,136
– Unsecured	1.01-8.51	2018	19,150,751	0.70-6.03	2017	16,278,020
Short-term bonds						
– Unsecured	4.40	2017	2,000,000	–	–	–
Other loans						
– Unsecured	2.08-4.35	2018	1,885,566	1.83-6.00	2017	683,228
Current portion of long-term bank loans						
– Secured	0.20-3.48	2018	87,313	0.20-6.22	2017	87,505
– Unsecured	0.88-3.73	2018	1,504,001	2.65-6.17	2017	2,402,434
Current portion of long term bond						
– Unsecured	4.70	2018	1,500,000	5.50-6.20	2017	2,699,397
Current portion of other loans						
– Secured	4.92	2018	339	3.20	2017	306
			<u>31,404,523</u>			<u>27,184,026</u>
Non-current						
Bank loans						
– Secured	0.20-6.53	2019-2039	1,983,126	0.20-5.20	2018-2039	1,758,454
– Unsecured	2.65-4.41	2019-2023	269,192	1.08-5.09	2018-2035	464,053
Long-term bonds						
– Unsecured	2.95-5.75	2019-2023	5,493,151	2.95-5.75	2018-2023	6,991,168
Other loans						
– Unsecured	–	–	–	1.08	2018-2028	1,498,995
			<u>7,745,469</u>			<u>10,712,670</u>
			<u>39,149,992</u>			<u>37,896,696</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE SIX MONTHS ENDED 30 JUNE 2017

## 24. SHARE CAPITAL

	Number of shares '000 shares	Amount RMB'000
Registered capital		
– A shares of RMB1.00 each	24,327,798	24,327,798
– H shares of RMB1.00 each	4,371,066	4,371,066
	28,698,864	28,698,864
Issued and fully paid		
At 1 January 2016 and 31 December 2016		
– A shares of RMB1.00 each	22,917,692	22,917,692
– H shares of RMB1.00 each	4,371,066	4,371,066
	27,288,758	27,288,758
Non-public offering of A shares of RMB1.00 each on 13 January 2017 (Note)	1,410,106	1,410,106
At 30 June 2017		
– A shares of RMB1.00 each	24,327,798	24,327,798
– H shares of RMB1.00 each	4,371,066	4,371,066
	28,698,864	28,698,864

Note: On 16 June 2016, the shareholders of the Company approved the Non-public Offering of A Shares (the "Offering") in the annual general meeting and which was approved by CSRC in December 2016. The Company has completed the Offering of 1,410,106,000 A shares with the par value of RMB1.00 at RMB8.51 per share on 13 January 2017 and the total issued share capital of the Company has increased to 28,698,864,000 shares.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2017

**25. CONVERTIBLE BONDS**

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

The principal terms of the 2016 Convertible Bonds are set out below:

**(a) Conversion right**

The 2016 Convertible Bonds will, at the option of the holder ("the Bondholders"), be convertible (unless previously converted, redeemed or purchased and cancelled) on or after 17 March 2016 up to the close of business on the date falling 26 January 2021 into fully paid ordinary shares with a par value of RMB 1.00 each at an initial conversion price (the "Conversion Price") of HK\$9.65 per share and a fixed exchange rate of HK\$7.7902 to US\$1.00 (the "Fixed Exchange Rate"). The Conversion Price is subject to adjustments in the manner set out in the 2016 Convertible Bonds agreement.

As disclosed in Note 9, a final dividend of RMB0.21 per share for the year ended 31 December 2016 was approved in the annual general meeting in June 2017. Pursuant to the anti-dilutive adjustments on conversion price in accordance with the 2016 Convertible Bonds agreement, the Conversion Price per share was adjusted from HK\$9.50 to HK\$9.29 effective from 30 June 2017.

**(b) Redemption**

- Redemption at maturity

Unless previously redeemed, converted or purchased and cancelled as provided herein, the Company will redeem each 2016 Convertible Bond at 100 percent of its outstanding principal amount on 5 February 2021 (the "Maturity Date").

- Redemption at the option of the Company

The Company may, having given not less than 30 nor more than 60 days' notice (which notice will be irrevocable), redeem the 2016 Convertible Bonds in whole but not some only at 100 percent of their outstanding principal amount as at the relevant redemption date:

- (i) at any time after 5 February 2019 but prior to the Maturity Date, provided that no such redemption may be made unless the closing price of an H share translated into US dollars at the prevailing rate applicable to each H share stock exchange business day, for any 20 H share stock exchange business days within a period of 30 consecutive H share stock exchange business days, the last of such H share stock exchange business day shall occur not more than 10 days prior to the date upon which notice of such redemption is given, was, for each such 20 H share stock exchange business days, at least 130 percent of the Conversion Price (translated into US dollars at the Fixed Exchange Rate). If there shall occur an event giving rise to a change in the Conversion Price during any such 30 consecutive H share stock exchange business day period, appropriate adjustments for the relevant days approved by an independent investment bank shall be made for the purpose of calculating the closing price of the H shares for such days;
- (ii) if at any time the aggregate principal amount of the 2016 Convertible Bonds outstanding is less than 10 percent of the aggregate principal amount originally issued.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE SIX MONTHS ENDED 30 JUNE 2017

## 25. CONVERTIBLE BONDS *(continued)*

### (b) Redemption *(continued)*

- Redemption at the option of the Bondholders

The Company will, at the option of the Bondholders, redeem whole or some of that holder's bonds on 5 February 2019 (the "Put Option Date") at 100 percent of their outstanding principal amount on the Put Option Date.

The 2016 Convertible Bonds comprised of two components:

- (i) Debt component is initially measured at fair value amounted to approximately RMB3,488,045,000. It is subsequently measured at amortised cost by applying an effective interest rate of 2.53% after considering the effect of the transaction costs.
- (ii) Derivative component comprise:
  - Conversion option of the Bondholders;
  - Redemption option of the Company;
  - Redemption option of Bondholders.

Transaction costs that relate to the issue of the 2016 Convertible Bonds are allocated to the debt and the derivative (including conversion option and redemption options) components in proportion to their relative fair values. Transaction costs amounting to approximately RMB3,550,000 relating to the derivative component were charged to profit or loss immediately and included in finance costs. Transaction costs amounting to approximately RMB28,745,000 relating to the debt component are included in the carrying amount of the debt portion and amortised over the period of the 2016 Convertible Bonds using the effective interest method.

The derivative component was valued at fair value by the directors with reference to valuation carried out by an independent valuation firm. The fair value of derivative component is calculated using Binominal Option Pricing Model. The major inputs used in the models as at 30 June 2017 and 31 December 2016 were as follows:

	30 June 2017	31 December 2016
Stock price	HK\$7.02	HK\$6.96
Exercise price	HK\$9.29	HK\$9.50
Risk-free rate	1.489%	1.974%
Volatility	28.49%	29.65%

The risk free rates were determined with reference to the Hong Kong five-year government bond yields. The volatilities were determined based on the historical price volatilities of comparable companies under the same periods of the expected life.

Any changes in the major inputs into the model will result in changes in the fair value of the derivative component.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE SIX MONTHS ENDED 30 JUNE 2017

25. CONVERTIBLE BONDS (continued)

(b) Redemption (continued)

The movement of the debt and derivative component of the 2016 Convertible Bonds for the period is set out below:

	Debt component RMB'000	Derivative component RMB'000	Total RMB'000
Convertible bonds issued on 5 February 2016	3,488,045	430,795	3,918,840
Transaction costs	(28,745)	—	(28,745)
Interest charged during the period			
from 5 February 2016 to 30 June 2016	35,302	—	35,302
Exchange adjustments during the period			
from 5 February 2016 to 30 June 2016	53,126	6,556	59,682
Changes in fair value during the period			
from 5 February 2016 to 30 June 2016	—	(3,485)	(3,485)
As at 30 June 2016	3,547,728	433,866	3,981,594
Interest charged during the period			
from 30 June 2016 to 31 December 2016	46,004	—	46,004
Exchange adjustments during the period			
from 30 June 2016 to 31 December 2016	165,010	17,514	182,524
Changes in fair value during the period			
from 30 June 2016 to 31 December 2016	—	(85,283)	(85,283)
As at 31 December 2016	3,758,742	366,097	4,124,839
Interest charged during the period	46,822	—	46,822
Exchange adjustments during the period	(88,802)	(8,917)	(97,719)
Changes in fair value during the period	—	(46,351)	(46,351)
As at 30 June 2017	3,716,762	310,829	4,027,591

No conversion or redemption of the 2016 Convertible Bonds has occurred up to 30 June 2017.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE SIX MONTHS ENDED 30 JUNE 2017

## 26. BUSINESS COMBINATION

### CLM

As at 30 April 2016, CRRC KUALA LUMPUR MAINTENANCE SDN BHD (“CKM”), a subsidiary of the Company, obtained control of CKM LANDAS MRO SDN BHD (“CLM”) pursuant to the amendments to the Articles of association of CLM which was previously a joint venture of CKM.

The fair value of CLM at the acquisition date were as follows:

	<b>Fair value</b> RMB'000
	<hr/>
Net assets acquired:	
Property, plant and equipment	230
Other intangible assets	16
Trade receivables	11,433
Prepayments, deposits and other receivables	710
Cash and bank balances	2,411
Trade payables	(8,674)
Other payables and accruals	(125)
Tax payable	(1,270)
Deferred tax liabilities	(27)
	<hr/>
	4,704
Consideration transferred	—
Plus: Non-controlling interests (51%)	2,399
Fair value of previously held interest	2,305
Less: net assets acquired	(4,704)
	<hr/>
Goodwill arising on acquisition	<hr/> —

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2017

**26. BUSINESS COMBINATION** *(continued)***CLM** *(continued)*

The receivables acquired (primarily comprised of trade and other receivables) with a fair value of RMB12,061,000 at the date of acquisition had gross contractual amounts of RMB12,061,000. The whole amount was expected to be collectible at the acquisition date.

An analysis of the cash flow in respect of the acquisition of the above subsidiary is as follows:

	RMB'000
Consideration paid in cash	—
Less: Cash and bank balances acquired	(2,411)
Net inflow of cash and bank balances included in cash flows from the acquisition of subsidiaries	<u>2,411</u>

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

Had the acquisition of CLM been completed on 1 January 2016, total group revenue and profit for the six months ended 30 June 2016 would have been approximately RMB92,329,365,000 and RMB6,077,369,000, respectively. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2016, nor is it intended to be a projection of future results.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
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## 27. DISPOSAL OF SUBSIDIARIES

### 27.1 Disposal of subsidiaries during the six months ended 30 June 2017

During the reporting period, there were six cases of disposal of subsidiaries:

Name of the subsidiary	Sales proceeds RMB'000	Percentage of equity interest disposed	Method of disposal	Disposal date	The difference between disposal consideration and shares of net assets of the corresponding subsidiaries at the date of disposal (Note 4) RMB'000	Proportion of the retained interests on disposal date
Beijing Beijiefang Technology and Trade Co., Ltd.	Not applicable	60.00%	Involving new shareholders	25 May 2017	Not applicable	40.00%
CRRC Shanghai Rolling Stock Technology Development Co., Ltd.	Not applicable	60.00%	Involving new shareholders	25 May 2017	Not applicable	40.00%
Chongqing Rail Transit Development Co., Ltd.	Not applicable	55.00%	Involving new shareholders	11 May 2017	Not applicable	45.00%
Zhongyi Huakai Petrochemical Technology Co., Ltd.	5,704	60.00%	Transfer agreement	19 April 2017	(223)	40.00%
Shanxi Die Casting Industrial Co., Ltd.	63	71.25%	Transfer agreement	30 June 2017	3,092	0.00%
Hebei Luyou Railway Locomotive & Rolling Stock Accessories Co., Ltd.	—	—	Amendments to the articles of association	13 March 2017	—	51.00%
Total	5,767				2,869	

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2017

**27. DISPOSAL OF SUBSIDIARIES** *(continued)***27.1 Disposal of subsidiaries during the six months ended 30 June 2017** *(continued)*

The book values of the net assets of the above subsidiaries as at the date of disposals were as follows:

	RMB'000
Consideration received in cash and cash equivalents	5,767

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

	RMB'000
Net assets disposed of	
Property, plant and equipment	13,053
Other intangible assets	155
Prepaid lease payments	37,422
Inventories	15,028
Trade receivables	56,259
Bills receivable	9,300
Prepayments, deposits and other receivables	6,095
Cash and bank balances	15,250
Trade payables	(72,951)
Other payables and accruals	(10,293)
Tax payable	(186)
	<u>69,132</u>

Net cash outflow on disposal of subsidiaries

	RMB'000
Consideration received in cash and cash equivalents	5,767
Less: cash and bank balances disposed of	(15,250)
	<u>(9,483)</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE SIX MONTHS ENDED 30 JUNE 2017

## 27. DISPOSAL OF SUBSIDIARIES *(continued)*

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

On 5 April 2016, CRRC NP entered into an agreement with Hangzhou Jingzhou Bearing Co., Ltd. According to the agreement, CRRC NP disposed of 60% equity interest of Nanjing Tianma Bearing Co., Ltd. at a cash consideration of RMB26,000,000 and assignment of an amount due to a subsidiary of the Company amounting to RMB23,415,000. On 25 April 2016, the transaction was completed and Nanjing Tianma Bearing Co., Ltd was no longer a subsidiary of the Group.

	RMB'000
Consideration received in cash and cash equivalents	26,000

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

	RMB'000
Net assets disposed of	
Property, plant and equipment	6,630
Trade receivables	179
Prepayments, deposits and other receivables	155
Inventories	779
Cash and bank balances	1,520
Other payables and accruals	(23,641)
	(14,378)

Gain on disposal of a subsidiary

	RMB'000
Consideration received	26,000
Amount due to a subsidiary of the Company	(23,415)
Net assets disposed of	14,378
Non-controlling interests (40%)	(5,751)
	11,212

Net cash inflow on disposal of a subsidiary

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
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## 28. COMMITMENTS AND CONTINGENT LIABILITIES

### (a) Capital commitments

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

	30 June 2017 RMB'000	31 December 2016 RMB'000
Contracted, but not provided for:		
– Property, plant and equipment and prepaid lease payment	4,376,821	4,985,770
– Other intangible assets	48,886	19,473
	<b>4,425,707</b>	<b>5,005,243</b>

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

	30 June 2017 RMB'000	31 December 2016 RMB'000
Contracted, but not provided for:		
– Property, plant and equipment and prepaid lease payment	7,957	6,963

### (b) Other commitments

As at 30 June 2017, the Group's commitment for establishment of new entities amounted to RMB2,288,400,000 (31 December 2016: RMB1,830,000,000).

### (c) Contingent liabilities

As at 30 June 2017, the Group has provided guarantees in respect of performance, financing and profit or loss of its target investee amounted to RMB7,441,000,000 (31 December 2016: Nil).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
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## 29. RELATED PARTY TRANSACTIONS

In addition to the transactions and balances detailed elsewhere in these consolidated financial statements, the Group had the following material transactions with related parties during the six months ended 30 June 2017 and 2016:

		Six months ended 30 June	
		2017	2016
		RMB'000	RMB'000
(a)	Purchase of materials and components from:		
	– CRRC Group and its subsidiaries, excluding the Group (the "CRRCG Group")	275,749	86,243
	– Joint ventures	473,908	1,412,669
	– Associates	413,795	270,839
		<b>1,163,452</b>	<b>1,769,751</b>
(b)	Sale of goods to:		
	– CRRCG Group	112,031	127,627
	– Joint ventures	816,482	630,382
	– Associates	578,340	599,210
		<b>1,506,853</b>	<b>1,357,219</b>
(c)	Service fee:		
	– CRRCG Group	15,142	37
	– Joint ventures	15,192	7,966
		<b>30,334</b>	<b>8,003</b>
(d)	Provision of service to:		
	– CRRCG Group	1,695	2,098
	– Joint ventures	12,001	121
	– Associates	877	1,627
		<b>14,573</b>	<b>3,846</b>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE SIX MONTHS ENDED 30 JUNE 2017

**29. RELATED PARTY TRANSACTIONS** *(continued)*

		Six months ended 30 June	
		2017 RMB'000	2016 RMB'000
(e)	Rental of property, plant and equipment from: – CRRCG Group	28,164	27,890
(f)	Rental of property, plant and equipment to: – CRRCG Group – Joint ventures – Associates	2,130 35 3,109	857 63 3,237
		5,274	4,157
(g)	Fee and commission income from: – CRRCG Group	938	1,519
(h)	Interest income on finance lease from: – An associate	10,909	3,846
(i)	Interest expense: – CRRCG Group – Joint ventures – An associate	12,461 8 —	48,267 — 4
		12,469	48,271

		Six months ended 30 June	
		2017 RMB'000	2016 RMB'000
(j)	Purchase of property, plant and equipment from: – CRRCG Group	649	—
(k)	Guarantees received from – CRRCG Group	4,763,619	4,671,477

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE SIX MONTHS ENDED 30 JUNE 2017

29. RELATED PARTY TRANSACTIONS *(continued)*

(l) Outstanding balances with related parties

The Group had the following outstanding balances with related parties:

	30 June 2017 RMB'000	31 December 2016 RMB'000
(i) Other non-current assets:		
– CRRCG Group	1,683	372
– Joint ventures	10	10
– Associates	129	129
	<b>1,822</b>	<b>511</b>
(ii) Loans and advances to customers:		
– CRRCG Group	—	10,000
(iii) Trade receivables:		
– CRRCG Group	139,170	74,967
– Joint ventures	1,076,712	633,823
– Associates	1,013,551	1,166,896
	<b>2,229,433</b>	<b>1,875,686</b>
(iv) Bills receivable:		
– CRRCG Group	1,171	26,366
– Joint ventures	3,500	610,089
– Associates	1,041,436	1,102,505
	<b>1,046,107</b>	<b>1,738,960</b>
(v) Prepayments, deposits and other receivables:		
– CRRCG Group	7,742	3,415
– Joint ventures	230,662	199,399
– Associates	48,553	24,015
	<b>286,957</b>	<b>226,829</b>
(vi) Long-term receivables:		
– Joint ventures	—	2,362
– Associates	611,626	596,824
	<b>611,626</b>	<b>599,186</b>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE SIX MONTHS ENDED 30 JUNE 2017

**29. RELATED PARTY TRANSACTIONS** *(continued)*

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

	30 June 2017 RMB'000	31 December 2016 RMB'000
(vii) Trade payables:		
– CRRCG Group	1,266,039	616,090
– Joint ventures	1,131,241	1,103,797
– Associates	420,996	642,878
	<b>2,818,276</b>	<b>2,362,765</b>
(viii) Bills payable:		
– CRRCG Group	9,297	92,712
– Joint ventures	103,038	114,460
– Associates	88,665	86,426
	<b>201,000</b>	<b>293,598</b>
(ix) Other payables and accruals:		
– CRRCG Group	3,423,253	77,375
– Joint ventures	17,535	44,520
– Associates	53,366	43,360
	<b>3,494,154</b>	<b>165,255</b>
(x) Borrowings:		
– CRRCG Group	16,800	2,813,705
(xi) Due to customers:		
– CRRCG Group	1,173,978	2,709,118
– Associates	23	23
	<b>1,174,001</b>	<b>2,709,141</b>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE SIX MONTHS ENDED 30 JUNE 2017

## 29. RELATED PARTY TRANSACTIONS *(continued)*

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

	Six months ended 30 June	
	2017 RMB'000	2016 RMB'000
Short-term employee benefits (equity-settled share option expenses excluded)		
– the Group	3,351	4,000
Post-employment benefits		
– the Group	242	320
Total compensation paid/payable to key management personnel		
– the Group	3,593	4,320

(n) Commitments with related parties:

The Group had the following commitments with related parties at the reporting period, which are contracted for, but not included in the financial statements:

	30 June 2017 RMB'000	31 December 2016 RMB'000
	Sale of goods to:	
– CRRCG Group	–	2
– Joint ventures	663,031	401,096
– Associates	803	–
	663,834	401,098
Purchase of materials and components from:		
– CRRCG Group	1,420	550
– Joint ventures	228,113	225,241
– Associates	3,460	1,089
	232,993	226,880

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2017

### 29. RELATED PARTY TRANSACTIONS *(continued)*

- (o) Transactions with other government-related entities in the PRC:

The company is ultimately controlled by the PRC government and the Group operates in an economic environment predominated by entities controlled, jointly controlled or under significant influence by the PRC government ("Government-related Entities"). In addition, the Group itself is part of a larger group of companies under CRRCG which is controlled by the PRC government. During the period, the Group conducts business with other Government-related Entities, including but not limited to, sales and purchases. The China Railway Corporation and entities invested and managed by local railway departments ("CRC Group") are identified as a single Government-related Entity by the directors of the Company. The revenue from CRC Group amounted to RMB40,213,832,000 for the six months ended 30 June 2017 (six months ended 30 June 2016: RMB 48,264,799,000).

Management considers that transactions with Government-related Entities are activities conducted in the ordinary course of business, and that the dealings of the Group have not been significantly or unduly affected by the fact that the Group and those Government-related Entities are ultimately controlled or owned by the government. The Group has also established pricing policies for products and services and such pricing policies do not depend on whether or not the customers are Government-related Entities.

### 30. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

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

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

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE SIX MONTHS ENDED 30 JUNE 2017

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

#### Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis

Except as detailed in the following table, the directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate to their fair values.

	30 June 2017		31 December 2016	
	Carrying amount RMB'000	Fair value RMB'000	Carrying amount RMB'000	Fair value RMB'000
Held to maturity- with fixed rate	1,258,098	1,250,669	966,970	977,897
Long term receivables -with fixed rate	11,024,798	10,193,660	11,012,361	10,149,290
Other non current assets- with fixed rate	1,519,697	1,336,812	1,341,287	1,160,390
Borrowings - due after one year with fixed rate	260,148	238,418	2,089,337	1,693,300
Long term bonds - due after one year	5,493,151	5,326,026	6,991,168	6,901,527
Convertible bonds (including the derivative component)	4,027,591	3,836,476	4,124,839	3,865,473

The held-to-maturity investments are traded in an active market and included in level 1 category. The convertible bonds (including the derivative component) are included in level 2 category and their fair value has been determined with reference to the price released by Bloomberg Limited Partnership. Long-term bonds, long-term receivables, borrowings and other non-current assets are included in level 2 category and have been determined based on a discounted cash flow analysis, with the discount rate that reflects the credit risk of debtors.

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

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

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2017

**30. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS** *(continued)***Financial assets and liabilities measured at fair value:****As at 30 June 2017**

	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)
	At 30 June 2017 (RMB'000)	At 31 December 2016 (RMB'000)			
<b>Financial assets</b>					
Foreign currency forward contracts classified as financial assets at fair value through profit or loss	2,576	2,986	Level 2	Discounted cash flow. Future cash flows / are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contracted forward rates, discounted at a rate that reflects the credit risk of various counterparties.	
Corporate wealth management products classified as financial assets at fair value through profit or loss	527,312	514,527	Level 2	Discounted cash flow. Future cash flows / are estimated based on expected return, discounted at a rate that reflects the credit risk of issuers.	
Financial assets designated as at fair value through profit or loss	268,458	214,403	Level 3	Discounted cash flow calculation method	Revenue growth rate is based on management prediction of the acquired company. System risk factor is based on comparable company's historical system risk factor.
Listed perpetual bond investment classified as available-for-sale financial assets	201,157	208,110	Level 1	Quoted market price	/

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE SIX MONTHS ENDED 30 JUNE 2017

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

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

As at 30 June 2017 *(continued)*

	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)
	At 30 June 2017 (RMB'000)	At 31 December 2016 (RMB'000)			
Listed preference share investment classified as available-for-sale financial assets	228,067	236,490	Level 1	Quoted market price	/
Listed equity security classified as available-for-sale financial assets	2,061,763	2,426,580	Level 1	Quoted market price	/
Corporate wealth management products classified as available-for-sale financial assets	409,274	51,699	Level 2	Discounted cash flow. Future cash flows are estimated based on expected return, discounted at a rate that reflects the credit risk of issuers	/
<b>Financial liabilities</b>					
Foreign currency forward contracts classified as financial liabilities at fair value through profit or loss	—	16,983	Level 2	Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contracted forward rates, discounted at a rate that reflects the credit risk of various counterparties.	/
Derivative component in relation to the 2016 Convertible Bonds	310,829	366,097	Level 3	The fair value of derivative component is calculated using Binominal Option Pricing Model.	The volatilities were determined based on the historical price volatilities of comparable companies under the same periods of the expected life. (Note)

Note: An increase in the volatilities of the Company's share price would result in an increase in the fair value measurement of the convertible bonds-derivative component, and vice versa. An 1% increase in the volatilities holding all other variables constant would increase the carrying amount of the convertible bonds-derivative component by RMB23,452,000. An 1% decrease in the volatilities holding all other variables constant would decrease the carrying amount of the convertible bonds-derivative component by RMB5,741,000.

During the six-month ended 30 June 2017 and the year ended 31 December 2016, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3.

### 31. EVENTS AFTER THE STATEMENT OF FINANCIAL POSITION DATE

#### The Gratuitous Transfer of Shares held by Persons Acting in Concert of Controlling Shareholder

On 2 August 2017, the Company received the notification from CSR Investment Management Company ("CSR Investment"), the persons acting in concert of CRRCG, the controlling shareholder of the Company, that CSR Investment entered into an agreement with CRRC Jinzheng Investment Co., Ltd. ("CRRC Jinzheng"). According to the agreement, CSR Investment will transfer ("The Gratuitous Transfer of Shares") all the 93,086,000 shares of the Company which holds to the CRRC Jinzheng gratis. The proposal transfer shares account for 0.32% of the total share capital of the Company and all of them are not restricted tradable shares. Both CSR Investment and CRRC Jinzheng are wholly owned subsidiaries of CRRCG and The Gratuitous Transfer of Shares will not lead to changes in the controlling shareholder and actual controller of the Company. The Gratuitous Transfer of Shares is subject to the approval of State-owned Assets Supervision and Administration Commission.

## DEFINITIONS

BOGE	BOGE Rubber & Plastics
CNR	former China CNR Corporation Limited (中國北車股份有限公司)
CNRG	former China Northern Locomotive & Rolling Stock Industry (Group) Corporation (中國北方機車車輛工業集團公司)
CRRC or Company	CRRC Corporation Limited (中國中車股份有限公司)
CRRC Changchun	CRRC Changchun Railway Vehicles Co., Ltd. (中車長春軌道客車股份有限公司)
CRRC Sifang	CRRC Qingdao Sifang Co., Ltd. (中車青島四方機車車輛股份有限公司)
CRRC Tangshan	CRRC Tangshan Co., Ltd. (中車唐山機車車輛有限公司)
CRRC ZELRI	CRRC Zhuzhou Institute Co., Ltd. (中車株洲電力機車研究所有限公司)
CRRC Zhuzhou	CRRC Zhuzhou Locomotive Co., Ltd. (中車株洲電力機車有限公司)
CRRCG	CRRC Group (中國中車集團公司)
CSR	former CSR Corporation Limited (中國南車股份有限公司)
CSRC	China Securities Regulatory Commission (中國證券監督管理委員會)
CSRG	former CSR Group (中國南車集團公司)
Finance Company	CRRC Finance Co., Ltd. (中車財務有限公司)
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 (國務院國有資產監督管理委員會)
SFO	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
SMD	Soil Machine Dynamics Ltd.
SSE	Shanghai Stock Exchange
Stock Exchange	The Stock Exchange of Hong Kong Limited
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)