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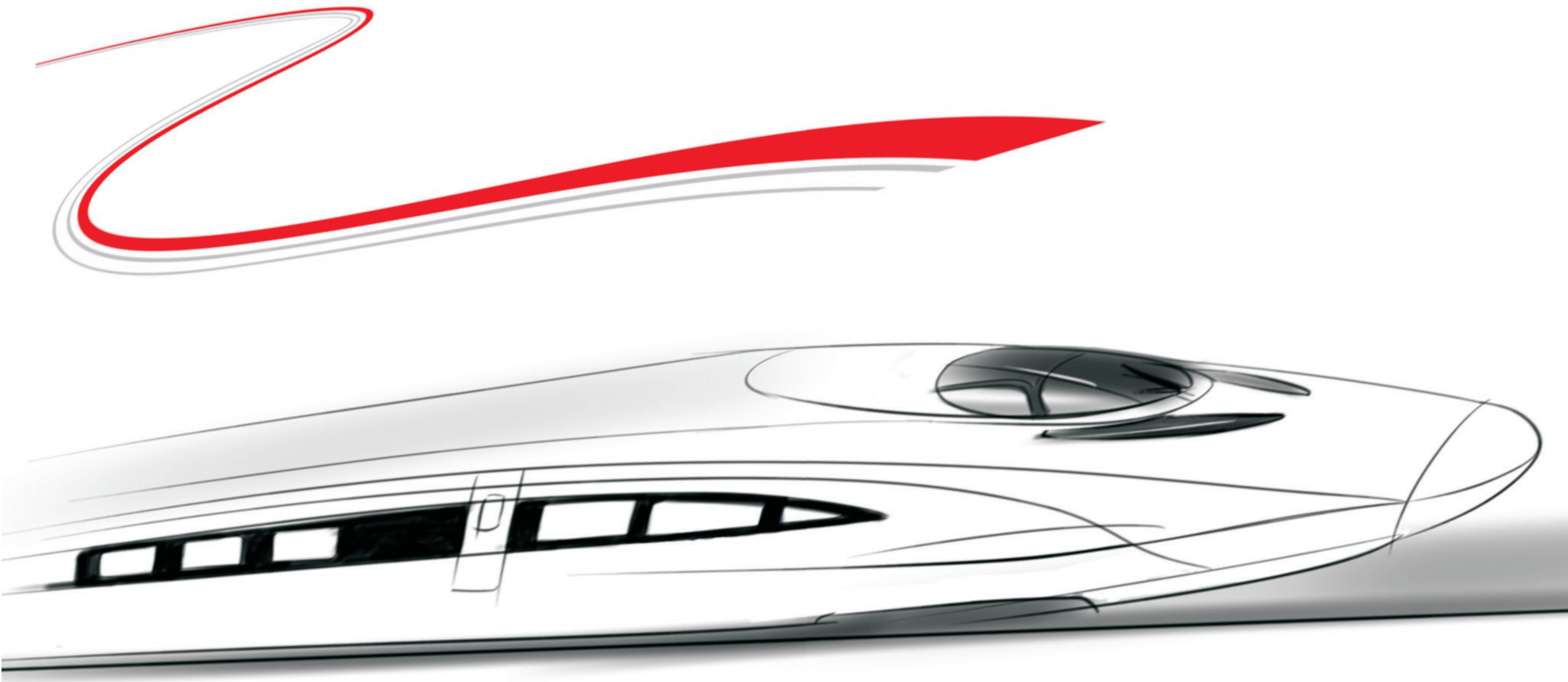

ANNUAL REPORT 2016

株洲中车时代电气股份有限公司
ZHUZHOU CRRC TIMES ELECTRIC CO., LTD.

(a joint stock company incorporated in the People's Republic of China with limited liability)
(Stock Code: 3898)

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Notes:

1. The financial data in this Annual Report are prepared under PRC Accounting Standards;
2. This Annual Report is prepared in Chinese and English. In the event of any inconsistency between the Chinese version and the English version, the Chinese version shall prevail.

Financial Highlights

CONSOLIDATED STATEMENT OF PROFIT OR LOSS HIGHLIGHTS

	Year Ended 31 December				
	2016	2015	2014	2013	2012
	RMB'000	RMB'000 (Note) (Restated)	RMB'000	RMB'000	RMB'000
Revenue	**14,657,820**	14,800,035	12,676,197	8,855,964	7,248,863
Operating profit	**2,988,975**	3,270,376	2,485,808	1,614,400	1,282,527
Total profit	**3,335,746**	3,456,495	2,754,914	1,703,580	1,403,781
Net profit	**2,918,182**	2,978,237	2,392,009	1,466,225	1,225,189
Net profit attributable to shareholders of the Parent	**2,903,680**	2,965,278	2,394,818	1,467,021	1,223,789
Non-controlling interests	**14,502**	12,959	(2,809)	(796)	1,400
Basic earnings per share (RMB Yuan/share)	**RMB2.47**	RMB2.52	RMB2.04	RMB1.33	RMB1.13

CONSOLIDATED STATEMENT OF FINANCIAL POSITION HIGHLIGHTS

	As at 31 December				
	2016	2015	2014	2013	2012
	RMB'000	RMB'000 (Restated)	RMB'000	RMB'000	RMB'000
Total assets	**23,723,562**	22,932,182	16,924,904	13,398,482	9,657,458
Total liabilities	**7,663,615**	8,914,713	5,754,138	4,248,362	3,338,630
Net assets	**16,059,947**	14,017,469	11,170,766	9,150,120	6,318,828

Note: On 21 December 2016, the Group completed the business combination under common control of ZNERCC, and hence the related information of the year 2015 of consolidated financial statements are restated to include the financial position, financial performance and cash flows of the acquiree, to conform the presentation and accounting treatment for the current year. The related details are set out in Note VI. 2.

Dear Shareholders,

I am pleased to present the annual report of the Company for the year ended 31 December 2016. On behalf of the Board of Directors, I would like to express my sincere gratitude to all shareholders for your continual support and care.

Performance Review

The Group's revenue in 2016 amounted to RMB14,657.8 million (2015 (Restated): RMB14,800.0 million), representing a decrease of 1.0% year-on-year. Net profit attributable to shareholders of the Parent amounted to RMB2,903.7 million (2015 (Restated): RMB2,965.3 million), representing a decrease of 2.1% year-on-year. Basic earnings per share amounted to RMB2.47 (2015 (Restated): RMB2.52), representing a decrease of 2.0% year-on-year.

Business Review and Outlook

Business Review

2016 is the first year of the 13th Five-Year Plan. The Government has promulgated the "Middle-to-Long Term Railway Network Plan (2016-2025) (《中長期鐵路網規劃》 (2016-2025))". The scale of investment in China's railway construction remained stable and CRRC continued to proceed with its business integration. Based on the three major themes of "strengthening the existing main business sectors, cultivating emerging industries with business growth, building up a platform of multinational operation", the Group strengthened the five system practices of "Value, Control, Equipment, Power and Monitoring" to enhance management system. The Company was granted the "China Quality Award" which is the highest honour in the area of national quality, creating a good development condition.

In the field of the traction systems for locomotives, the Group strengthened the traditional locomotives market and actively pushed forward research projects.

In the field of the traction systems for electric multiple units, the Group delivered existing contracts smoothly and secured orders of inter-city electric multiple units. "Blue Dolphin" (藍海豚), the China Standard EMU project loading the Company's system, completed examination.

In the field of urban railway and metro, the Company's own traction systems continued to lead the domestic market, and the urban railway related industries steadily proceeded. The low-and-medium speed magnetic levitation core system commenced operation and the first train with permanent magnet traction system in China commenced passenger carrying operation. The supporting export continued to strengthen, and the Company actively explore overseas markets with the backing of the CRRC brand and secured overseas orders such as Metro Trains Melbourne.

Business Review (continued)

In respect of railway engineering machinery, the Company strengthened the linkage between market and technology, explored new technologies and achieved breakthroughs in new orders of overall units, leading to a rapid growth in business scale.

In respect of signal & communication products, the evaluation of on-site operation of the new generation of LKJ was completed. The proprietary ATS system was first applied for Changsha Maglev and breakthrough was achieved in research and development of the proprietary CBTC signal system.

In respect of parts and components, the asset acquisition of power IGBT Production Line of the Parent Company was completed and the Group continued to promote performance enhancement and spectrum expansion of the IGBT products. The proprietary IGBT modules achieved the first export in batches and the Group secured various batch orders of IGBT power modules.

In December 2016, the Group acquired 100% equity interests of ZNERCC to explore new industrial fields. Domestic market development of marine engineering equipment has been achieved.

During the past year, the Company continued to innovate and promote the IPD Integrated Product Development System and management on quality, cost and progress of every area of product lines.

Outlook

Under the guidance of the"Middle-to-Long Term Railway Network Plan (2016-2025) (《中長期鐵路網規劃》 (2016-2025))", the domestic railway market will maintain its rapid development in the coming three to five years. In 2017, the Company will adhere to the development strategy of "concentric diversification", center on the industry structure of "basic parts, devices and systems, overall units and engineering", stabilize the inventory, increase growth points and seize strategic opportunities such as "One Belt One Road". The Company will closely follow CRRC's vision of "Going global" and enhance the influence of its proprietary "core momentum" brand in overseas markets.

In the field of traction system of locomotives and electric multiple units, the Company will fully protect the China Standard EMU project, promote loading and testing of power centralized EMU and double-decked EMU, closely follow the "Urban agglomeration" and "Economic belt" constructions and actively explore the interurban market.

In the field of urban railway and metro, the Company will consolidate the core competitive advantages of traction systems with collaborative linkages, push forward large scale development of emerging product lines, accelerate the research and development of medium-and-high speed magnetic levitation as well as promote permanent magnet traction train system.

In the field of railway engineering machinery, the Company will consolidate its foundation, enhance its scale, improve efficiency, seized market opportunities of new products and create high-end products.

In the field of signal & communication products, the Company will consolidate market shares of traditional LKJ, achieve loading in batches for the new generation of LKJ devices and promote the research and development and application of the proprietary signal system.

Outlook (continued)

In the field of parts and components sector, IGBT products will be further applied in batches and the industry development will accelerate.

In the field of new industries, the Group will complete the construction of Shanghai base of marine engineering equipment, and will accelerate localization and development of supply and speed up technical training and communications.

Looking ahead to the coming year, the Group is confident in making use of its advantages in the industry while consolidating its status in the industry and making efforts to develop its businesses, thereby creating greater value for the shareholders.

Ding Rongjun
Chairman of the Board

Zhuzhou, Hunan, the PRC
28 March 2017

Management Discussion and Analysis

The following discussion and analysis should be read in conjunction with the Group's audited financial statements and their notes as set out in this Annual Report.

Revenue

	2016 (RMB million)	2015 (Restated) (RMB million)
Locomotives	1,924.7	3,458.0
Electric Multiple Units	5,446.2	4,951.3
Metropolitan rail transportation equipment	2,584.3	1,873.1
Railway maintenance machineries related products	1,781.7	1,495.3
Signal & communication products	536.0	560.6
Key electric part and component products	809.8	645.4
Marine engineering products and others	1,575.1	1,816.3
Total revenue	14,657.8	14,800.0

The Group's revenue decreased by RMB142.2 million or 1.0% from RMB14,800.0 million for the year ended 31 December 2015 (Restated) to RMB14,657.8 million for the year ended 31 December 2016.

In 2016, a small decrease in the Group's revenue was mainly due to a decrease of RMB1,533.3 million in the revenue from locomotives. In addition, electric multiple units, metropolitan rail transportation equipment, railway maintenance machineries related products and key electric part and component products recorded increases in revenue at various growth levels.

Cost of sales

The Group's cost of sales decreased by 0.8% from RMB9,138.4 million for the year ended 31 December 2015 (Restated) to RMB9,062.3 million for the year ended 31 December 2016. The decrease in the cost of sales was mainly due to the combined effects of the decline in the Group's revenue and the change of product sales mix.

Gross profit

The Group's gross profit decreased by 1.2% from RMB5,661.6 million for the year ended 31 December 2015 (Restated) to RMB5,595.5 million for the year ended 31 December 2016. The Group's gross profit margin decreased from 38.3% for the year ended 31 December 2015 (Restated) to 38.2% for the year ended 31 December 2016. There is roughly no change in gross profit margin.

Selling expenses

Selling expenses of the Group decreased by 26.1% from RMB676.3 million for the year ended 31 December 2015 (Restated) to RMB499.6 million for the year ended 31 December 2016. The decrease in selling expenses was mainly due to the Group's continuous efforts to reduce cost and enhance efficiency.

Administrative expenses

The Group's administrative expenses increased by 7.7% from RMB1,667.2 million for the year ended 31 December 2015 (Restated) to RMB1,795.7 million for the year ended 31 December 2016. The increase in administrative expenses was due to the increase in research and development costs of the Group in 2016.

Finance costs

The Group's finance costs increased by RMB40.0 million from negative RMB18.0 million for the year ended 31 December 2015 (Restated) to RMB22.0 million for the year ended 31 December 2016. The increase in finance costs was mainly due to the increase in exchange losses from exchange rate fluctuations.

Asset impairment losses

The Group's asset impairment losses increased by RMB178.2 million from RMB83.5 million for the year ended 31 December 2015 (Restated) to RMB261.7 million for the year ended 31 December 2016. The increase in asset impairment losses was due to the impairment test conducted during the year on SMD Group which was acquired entirely on 9 April 2015, and RMB128.5 million of impairment in goodwill was provided accordingly.

Investment income

The Group's investment income decreased by RMB31.5 million from RMB121.2 million for the year ended 31 December 2015 (Restated) to RMB89.7 million for the year ended 31 December 2016. The decrease in investment income was mainly due to the decrease in bank financial products income.

Non-operating income

The Group's non-operating income increased by 83.3% from RMB191.2 million for the year ended 31 December 2015 (Restated) to RMB350.4 million for the year ended 31 December 2016. The increase in non-operating income was due to the increase in the refunds of tax during the year.

Non-operating expenses

The Group's non-operating expenses decreased by 26.0% from RMB5.0 million for the year ended 31 December 2015 (Restated) to RMB3.7 million for the year ended 31 December 2016.

Total profit

The Group's total profit decreased by 3.5% from RMB3,456.5 million for the year ended 31 December 2015 (Restated) to RMB3,335.7 million for the year ended 31 December 2016. The decrease in total profit was mainly due to the increase in asset impairment losses. The Group's sales profit margins for the years ended 31 December 2015 (Restated) and 31 December 2016 were 23.4% and 22.8% respectively.

Income tax expense

The Group's income tax expense decreased by 12.7% from RMB478.3 million for the year ended 31 December 2015 (Restated) to RMB417.6 million for the year ended 31 December 2016.

The Company, Times Electronics, Ningbo Times, Times Equipment, Shenyang Times, Qingdao Electric and ZNERCC were accredited as high and new technology enterprises and received approvals from the relevant government authorities, and they were subject to the preferential corporate income tax rate of 15%.

Baoji Times and Kumming Electric were subject to the preferential tax policy of the Development of the Western Region, and they were entitled to be taxed at the preferential corporate income tax rate of 15%.

Times Software and Times Signal & Communication enjoyed the preferential tax policy of "Two years exemptions and three years halve" (「兩免三減半」).

The effective income tax rates of the Group for the years ended 31 December 2015 (Restated) and 31 December 2016 were 13.8% and 12.5% respectively.

Net profit attributable to shareholders of the Parent

Net profit attributable to shareholders of the Parent decreased by 2.1% from RMB2,965.3 million for the year ended 31 December 2015 (Restated) to RMB2,903.7 million for the year ended 31 December 2016. The decrease in the net profit attributable to shareholders of the Parent was mainly due to the increase in asset impairment losses.

Non-controlling interests

Non-controlling interests increased by RMB1.5 million from RMB13.0 million for the year ended 31 December 2015 (Restated) to RMB14.5 million for the year ended 31 December 2016. The increase in non-controlling interests was mainly due to the increase in net profit from the Group's non-wholly owned subsidiaries as compared to last year.

Earnings per share

Earnings per share decreased by RMB0.05 from RMB2.52 for the year ended 31 December 2015 (Restated) to RMB2.47 for the year ended 31 December 2016.

Liquidity and source of capital

Cash flows and working capital

The Group's needs for working capital were mainly satisfied by cash generated from operations. The net decrease in cash and cash equivalents of the Group amounted to RMB376.1 million for the current year.

Net cash inflows from operating activities

The Group's net cash inflow from operating activities increased by RMB22.6 million from RMB1,432.9 million for the year ended 31 December 2015 (Restated) to RMB1,455.5 million for the year ended 31 December 2016, which was mainly due to the decrease in the cash paid for goods and services by the Group as compared to last year.

Net cash outflows from investing activities

For the year ended 31 December 2016, the Group's net cash outflow from investing activities was approximately RMB499.4 million, which principally includes the cash received from disposal or returns of investments of RMB4,979.0 million, the cash paid for acquisition of investments of RMB4,104.8 million, and the cash paid for acquisition of fixed assets, intangible assets and other long-term assets of RMB1,428.7 million.

Net cash outflows from financing activities

For the year ended 31 December 2016, the Group's net cash outflow from financing activities was approximately RMB1,335.6 million. The cash outflow item in financing activities was mainly the amount of RMB1,001.1 million of cash paid for repayment of bank borrowings.

Liquidity

The Board considers that the Group has sufficient liquidity to meet the Group's present requirements for liquid funds.

Commitments

The Group's commitments as at the dates indicated are set out as follows:

	31 December 2016 (RMB million)	31 December 2015 (Restated) (RMB million)
Contracted but not provided for		
Capital commitments	61.8	87.7

Indebtedness

The following table sets out the Group's indebtedness as at the dates indicated:

	31 December 2016 (RMB million)	31 December 2015 (Restated) (RMB million)
Short-term borrowings	159.2	165.3
Long-term borrowings (inclusive of amounts due within one year)	102.9	1,301.6
Total	262.1	1,466.9

Indebtedness (continued)

The Group's borrowings were mainly fixed rate loans.

Maturity analysis:

	31 December 2016 (RMB million)	31 December 2015 (Restated) (RMB million)
Due within 1 year	**160.8**	255.6
Due within 1 to 2 years	**3.1**	187.1
Due within 2 to 5 years	**15.5**	936.5
Due over 5 years	**82.7**	87.7
	262.1	1,466.9

As at 31 December 2016, the annual interest rates for loans above are 0-4.92% (31 December 2015(Restated): 0-6.61%).

Pursuant to the relevant borrowing agreements, the loans amounted to RMB160.8 million on 31 December 2016 (31 December 2015 (Restated): RMB54.2 million) are entitled to priority to be repaid with certain assets if the Group is incapable of repayment. The carrying amounts of such assets as at 31 December 2016 and 31 December 2015 (Restated) were RMB536.3 million and RMB594.5 million respectively.

Pledge

As at 31 December 2016, the Group pledged its fixed assets with a carrying amount of RMB3.1 million (31 December 2015 (Restated): RMB29.3 million to obtain bank borrowings.

As at 31 December 2016, the Group pledged no land use rights (31 December 2015 (Restated): with a carrying amount of RMB17.0 million to obtain bank borrowings.

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business development and maximize shareholders' value.

The Group manages its capital structure and makes adjustment to it in light of changes in economic conditions and risk characteristics of underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. The Group made no changes in the objectives and processes for managing capital during the years from 2015 to 2016.

Capital management (continued)

The Group monitors capital by using the gearing ratio, which is net debt divided by the adjusted capital plus net debt. The Group's policy is to maintain the gearing ratio below 30%. Net debt includes financial liabilities at fair value through profit or loss, interest-bearing bank and other borrowings, bills payable, trade payables, advances from customers, employee benefits payable, dividends payable, interests payable, other taxes payable excluding income tax payable, other payables and long-term payables, less cash and cash equivalents. Capital includes equity attributable to shareholders of the Parent. The Group's gearing ratio was 22.6% as at 31 December 2015 (Restated) and 17.8% as at 31 December 2016.

Business combinations involving entities under common control

In December 2016, the Group acquired 100% share of ZNERCC by cash consideration of RMB283.2 million. ZNERCC is a subsidiary of the Parent Company of the Group. It is controlled by the Parent Company before and after the combination, and that control is not temporary, therefore the business combination is involving entities under common control. In accordance with the equity transfer agreement, since 100% share of ZNERCC was transferred to the Group by the Parent Company on 21 December 2016, the Group completed the business combination under common control of ZNERCC. The acquisition date was determined as 21 December 2016. The details of this transaction are set out in Note VI. 2.

Disposal of subsidiaries

On 31 May 2016, ZNERCC, a subsidiary of the Group entered into the equity transfer agreement with the Parent Company to sell its 78% equity interests in Shanghai CRRC Hange shipping and Marine Engineering Co., Ltd. at RMB132.5 million. The disposal date was 31 May 2016 and since then, Shanghai CRRC Hange shipping and Marine Engineering Co., Ltd. was excluded from the consolidation scope. The details of this transaction are set out in Note VI. 3.

Business combinations not involving entities under common control

On 9 April 2015, the Group acquired 100% share of SMD Group from independent third parties, through its subsidiary, HK Electric, paying by cash. On 9 April 2015, the Group obtained control of SMD Group and the acquisition date was determined as 9 April 2015. The total consideration of this transaction is GBP120.2 million (equivalent to approximately RMB1,098.5 million at acquisition date). The goodwill was approximately amounting to RMB535.9 million at acquisition date. The details of this transaction are set out in Note VI. 4.

Contingent liabilities

The Group did not have any material contingent liabilities as at 31 December 2016, and no member of the Group was engaged in any litigation, arbitration or claims of material importance and, so far as the Directors were aware, no litigation or claim of material importance was pending or threatened by or against any member of the Group.

Other than the under disclosed, the Group has no contingencies which should be disclosed.

As at 9 April 2015, the fair value of contingent consideration is GBP1.5 million (equivalent to approximately RMB13.3 million at acquisition date). As at 31 December 2015, SMD did not achieve the performance target stipulated in purchase agreement, the contingent consideration amounting to GBP0.8 million (equivalent to approximately RMB7.9 million as at 31 December 2015) was recognised as non-operating income. As at 31 December 2016, SMD did not achieve the performance target stipulated in purchase agreement, the contingent consideration amounting to GBP0.7 million (equivalent to approximately RMB5.5 million as at 31 December 2016) was recognised as non-operating profit.

Market risks

The Group is subject to various market risks, including foreign exchange risk and interest rate risk. Details of such risks are set out in the notes to financial statements.

Foreign currency risk

The businesses of the Group are principally located in China. While most of the transactions of the Group are denominated in RMB, certain of its sales and purchases are denominated in foreign currencies including Japanese yen, United States dollar and the UK Pound sterling. Fluctuations of exchange rates of RMB against such foreign currencies can affect the Group's results of operations.

Policy risk

The Group is subject to risks arising from changes in the construction policies of the railway market by the Chinese government.

Employees, remuneration and training

Please refer to the subsections headed "Directors Report - Share appreciation rights scheme" and " Directors' Report - Employees and remuneration policy" respectively for details on the number and remuneration of employees, remuneration policies, bonus and share appreciation rights scheme and training scheme.

Directors

Ding Rongjun, aged 56, the Chairman of the Board and an executive Director, and also the chairman of the strategy committee and nomination committee of the Company. Mr. Ding is the chairman of the board of directors of Shiling. Mr. Ding joined CRRC ZELRI in August 1984 and has held the positions of deputy director and project manager of the scientific research department, deputy director, deputy chief engineer and chief engineer of CRRC ZELRI. Mr. Ding served as the president of the Company from September 2005 to December 2007, deputy general manager of CRRC ZELRI from December 2007 to December 2008, the general manager of CRRC ZELRI from December 2008 to July 2009. He has been an executive director, the general manager and deputy Party secretary of CRRC ZELRI from July 2009 to November 2015. He has been the chairman of the board of directors and deputy Party secretary of CRRC ZELRI from December 2015 to September 2016. He has been the Chairman of the board of directors and Party secretary of CRRC ZELRI since October 2016. Mr. Ding graduated from Southwest Jiaotong University with a bachelor's degree in Electric Locomotive in 1984, from Changsha Railway Institute with a master's degree in Traffic Information and Control in 1998, from Hunan University with a master's degree in Management Science and Engineering in 1999 and from Central South University with a doctor's degree in Intelligent Control and Pattern Recognition in 2008. Mr. Ding was elected as a member of the Chinese Academy of Engineering in December 2011. Mr. Ding has been an executive Director of the Company since September 2005, and the Chairman of the Board since December 2007.

Li Donglin, aged 50, the Vice Chairman of the Board and an executive Director, and also the Chairman of the risk management committee and a member of the strategy committee of the Company. Mr. Li is a senior engineer. Mr. Li joined CRRC ZELRI in July 1989 and has held the positions of deputy chief engineer, deputy general manager of the rail transport department, director of the manufacturing centre, deputy general manager of the sales and marketing centre of CRRC ZELRI. Mr. Li served as the chief marketing officer of the Company from September 2005 to December 2007, vice president and Party secretary of the Company from December 2007 to December 2009. Mr. Li has been a director, the general manager and deputy Party secretary of CRRC ZELRI since December 2015, and has been the chairman of the board of directors and the legal representative of Times New Materials since February 2016. Mr. Li graduated from Southwest Jiaotong University with a bachelor's degree in Electric Traction and Drive Control in 1989. Mr. Li was the general manager of the Company from January 2010 to April 2010. Mr. Li was an executive Director, a member of the strategy committee and the general manager of the Company from April 2010 to January 2016 and the chairman of the board of the directors of Dynex from May 2010 to June 2016. Mr. Li has been the Vice Chairman of the Board, the Chairman of the risk management committee and a member of the strategy committee of the Company since 28 March 2017.

Directors, Supervisors and Senior Management

Liu Ke'an, aged 46, an executive Director and the general manager and also a member of the strategy committee of the Company. Mr. Liu is the chairman of the board of directors of Dynex. Mr. Liu is a professorate senior engineer. He joined CRRC ZELRI in August 1994 and has held various positions as engineer, the chief engineer, senior engineer and the chief designer of CRRC ZELRI. Mr. Liu has held various positions such as director of the drive technology department of technology centre, director of systems project department of the technology centre, deputy director and director of the technology centre of the Company since September 2005. He was an employee representative supervisor of the Company from December 2007 to January 2010, the chief technology officer of the Company from January 2010 to June 2012 and the vice general manager and the chief engineer of the Company from June 2012 to January 2016. Mr. Liu also served as the general manager of semi-conductor business unit of the Company from January 2014 to February 2016. Mr. Liu graduated from the Department of Electrical Engineering of Tongji University with a bachelor's degree in Engineering majoring in Industrial Electrical Automation in 1994 and graduated from Zhongnan University of Economics and Law with a master's degree in Corporate Management in 2008, and graduated from Zhongnan University in December 2015 with a doctor's degree in transportation and communication engineering. Mr. Liu has served as an executive Director and the general manager of the Company since January 2016.

Yan Wu, aged 50, an executive Director, a vice general manager and the secretary to the Board and also a member of the risk management committee of the Company. Mr. Yan is an executive director of HK Electric, Times Australia, Times USA, Times Brasil. Mr. Yan is a senior engineer. He joined CRRC ZELRI in 1992. Mr. Yan graduated from Northwestern Polytechnical University with a bachelor's degree in Electro-Technology in 1989 and a master's degree in Aircraft Navigation and Control in 1992. Mr. Yan served as the director of the technical standards department of the Company from September 2005 to December 2007, and as the director of the securities and legal affairs department of the Company from January 2007 to January 2014. Mr. Yan had been the general secretary of the National Electric Traction Equipment and System Standardization Technical Committee from September 2005 to November 2011. Mr. Yan was appointed as the secretary to the Board of the Company in December 2007 and a vice general manager of the Company in June 2012. He has been a non-executive Director of the Company in December 2010 and was re-designated as an executive Director of the Company in March 2014.

Ma Yunkun, aged 63, a non-executive Director and a member of the audit committee of the Company. Mr. Ma has more than 10 years of experience in business management. Mr. Ma held the positions of deputy director of Kunming Machine Factory from 1994 to 2003, vice chairman of the board of directors and the general manager of CRCCE from 2003 to 2004, the chairman of the board of directors and the general manager of CRCCE from 2004 to January 2010 and the chairman of the board of directors and Party secretary of CRCCE from January 2010 to January 2015. He has served as a director of CRCCE from January 2015 to May 2016. Mr. Ma has been a non-executive Director of the Company since September 2005.

Chan Kam Wing, Clement, aged 59, an independent non-executive Director and also the chairman of the audit committee and a member of the risk management committee of the Company. Mr. Chan is a certified public accountant in Hong Kong, a member of the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the Institute of Chartered Accountants in England and Wales. Mr. Chan possesses the appropriate financial management expertise as required by the Listing Rules. Mr. Chan has been the managing director of BDO Limited since May 2009. Mr. Chan was the Asian regional director and a board member of Horwath International from 1996 to April 2009, during which Mr. Chan was the managing director of Horwath Hong Kong CPA Limited. Mr. Chan was elected as a council member of the HKICPA from 2007 to 2014, during which he was elected as the vice president of the HKICPA from 2012 to 2013, and was further elected as the president of HKICPA in 2014. In addition, he is actively involved in the work and matters of the technical and industry monitoring committees of the HKICPA. From 2010 to 2013, Mr. Chan was appointed as the chairman of the financial reporting standards committee of the HKICPA and was responsible for the research, editing and promulgation of the Hong Kong Financial Reporting Standards. Mr. Chan has also served as the chairman of the Asian-Oceanian Standard Setters Group in 2014 and 2015 and attended various international conferences on the setting of accounting standards on behalf of Hong Kong. Mr. Chan obtained a bachelor's degree in Accounting and a master's degree in Commerce from the United Kingdom and Australia, respectively. Mr. Chan has been an independent non-executive Director of the Company since September 2005.

Pao Ping Wing, aged 70, an independent non-executive Director and also the chairman of the remuneration committee and a member of the audit committee and the nomination committee of the Company. Since 1987, Mr. Pao has been appointed as the independent non-executive director of various companies listed on the Stock Exchange. Mr. Pao has substantial experiences in corporate governance. Mr. Pao is an independent non-executive director of Oriental Press Group Limited, Sing Lee Software (Group) Limited, Maoye International Holdings Limited, Capital Environment Holdings Limited and Soundwill Holdings Limited. Mr. Pao was appointed as a Justice of Peace in 1987. Mr. Pao was appointed by the Hong Kong government as a member of the Town Planning Board, the Advisory Council on the Environment, the Hong Kong Housing Authority and the Land Development Corporation. Mr. Pao obtained a master's degree in Science of Human Settlement Planning and Development. Mr. Pao has been an independent non-executive Director of the Company since September 2005.

Liu Chunru, aged 46, an independent non-executive Director and a member of the audit committee, nomination committee and remuneration committee of the Company. Ms. Liu is a certified assets valuer. Ms. Liu was the vice president of Beijing China Enterprise Appraisal Co., Ltd. and the president of Zhongfa International Appraisal Co., Ltd. She has been the vice chairperson of the board of Beijing Zhuoxindahua Appraisal Co., Ltd. since September 2012. Ms. Liu graduated from Chongqing University with a bachelor's degree in Engineering in 1994 and graduated from Tsinghua University with a master's degree in Business Administration in 2008. Ms. Liu was a supervisor of the Company from September 2005 to April 2008. Ms. Liu has been an independent non-executive Director of the Company since June 2008.

Directors, Supervisors and Senior Management

Chen Xiaoming, aged 54, an independent non-executive Director and also a member of the audit committee and the remuneration committee of the Company. Mr. Chen was a lawyer of Shenzhen Foreign Economic Law Firm from July 1988 to December 1993. Mr. Chen was a partner and lawyer of Guangdong Huaye Law Firm from January 1994 to December 2002. He was a partner and lawyer of Guangdong Shengdian Law Firm from January 2003 to December 2006. He has been a partner and lawyer of Beijing Zhonglun (Shenzhen) Law Firm since January 2007. He is also an arbitrator of Shenzhen Arbitration Commission. Mr. Chen graduated from the Law Department of Southwest University of Political Science & Law with a bachelor's degree in Laws in July 1985. He graduated from the Law Department of Southwest University of Political Science & Law in July 1988 with a master's degree in Laws. He has been an independent non-executive director of the Company since March 2017.

Deng Huijin, aged 60, was the Vice Chairman of the Board and an executive Director, and also the Chairman of the risk management committee of the Company prior to 28 March 2017. Mr. Deng is a director of Times New Materials. Mr. Deng joined CRRC ZELRI in 1982 and has held various positions as assistant engineer, engineer and senior engineer. He served as the deputy director of CRRC ZELRI from November 1995 to December 2005, deputy Party secretary, secretary of Party discipline inspection commission and chairman of the labour union of CRRC ZELRI from December 2005 to November 2008, and has been the Party secretary and deputy general manager of CRRC ZELRI from December 2008 to November 2015. He has been the vice chairman of the board of directors and Party secretary of CRRC ZELRI from December 2015 to October 2016. He has been the counsel of CRRC ZELRI since November 2016. Mr. Deng graduated from Dalian Railway Institute with a bachelor's degree in Engineering in 1982. Mr. Deng was appointed as a non-executive Director of the Company in August 2009 and was re-designated as an executive Director of the Company in March 2014. He has been appointed as the Vice Chairman of the Board in April 2010. Mr. Deng resigned as the Vice Chairman of the Board, an executive Director, a member and the Chairman of the risk management committee of the Company on 28 March 2017.

Gao Yucai, aged 76, was an independent non-executive Director and a member of the strategy committee, the audit committee and the remuneration committee of the Company prior to 23 March 2016. Mr. Gao is a senior engineer and has more than 20 years of experience in the urban rail transportation industry. Mr. Gao was the deputy director of the Beijing Public Utility Bureau from 1983 to 1990 and the general manager of Beijing Metro Corporation from 1990 to 2001. Mr. Gao was a commissioner of the China Communication and Transportation Association ("CCTA") and director of the urban rail transportation committee of CCTA. Mr. Gao graduated from the PLA Engineering Institute (its predecessor is Harbin Institute of Military Engineering) in 1966. Mr. Gao was appointed as an independent non-executive Director of the Company in November 2006. On 23 March 2016, Mr. Gao resigned as an independent non-executive Director and a member of the strategy committee, the audit committee and the remuneration committee of the Company.

Supervisors

Xiong Ruihua, aged 48, a supervisor and the Chairman of the Supervisory Committee. Mr. Xiong is a senior economist. Mr. Xiong joined CRRC ZELRI in 1993 and has held various positions as secretary of the Communist Youth League, deputy director, acting director, and director of the Audit Department of CRRC ZELRI. He served as the chief financial officer and the secretary of the board of Times New Materials from February 2004 to November 2007, deputy secretary of Party discipline inspection commission and director of the audit and supervision committee of CRRC ZELRI from December 2007 to November 2008, deputy secretary of Party discipline inspection commission of CRRC ZELRI from December 2008 to December 2009, deputy officer and director of the Audit and Risk Department of CSR from January 2010 to December 2011, Party secretary and deputy general manager of Times New Materials from January 2012 to November 2013 and the vice general manager and chief financial officer of CRRC ZELRI since December 2013. Mr. Xiong has been a director of Times New Materials since April 2014. Mr. Xiong graduated with a bachelor's degree in Accounting from Hunan University, and obtained his master's degree in Enterprise Management and Information Systems from Wuhan University in May 2009. Mr. Xiong has been a supervisor of the Company since June 2014.

Pang Yiming, aged 53, a supervisor. Mr. Pang is the general manager of the electrical interconnection technology business unit of the Company. Mr. Pang joined CRRC ZELRI in October 1982 and held the positions of assistant to the general manager of the manufacturing centre of CRRC ZELRI and deputy general manager of Times Electronics, the chief production officer and director of the production department of Times Electronics. Mr. Pang served as assistant to the director and deputy general manager of the marketing management department of the marketing centre of the Company from January 2007 to January 2009, director of the marketing management department of the Company from January 2009 to December 2009, and director of the operation management department of the Company from January 2010 to December 2011. Mr. Pang has been the general manager of the printed circuit business division of the Company from January 2012 to July 2016. He has been the general manager of the electrical interconnection technology business unit of the Company since July 2016. Mr. Pang graduated from Central South University in 2004 after a three-year study in management and engineering. Mr. Pang has been an employee representative supervisor of the Company since September 2005.

Zhou Guifa, aged 53, a supervisor. Mr. Zhou is a professorate senior engineer. He joined CRRC ZELRI in 1985 and has held various positions as engineer, senior engineer and professorate senior engineer at the R&D centre of CRRC ZELRI and the technology centre of the Company. Mr. Zhou served as the chief technology officer of Shanghai branch of the technology centre of the Company from September 2005 to December 2006, and has been the chief expert of the Company since January 2007 and the chief technical expert of CSR since 2011. He was rated as the Principal Design Expert of CRRC since 2016. Mr. Zhou graduated from Dalian Railway Institute with a bachelor's degree in Engineering in 1985, obtained a master's degree in Engineering from Central South University in 1997 and a doctor's degree in Engineering from Tongji University in 2009. Mr. Zhou has been an employee representative supervisor of the Company since January 2010.

Directors, Supervisors and Senior Management

Geng Jianxin, aged 63, an independent supervisor. Mr. Geng has been a teacher at the Department of Accounting of Renmin University of China since 1993 and is currently a professor and a doctoral supervisor. Mr. Geng graduated from Zhejiang Metallurgy and Economics College in 1981 majoring in Accounting. He worked as an assistant accountant for a geophysics exploration company of the Ministry of Metallurgical Industry from 1981 to 1984 and for the Taxation Bureau of Baoding, Hebei from 1984 to 1985. He obtained a master's degree in economics from Zhongnan University of Economics and Law in 1988 and worked as a lecturer and assistant professor at Hebei Institute of Economics and Business from 1988 to 1990. He obtained a doctor's degree in administration from the Department of Accounting of the Renmin University of China in 1993. Mr. Geng has been an independent supervisor of the Company since June 2011.

Senior Management

Li Donglin, aged 50, prior to 12 January 2016, an executive Director and the general manager of the Company. Mr. Li has been appointed as the Vice Chairman of the Board and an executive Director since 28 March 2017. Biographical details of Mr. Li are set out above.

Liu Ke'an, aged 46, an executive Director and the general manager. Biographical details of Mr. Liu are set out above.

Du Jinsong, aged 51, the Party secretary and a vice general manager. Mr. Du is a director of Hangzhou Electric and the chairman of the board of directors of Qingdao Electric. Mr. Du is a senior engineer. He joined CRRC ZELRI in 1989 and has held various positions as group leader, director of the production department, vice director in charge of production, executive vice director and deputy general manager of the manufacturing centre of CRRC ZELRI. He served as deputy general manager of the marketing centre of CRRC ZELRI from March 2002 to March 2004, deputy general manager and secretary of Party general branch of power electronic business unit of CRRC ZELRI from March 2004 to December 2004, deputy general manager and Party branch secretary, executive deputy general manager and Party branch secretary of engineering centre of CRRC ZELRI from December 2004 to August 2006, the general manager and vice secretary of Party general branch of wind power unit of CRRC ZELRI from August 2006 to December 2011. Mr. Du graduated from East China Jiaotong University with a bachelor's degree in Electric Traction and Drive Control in 1989 and Changsha Railway Institute with a certificate of post graduation in Traffic Information and Control in 1999. He later graduated from Hunan University with a postgraduate certificate in Business Administration in 2001. Mr. Du has been the Party secretary and vice general manager of the Company since January 2012.

Chen Jian, aged 45, a vice general manager. Mr. Chen is an executive director of Beijing CRRC Intelligent, Times Signal & Communication and the chairman of the board of directors of SMD. Mr. Chen is a senior engineer. He joined CRRC ZELRI in August 1995 and has held various positions as director of market department of the marketing centre of CRRC ZELRI and the general manager of Zhuzhou Jierui Electronics Engineering Company Limited(株洲傑瑞電氣工程有限公司) and deputy general manager of Times Electronics. Mr. Chen has held various positions as the general manager of the marketing centre of the Company and the general manager of Times Electronics since July 2005, and vice chief economist of the Company from January 2009 to December 2009. Mr. Chen was the general manager of Baoji Times from April 2009 to January 2010. He was the chief marketing officer of the Company from January 2010 to June 2012. Mr. Chen graduated from Tongji University with a bachelor's degree in Electronic Equipment and Metrological Technology in July 1995, and obtained a master's degree in Business Administration from Central South University in December 2006. Mr. Chen has been a vice general manager of the Company since June 2012.

Liu Daxi, aged 52, a vice general manager. Mr. Liu is a director of Shiling. Mr. Liu is a senior engineer. He joined CRRC ZELRI in July 1988. He has worked for the trial production department, the electrical equipment factory and the manufacturing centre of CRRC ZELRI. He has successively held various positions as deputy director and director of the engineering department of electrical equipment factory, deputy director of the electrical equipment factory, deputy director, director and general manager of the manufacturing centre. Mr. Liu served as deputy chief economist of the Company from January 2008 to December 2009 and the chief production officer of the Company from January 2010 to June 2012. He graduated from Beijing Jiaotong University in July 1988 with a bachelor's degree in Electric Traction and Drive Control, and studied the MBA programme at Business School of Central South University from June 2003 to April 2005. He undertook a programme in leadership in manufacturing technology at the George Washington University in the United States from November 2003 to December 2003 and studied the programme for chief operation officer at Fudan University from September 2006 to March 2007. Mr. Liu has been a vice general manager of the Company since June 2012.

Tan Yongneng, aged 47, the chief administration officer and the chairman of the labour union. Mr. Tan is a director of Qingdao Electric and Lanzhou Times. He joined CRRC ZELRI in July 1990, and has successively held various positions as director of general manager's office of Times Electronics, director of department of Party and mass affairs and director of Party office of CRRC ZELRI. He was director of department of Party and mass affairs and director of department of auditing of the Company from December 2004 to December 2005, director of department of Party and mass affairs and director of Party office of CRRC ZELRI from December 2005 to December 2007, and director of administration office and director of secretary office of decision-making committee of CRRC ZELRI from January 2008 to January 2010. Mr. Tan graduated from Xiangtan University majoring in Electrical Technology in July 1995. He attended the on-the-job postgraduate programme in Psychology and Human Resources of Peking University in 2000, and obtained a certificate of graduation by completing the full postgraduate programme in July 2002. He attended the on-the-job MBA programme of Business School of Central South University in 2003 and obtained a certificate of graduation by completing the full postgraduate programme in July 2005. Mr. Tan has been the chief administration officer and the chairman of the labour union of the Company since January 2010.

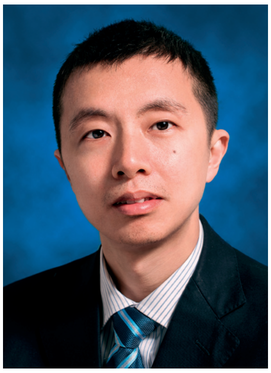
Niu Jie, aged 49, a vice general manager. Mr. Niu is an executive director of Times Equipment, Times Electronics and Ningbo Times and the vice chairman of the board of directors of Baoji Times. Mr. Niu is an engineer. He joined CRRC ZELRI in October 1994 and served as the director of the production department of the PCB plant, the sales director of the production and operation division and the vice general manager of the marketing centre of CRRC ZELRI. He was the deputy general manager of the marketing centre of the Company from September 2005 to December 2006 and the general manager of the locomotives business department of the marketing centre of the Company from January 2007 to December 2008. Mr. Niu was a technician and office director of the loading and unloading machinery plant of Lanzhou Railway Bureau from February 1988 to October 1994. He was deputy chief economist of the Company from January 2010 to June 2012 and was the general manager of the locomotives business department of the Company from January 2009 to May 2013. Mr. Niu graduated from Central South University in June 2003 with an undergraduate certificate of graduation in machinery design, manufacturing and automation. Mr. Niu has been a vice general manager of the Company since June 2012.

Yan Wu, aged 50, an executive Director, a vice general manager and the secretary to the Board. Biographical details of Mr. Yan are set out above.

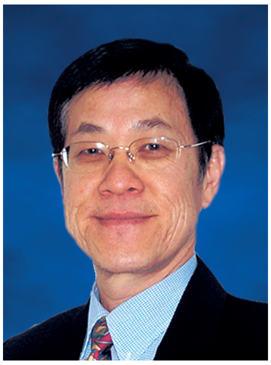
Zhang Hua, aged 41, a vice general manager and the chief financial officer. Ms. Zhang is a director of Zhuzhou Siemens and a supervisor of Baoji Times and Times Signal & Communication. Ms. Zhang is a professorate senior accountant and a Certified Public Accountant of China. Ms. Zhang joined CRRC ZELRI in 1998 and acted as accountant and accounting manager. She served as a director of financial assets department of CRRC ZELRI from January 2005 to November 2007, the chief financial officer of Times New Materials from December 2007 to December 2009 and a vice general manager and the chief financial officer of Times New Materials from January 2010 to May 2013. Ms. Zhang graduated from Xiangtan University in June 1998 with a bachelor's degree in Economics and graduated from Hunan University with a master's degree in Professional Accounting in November 2012. Ms. Zhang has been a vice general manager and the chief financial officer of the Company since May 2013.

Yan Changqi, aged 49, a vice general manager. Mr. Yan is a director of Shanghai CRRC Rail Transit, Qingdao Electric, Wenzhou Electric, Lanzhou Times and Shiling. Mr. Yan is a senior engineer. He joined CRRC ZELRI in August 1991 and has held various positions as the director of the sales division of the marketing centre of CRRC ZELRI, the deputy director of Foreign Economic Cooperation Office (FECO), a vice general manager of the marketing centre, the chief marketing officer of Times Electronics and the chief marketing officer of the passenger car electric business division. Mr. Yan served as the general manager of the EMU business division of the Company from January 2007 to December 2009, a vice chief economist of the Company from January 2010 to January 2013, the assistant to general manager and the general manager of the EMU business division of the Company from February 2013 to May 2013, and the assistant to general manager and the general manager of the railway business division of the Company from May 2013 to January 2016. Mr. Yan graduated with a bachelor's degree in Machinery Manufacturing Technology and Equipment (機械製造工藝及設備) from Xi'an Jiaotong University in July 1991. Mr. Yan has been a vice general manager of the Company since January 2016.

Yu Liu, aged 52, a vice general manager. Mr. Yu is the chairman to the board of directors of Guangzhou Times and CRRC Wabtec, and an executive director of Shenyang Times and Kumming Times and a director of Hangzhou Electric and Shanghai Shentong CRRC. Mr. Yu is a senior engineer. He joined CRRC ZELRI in June 1999 and has held various positions as the director of the marketing division of the production operations department, the director of the marketing division for urban railway equipment and the vice general manager of the business division for urban railway equipment. He has been the general manager of the business division for urban railway of the Company from September 2005 to December 2009, the vice chief economist and the general manager of the business division for urban railway of the Company from January 2010 to January 2013, the assistant to general manager and the general manager of the business division for urban railway of the Company from February 2013 to February 2016. Mr. Yu graduated with a master's degree in Software Engineering from Wuhan University in July 2009. Mr. Yu has been a vice general manager of the Company since January 2016.



Shang Jing, aged 40, a vice general manager and chief engineer. Mr. Shang is a director of Traction Inspection. Mr. Shang is a professorate senior engineer. He joined CRRC ZELRI in July 2003 and has held the position as an engineer at the R&D centre. He served as engineer at the R&D centre, the director and the deputy director of the industrial drive division of the Company from September 2005 to May 2011, and the deputy director and the director of the foundation and platform research and development centre of CRRC ZELRI Research Institute from June 2011 to February 2015, respectively. He was also the vice chief engineer and the director of the foundation and platform research and development centre of CRRC ZELRI Research Institute from February 2015 to January 2016. Mr. Shang graduated with a bachelor's degree in Mechanical and Electrical Engineering and a master's degree in Power System and Automation from Southwest Jiaotong University in July 2000 and April 2003 respectively. In December 2016, he graduated from Zhongnan University with a doctor degree in control science and engineering. Mr. Shang has been a vice general manager and chief engineer of the Company since January 2016.



Tang Tuong Hock, Gabriel, aged 64, the company secretary. Mr. Tang has been a member of the Institute of Chartered Accountants in England and Wales since 1981 and is also a member of the Chartered Association of Certified Accountants in the United Kingdom. Mr. Tang has more than 20 years of experience in accounting and management in various industries. He was appointed as qualified accountant and joint company secretary of the Company from July 2006 to June 2011. Mr. Tang has served as the company secretary and the authorised representative of the Company since July 2011.

The Company has always been dedicated to improving the quality of its corporate governance, and maximizing long-term shareholder value by increasing the Group's accountability and transparency through strict implementation of corporate governance practices.

I. Corporate Governance Practices

The Company places great emphasis on the superiority, stability and reasonability of its corporate governance.

During the year ended 31 December 2016, the Company has fully complied with all the code provisions of the CG Code, except for code provision A.6.7 and E.1.2 as set out below.

Mr. Chan Kam Wing, Clement, an independent non-executive Director, Mr. Ma Yunkun, a non-executive Director and Mr. Gao Yucai, a former independent non-executive director of the Company, had not attended the Company's extraordinary general meeting held on 29 February 2016 due to their other important commitments and Ms. Liu Chunru, an independent non-executive Director, had not attended the Company's 2015 annual general meeting held on 23 June 2016 due to her other important commitments which constituted deviations from the requirement of code provision A.6.7. Mr. Ding Rongjun had not attended the Company's 2015 annual general meeting held on 23 June 2016 due to his other important commitments which constituted a deviation from the requirement of code provision E.1.2.

The Board and the management of the Company make every effort to comply with the CG Code in order to protect and enhance the interests of the Company's shareholders. As the Company continues to grow, the Company will monitor and revise its corporate governance policy on an ongoing basis in order to ensure the relevant policy will be in compliance with the general regulations and standards required by shareholders.

In accordance with the relevant laws and regulations, the Company has set up a structure with general meetings, the Board, committees of the Board, the Supervisory Committee and the management to act as check and balance against one another. The division of responsibilities among the general meetings, the Board, committees of the Board, the Supervisory Committee and the management are distinct, and each of them is assigned with clearly defined responsibilities. The Board has delegated the execution and daily operations of the Group's business to the management. However, clear directions are given to the management as to the matters that must be approved by the Board before decisions are made on behalf of the Group. The Company will continue to improve its corporate governance mechanism, exercise discipline in the fulfilment of corporate duties, and enhance the disclosure of information.

II. Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as the code of conduct for Directors' securities transactions.

Having made specific inquiries of all Directors in relation to the compliance with the Model Code, the Company confirmed that all Directors have complied with the required standards set out in the Model Code during the reporting period.

III. Board of Directors

1. Composition of the Board

According to the Articles, the Board of Directors shall comprise ten Directors, with one Chairman, one Vice Chairman and eight Directors, among which three or more shall be independent non-executive Directors.

As at the date of this report, the Board consists of nine Directors, among whom Mr. Ding Rongjun is the Chairman of the Board and an executive Director; Mr. Li Donglin is the Vice Chairman of the Board and an executive Director; Mr. Liu Ke'an and Mr. Yan Wu are the other two executive Directors; Mr. Ma Yunkun is the non-executive Director; and Mr. Chan Kam Wing, Clement, Mr. Pao Ping Wing, Ms. Liu Chunru and Mr. Chen Xiaoming are the four independent non-executive Directors.

Mr. Li Donglin resigned as an executive Director, a member of the strategy committee and the general manager of the Company on 12 January 2016 due to the normal change in job position. Mr. Li was appointed as the Vice Chairman of the Board, an executive Director, the Chairman of the risk management committee and a member of the strategy committee of the Company on 28 March 2017. Mr. Liu Ke'an has been appointed as an executive Director, a member of the strategy committee and the general manager of the Company with effect from 12 January 2016.

Mr. Gao Yucai resigned as the independent non-executive Director, a member of the strategy committee, a member of the audit committee and a member of the remuneration committee of the Company on 23 March 2016 due to personal reason.

Mr. Deng Huijin resigned as the Vice Chairman of the Board, an executive Director, the Chairman and a member of the risk management committee of the Company on 28 March 2017 due to normal change in job position.

The number of members of the Board of Directors is one less than the number required by the Articles for the time being. The Company hopes to search for suitable person to fill the vacancy as soon as possible.

The Company has entered into service contracts with all Directors which set out, among other things, their terms of office and remuneration. Each session of the Board has a term of three years. Directors elected as the members of any new session of the Board will have a term of office commencing from the date on which he/she is elected up to the date on which members of the next session of the Board are elected or for a shorter period as may be decided upon at the general meeting. Directors appointed to fill casual vacancy will have a term of office commencing from the date of his/her appointment up to the next general meeting or for a shorter period as may be decided upon at the general meeting. The period of notice of termination of the service contracts given by either party shall not be less than three months.

The Directors have strictly complied with their undertakings, and have been honest, trust-worthy and diligent in the performance of their duties. Except as mentioned above that the number of Board members does not accord with that is provided under the Articles, the number of Board members and the composition of the Board of the Company have complied with the relevant laws and regulatory requirements. Other than working relationship, there is no other relationship among the members of the Board (especially the Chairman and the general manager), including any financial, business, family or other material relevant relationship.

The Directors have distinguished themselves in their respective fields of expertise, and have demonstrated high standards of personal and professional ethics and integrity. All Directors have devoted sufficient time and attention to the Company's affairs. The Board believes that the ratio of executive Directors to non-executive Directors is reasonable and adequate to provide checks and balances that safeguard the interests of the shareholders and the Company as a whole.

The Company has received the annual confirmation letters from Messrs. Chan Kam Wing, Clement, Pao Ping Wing and Ms. Liu Chunru of their independence as required under Rule 3.13 of the Listing Rules, and the Company has, before appointing Mr. Chen Xiaoming as an independent non-executive Director, received the confirmation letter from Mr. Chen in respect of his independence as required under Rule 3.13 of the Listing Rules. The Company considers that they are still independent as of the date of this report.

2. Board Meetings and Directors' Attendances at Board Meetings

During the reporting period, the Company held nine Board meetings and two general meetings.

The following is the attendance record of the Directors at the Board meetings and the general meetings held during the reporting period.

Name	Title	Attendances at the Board meetings	Attendances at the general meetings
Ding Rongjun	Chairman of the Board and Executive Director	9/9	0/2
Deng Huijin (Note 1)	Vice Chairman of the Board and Executive Director	9/9	2/2
Li Donglin (Note 2)	Vice Chairman of the Board and Executive Director	0/0	0/0
Liu Ke'an (Note 3)	Executive Director	8/8	2/2
Yan Wu	Executive Director	9/9	1/2
Ma Yunkun (Note 4)	Non-Executive Director	8/9	1/2
Gao Yucai (Note 5)	Independent Non-Executive Director	2/2	0/1
Chan Kam Wing, Clement	Independent Non-Executive Director	9/9	1/2
Pao Ping Wing	Independent Non-Executive Director	9/9	2/2
Liu Chunru	Independent Non-Executive Director	9/9	1/2

Note 1: Mr. Deng Huijin resigned as the vice chairman of the board and the executive Director of the Company on 28 March 2017.

Note 2: Mr. Li Donglin resigned as an executive Director of the Company on 12 January 2016. He was appointed as the vice chairman of the board and an executive Director of the Company on 28 March 2017.

Note 3: Mr. Liu Ke'an has been appointed as an executive Director of the Company on 12 January 2016.

Note 4: Mr. Ma Yunkun appointed Ms. Li Chunru as his representative to attend the eighth meeting of the fourth session of the board of directors held on 24 March 2016.

Note 5: Mr. Gao Yucai resigned as the non-executive Director of the Company on 23 March 2016.

3. Directors' Continuous Training and Development Program

Pursuant to the CG Code, all Directors should participate in continuous professional development program to develop and refresh their knowledge and skills. This is to ensure that their contribution to the Board remains fully informed and relevant.

All Directors have received regular briefings and updates on the Group's business, operations, risk management and corporate governance matters, and have been provided with material information on new laws and ordinances or changes to important laws and ordinances applicable to the Group. All Directors are required to provide the Company with their respective training records pursuant to the CG Code.

3. Directors' Continuous Training and Development Program (continued)

During the reporting period, the Company has provided the Directors with appropriate and continuous training, and professional development courses, the Directors who held office at the material time attended the relevant training, Some of the independent non-executive Directors attended relevant trainings arranged by other organizers. The Company has received from each of the Directors the confirmation on attending continuous professional trainings. The trainings received by each Director in 2016 are as follows:

Name of Director	Trainings (Note)
Executive Directors	
Ding Rongjun	A, B, D
Liu Ke'an	A, B, D
Yan Wu	A, B, D
Deng Huijin	A, B, D
Non-executive Directors	
Ma Yunkun	A, B, D
Independent non-executive Directors	
Chan Kam Wing, Clement	A, B, C, D
Pao Ping Wing	A, B, C, D
Liu Chunru	A, B, D
Gao Yucai	D

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

A. Attending trainings on the amendments to the Listing Rules arranged by the Company

B. Attending trainings in relation to audit and financial knowledge arranged by the Company

C. Attending trainings in relation to connected transactions, directors' responsibilities, the CG Code and accounting standards arranged by other organizers

D. Studying and reading briefings and analysis on the Group's business, operations, risk management and corporate governance matters, as well as the latest laws and regulations on directors' responsibilities

4. Operation of the Board

The Board of Directors is responsible to the general meetings of shareholders in relation to the leadership and control of the Company. The Board is responsible for formulating the Group's overall development strategies, reviewing and monitoring the Group's business performance, and preparing and reviewing its financial statements. The Board delegates the day-to-day management, administration and operation of the Group to the management. The delegated functions are reviewed by the Board periodically to ensure that they accommodate the needs of the Group.

The Board convenes regular and ad hoc meetings in accordance with legal procedures and complies strictly with relevant laws and regulations and the Articles in the exercise of its authorities with an emphasis on protecting the interests of the Company and all of its shareholders.

All Directors are given no less than 14 days' notice of regular Board meetings and are generally given reasonable prior notice of Board meetings other than regular meetings.

The secretary to the Board records and prepares documents concerning matters that are discussed during the Board meetings. The minutes of every Board meeting are circulated to all Directors for their review. After the Board minutes have been finalized, the minutes will be signed by all Directors who have attended the meeting, the secretary to the Board and the person(s) recording at the meeting and will be permanently kept as an important record of the Company at the Company's domicile.

The Board of Directors is responsible to the general meetings of shareholders and it principally exercises the following powers:

(1) to convene general meetings of shareholders and to report its work at general meetings;

(2) to implement the resolutions of general meetings;

(3) to make decisions on business plans and investment plans of the Company;

(4) to draw up annual financial budget and final budgetary reports;

(5) to draw up profit distribution plans and plans for making up for losses;

(6) to draw up plans for the material investments, material acquisitions or disposals, mergers, split or dissolution of the Company; and

(7) to draw up proposals for any amendments to the Articles.

All Directors have access to the advice and services of the company secretary. The Company provides all Directors with the necessary information and data to enable them to make scientific, timely and prudent decisions. Any Director can request the general manager to request, or through the general manager request, the Company's relevant department to provide him/her with any necessary information and explanation to enable him/her to make scientific, timely and prudent decisions. If any of the independent non-executive Directors considers necessary, an independent institution can be engaged to provide independent opinions to assist his/her decision-making. The Company is responsible for arranging the engagement of independent institution at the Company's costs.

When voting on the connected transaction of the Company, Director(s) with interest in the connected transaction shall abstain from voting. If a resolution cannot be passed due to the concerned Director(s) abstaining from voting, the resolution will be submitted directly to the shareholders at general meeting for consideration.

The Company has arranged appropriate liability insurance policies for Directors, supervisors and senior management members, for the purpose of covering their liability arising out of the Group's corporate activities.

5. Committees of the Board

The Company has established strategy, audit, risk management, remuneration and nomination committees under the Board. The function of each committee is to study specific issues in its area of expertise and to provide opinions and suggestions for consideration by the Board.

a. Strategy committee

The Company's strategy committee was established in October 2005. Currently, the strategy committee consists of three executive Directors, namely Messrs. Ding Rongjun, Li Donglin and Liu Ke'an with Mr. Ding Rongjun is the chairman of the committee. Mr. Li Donglin resigned as a member of the strategy committee on 12 January 2016 and was re-appointed as a member of the strategy committee on 28 March 2017. Mr. Liu Ke'an was appointed as a member of the strategy committee on 12 January 2016. Mr. Gao Yucai resigned as a member of the strategy committee on 23 March 2016.

The main responsibilities of the strategy committee are:

(1) to provide study reports to the Board in respect of government policies and industry trends;

(2) to conduct strategic research concerning the Group;

(3) to review and assess material investments and financial plans; and

(4) to review material capital expenditure projects.

The strategy committee of the Company held one meeting during the reporting period, at which the members who held office at the material time attended the meeting. Main issues discussed at the meeting were work report of the strategy committee and annual investment plan of the Company, etc.

b. Audit committee

The Company's audit committee was established in October 2005. Currently, the audit committee consists of five Directors, including one non-executive Director and four independent non-executive Directors. The committee's members are Messrs. Chan Kam Wing, Clement, Pao Ping Wing, Ms. Liu Chunru, Mr. Chen Xiaoming and Mr. Ma Yunkun. Mr. Chan Kam Wing, Clement is the audit committee's chairman. Mr. Chan Kam Wing has appropriate professional qualifications and related financial management expertise. Mr. Gao Yucai resigned as a member of the audit committee on 23 March 2016. Mr. Chen Xiaoming was appointed as a member of the audit committee on 28 March 2017.

The main responsibilities of the audit committee are: to consider and supervise the financial reporting processes and internal control procedures of the Company, to exercise its authority to guide and supervise internal audits and to make recommendations on the appointment or change of external auditor. The terms of reference of the audit committee are posted on the Company's website and the Stock Exchange's HKExnews website.

The audit committee of the Company held four meetings during the reporting period, The committee mainly discussed issues concerning the Company's annual results, interim results, quarterly results, connected transactions, internal audit and internal controls related issues, etc. at the meetings.

b. Audit committee (continued)

The following table shows the record of attendance of the audit committee members:

Audit committee member	Attendances at the meetings held during the year ended 31 December 2016
Chan Kam Wing, Clement	4/4
Pao Ping Wing	4/4
Gao Yucai (Note 1)	0/0
Liu Chunru	4/4
Ma Yunkun (Note 2)	3/4

Note 1: Mr. Gao Yucai resigned as a member of the audit committee of the Company on 23 March 2016.

Note 2: Mr. Ma Yunkun appointed Ms. Liu Chunru as his representative to attend the seventh meeting of the audit committee of the fourth session of the board of directors held on 23 March 2016.

The Company has established an audit and risk management department with relatively independent internal audit functions. The audit and risk management department is under the guidance and supervision of the audit committee, and reports its work to the audit committee.

c. Risk management committee

The Company's risk management committee was established in June 2006. It currently consists of three Directors, including two executive Directors and an independent non-executive Director. The members of the risk management committee are Mr. Li Donglin, Mr. Chan Kam Wing, Clement and Mr. Yan Wu. Mr. Li Donglin is the chairman of the risk management committee. Mr. Deng Huijin resigned as the chairman of the risk management committee of the Company on 28 March 2017. Mr. Li Donglin was appointed as the Chairman of the risk management committee of the Company on 28 March 2017.

The main responsibility of the risk management committee is to establish, assess and revise risk management strategies.

During the reporting period, the risk management committee of the Company held one meeting. At such meeting, the committee mainly discussed issues concerning corporate governance report and internal control of the Company. The following table shows the record of attendance of the risk management committee members:

Risk management committee member	Attendances at the meetings held during the year ended 31 December 2016
Deng Huijin	1/1
Chan Kam Wing, Clement	1/1
Yan Wu	1/1

d. Remuneration committee

The Company's remuneration committee was established in October 2005. Its name was changed to nomination and remuneration committee on 27 June 2008. On 29 March 2012, it was approved that the nomination committee and remuneration committee be separated into two committees and renamed as nomination committee and remuneration committee respectively. Currently the remuneration committee consists of three independent non-executive Directors. The committee members are Mr. Pao Ping Wing, Ms. Liu Chunru and Mr. Chen Xiaoming. Mr. Pao Ping Wing is the chairman of the remuneration committee. Mr. Gao Yucai resigned as a member of the remuneration committee on 23 March 2016. Mr. Chen Xiaoming was appointed as a member of the remuneration committee on 28 March 2017.

The main responsibilities of the remuneration committee are to review the terms of the remuneration packages of individual Directors and senior management, and to make recommendations to the Board. The terms of reference of the remuneration committee are posted on the Company's website and the Stock Exchange's HKExnews website.

The remuneration committee has adopted the manner set out under the code provision B.1.2(c)(ii) to make recommendations to the Board on the remuneration packages of individual executive Director and senior management.

For the year ended 31 December 2016, the remuneration of senior management fell within the following bands:

Remuneration banding (Hong Kong Dollars)	Number
HKD1,000,000 or below	4
HKD1,000,001 – HKD2,000,000	7

Further details required to be disclosed in respect of the remuneration of Directors, supervisors, general manager and five highest paid employees under Appendix 16 to the Listing Rules are set out in Note X.5(15) and Note XIII.3(3).

The remuneration committee of the Company held two meetings during the reporting period. Remuneration of the Directors and the senior management and other matters were the main issues discussed at the meetings. The following table shows the record of attendance of the remuneration committee members:

Remuneration committee member	Attendances at the meetings held during the year ended 31 December 2016
Pao Ping Wing	2/2
Gao Yucai (Note1)	0/0
Liu Chunru	2/2

Note 1: Mr. Gao Yucai resigned as a member of the remuneration committee of the Company on 23 March 2016.

e. Nomination committee

The nomination and remuneration committee was separated and changed its name to nomination committee and remuneration committee respectively as approved by the Board on 29 March 2012. It currently consists of three Directors, including an executive Director and two independent non-executive Directors. The committee's members are Messrs. Ding Rongjun and Pao Ping Wing and Ms. Liu Chunru. Mr. Ding Rongjun is the chairman of the nomination committee.

The main responsibilities of the nomination committee are to be responsible for nomination and appraisal of Directors and senior management members and to make recommendations to the Board on any related adjustments. The terms of reference of the nomination committee are posted on the Company's website and the Stock Exchange's HKExnews website.

The procedures for shareholders of the Company to nominate a candidate for election as a director are available on the Company's website.

During the reporting period, the Company held four nomination committee meetings. Re-appointment of senior management and implementation of the board diversity policy were the main issues discussed at such meetings. The following table shows the record of attendance of the nomination committee members:

Nomination committee member	Attendances at the meetings held during the year ended 31 December 2016
Ding Rongjun	4/4
Pao Ping Wing	4/4
Liu Chunru	4/4

f. Corporate governance functions

The Board is responsible for the following corporate governance functions:

i. to draw up and review the Company's corporate governance policy and practices and make recommendations;

ii. to review and monitor the training and professional development on an ongoing basis of the Directors and senior management members;

iii. to review and monitor the Company's policies and practices on compliance, laws and regulations;

iv. to draw up, review and monitor any code of conduct and compliance manual, where appropriate, applicable to employees and Directors; and

v. to review the Company's compliance with the CG Code and the disclosure in the corporate governance report as set out in the annual report of the Company.

IV Chairman and General Manager

The offices of the Chairman and the general manager of the Company are held by different persons. Currently, Mr. Ding Rongjun is the Chairman. Mr. Liu Ke'an is the general manager. Mr. Li Donglin resigned as the general manager of the Company and Mr. Liu Ke'an was appointed as the general manager of the Company both effective on 12 January 2016. The division of responsibilities between the Chairman and the general manager of the Company has been clearly established and set out in writing. The Chairman is responsible for leadership of the Board and chairing Board meetings while the general manager is responsible for the Company's day-to-day operations.

According to the Articles, the Chairman exercises the following powers:

(1) to convene and preside at general meetings, and to preside at Board meetings;

(2) to supervise and check the implementation of Board resolutions;

(3) to sign the securities issued by the Company; and

(4) other powers granted by the Board.

The general manager is responsible to the Board of Directors. The general manager and the management team under his leadership have the following powers:

(1) in charge of the Company's production, operation and management and to organise the implementation of the Board's resolutions;

(2) to organise the implementation of the Company's annual business plan and investment plan;

(3) to establish plans for establishment of the Company's internal management structure;

(4) to establish the Company's basic management system;

(5) to formulate the basic rules and regulations of the Company;

(6) to propose the appointment or removal of vice general manager, chief officers and assistants to the general manager of the Company;

(7) to appoint or remove management personnel other than those required to be appointed or removed by the Board; and

(8) to draft plans for the wages, benefits, incentives and penalties of employees, to determine the appointment and removal, promotion and demotion, salary increment and decrement, appointment, employment, termination of employment of employees.

V Non-executive Directors

According to the Articles, the non-executive Directors are elected at general meetings for a term of three years. Upon expiry of terms of office, non-executive Directors are eligible for re-election.

VI Board diversity policy

The Board has adopted a board diversity policy effective on 11 October 2013. When determining the composition of the Board, the Company seeks to achieve board diversity through the consideration of a number of aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. All appointments of the Board will be based on meritocracy, and candidates will be considered against objective criteria, having due regard to the benefits of diversity of the Board. Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The ultimate decision will be based on merits of the candidates and the contribution that they may bring to the Board.

The Board has set measurable objectives (including the aforesaid measurable objectives) to implement the policy and the nomination committee is responsible for reviewing such objectives from time to time to ensure their appropriateness and monitoring the progress made towards achieving those objectives, and reviewing the policy, as appropriate, to ensure its continued effectiveness from time to time.

During the year under review, the nomination committee has considered the board diversity policy and whether the Board has the appropriate balance of skills, experience and diversity of perspectives necessary to enhance the effectiveness of the Board and to maintain high standards of corporate governance. After due consideration, the nomination committee has concluded that the current composition of the Board is a balanced and diversified combination that suits the business development of the Company and satisfies the board diversity policy for the year under review.

VII Nomination of Directors

In accordance with the Articles, Directors are elected at general meetings. Written notice of intention to nominate a candidate for appointment as director and the candidate's consent to be nominated must be given to the Company after the notice of the general meeting has been issued and at least seven days prior to the holding of the general meeting.

VIII Remuneration of the Auditor

Ernst & Young Hua Ming LLP (the "Ernst & Young Hua Ming") is the auditor of the Company. As at 31 December 2016, the service provided by Ernst & Young Hua Ming and the remuneration are as follows:

	For the year ended 31 December 2016 (RMB'000)
Service provided:	
Audit Service	**4,400**

IX Directors' Responsibilities in respect of the Financial Reports

The Directors confirm that they are responsible for the preparation of financial reports, and to give a true and fair view of the Group's financial position and operating results for the financial year ended 31 December 2016.

The Directors also confirm that there were no material uncertainties which may materially affect the ability of the Company to carry on as a going-concern.

X Company Secretary

Mr. Tang Tuong Hock, Gabriel was appointed as the company secretary of the Company in July 2006. Biographical details of Mr. Tang are set out under the section headed "Directors, Supervisors and Senior Management".

Mr. Tang took no less than 15 hours of relevant professional training during the financial year ended 31 December 2016 as required under Rule 3.29 of the Listing Rules.

XI Constitution

In the year ended 31 December 2016, the Company had made amendments to the Articles. For details, please see the circular of the Company dated 14 January 2016 and the announcement of the Company dated 29 February 2016, respectively.

XII Risk Management and Internal Control

The Board is responsible for the establishment, improvement and effective implementation of risk management and internal control systems as well as carrying out supervision on the effectiveness of the risk management and internal control systems of the Company and its subsidiaries. The Company has a sound organization system of internal control and has established the audit and risk management department with internal audit functions. Guided by the Board, the audit committee and the risk management committee, the audit and risk management department carries out supervision and evaluation for internal controls of the Company and its branches and subsidiaries in respect of important control functions such as financial control, operation control, compliance control and risk prevention and management, supervises and timely rectifies internal control deficiencies and effectively controls operating risks.

The Company continues to strengthen its internal control systems and further enhances its control capability by deeply developing internal control evaluation and comprehensive risk management. At present, the Company has a relatively sound internal control and management system. Through the integration and optimization of management systems, the Company has strengthened the control capability of the Group and satisfactorily controlled the risk points across various businesses. On this basis, the Company implements internal control evaluation, quarterly precaution alert, annual risk identification and response. The Company has developed its risk database by formulating plans, collecting risk information and organizing review by professional risk management group. It has also organized response measures, tracking and inspection against risks, thereby developing a constant mechanism for internal control and risk management.

XII Risk Management and Internal Control (continued)

During the reporting period, the Company's internal control system was proved to be stable and reliable and the Company continued to deepen its risk management. During the year, the Company put great emphasis on the close-circuit management of internal control and fully implemented rectification of internal control deficiencies; continued to deepen its risk management and implemented quarterly risk warning and specific measures to tackle and avoid material risk events; focused on supervision of procurement, quality, research and development and other operations and persistently made use of various control measures, including control on separation of incompatible posts, authorization approval, property protection, budget, operation analysis and performance appraisal, to maintain risk control within tolerable bounds. The Company has had no material control failure during the year with annual internal control evaluation to ensure the effective operation of internal control systems. The Company has effective procedures in relation to financial reporting and compliance with requirements of the Listing Rules.

Through the review on risk management and internal control systems once a year, the Company considers that those risk management and internal control systems are effective and sufficient to allow the continuing protection and improvement of the Company's internal control activities and ensure the Company's ability to withstand changes in internal business and external environment from financial, operational and risk management perspectives, so as to safeguard the Company's asset and interests of shareholders.

XIII Shareholders' Rights

1. Convening extraordinary general meetings

In accordance with the Articles and the rules of procedures of general meetings, shareholder(s) who individually or jointly holding 10% or more of the Company's issued shares carrying voting rights may request to convene an extraordinary general meeting in writing and set out the business to be transacted in the requisition. Such meeting shall be held within two months after the deposit of such requisition. If within 30 days after the Board has received such written requisition, the Board fails to give a notice to convene such meeting, such shareholder(s) himself/herself (themselves) may do so within four months from the date the Board has received such requisition.

2. Enquires to the Board

To ensure effective communication between the Board and the shareholders, the Company adopted a shareholders' communication policy (the "Policy") on 29 March 2012. Under the Policy, the Company's information shall be communicated to the shareholders mainly through general meetings (including annual general meetings), the Company's financial reports (interim reports and annual reports), and its corporate communications posted on the Company's website and the Stock Exchange's HKExnews website.

Shareholders may at any time make a request for the Company's information to the extent such information is publicly available. Any relevant questions shall be first directed to the company secretary at the Company's principal place of business in Hong Kong or the Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

3. Putting proposals to general meetings

Shareholder(s) who individually or jointly holding 3% or more of the Company's total shares carrying voting rights is (are) entitled to put forward their proposals to an annual general meeting. Besides, shareholder(s) may also follow the procedures set out in item 1 above for putting forward proposals at extraordinary general meetings. The Company shall include the proposed matters which are within the scope of authority of the general meetings in the agenda of the meeting.

XIV Investor Relation

The Company places great emphasis on communication with investors and has established a specialised department to handle affairs regarding investor relation. When investors come to visit the Company, reception and site visit will be arranged by designated staff. The Company actively participates in various meetings concerning investor relation and organises management to conduct overseas roadshows, so as to enable investors to have better understanding about the Company.

During the reporting period, the Company has disclosed all necessary information to the shareholders in compliance with the Listing Rules and the Articles, and has reported to shareholders and investors through various formal channels, which include (1) publishing quarterly reports, interim reports and annual reports; (2) holding annual general meetings and extraordinary general meetings to provide a platform for shareholders to express their opinions and to communicate with the Board; (3) holding press conference and investors conferences from time to time; (4) organising the management to conduct overseas roadshows; (5) publishing corporate communications such as announcements and circulars on the Company's website and the Stock Exchange's HKEXnews website; and (6) responding to the queries from shareholders and investors in a timely manner.

The Company will continue to improve its relationship with investors, so as to further enhance the Company's transparency.

The Board is pleased to present the Directors' Report and the audited financial statements of the Group for the year ended 31 December 2016.

The Company's business activities

The Group is mainly engaged in the research, development, manufacture and sale of locomotive train power converters, control systems, urban railway train electrical systems and other train-borne electrical systems, as well as engaged in the research, development, manufacture and sale of electric components for the railway industry, urban railway industry and non-railway purposes.

There was no material changes in the nature of the Group's key business during the reporting period.

Business model and direction of strategy

In line with the strategy of "efficient organisation" and "global operation" and adhering to the market-oriented principle of development, the Company strives to create sustainable value for the shareholders and achieve sustainable development for the Company.

Sales revenue of products is the major income source of the Company. The key strategic development directions are:

1. Stabilise inventories and enhance the quality as well as quantity during industrial development

The Company insists on adhering to the concentric diversification strategy with further complete and orderly industrial structure. The structure is divided into three levels: basic component, devices and systems, integrated units and engineering. The "basic component" business covers power semi-conductor and sensors. The "devices and systems" business covers converters, signals, power supplies, industrial converters and photovoltaic system industries. The "integrated units and engineering" business include railway engineering machinery, marine engineering and urban railway mechanical and electrical engineering businesses.

The development strategy for the basic component business is to "secure domestic demand and extend overseas network". The complement and development of basic component industry depends but does not rely on main rail transit, with strict execution of the same market principle. The Company focuses on and strengthens its profession and fully devote its internal capacity to become the first choice component supplier in the industry.

The development strategy for the devices and systems is to focus on the cultivation of core competitiveness and deployment. The devices and systems segment is the cornerstone industry of the Company. We must consolidate our position and explore our potential to cultivate the core competitiveness. The Company responds to the new situation of "consolidating foundation to reach goals and enhancing qualities and efficiency" for railway, highlights its advantages, complement major platforms and establish development mechanism of mutual collaboration.

The Company continues to consolidate and upsize its integrated units and engineering business. For railway engineering machinery, the Company will further develop its product line management model and gradually develop itself into a high-end brand with high quality and efficiency. For marine engineering products, based on the requirements of the national strategies, the Company will overcome difficulties, accumulate experience and strength and cultivate professional competitiveness in no time.

2. Adopting lean management with differentiation and focus on synergy effects

The Company further enriches the content of the integration of the Group's management and control and industrial segments differentiation with the implementation of lean management model, emphasizes on the combination of integration and differentiation, system optimization and collaboration.

The Company will raise its consciousness in four aspects. In raising customer consciousness, it will keep abreast of the customers' needs to solve their difficulties and problems. In raising its consciousness to cost management, it will backflush the cost incurred throughout the entire process amid fierce market competition. In raising its innovation consciousness, it will go beyond conventional thinking and continue its efforts in consolidating the breakthroughs in technology, management and business model with an aim to build a new pillar of growth. In reinforcing sense of responsibility, the Company forbids shirking from responsibilities and act of omission, and strives to achieve understanding, fulfilment and accountability of responsibilities.

3. Enhancing its position as an outstanding brand to strive for the top

The Company ramps up its brand building efforts and strengthens its position as a multi-national platform. Leveraging on the strategic opportunities brought by "One Belt And One Road", "Made in China 2025" and "Internet+", the Company will take the lead to facilitate the "multi-national operation" and "achievement of world-leading status" of CRRC.

The Company promotes diversification and innovation to maintain its technological strength. It will strive to become a world-class enterprise and establish its status as an overseas research and development centre, so as to agglomerate competitive resources and strengthen the layout and progress of global research and development system.

The Company is quality-driven with focused efforts in quality control. It cultivates a quality-oriented culture and establishes a comprehensive quality control mechanism. Supplemented by the intelligent applications of big data in relation quality issues, the Company explores for a sound management of its products with an aim to achieve full life-cycle quality guarantee.

Results and dividends

Results of the Group for the year ended 31 December 2016, prepared in accordance with the PRC Accounting Standards, are set out on page 62 to page 226 of this annual report.

The Company has profit attributable to shareholders (before proposed final dividend) of RMB9,457.9 million as at 31 December 2016. The Board proposed the distribution of a cash dividend of RMB0.45 per share (applicable tax inclusive) for the year. The proposed dividend to be distributed is subject to the approval of the shareholders at the annual general meeting to be held on 13 June 2017.

In order to determine the entitlements of shareholders to attend the forthcoming annual general meeting to be held on 13 June 2017, the register of members of the Company will be closed from 13 May 2017 to 13 June 2017 (both days inclusive), during which no transfer of shares will be registered. In order to be entitle to attend and vote at the AGM, all transfer documents together with the relevant Share certificates must be lodged, for holders of the H Shares, with the Company's H Share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong or, for holders of the Domestic Shares, the registered office address of the Company at Times Road, Shifeng District, Zhuzhou, Hunan Province, 412001, the PRC, not later than 4:30 p.m. on Friday, 12 May 2017.

Results and dividends (continued)

In order to determine the entitlements of the shareholders to receive the final dividend, the register of members of the Company will be closed from 17 June 2017 to 22 June 2017 (both days inclusive), during which no transfer of shares will be registered. In order to be entitled to the final dividend, all transfer documents together with the relevant share certificates must be lodged, for holders of the H shares, with the Company's H Share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong or, for holders of the domestic shares, the registered office address of the Company at Times Road, Shifeng District, Zhuzhou, Hunan Province, 412001, the PRC, not later than 4:30 p.m. on Friday, 16 June 2017.

In respect of the distribution of dividends, dividends for domestic shares will be distributed and paid in Renminbi, while dividends for H shares will be declared in Renminbi and paid in Hong Kong Dollars (the Hong Kong Dollars equivalent shall be calculated at the average midpoint exchange rate of Renminbi to Hong Kong Dollars announced by the People's Bank of China for the five working days prior to the declaration of dividend at the 2016 annual general meeting to be held on 13 June 2017). If approved, the final dividends are expected to be distributed on or about 28 July 2017 to shareholders whose names are registered on the register of members on 22 June 2017.

For the investors of the Shanghai Stock Exchange and Shenzhen Stock Exchange (including enterprises and individuals) investing in the H shares of the Company listed on the Stock Exchange (the "Southbound Trading"), the Company has entered into the Agreement on Distribution of Cash Dividends of H shares for Southbound Trading (港股通H股股票現金紅利派發協議) with the China Securities Depository and Clearing Corporation Limited, pursuant to which, the China Securities Depository and Clearing Corporation Limited, as the nominee of the holders of H shares for Southbound Trading, will receive all cash dividends distributed by the Company and distribute the cash dividends to the relevant investors of H shares of Southbound Trading through its depositary and clearing system.

The record date and the date of distribution of dividends and other arrangements for the investors of Southbound Trading will be the same as those for the holders of the H shares of the Company.

Financial Highlights

Fixed assets

Details of the changes in the fixed assets of the Group during the year are set out in Note V.11 to the financial statements.

Short-term borrowings

Details of the Group's short-term borrowings as at 31 December 2016 are set out in Note V.19 to the financial statements.

Long-term borrowings

Details of the Group's long-term borrowings as at 31 December 2016 are set out in Note V.30 to the financial statements.

Share capital

During the reporting period, the number of issued shares of the Company was 1,175,476,637 shares.

Share appreciation rights scheme

As announced by the Company in its announcement dated 28 March 2013 and the circular dated 23 April 2013 (the "Circular"), the H Share appreciation rights scheme of the Company (the "Scheme") was approved by the State-owned Assets Supervision and Administration Commission of the State Council of the PRC ("SASAC") in February 2013. The Scheme was considered and approved by the shareholders at the annual general meeting held on 10 June 2013 (the "2012 AGM"), which came into effect on 10 June 2013. The Scheme shall be automatically terminated after seven years from the date on which the Scheme was approved by the shareholders in the 2012 AGM.

The purpose of the Scheme is to establish a long-term incentive mechanism that links the remuneration of the Eligible Participants (as defined below) with the Company's business results in order to promote the Company's long-term development and to maximize the shareholders' value. Pursuant to the Scheme, share appreciation rights ("SARs") will be granted to the Directors (excluding independent non-executive Directors and external Directors), senior management, core technical staff and key management staff (the "Eligible Participants") who contribute substantially to the realization of the Company's strategic missions.

The Eligible Participants who are granted with such incentive do not actually hold the shares, and do not have any rights as shareholders such as voting rights or rights to dividends. Under the Scheme, each SAR is linked with one H share of the Company and the SAR is to be settled by way of cash. Therefore, this does not affect the total number of H Shares outstanding and will not have any dilution effect on the shares of the Company. The SARs granted pursuant to the Scheme is valid for seven years from the date of grant. Upon expiry of the valid term, all unexercised SARs shall automatically lapse. After two years from the date of grant, if the Company and each Eligible Participant fulfil the conditions as set out in the Scheme, the SARs shall become effective and exercisable in batches as described in the Scheme.

Under the Scheme, the exercise price of the SARs shall be determined by the Board which, in principle, shall be the highest of the following three prices:

(a) the closing price of the H shares of the Company on the Stock Exchange on the date of grant;

(b) the average closing price of the H shares of the Company on the Stock Exchange for five consecutive trading days prior to the date of grant; and

(c) the nominal value of the H shares of the Company.

Pursuant to the terms of the Scheme, upon exercise of the SARs, the Company shall calculate the cash gains from the exercise of the SARs and pay to the Eligible Participants in the manner as set out in the Scheme.

The proposed grant of an aggregate of approximately 9,868,000 units of SARs to a total of not more than 262 Eligible Participants, subject to the satisfaction of the conditions of grant, has already been approved by the shareholders of the Company at the 2012 AGM. For details of the Scheme, please refer to the Circular.

During the reporting period, no SARs were granted by the Company to the Eligible Participants under the Scheme.

Pre-emptive rights

There are no provisions for pre-emptive rights under the Company Law of the PRC or in the Articles which oblige the Company to offer new shares on a pro-rata basis to its existing shareholders.

Purchase, redemption or sale of listed securities of the Company

During the reporting period, there was no purchase, redemption or sale of any listed securities of the Company by the Company or any of its subsidiaries.

Shareholders' equity

Details of the changes in the shareholders' equity of the Company and the Group during the year are set out in the statement of changes in equity and the consolidated statement of changes in equity respectively.

Profit distributable to shareholders

As at 31 December 2016, the Company's profit distributable to shareholders calculated in accordance with relevant regulations amounted to approximately RMB9,457.9 million, of which RMB529.0 million has been proposed to be paid as final dividend for the year.

Major customers and suppliers

The percentage of revenue for sales of goods attributable to the Group's five largest customers during the year was approximately 55.9% of the Group's total revenue for the year.

CRRC Sifang is the largest customer of the Group. The percentage of the Group's revenue for sale to CRRC Sifang was approximately 28.4% of the Group's total revenue during the year. CRRC owned 97.81% interest in CRRC Sifang.

CRRC Zhuzhou is one of the Group's five largest customers. CRRC owned 100% interest in CRRC Zhuzhou.

Shiling is one of the Group's five largest customers. The Company owned 50% interest in Shiling.

CRCCE is one of the Group's five largest customers. Mr. Ma Yunkun, a non-executive Director of the Company served as a Director of CRCCE during January 2015 to May 2016.

Saved as disclosed above, none of the Directors, their close associates or any shareholders (so far as is known to the Directors having more than 5% interest in the share capital of the Company), had any interest in any of the Group's five largest customers during the year.

The percentage of purchases attributable to the Group's five largest suppliers was 33.2% of the Group's total purchases during the year.

Shiling is the largest supplier of the Group, and the percentage of the purchase attributable to purchase from Shiling was approximately 16.0% of the Group's total purchases during the year. The Company owned 50% interest in Shiling.

Saved as disclosed above, none of the Directors, their close associates or those shareholders (so far as is known to the Directors having more than 5% interest in the share capital of the Company), had any interest in any of the Group's five largest suppliers during the year.

Directors and supervisors

The Directors and the supervisors of the Company during the year and up to the date of this report were:

Executive Directors

Ding Rongjun – Chairman of the Board

Li Donglin – Vice Chairman of the Board (resigned as an executive Director on 12 January 2016 and appointed as the vice chairman of the board and an executive Director on 28 March 2017)

Liu Ke'an (appointed on 12 January 2016)

Yan Wu

Deng Huijin – Vice Chairman of the Board (resigned on 28 March 2017)

Non-executive Director

Ma Yunkun

Independent non-executive Directors

Chan Kam Wing, Clement

Pao Ping Wing

Liu Chunru

Chen Xiaoming (appointed on 28 March 2017)

Gao Yucai (resigned on 23 March 2016)

Supervisors

Xiong Ruihua-Chairman of the Supervisory Committee

Pang Yiming – employee representative supervisor

Zhou Guifa – employee representative supervisor

Geng Jianxin – independent supervisor

Composition of the Supervisory Committee

According to the Articles, the Supervisory Committee shall comprise five supervisors, of which three supervisors are representatives of shareholders and two supervisors are representatives of employees.

As at the date of this report, the Supervisory Committee comprised four supervisors, of which Mr. Xiong Ruihua is the Chairman of the Supervisory Committee, Messrs. Pang Yiming and Zhou Guifa are the employee representative supervisors, and Mr. Geng Jianxin is an independent supervisor. The number of members of the Supervisory Committee is one less than the number required by the Articles for the time being. The Company hopes to search for a suitable person to fill the vacancy as soon as possible.

Biographies of Directors and supervisors

Details of the biographies of the Directors and the supervisors of the Company are set out on page 13 to page 22 of this annual report.

Disclosure on changes in the information of directors in accordance with Rule 13.51(B)(1) of the Listing Rules

Mr. Pao Ping Wing, an independent non-executive Director, ceased to be an independent non-executive director of InvesTech Holdings Limited (formerly known as HL Technology Group Limited), a company listed on the Main Board of the Stock Exchange (stock code: 1087) with effect from 27 May 2016, and ceased to be an independent non-executive Director of Tonking New Energy Group Holdings Limited, a company listed on the Growth Enterprise Market of the Stock Exchange (stock code: 8326) with effect from 13 March 2017.

Mr. Li Donglin resigned as an executive Director in 12 January 2016 and was appointed as the vice chairman of the Board and an executive Director of the Company on 28 March 2017. Mr. Li also resigned as the chairman of the board of directors of Dynex on 9 June 2016. Mr. Li has been a director, the general manager and the deputy party secretary of CRRC ZELRI since December 2015, and has been the chairman of the board of directors and the legal representative of Times New Materials since 2 February 2016.

Mr. Liu Ke'an, an executive director and the general manager was appointed as the chairman of the board of directors of Dynex from 9 June 2016.

Mr. Ma Yunkun, a non-executive Director, ceased to be an executive director of CRCCE from 27 May 2016.

Positions held by Directors, supervisors and senior management

Details of positions held by Directors, supervisors and senior management of the Company in entities of the substantial shareholders and other entities are set out in page 13 to page 22 of this annual report.

Service contracts with Directors and supervisors

The Company has entered into service contracts with all Directors and supervisors which set out, among other things, their terms of office and remuneration. Each session of the Board has a term of three years. Directors elected as the members of any new session of the Board will have a term of office commencing from the date on which he/she is elected up to the date on which members of the next session of the Board are elected or for a shorter period as may be decided upon at the general meeting. Directors appointed to fill casual vacancy will have a term of office commencing from the date of his/her appointment up to the next general meeting or for a shorter period as may be decided upon at the general meeting. Similarly, each session of the Supervisory Committee of the Company has a term of three years and the term of office of the supervisors are determined similarly as the Directors except that references to general meeting should be replaced by the meeting of the representatives of the employees in respect of the employee representative supervisor. The period of notice of termination of the service contracts given by either party shall not be less than three months.

None of the Directors nor supervisors (including but not limited to those Directors proposed for re-election at the forthcoming general meeting of the Company and those supervisors proposed for re-election at the forthcoming general meeting or meeting of the representatives of the employees) has a service contract with the Company which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

Directors' and supervisors' interests in contracts

During the year and as at 31 December 2016, none of the Directors or supervisors had a material interest, whether directly or indirectly, in any contract of significance to the business of the Group to which the Company, its holding company or any of its subsidiaries was a party.

Directors' interests in competing business

During the year and as at 31 December 2016, none of the Directors, directly or indirectly, had an interests in any business which competes or may compete with the business of the Company and/or its subsidiaries.

Interests and short positions of Directors, supervisors and the general manager in the shares and debentures

During the year and as at 31 December 2016, none of the Directors, supervisors and the general manager of the Company or their respective associates had any personal, family, corporate or other interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), required to be notified to the Company and the Stock Exchange pursuant to Part XV of the SFO, or any interests or short positions in the shares required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or any personal, family, corporate or other interests or short positions required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

Directors' and supervisors' rights to acquire shares or debentures

At no time during the year were rights to acquire benefits by means of the acquisition of shares or debentures of the Company granted to any Directors, supervisors or their respective spouse or children under 18 years of age, or were any such rights exercised by them, or was the Company, its holding company or any of its subsidiaries a party to any arrangement to enable the Directors and supervisors to acquire such rights in any other body corporate.

Employees and remuneration policy

The Group's remuneration policy for its employees takes into account the individuals' post value, work performance and competence. The Group rewards the employees having outstanding performance with salary increments and bonuses. The bonus plan is discretionary and is determined by the Directors with reference to the performance of the staff and the Group's operation results. The Group places great emphasis on the provision of on-the-job-training and development to its employees. Each staff member is required to participate in trainings organised by the Group and its department prior to the commencement of his or her employment. The Company formulates training plans according to its staff position and career development needs and releases its annual training plan at the beginning of year pursuant to which all departments need to organise staff training. The management and other employees are required to undertake training for enhancing work ability as specified by the Group. The Company has established channels for career development of employees. Employees have opportunities of promotion and development according to the orders of different positions within the Company. As at 31 December 2016, the Group had 7,569 full-time employees, and the total amount of remuneration (including salaries and allowances) for employees in 2016 was approximately RMB1,539.8 million.

Employees and remuneration policy (continued)

During the Reporting Period, the Company planned and organized trainings including Training for Middle and Senior Management of the Company, Training for the Research and Development and Management Team (for leading the training camp), Team Education of Human Resources Department, Training for IPD Project Managers and English Enhancement Training for functional staff. The Company continued to innovate the two internal training brands, namely Happy Learning Class (樂學講堂) and Expert Forum (專家講壇), planned internal training programs including teaching series for professional managers, training series for team leaders, and training series for marketing staff, which were well received. The training management was operated like those of training centres, and the Company has restructured the internal training teams, developed curriculum according to career development mechanism of the Company, established a training provider repository, and standardized the planning and operational procedures for the training programs.

The remuneration of Directors and supervisors is proposed by the Board and subject to approval by shareholders of the Company at the general meetings, taking into consideration their respective experience, level of responsibilities within the Group, performance of the Company as well as remuneration benchmark in the industry and the market situation. Details of the remunerations of Directors and supervisors are set out in Note XIII.3(3) to the financial statements.

The Company approved the share appreciation rights scheme at the annual general meeting of 2012. Details of the scheme are set out in the paragraph headed "Share appreciation rights scheme" above.

Structure of share capital

The Company's share capital structure as at 31 December 2016 was as follows:

		As at 31 December 2016	
Shareholder	Type	Number of shares	Approximate % of issued share capital
CRRC ZELRI	Domestic share	589,585,699	50.16%
Qishuyan Works (Note)	Domestic share	9,380,769	0.80%
CRRC Investment & Leasing	Domestic share	9,380,769	0.80%
CRRC Zhuzhou	Domestic share	10,000,000	0.85%
CRCCE	Domestic share	9,800,000	0.83%
Shares in public circulation	H share	547,329,400	46.56%
Total		1,175,476,637	100%

Note: the transfer of the domestic shares of the Company held by Qishuyan Works to Sinomach Capital Holdings Ltd.(國機資本控股有限公司) was completed on 13 January 2017. Please refer to the Company's announcements dated 23 December 2016 and 17 January 2017 respectively for details.

Substantial shareholders

Interests and short positions in the shares and relevant underlying shares of the Company or any of its associated corporations pursuant to the disclosure requirements in Divisions 2 and 3 of Part XV of the SFO as at 31 December 2016 were as follows:

Name of substantial shareholder	Number of shares held		Capacity	Approximate % of Domestic Share share capital	Approximate % of H Share share capital	Approximate % of issued share capital
CRRC ZELRI	589,585,699	(Long position)	Beneficial owner	93.86%	–	50.16%
CRRC (Note 1)	608,966,468	(Long position)	Interest in controlled entity	96.95%	–	51.81%
CRRC Group (Note 2)	618,347,237	(Long position)	Interest in controlled entity	98.44%	–	52.60%
Schroders Plc	60,245,273	(Long position)	Investment manager	–	11.01%	5.13%
FIL Limited	32,939,500	(Long position)	Investment manager	–	6.02%	2.80%
GIC Private Limited	28,108,000	(Long Position)	Investment manager	–	5.14%	2.39%
The Bank of New York Mellon Corporation (Note 3)	27,419,501	(Long Position)	Interest in controlled entity	–	5.01%	2.33%
	26,562,441	(Lending pool)	Interest in controlled entity	–	4.85%	2.26%

Substantial shareholders (continued)

Notes:

(1) CRRC is interested in 100% of the registered capital of CRRC ZELRI, CRRC Zhuzhou and CRRC Investment & Leasing. Accordingly, CRRC is deemed under the SFO to be interested in the shares held by each of CRRC ZELRI, CRRC Zhuzhou and CRRC Investment & Leasing.

(2) CRRC Group is directly and indirectly interested in 55.91% of the shares of CRRC, and is interested in 100% in the registered capital of Qishuyan Works. Accordingly, CRRC Group is deemed under the SFO to be interested in the shares held by each of CRRC and Qishuyan Works.

(3) As stated in the corporate substantial shareholders notification filed by The Bank of New York Mellon Corporation, it holds interests in the shares of the Company through its wholly-owned corporations.

Continuing connected transactions

Transactions conducted between the Group and the following parties (among which, CRRC Group, CRRC and CRRC ZELRI are the controlling shareholders of the Company, CSR Finance and CRRC Finance are the subsidiaries of CRRC) constitute continuing connected transactions of the Company under the Listing Rules. During the reporting period, details of the Group's continuing connected transactions were as follows:

Non-exempt continuing connected transactions

The following transactions constitute non-exempt continuing connected transactions of the Group and thus are subject to reporting, announcement and independent shareholders' approval requirements under the Listing Rules.

Mutual Supply Agreement with the CRRC Group

The Company and 中國中車集團公司(CRRC Group) (together with its subsidiaries but excluding the Group, "CRRCG") entered into a mutual supply framework agreement on 12 August 2013 for the mutual supply of certain products, parts and components, technical services, after-sales services, management services and other related services, and related facilities for research and development, production and testing purposes between the Group and CRRCG for a term of three years from 1 January 2014 and ending on 31 December 2016. Please refer to the Company's announcement dated 12 August 2013 and the Company's circular dated 30 August 2013 for the relevant details, which included information on the connected relationship between the Company and the counterparty to the aforesaid agreement. The Company has obtained the approval from relevant independent shareholders at the extraordinary general meeting held on 29 October 2013.

In view of the expiry of the 2014-16 CRRC Group Mutual Supply Agreement on 31 December 2016, on 28 March 2016, the Company entered into the 2017-19 CRRC Group Mutual Supply Agreement with CRRC Group, pursuant to which the Group and CRRCG agreed on mutual supply of certain products, parts and components, technical services, after-sales services, management services and other related services, and related facilities for research and development, production and testing purposes, for a term of three years commencing on 1 January 2017 and ending on 31 December 2019. Please refer to the Company's announcement dated 31 March 2016 and circular dated 22 April 2016 for details, which included information on the connected relationship between the Company and the counterparty to the aforesaid agreement. The Company has obtained the approval from relevant independent shareholders at the annual general meeting held on 23 June 2016.

For the year ended 31 December 2016, the amount payable by the Group to CRRCG for the products and services supplied by CRRCG under the 2014-16 CRRC Group Mutual Supply Agreement amounted to RMB1,648.5 million, and the amount payable by CRRCG to the Group for the products and services supplied by the Group under the 2014-16 CRRC Group Mutual Supply Agreement amounted to RMB7,140.4 million, both were within the annual caps of continuing connected transactions for the financial year ended 31 December 2016 approved by independent shareholders of the Company at the extraordinary general meeting held on 29 October 2013.

The Financial Services Framework Agreement with CSR Finance / CRRC Finance

On 2 April 2014, the Company and CSR Finance entered into the Financial Services Framework Agreement, pursuant to which CSR Finance agreed to provide the Group with deposit services, loan services and other financial services subject to the terms and conditions provided therein. The agreement shall be valid for a term commencing from 2 April 2014 and ending on 31 December 2016. Please refer to the Company's announcement dated 2 April 2014 for details, which included information on the connected relationship between the Company and the counterparty to the aforesaid agreement.

On 29 December 2016, the Company and CRRC Finance entered into the CRRC Financial Services Framework Agreement, pursuant to which, CRRC Finance has agreed to provide the Group with deposit services, loan services and other financial services subject to the terms and conditions provided therein, for a term commenced from 31 December 2016 to 30 December 2017. CRRC Finance and the Company agreed to terminate the CSR Financial Services Framework Agreement upon the CRRC Financial Services Framework Agreement becoming effective. Please refer to the Company's announcement dated 29 December 2016 for details, which included information on the connected relationship between the Company and the counterparty to the aforesaid agreement.

For the year ended 31 December 2016, the maximum daily amount of the Group's deposits with CRRC Finance under the Financial Services Framework Agreement was RMB684.8 million, which is within the maximum daily caps of continuing connected transaction for the financial year ended 31 December 2016 provided for by the Financial Services Framework Agreement. For the year ended 31 December 2016, the Group did not receive the loan services and other financial services provided by CRRC Finance.

Mutual Supply Agreement with Qingdao Electric

The Company and Qingdao Electric (together with its subsidiaries and their respective associates, the "Qingdao Electric Group") entered into a Mutual Supply Agreement on 2 July 2014 for the mutual supply of certain products, parts and components, technical services, after-sales services, management services and other related services, and related facilities for research and development, production and testing purposes between the Group and Qingdao Electric Group for a term from 30 May 2014 to 31 December 2016. Please refer to the Company's announcement dated 2 July 2014 for details, which included information on the connected relationship between the Company and the counterparty to the aforesaid agreement.

On 22 December 2016, the Company entered into the 2017-19 Qingdao Mutual Supply Agreement with Qingdao Electric, pursuant to which the Company and Qingdao Electric agreed to provide mutual supply of certain products, parts and components, technical services, after-sales services, management services and other related services, and related facilities for research and development, production and testing purposes, for a term of three years commenced on 1 January 2017 and ending on 31 December 2019. Please refer to the Company's announcement dated 22 December 2016 for details, which included information on the connected relationship between the Company and the counterparty to the aforesaid agreement.

For the year ended 31 December 2016, the amount payable by the Group to Qingdao Electric Group for the products and services supplied by Qingdao Electric Group under the 2014-16 Qingdao Electric Mutual Supply Agreement was RMB1.2 million, and the amount payable by the Qingdao Electric Group to the Group for the products and services supplied by the Group under the 2014-16 Qingdao Electric Mutual Supply Agreement was RMB11.4 million, both were within the annual caps of continuing connected transactions for the financial year ended 31 December 2016 provided for by the 2014-16 Qingdao Electric Mutual Supply Agreement.

The High Power IGBT Lease Agreement with CRRC ZELRI

On 14 March 2014, the Company entered into a memorandum of understanding with CRRC ZELRI in relation to the high power IGBT production line, pursuant to which the Company was granted (1) the right of trial run of the high power IGBT Production Line and (2) the right of first refusal for the leasing or purchase of the high power IGBT Production Line (pending the parties' conclusion of a definitive agreement). Please refer to the Company's announcement dated 14 March 2014 for details, which included information on the connected relationship between the Company and the counterparty to the aforesaid agreement.

On 25 September 2014, the Semiconductor Business Unit of the Company (as lessee) (which is a subordinate legal entity of the Company subject to independent audit) entered into the high power IGBT Lease Agreement with CRRC ZELRI (as lessor) for the leasing of the high power IGBT production line consisting of the relevant properties, premise and ancillary facilities and equipment located at the intersection of Boya Lu, Tianxin, Zhuzhou, Hunan Province, the PRC (the "IGBT" production line) for a term from 1 September 2014 to (i) the expiration of three (3) years, or (ii) the date of completion of the transfer of the high power IGBT production line, or (iii) such other date as may be agreed by the parties, whichever is earlier. Please refer to the Company's announcement dated 25 September 2014 for details, which included information on the connected relationship between the Company and the counterparty to the aforesaid agreement.

On 18 May 2016, the Company and its Semiconductor Business Unit (as purchasers) entered into the Asset Transfer Agreement with the Parent Company (as Vendor) in relation to the acquisition of the IGBT Production Line subject to the terms and conditions of the Asset Transfer Agreement. Pursuant to the Asset Transfer Agreement, the Parent Company and the Semiconductor Business Unit terminated the IGBT Lease Agreement on 30 June 2016. Please refer to the Company's announcement dated 18 May 2016 for details, which included information on the connected relationship between the Company and the counterparty to the aforesaid agreement.

For the six-month ended 30 June 2016, the amount of rental paid by the Semiconductor Business Unit of the Company to CRRC ZELRI under the high power IGBT Lease Agreement was RMB92.4 million, which was within the caps of continuing connected transactions for the financial year ended 31 December 2016 provided for by the high power IGBT Lease Agreement.

Annual review of continuing connected transactions

The Board has engaged the auditor of the Company to perform certain procedures in respect of the continuing connected transactions of the Group. The auditor has issued its unqualified letter containing its findings and conclusions in respect of the continuing connected transactions to the Board in accordance with the Rule 14A.56 of the Listing Rules. The Company provided a copy of the said letter to the Stock Exchange. The Directors (including independent non-executive Directors) have reviewed and confirmed that the continuing connected transactions of the Group comply with the agreed procedures and principles and the Group's continuing connected transactions above:

(1) are entered into in the ordinary and usual course of business of the Group;

(2) are entered into on normal commercial terms or if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to the Group than those available to or from (as the case may be) independent third parties;

(3) are conducted in accordance with the agreements governing such transactions, and the terms are fair, reasonable and in the interests of the Company and the Company's shareholders as a whole; and

(4) did not exceed the caps of continuing connected transactions for the financial year ended 31 December 2016 provided for by the continuing connected transactions agreements above.

Related party transactions

Details of the related party transactions undertaken by the Group during the year are set out in Note X to the financial statements. The Company has complied with the applicable requirements under the Listing Rules for those related party transactions which constituted non-exempt connected transactions/continuing connected transactions under the Listing Rules. Other related party transactions either did not constitute connected transactions/continuing connected transactions or constituted connected transactions/continuing connected transactions but were exempted from all disclosure and independent shareholders' approval requirements under the Listing Rules.

Connected Transactions

On 18 May 2016, the Company and its Semiconductor Business Unit (as Purchasers) entered into the Asset Transfer Agreement with the Parent Company (as Vendor) in relation to the acquisition of the IGBT Production Line subject to the terms and conditions of the Asset Transfer Agreement at a consideration of approximately RMB1,119,039,000 (subject to the Tax Adjustment). Please refer to the Company's announcement dated 18 May 2016, supplementary circular dated 7 June 2016 and announcement dated 16 December 2016 for details.

On 13 December 2016, the Company as purchaser entered into the Equity Transfer Agreement with the Parent Company as vendor, pursuant to which the Company conditionally agreed to acquire and the Parent Company conditionally agreed to sell 100% equity interests in the ZNERCC at a consideration of approximately RMB283,222,700. Please refer to the Company's announcement dated 13 December 2016 and 21 December 2016 respectively for details.

Mechanism for protecting non-controlling interests

To protect non-controlling interests, the Company has established and implemented certain governance measures, which include:

(i) Interested directors should declare their respective interests, and would not attend and vote at the Board meeting in respect of the connected transactions in which they are interested. Accordingly, Mr. Ding Rongjun and Mr. Deng Huijin did not attend and vote at the Board meeting in respect of the connected transactions between the Group and CRRCG.

(ii) An independent professional management team of the Group responsible for negotiating and reviewing the terms of transactions with the suppliers and customers (including CRRCG) has been established. The members of the management team include the staff of the Group with relevant techniques and sales expertise, and the terms of duties of the management team allow it to make independent business judgments. The management team reports to the Board, while the Board is accountable to the shareholders of the Company as a whole.

(iii) The Company's auditor has provided quarterly reports to the independent non-executive Directors on all transactions conducted between the Group and CRRCG.

(iv) When making purchases, the Group has endeavoured to obtain tenders or quotations from a number of independent suppliers, and select successful bidders (where applicable) based on objective standards such as the price and quality of products, delivery schedule and services.

(v) Subject to (i) above, all independent non-executive Directors have attended the Board meetings for deciding whether the Group should conduct special transactions with CRRCG.

Mechanism for protecting non-controlling interests (continued)

(vi) The terms for the supply and purchase arrangements entered into between the Group and CRRCG are subject to quarterly review by the independent non-executive Directors, and opinions regarding such transactions are disclosed by the Company to shareholders by way of announcements. Independent non-executive Directors may request an independent party having at least 10 years' experience in the locomotive and rolling stock manufacturing industry to participate in assessing the terms of the sales and purchases agreements, and to provide their findings to the independent non-executive Directors.

Non-competition and indemnity deeds

The Company entered into non-competition and indemnity deeds with the Parent Group and CRRCG (excluding the Parent Group) on 30 November 2006 (the "Non-Competition and Indemnity Deeds"). The Parent Group and CRRCG (excluding the Parent Group) respectively undertook not to carry on businesses that are in competition with the Company's businesses.

In year 2015, CSR merged with CNR and formed CRRC; China Northern Locomotive & Rolling Stock Industry (Group) Corporation merged with CSR Group and formed CRRC Group. As certain businesses of the subsidiaries of CNR overlap with that of the Group, there are certain business overlaps between CRRCG and the Group. Accordingly, CRRC issued an undertaking letter regarding the avoidance of competition with the Company (the "Undertaking Letter") to the Company on 5 August 2015, in which it provided non-competition undertakings as follows:

(1) CRRC will grant the Company a call option, pursuant to which, the Company will be entitled to elect, at its own discretion, when to request CRRC to sell the competing businesses of CRRC to Company;

(2) CRRC further granted the Company a pre-emptive right, pursuant to which, if CRRC proposes to sell the competing business to an independent third party, CRRC shall offer to the Company the competing business first on the same conditions, and the sale to the third party may only be effected after the Company declined to purchase the competing business;

(3) the decision of the Company to exercise the aforesaid option and the pre-emptive right to purchase shall be made by the independent non-executive directors of the Company;

(4) the exercise of the aforesaid option and the pre-emptive right to purchase 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 the Company respectively;

(5) the aforesaid non-competition undertaking will be effective from the date of issuance to the time when the Company is de-listed or CRRC ceases to be an indirect controlling shareholder of the Company.

The independent non-executive Directors of the Company have reviewed the compliance issue of the Non-Competition and Indemnity Deeds with the Parent Group and CRRCG (excluding the Parent Group) for the year ended 31 December 2016, and reviewed relevant information provided by the Parent Group and CRRCG (excluding the Parent Group). The independent non-executive Directors were of the opinion that (1) the Parent Group complied with the relevant terms of the Non-Competition and Indemnity Deeds in 2016. The Parent Group carried on its businesses independent of the Group's businesses, having different technology applications and different customers, which would not be in competition with that of the Group. (2) In 2016, CRRCG continued to procure CRRC to perform its undertakings to the Company and continued to promote the resolution of the business competition with the Group arising from the merger of CSR and CNR. (3) The Board of Directors of the Company operated and managed the Company's businesses independently in the interests of the Company and its shareholders as a whole.

Sufficiency of public float

According to publicly available information and as far as the Directors were aware, as at the date of this report, there was a sufficient public float of the Company's issued shares as required under the Listing Rules.

Post Balance Sheet Events

On 28 March 2017, the 12th meeting of the fourth session of the Board of the Company approved the profit distribution plan for 2016 to distribute cash dividends of RMB528,964,487 in total to all shareholders, equivalent to the distribution of RMB0.45 per share (tax inclusive) based on the total number of 1,175,476,637 shares of the Company.

Taxation

Pursuant to the provisions of the Corporate Income Tax Law of the People's Republic of China and the Implementing Regulations of the Corporate Income Tax Law of the People's Republic of China, effective from 1 January 2008, any PRC domestic enterprise shall withhold the corporate income tax upon the distribution of dividends payable to the shareholders being non-resident enterprises (legal persons) for accounting periods starting from 1 January 2008, and the payer shall serve as the withholding agent. The Company will strictly abide by the law and identify all shareholders who are subject to the withholding and payment of corporate income tax, whose names appear in the Company's register of members as holders of H shares on the record date and who are not individuals (including HKSCC Nominees Limited, other corporate nominees or trustees, and other entities or organisations which are all considered as non-resident enterprise shareholders, but excluding any H shares of the Company registered in the name of HKSCC Nominees Limited which are held by China Securities Depository and Clearing Corporation Limited as nominee shareholder on behalf of investors who invest in the H shares of the Company through Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect), the Company will distribute the relevant dividends after deducting corporate income tax of 10%.

Pursuant to the requirements of "Notice of the Ministry of Finance and the State Administration of Taxation on Certain Policies Regarding Individual Income Tax (Cai Shui Zi [1994] 020)"(《財政部、國家稅務總局關於個人所得稅若干政策問題的通知》(財稅字[1994]020號)), individual foreigners are exempt from individual income tax on dividend and bonus from foreign-invested enterprises in the PRC. As the Company is a foreign-invested joint stock limited company, the individual shareholders who hold the H shares of the Company and appear in the H-share registrar are not required to pay the individual income tax of the PRC.

Pursuant to the relevant requirements under the Notice on the Tax Policies Related to the Pilot Program of the Shanghai-Hong Kong Stock Connect (關於滬港股票市場交易互聯互通機制試點有關稅收政策的通知) (Caishui [2014] No. 81), for dividends received by domestic investors from investing in H shares listed on the Stock Exchange through Shanghai-Hong Kong Stock Connect, the H shares companies shall withhold and pay individual income tax at the rate of 20% on behalf of the investors. For dividends received by domestic securities investment funds from investing in H shares listed on the Stock Exchange through Shanghai-Hong Kong Stock Connect, the tax payable shall be the same as that for individual investors. The H shares companies will not withhold and pay the income tax of dividends for domestic enterprise investors and those domestic enterprise investors shall report and pay the relevant tax themselves.

Taxation (continued)

Pursuant to the Notice on Tax Policies for Shenzhen-Hong Kong Stock Connect Pilot Program (Cai Shui [2016] No.127) (《關於深港股票市場交易互聯互通機制試點有關稅收政策的通知》(財稅[2016]127號)), for dividends received by domestic investors from investing in H shares listed on the Stock Exchange through Shenzhen-Hong Kong Stock Connect, the H shares companies shall withhold and pay individual income tax at the rate of 20% on behalf of the investors. For dividends received by domestic securities investment funds from investing in H shares listed on the Stock Exchange through Shenzhen-Hong Kong Stock Connect, the tax payable shall be the same as that for individual investors. The H shares companies will not withhold and pay the income tax of dividends for domestic enterprise investors and those domestic enterprise investors shall report and pay the relevant tax themselves.

The proposed dividend to be distributed is subject to the approval of the shareholders at the annual general meeting to be held on 13 June 2017. The time arrangement such as record date and the cash payment date for the investors of Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect are the same as the holders of the H shares of the Company.

Save as disclosed above, for the year ended 31 December 2016, no foreign shareholder who is non-PRC resident is liable to individual or corporate income tax, capital gains tax, stamp duty or estate duty of the PRC in relation to their holding of H shares of the Company. Shareholders are urged to consult their tax advisers regarding the applicable PRC and Hong Kong tax laws and other tax consequences of the owning and disposing of the H shares of the Company.

Management Contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into by the Group or existed during the reporting period,.

Environmental Policy and Performance

The Company adheres to its safety and environmental protection principles of "People-oriented, Continuous Improvement, Environmental Friendly and Health and Safety". In addition to strict compliance with the national laws and regulations in relation to environmental protection and principles and policies of energy saving and emission reduction, the Company continuously promotes the use of environmental-friendly materials and application of environmental-friendly technologies. Through continuous implementation and optimization of environmental protection management, the Company ensures that its production and business activities always comply with the requirements of ISO14001 environmental management system. As a green enterprise and one of the Credit Enterprises of Environmental Protection, the Company plays an active role in fulfilling its social responsibility and obligations and upholding a good social image.

Compliance with Laws and Regulations

The Group has worked out the compliance procedures to ensure observance of the applicable laws, rules and regulations that have a significant impact on it. The securities and legal affairs department and other relevant departments of the Company are responsible for supervising the policies and practices for compliance with laws and supervision by reviewing the same regularly. The relevant employees and subsidiaries will be notified from time to time of any material change in the applicable laws, rules and regulations.

The Group has abided by relevant applicable rules and regulations of the jurisdictions in which the Group operates in all material aspects and has obtained relevant qualifications required for the provision of services. During the year and as far as the Company is aware, there was no material breach of or non-compliance with the applicable laws and regulations by the Group that has a significant impact on its business and operations.

Relationship with Employees, Customers and Suppliers

The Group provides a harmonious and professional working environment to employees and ensures that all of them are reasonably remunerated. The Company regularly reviews and updates its policies on remuneration and benefits, training as well as occupational health and safety. Details of the employees of the Company are set out in "Employees and remuneration policy".

The Group recognises the importance of maintaining good relationship with business partners to achieve its long-term goals. It has always strived to cooperate with customers and suppliers to create and share value to achieve co-win results. In the course of operation, the Company pays close attention to various stakeholders such as the customers, suppliers and government and communication with them smoothly through service centers, dedicated account managers and business activities in various areas, with a view to fully understands and listens to their appeals and makes responses positively based on the actual circumstances of the Company, so as to provide quality products and outstanding services to our best. During the reporting period, there is no material disputes between the Group and stakeholders such as its customers and suppliers.

Social Responsibility Report

The social responsibility report containing information on the Company's performance of its responsibilities on the society and the environment will be published and will also be posted on the website of the Company and the HKExnews website on or before 30 May 2017.

Auditor

The financial statements for the year have been audited by Ernst & Young Hua Ming LLP, and a resolution will be put forward at the forthcoming annual general meeting to re-appoint Ernst & Young Hua Ming LLP as the Company's auditor.

By order of the Board

Ding Rongjun
Chairman of the Board

Zhuzhou, Hunan, PRC
28 March 2017

During the reporting period, pursuant to the Company Law of PRC, the Articles, the Listing Rules and the Rules of Meetings of the Supervisory Committee, members of the Supervisory Committee performed their duties prudently and effectively with respect to the supervision of the Company's operations and business activities in accordance with the applicable rules and regulations in order to safeguard shareholders' and the Company's interests.

I. Meetings of the Supervisory Committee held during the reporting period

1. During the year, the Company held two Supervisory Committee meetings. The notices, convening, holding and passing of resolutions of the meetings were in compliance with the requirements of the relevant laws and regulations and the Articles. Contents of review mainly included the 2015 working report of the Supervisory Committee, the 2015 financial report, the 2015 annual report, the 2016 interim report and connected transactions etc.

2. During the year, members of the Supervisory Committee attended all the general meetings and the Board meetings of the Company in person or by way of telecommunication.

II. Independent opinion of the Supervisory Committee

1. The Company carried on its operations lawfully

In 2016, in accordance with the applicable laws and regulations, the Supervisory Committee reviewed the procedures adopted in the convening, passing of resolutions, decision-making procedures, results of voting of the Company's general meetings and the Board meetings, implementation of resolutions of general meetings by the Board, the performance of duties of senior management and the management system of the Company. The Supervisory Committee is of the opinion that the Directors and senior management of the Company had diligently performed their responsibilities and in compliance with the applicable laws and regulations. During the reporting period, no breaches of laws or regulations which were materially prejudicial to the Company or the interests of shareholders were found.

2. Financial reports give a true and accurate view

The Supervisory Committee seriously and thoroughly reviewed the Group's financial system and financial position. The Supervisory Committee considers that the Group's 2016 financial report is true and accurate and presents the financial position and operating results fairly, and Ernst & Young Hua Ming has issued an unqualified audit opinion.

3. Connected transactions

The Supervisory Committee considers that the connected transactions between the Group and CRRCG during the year were entered into in the ordinary and usual course of our business. The transactions were on the principles of openness, fairness and justness and were entered into in the interests of the Group and the shareholders as a whole. After its review, the Supervisory Committee considers that the Group's transactions in 2016 were in compliance with the relevant laws and regulations of the PRC and is not aware of any impairment to the Company's and shareholders' interest by means of connected transactions, and the total value of the continuing connected transactions was within the 2016 aggregate annual caps approved by the independent shareholders at the extraordinary general meeting held on 29 October 2013.

4. The implementation of non-competition and indemnity deeds

The Supervisory Committee is of the opinion that (1) the Parent Group complied with the relevant terms of the Non-Competition and Indemnity Deeds in 2016. The Parent Group carried on its businesses independent of the Group's businesses, having different technology applications and different customers, which would not be in competition with that of the Group. (2) In 2016, CRRCG continued to procure CRRC to perform its undertakings to the Company and continued to promote the resolution of the business competition with the Group arising from the merger of CSR and CNR. (3) The Board of Directors of the Company operated and managed the Company's businesses independently in the interests of the Company and its shareholders as a whole.

5. The implementation of the resolutions of the general meeting

During the year, members of the Supervisory Committee attended nine Board meetings and two general meetings. There were no objections to the various reports and resolutions submitted by the Board for consideration at the general meetings. The Board of Directors had seriously carried out the resolutions of the general meeting.

Xiong Ruihua
Chairman of the Supervisory Committee

Zhuzhou, Hunan, PRC
28 March 2017

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Ernst & Young Hua Ming (2017) Shen Zi No.60467257_A01

To the shareholders of Zhuzhou CRRC Times Electric Co., Ltd.:

1. OPINION

We have audited the financial statements of Zhuzhou CRRC Times Electric Co., Ltd. ("CRRC Times Electric"), which comprise the consolidated and company statements of financial position as at 31 December 2016, and the consolidated and company statements of profit or loss, statements of changes in equity and statements of cash flows for the year then ended, and the notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated and company financial position of CRRC Times Electric as at 31 December 2016 and the consolidated and company financial performance and cash flows for the year then ended in accordance with Accounting Standards for Business Enterprises.

2. BASIS FOR OPINION

We conducted our audit in accordance with China Standards on Auditing issued by the Chinese Institute of Certified Public Accountants. Our responsibilities under those standards are further described in the *Auditors' responsibilities for the audit of the consolidated financial statements* section of our report. We are independent in accordance with the CICPA's code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3. KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

3. KEY AUDIT MATTERS (continued)

Key audit matters	How our audit addressed the key audit matters
(1) Revenue recognition	
The revenue of CRRC Times Electric mainly stems from delivery of products from tracing systems of locomotives, Electric Multiple Units, and Metropolitan rail transportation equipment section. According to the various terms of contracts, risks and returns of delivered products are usually transferred at departure, handover, acceptance, or commissioning test, with revenue recognized simultaneously. The management estimates and judges revenue recognition point according to terms of contracts. Such estimation and judgement may have crucial impacts on the financial statements. It is therefore considered to be a significant audit matter.	In view of this matter, we assessed the effectiveness of the internal control related to revenue recognition, we reviewed the significant contracts and related supportive documents to ensure management's accuracy on determining the point and amount of revenue recognition; we conducted the cut-off test to ensure the statement is free from intertemporal error; we performed analytical review to gross profit margins of main products. In addition, we evaluated whether revenue recognition matters have been fully disclosed by the management in the consolidated financial report.
(2) Goodwill impairment	
As at 9 April 2015, CRRC Times Electric acquired the 100% equity of Specialist Machine Developments (SMD) Limited with its subsidiaries, through its subsidiary, CRRC Times Electric (Hong Kong) Co., Ltd., from which arising goodwill of RMB536 million. According to Accounting Standards for Business Enterprises, goodwill arising from business combination is measured at cost less any accumulated impairment losses after initial recognition. The impairment test of goodwill should be conducted at least at each financial year-end. At the end of year, the management need to conduct the impairment test of goodwill arising from acquisition, which involves many assumptions and judgements, such as discount rate, future cash flow forecast and so on. In view of the significant amount of goodwill, the impairment test involves a large number of assumptions and judgments as well, so we consider it to be a significant audit matter.	In view of the goodwill impairment test prepared by management, we have conducted the following audit procedures: obtained an understanding of, tested and assessed internal control relevant to goodwill impairment; obtained an understanding of and assessed the reasonableness and consistency of the recoverable amount estimated by management based on discounted free cash flow model; assessed the reasonableness of discount rate used by management through involving internal experts; checked the accuracy and consistency of inputs provided by management through sampling; based on our understanding of the entity business, assessed key assumptions, such as future cash flow forecast, growth rate, applied discount rate and so on, related to the impairment test performed by management; and assessed the reasonableness of key assumptions used by management by performing sensitive test to the possible changes related to the key assumptions used in impairment test model.

4. OTHER INFORMATION

Management of CRRC Times Electric is responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

5. RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

Management of CRRC Times Electric is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with Accounting Standards for Business Enterprises, and for such internal control is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Management of CRRC Times Electric is assisted by those charged with governance in discharging their responsibilities for overseeing the Group's financial reporting process.

6. AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with audit standards, we exercised our professional judgement and maintain professional skepticism. At the same time, we also:

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

(2) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.

(3) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.

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

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

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

6. AUDITORS' RESPONSIBILITY FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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

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

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

Ernst & Young Hua Ming LLP

Chinese Certified Public Accountant: Zhang Yiqiang (Engagement partner)

Chinese Certified Public Accountant: Liu Xin

Beijing, the People's Republic of China

28 March 2017

Consolidated Statement of Financial Position

31 December 2016

Renminbi Yuan

ASSETS	Note V	31 December 2016	31 December 2015 (Restated, Note XIII.4)
CURRENT ASSETS			
Cash and bank balances	1	**3,201,134,282**	3,500,478,801
Bills receivable	2	**4,259,355,110**	3,937,742,229
Trade receivables	3	**5,317,077,521**	4,763,190,191
Prepayments	4	**217,252,783**	270,123,094
Other receivables	5	**129,788,537**	159,615,928
Inventories	6	**3,238,717,660**	3,119,907,285
Other current assets	7	**2,497,038,994**	3,273,111,357
Total current assets		**18,860,364,887**	19,024,168,885
NON-CURRENT ASSETS			
Available-for-sale financial asset	8	**900,000**	900,000
Long-term receivables	9	**49,932,355**	11,178,796
Long-term equity investments	10	**228,628,965**	221,873,090
Fixed assets	11	**2,823,518,651**	1,815,033,346
Construction in progress	12	**191,728,924**	209,114,557
Intangible assets	13	**633,354,186**	701,934,045
Development expenditure	14	**75,271,984**	663,534
Goodwill	15	**485,174,198**	595,747,176
Deferred tax assets	16	**301,219,923**	292,658,039
Other non-current assets	17	**73,467,821**	58,910,923
Total non-current assets		**4,863,197,007**	3,908,013,506
TOTAL ASSETS		**23,723,561,894**	22,932,182,391

Notes to Financial Statements are components of these financial statements.

31 December 2016

Renminbi Yuan

LIABILITIES AND SHAREHOLDERS' EQUITY	Note V	31 December 2016	31 December 2015 (Restated, Note XIII.4)
CURRENT LIABILITIES			
Short-term borrowings	19	**159,166,033**	165,314,349
Financial liabilities at fair value through profit or loss	20	**6,135,766**	–
Bills payable	21	**1,835,369,575**	1,804,858,438
Trade payables	22	**2,786,933,694**	2,688,611,287
Advances from customers	23	**858,585,589**	914,686,102
Employee benefits payable	24	**36,619,390**	53,364,542
Dividends payable		**3,000,000**	–
Interests payable		**448,131**	5,910,617
Taxes payable	25	**278,261,744**	264,145,816
Other payables	26	**445,525,339**	310,968,172
Current portion of non-current liabilities	27	**1,586,759**	97,207,531
Provisions	28	**262,822,271**	367,927,119
Deferred income	29	**76,840,639**	59,304,497
Total current liabilities		**6,751,294,930**	6,732,298,470
NON-CURRENT LIABILITIES			
Long-term borrowings	30	**101,317,364**	1,211,307,739
Long-term payables	31	**100,662,888**	116,298,371
Provisions	28	**339,462,724**	517,610,958
Deferred income	29	**292,301,752**	234,877,815
Deferred tax liabilities	16	**78,575,067**	102,319,975
Total non-current liabilities		**912,319,795**	2,182,414,858
Total liabilities		**7,663,614,725**	8,914,713,328
SHAREHOLDERS' EQUITY			
Share capital	33	**1,175,476,637**	1,175,476,637
Capital reserve	34	**3,341,900,430**	3,625,123,130
Other comprehensive income	35	**(89,637,548)**	(41,391,233)
Special reserve	36	**11,211,581**	7,520,445
Surplus reserve	37	**1,416,051,748**	1,149,501,481
Retained earnings	38	**9,944,778,161**	7,863,913,834
Total equity attributable to shareholders of the Parent		**15,799,781,009**	13,780,144,294
Non-controlling interests		**260,166,160**	237,324,769
Total shareholders' equity		**16,059,947,169**	14,017,469,063
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**23,723,561,894**	22,932,182,391

Notes to Financial Statements are components of these financial statements.

The financial statements are signed by the following persons:

Legal Representative:	Chief Financial Officer:	Head of Accounting Department:
Ding Rongjun	**Zhang Hua**	**Zang Yingjing**

Consolidated Statement of Profit or Loss

For the year ended 31 December 2016

Renminbi Yuan

	Note V	2016	2015
			(Restated, Note XIII.4)
Revenue	39	**14,657,819,563**	14,800,035,474
Less: Cost of sales	39	**9,062,284,524**	9,138,410,325
Taxes and surcharges	40	**111,128,004**	103,482,745
Selling expenses		**499,573,886**	676,322,985
Administrative expenses	41	**1,795,690,498**	1,667,219,089
Finance costs	42	**22,031,351**	(18,036,584)
Asset impairment losses	43	**261,714,119**	83,467,164
Losses on fair value changes	44	**6,135,766**	—
Add: Investment income	45	**89,714,062**	121,206,269
including: share of profits and losses of associates and joint ventures	45	**46,489,753**	55,125,209
Operating profit		**2,988,975,477**	3,270,376,019
Add: Non-operating income	46	**350,445,213**	191,153,500
including: gains on disposal of non-current assets	46	**2,051,399**	464,531
Less: Non-operating expenses	47	**3,674,507**	5,034,562
including: losses on disposal of non-current assets	47	**2,535,955**	1,533,350
Total profit	48	**3,335,746,183**	3,456,494,957
Less: Income tax expense	49	**417,563,892**	478,257,947
Net profit		**2,918,182,291**	2,978,237,010
Net profit attributable to shareholders of the Parent		**2,903,679,787**	2,965,277,867
Including: Net profit of the acquiree attributable to shareholders of the Parent prior to business combination involving entities under common control		**78,233**	6,920,501
Non-controlling interests		**14,502,504**	12,959,143
Other comprehensive income, net of tax	35		
Other comprehensive income attributable to shareholders of the Parent, net of tax			
Other comprehensive income to be reclassified to profit or loss in subsequent periods			
Exchange fluctuation reserve		**(48,246,315)**	(11,118,551)
Total other comprehensive income attributable to non-controlling interests, net of tax		**(4,730,944)**	87,787
Total comprehensive income		**2,865,205,032**	2,967,206,246
Including:			
Total comprehensive income attributable to shareholders of the Parent		**2,855,433,472**	2,954,159,316
Total comprehensive income attributable to non-controlling interests		**9,771,560**	13,046,930
Earnings per share (Yuan/Share)	50		
Basic		**2.47**	2.52
Diluted		**2.47**	2.52

Notes to Financial Statements are components of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2016

Renminbi Yuan

	Attributable to shareholders of the Parent								
	Share capital	Capital reserve	Special reserve	Surplus reserve	Retained earnings	Other comprehensive income	Sub-total	Non-controlling interests	Total shareholders' equity
2016									
I. Closing Balance of last year	1,175,476,637	3,352,123,130	7,520,445	1,149,501,481	7,829,036,380	(41,391,233)	13,472,266,840	204,335,724	13,676,602,564
Add: Business combination involving entities under common control (Restated, Note XIII.4)	–	273,000,000	–	–	34,877,454	–	307,877,454	32,989,045	340,866,499
II. At beginning of the year	1,175,476,637	3,625,123,130	7,520,445	1,149,501,481	7,863,913,834	(41,391,233)	13,780,144,294	237,324,769	14,017,469,063
III. Movements during the year									
(i) Total comprehensive income	–	–	–	–	2,903,679,787	(48,246,315)	2,855,433,472	9,771,560	2,865,205,032
(ii) Capital contribution and withdrawal by shareholders									
1. Decrease by disposal of subsidiaries	–	–	–	–	–	–	–	(32,570,045)	(32,570,045)
2. Capital contribution by non-controlling shareholders	–	–	–	–	–	–	–	52,000,000	52,000,000
3. Business combination involving entities under common control	–	(283,222,700)	–	–	–	–	(283,222,700)	–	(283,222,700)
(iii). Profit appropriation									
1. Transfer to surplus reserve	–	–	–	266,550,267	(266,550,267)	–	–	–	–
2. Dividends paid	–	–	–	–	(556,265,193)	–	(556,265,193)	(6,480,544)	(562,745,737)
(iv) Special reserve									
1. Accrued during the year	–	–	36,598,203	–	–	–	36,598,203	1,523,102	38,121,305
2. Paid during the year	–	–	(32,907,067)	–	–	–	(32,907,067)	(1,402,682)	(34,309,749)
IV. Closing balance	1,175,476,637	3,341,900,430	11,211,581	1,416,051,748	9,944,778,161	(89,637,548)	15,799,781,009	260,166,160	16,059,947,169

	Attributable to shareholders of the Parent								
	Share capital	Capital reserve	Special reserve	Surplus reserve	Retained earnings	Other comprehensive income	Sub-total	Non-controlling interests	Total shareholders' equity
2015 (Restated, Note XIII.4)									
I. Closing Balance of last year	1,175,476,637	3,352,499,586	2,920,995	859,087,844	5,631,283,306	(30,272,682)	10,990,995,686	179,770,190	11,170,765,876
Add: Business combination involving entities under common control	–	273,000,000	–	–	27,956,953	–	300,956,953	31,375,142	332,332,095
II. At beginning of the year	1,175,476,637	3,625,499,586	2,920,995	859,087,844	5,659,240,259	(30,272,682)	11,291,952,639	211,145,332	11,503,097,971
III. Movements during the year									
(i) Total comprehensive income	–	–	–	–	2,965,277,867	(11,118,551)	2,954,159,316	13,046,930	2,967,206,246
(ii) Capital contribution and withdrawal by shareholders									
1. Capital contribution by non-controlling shareholders	–	–	–	–	–	–	–	14,700,000	14,700,000
2. Others	–	(376,456)	–	–	–	–	(376,456)	376,456	–
(iii). Profit appropriation									
1. Transfer to surplus reserve	–	–	–	290,413,637	(290,413,637)	–	–	–	–
2. Dividends paid	–	–	–	–	(470,190,655)	–	(470,190,655)	(1,943,949)	(472,134,604)
(iv) Special reserve									
1. Accrued during the year	–	–	33,611,332	–	–	–	33,611,332	522,086	34,133,418
2. Paid during the year	–	–	(29,011,882)	–	–	–	(29,011,882)	(522,086)	(29,533,968)
IV. Closing balance	1,175,476,637	3,625,123,130	7,520,445	1,149,501,481	7,863,913,834	(41,391,233)	13,780,144,294	237,324,769	14,017,469,063

Notes to Financial Statements are components of these financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2016

Renminbi Yuan

		Note V	2016	2015 (Restated Note XIII.4)
1.	Cash flows from operating activities			
	Cash received from sale of goods or rendering of services		**12,628,971,870**	12,741,269,601
	Refunds of taxes		**248,354,788**	128,441,050
	Cash received relating to other operating activities		**244,613,339**	241,016,088
	Sub-total of cash inflows from operating activities		**13,121,939,997**	13,110,726,739
	Cash paid for goods and services		**(6,625,482,527)**	(6,852,835,409)
	Cash paid to and on behalf of employees		**(1,539,639,750)**	(1,384,065,832)
	Cash paid for all types of taxes		**(1,509,213,108)**	(1,534,313,044)
	Cash paid relating to other operating activities		**(1,992,082,089)**	(1,906,589,805)
	Sub-total of cash outflows from operating activities		**(11,666,417,474)**	(11,677,804,090)
	Net cash flows from operating activities	51	**1,455,522,523**	1,432,922,649
2.	Cash flows from investing activities			
	Cash received from disposal or returns of investments		**4,979,000,000**	5,080,000,000
	Cash received from returns on investments		**52,620,171**	69,294,613
	Net cash received from disposal of fixed assets, intangible assets and other long-term assets		**6,214,222**	8,370,003
	Net cash received from disposal of subsidiaries	51	**100,186,313**	–
	Cash received relating to other investing activities		**179,325,490**	98,420,000
	Sub-total of cash inflows from investing activities		**5,317,346,196**	5,256,084,616
	Cash paid for acquisitions of fixed assets, intangible assets and other long-term assets		**(1,428,722,372)**	(284,356,155)
	Cash paid for acquisition of investments		**(4,104,791,590)**	(5,289,000,000)
	Net cash paid for the acquisition of subsidiaries	51	**(283,222,700)**	(1,074,807,066)
	Cash paid relating to other investing activities		**–**	(92,311,980)
	Sub-total of cash outflows from investing activities		**(5,816,736,662)**	(6,740,475,201)
	Net cash flows used in investing activities		**(499,390,466)**	(1,484,390,585)

Notes to Financial Statements are components of these financial statements

For the year ended 31 December 2016

Renminbi Yuan

		Note V	2016	2015 (Restated, Note XIII.4)
3.	Cash flows from financing activities			
	Cash received from capital contribution		**52,000,000**	14,700,000
	including: cash received from non-controlling shareholders of subsidiaries		**52,000,000**	14,700,000
	Cash received from borrowings		**194,583,931**	1,475,559,913
	Sub-total of cash inflows from financing activities		**246,583,931**	1,490,259,913
	Cash repayment of borrowings		**(1,001,104,259)**	(210,672,119)
	Cash paid for distribution of dividend or profits and for interest expenses		**(581,049,502)**	(497,891,748)
	Sub-total of cash outflows from financing activities		**(1,582,153,761)**	(708,563,867)
	Net cash flows (used in)/from financing activities		**(1,335,569,830)**	781,696,046
4.	Effect of foreign exchange rate changes on cash and cash equivalents		**3,352,473**	1,470,606
5.	Net (decrease)/increase in cash and cash equivalents		**(376,085,300)**	731,698,716
	Add: Cash and cash equivalents at beginning of year		**3,439,887,202**	2,708,188,486
6.	Cash and cash equivalents at end of year	51	**3,063,801,902**	3,439,887,202

Notes to Financial Statements are components of these financial statements

Statement of Financial Position

31 December 2016

Renminbi Yuan

ASSETS	Note XIV	31 December 2016	31 December 2015
CURRENT ASSETS			
Cash and bank balances	1	**2,094,998,368**	2,766,793,280
Bills receivable	2	**3,998,043,226**	3,757,478,113
Trade receivables	3	**4,545,468,482**	3,960,552,913
Dividends receivable	4	**4,500,000**	—
Prepayments	5	**54,122,293**	100,498,608
Interests receivable		**8,466,626**	—
Other receivables	6	**346,348,639**	275,084,311
Inventories	7	**2,124,695,828**	2,288,246,413
Other current assets	8	**2,419,824,505**	2,945,113,050
Total current assets		**15,596,467,967**	16,093,766,688
NON-CURRENT ASSETS			
Available-for-sale financial asset		**900,000**	900,000
Long-term receivables	9	**925,643,988**	3,337,685
Long-term equity investments	10	**2,046,618,550**	1,686,522,346
Fixed assets	11	**2,142,387,131**	1,150,101,328
Construction in progress	12	**187,330,315**	164,177,021
Intangible assets	13	**234,933,256**	186,368,407
Development expenditure		**68,942,989**	—
Deferred tax assets	14	**228,336,369**	249,179,656
Other non-current assets		**65,961,543**	50,833,733
Total non-current assets		**5,901,054,141**	3,491,420,176
TOTAL ASSETS		**21,497,522,108**	19,585,186,864

Notes to Financial Statements are components of these financial statements

31 December 2016

Renminbi Yuan

LIABILITIES AND SHAREHOLDERS' EQUITY	Note XIV	31 December 2016	31 December 2015
CURRENT LIABILITIES			
Financial liabilities at fair value through profit or loss		**6,135,766**	–
Bills payable	15	**1,223,555,929**	1,406,211,382
Trade payables	16	**2,458,928,929**	2,254,604,272
Advances from customers	17	**684,490,712**	775,880,975
Employee benefits payable		**25,355,834**	34,065,740
Interests payable		**409,897**	139,972
Taxes payable	18	**162,461,385**	191,742,372
Other payables	19	**412,661,903**	301,045,016
Provisions	20	**235,516,065**	334,500,647
Deferred income	21	**69,458,807**	58,097,585
Total current liabilities		**5,278,975,227**	5,356,287,961
NON-CURRENT LIABILITIES			
Long-term borrowings	22	**100,188,000**	100,188,000
Long-term payables	16	**100,662,888**	116,298,371
Provisions	20	**326,724,768**	508,165,648
Deferred income	21	**259,330,424**	209,261,055
Total non-current liabilities		**786,906,080**	933,913,074
Total liabilities		**6,065,881,307**	6,290,201,035
SHAREHOLDERS' EQUITY			
Share capital		**1,175,476,637**	1,175,476,637
Capital reserve		**3,375,442,574**	3,378,010,293
Special reserve		**6,781,144**	4,096,637
Surplus reserve		**1,416,051,748**	1,149,501,481
Retained earnings		**9,457,888,698**	7,587,900,781
Total shareholders' equity		**15,431,640,801**	13,294,985,829
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**21,497,522,108**	19,585,186,864

Notes to Financial Statements are components of these financial statements

Statement of Profit or Loss

For the year ended 31 December 2016

Renminbi Yuan

	Note XIV	2016	2015
Revenue	23	**12,003,154,321**	12,444,446,515
Less: Cost of sales	23	**7,679,228,604**	7,666,862,138
Taxes and surcharges	24	**76,182,866**	81,449,794
Selling expenses		**319,774,561**	511,158,852
Administrative expenses		**1,193,386,084**	1,162,130,860
Finance costs	25	**(48,691,537)**	(31,149,089)
Asset impairment losses	26	**193,466,473**	67,620,368
Losses on fair value changes		**6,135,766**	—
Add: Investment income	27	**244,778,912**	232,606,080
including: share of profits and losses of associates and joint ventures	27	**41,963,079**	32,952,712
Operating profit		**2,828,450,416**	3,218,979,672
Add: Non-operating income	28	**230,304,808**	130,595,581
including: gains on disposal of non-current assets	28	**1,865,462**	299,429
Less: Non-operating expenses	29	**1,843,535**	3,068,878
including: losses on disposal of non-current assets	29	**1,544,905**	1,302,682
Total profit		**3,056,911,689**	3,346,506,375
Less: Income tax expense	30	**391,409,018**	442,370,006
Net profit		**2,665,502,671**	2,904,136,369
Other comprehensive income, net of tax		**—**	—
Total comprehensive income		**2,665,502,671**	2,904,136,369

Notes to Financial Statements are components of these financial statements

Statement of Changes in Equity

For the year ended 31 December 2016

Renminbi Yuan

	Share capital	Capital reserve	Special reserve	Surplus reserve	Retained earnings	Total shareholders' equity
2016						
I. At beginning of the year	1,175,476,637	3,378,010,293	4,096,637	1,149,501,481	7,587,900,781	13,294,985,829
II. Movements during the year						
(i) Total comprehensive income	–	–	–	–	2,665,502,671	2,665,502,671
(ii) Capital contribution and withdrawal by shareholders						
1. Business combination involving entities under common control	–	(2,567,719)	–	–	–	(2,567,719)
(iii) Profit appropriation						
1. Transfer to surplus reserve	–	–	–	266,550,267	(266,550,267)	–
2. Dividends paid	–	–	–	–	(528,964,487)	(528,964,487)
(iv) Special reserve						
1. Accrued during the year	–	–	25,932,173	–	–	25,932,173
2. Paid during the year	–	–	(23,247,666)	–	–	(23,247,666)
III. Closing balance	1,175,476,637	3,375,442,574	6,781,144	1,416,051,748	9,457,888,698	15,431,640,801

	Share capital	Capital reserve	Special reserve	Surplus reserve	Retained earnings	Total shareholders' equity
2015						
I. At beginning of the year	1,175,476,637	3,378,010,293	–	859,087,844	5,444,368,704	10,856,943,478
II. Movements during the year						
(i) Total comprehensive income	–	–	–	–	2,904,136,369	2,904,136,369
(ii) Profit appropriation						
1. Transfer to surplus reserve	–	–	–	290,413,637	(290,413,637)	–
2. Dividends paid	–	–	–	–	(470,190,655)	(470,190,655)
(iii) Special reserve						
1. Accrued during the year	–	–	23,295,752	–	–	23,295,752
2. Paid during the year	–	–	(19,199,115)	–	–	(19,199,115)
III. Closing balance	1,175,476,637	3,378,010,293	4,096,637	1,149,501,481	7,587,900,781	13,294,985,829

Notes to Financial Statements are components of these financial statements

Statement of Cash Flows

For the year ended 31 December 2016

Renminbi Yuan

		Note XIV	2016	2015
1.	Cash flows from operating activities			
	Cash received from sale of goods or rendering of services		**9,997,124,518**	10,321,111,007
	Refunds of taxes		**190,031,237**	101,184,881
	Cash received relating to other operating activities		**186,448,374**	154,264,382
	Sub-total of cash inflows from operating activities		**10,373,604,129**	10,576,560,270
	Cash paid for goods and services		**(5,394,544,479)**	(5,632,812,364)
	Cash paid to and on behalf of employees		**(872,437,877)**	(829,004,206)
	Cash paid for all types of taxes		**(1,128,839,203)**	(1,216,500,734)
	Cash paid relating to other operating activities		**(1,248,180,040)**	(1,400,876,499)
	Sub-total of cash outflows from operating activities		**(8,644,001,599)**	(9,079,193,803)
	Net cash flows from operating activities	31	**1,729,602,530**	1,497,366,467
2.	Cash flows from investing activities			
	Cash received from disposal or returns of investments		**4,670,000,000**	4,740,000,000
	Cash received from returns on investments		**203,910,004**	182,568,847
	Net cash received from disposal of fixed assets, intangible assets and other long-term assets		**5,992,453**	2,506,930
	Cash received relating to other investing activities		**71,150,000**	97,420,000
	Sub-total of cash inflows from investing activities		**4,951,052,457**	5,022,495,777
	Cash paid for acquisitions of fixed assets, intangible assets and other long-term assets		**(1,351,118,748)**	(226,504,469)
	Cash paid for acquisition of investments		**(5,196,335,000)**	(5,389,510,400)
	Net cash paid for acquisition of subsidiaries		**(283,222,700)**	—
	Sub-total of cash outflows from investing activities		**(6,830,676,448)**	(5,616,014,869)
	Net cash flows used in investing activities		**(1,879,623,991)**	(593,519,092)

Notes to Financial Statements are components of these financial statements

For the year ended 31 December 2016

Renminbi Yuan

		Note XIV	2016	2015
3.	Cash flows from financing activities			
	Cash received from borrowings		**–**	100,188,000
	Sub-total of cash inflows from financing activities		**–**	100,188,000
	Cash paid for distribution of dividends or profits and for interest expenses		**(525,291,038)**	(466,190,655)
	Sub-total of cash outflows from financing activities		**(525,291,038)**	(466,190,655)
	Net cash flows used in financing activities		**(525,291,038)**	(366,002,655)
4.	Effect of foreign exchange rate changes on cash and cash equivalents		**3,473,497**	1,640,959
5.	Net (decrease)/increase in cash and cash equivalents		**(671,839,002)**	539,485,679
	Add: Cash and cash equivalents at beginning of year		**2,754,350,998**	2,214,865,319
6.	Cash and cash equivalents at end of year	31	**2,082,511,996**	2,754,350,998

Notes to Financial Statements are components of these financial statements

Notes to Financial Statements

31 December 2016

Renminbi Yuan

I. Basic Information of the Group

Zhuzhou CRRC Times Electric Co., Ltd. (the "Company"), formerly named Zhuzhou CSR Times Electric Co., Ltd., is a joint stock limited company registered in Hunan Province, the People's Republic of China (the "PRC"). It was jointly established by CRRC Zhuzhou Institute Co., Ltd. (中車株洲電力機車研究所有限公司) (formerly named CSR Zhuzhou Electric Locomotive Research Institute Co., Ltd. (南車株洲電力機車研究所有限公司)), CRRC Changzhou Qishuyan Locomotive & Rolling Stock Works (中車集團常州戚墅堰機車車輛廠) (formerly named CSRG Qishuyan Locomotive & Rolling Stock Works (中國南車集團戚墅堰機車車輛廠)), CRRC Zhuzhou Locomotive Co., Ltd. (中車株洲電力機車有限公司) (formerly named CSR Zhuzhou Electric Locomotive Co., Ltd. (南車株洲電力機車有限公司)), CRRC Investment & Leasing Co., Ltd. (中車投資租賃有限公司) (formerly named CSR Investment & Leasing Co., Ltd. (南車投資租賃有限公司)) and CRCC High-Tech Equipment Corporation Limited (中國鐵建高新裝備股份有限公司) (formerly named China Railway Large Maintenance Machinery Co., Ltd. Kunming (昆明中鐵大型養路機械集團有限公司)) at the date of 26 September 2005. The H shares of the Company were listed on the Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange"). In December 2016, CRRC Changzhou Qishuyan Locomotive & Rolling Stock Works and Sinomach Capital Holding Co.,Ltd. (國機資本控股有限公司) signed the domestic capital stocks transfer agreement to sell the domestic capital stock of 9,380,769 shares, representing 0.80% of the issued stocks. This transaction has been completed in January 2017.

The registered office of the Company is located at Times Road, Shifeng District, Zhuzhou City, Hunan Province, the PRC. The Company and its subsidiaries (together, the "Group") are principally engaged in the sale and manufacture of train-borne electrical systems and electrical components.

In December 2006, the Company issued 414,644,000 H Shares (including H shares issued via the exercise of the over-allotment option) with a nominal value of RMB1 each through the Hong Kong Stock Exchange. The issue price was HKD5.3 per share. The total proceeds before deducting issuing expenses amounted to HKD2,197,613,000 (equivalent to approximately RMB2,209,968,000). These H shares were listed and traded on the Main Board of the Hong Kong Stock Exchange in December 2006.

In October 2013, the Company issued 91,221,000 H Shares with a nominal value of RMB1 each through the Hong Kong Stock Exchange. The issue price was HKD25 per share. The total proceeds before deducting issuing expenses amounted to HKD2,280,525,000 (equivalent to approximately RMB1,803,872,470). These H shares were listed and traded on the Main Board of the Hong Kong Stock Exchange in October 2013. Consequently upon the issue of the H Shares, the registered capital and paid-in capital of the Company was increased to RMB1,175,476,637.

As at 31 December 2016, the Company had issued an aggregate of 1,175,476,637 shares as share capital, refer to Note V.33.

As at 31 December 2016, the Group's parent and ultimate holding company are CRRC Zhuzhou Institute Co., Ltd. (中車株洲電力機車研究所有限公司) and CRRC Group (中國中車集團公司) (i.e. renamed as CRRC Group after CNR Group merging with CSR Group) respectively, both established in the PRC.

The financial statements were approved by the board of directors of the Company on 28 March 2017. According to the Articles of Association of the Company, the financial statements will be submitted to the general meeting for consideration.

The consolidation scope of the consolidated financial statements is determined on the basis of control. Amendments for current period refer to Note VI.

II. Basis of Preparation

The financial statements are prepared in accordance with the Accounting Standards for Business Enterprises – General Principles issued by the China Ministry of Finance, together with specific accounting standards, application guidance, interpretations and other related regulations issued and revised thereafter (Accounting Standards for Business Enterprises, collectively).

The financial statements have been prepared on a going concern basis.

These financial statements are prepared under the historical cost convention, except for certain financial instruments. If the assets are impaired, corresponding provisions for impairment shall be made according to relevant rules.

III. Significant Accounting Policies and Estimates

1. Statement of compliance with Accounting Standards for Business Enterprises

The financial statements present fairly and completely, the financial position of the Group and the Company as at 31 December 2016 and the financial performance and cash flows for the year then ended in accordance with Accounting Standards for Business Enterprises.

2. Accounting period

The accounting period of the Group is from 1 January to 31 December of each calendar year.

3. Functional currency

The Group's functional and presentation currency is Renminbi ("RMB"). Unless otherwise stated, the unit of the currency is RMB yuan.

The subsidiaries, joint ventures and associates of the Group may determine their own functional currencies based on their specific economic environments. In the preparation of the financial statements, their functional currencies shall be translated into RMB.

4. Business combinations

A business combination is a transaction or event that brings together two or more separate entities into one reporting entity. Business combinations are classified into business combinations involving entities under common control and business combinations not involving entities under common control.

Business combinations involving entities under common control

A business combination involving entities under common control is a business combination in which all of the combining entities are ultimately controlled by the same party or parties both before and after the business combination, and that control is not transitory. For a business combination involving entities under common control, the party that, on the combination date, obtains control of another entity participating in the combination is the acquirer, while that other entity participating in the combination is the acquiree. The combination date is the date on which the acquirer effectively obtains control of the acquiree.

III. Significant Accounting Policies and Estimates (continued)

4. Business combinations (continued)

Business combinations involving entities under common control (continued)

Assets and liabilities that are obtained by the acquirer in a business combination involving entities under common control (including the goodwill generated by the ultimate holding party in the acquisition of the acquiree) shall be measured at their carrying amounts at the combination date as recorded by the acquiree. The difference between the carrying amount of the net assets obtained and the carrying amount of the consideration paid for the combination (or the aggregate face value of shares issued as consideration) shall be adjusted to share premium under capital surplus. If the capital surplus is not sufficient to absorb the difference, any excess shall be adjusted against retained earnings.

Business combinations not involving entities under common control

A business combination not involving entities under common control is a business combination in which all of the combining entities are not ultimately controlled by the same party or parties both before and after the combination. For a business combination not involving entities under common control, the party that, on the acquisition date, obtains control of another entity participating in the combination is the acquirer, while that other entity participating in the combination is the acquiree. The acquisition date is the date on which the acquirer effectively obtains control of the acquiree.

The acquirer shall measure the acquiree's identifiable assets, liabilities and contingent liabilities acquired in the business combination at their fair values on the acquisition date.

Goodwill is initially recognised at cost being the excess of the aggregate fair value of the consideration transferred (or the fair value of the equity securities issued) and any fair value of the acquirer's previously held equity interest in the acquiree over the net identifiable assets acquired at the acquisition date. After initial recognition, goodwill is measured at cost less any accumulated impairment losses. In the event that the sum of the fair value of the consolidation consideration paid (or the fair value of the equity securities issued) and the fair value of the equity interests in the acquiree held before the date of acquisition is less than the share of the fair value of the net identifiable assets of the acquiree acquired in the consolidation, the measurement of the fair value of the various identifiable assets, liabilities and contingent liabilities of the acquiree acquired and the fair value of the consolidation consideration paid (or the fair value of the equity securities issued) and the fair value of the equity interests in the acquiree held before the date of acquisition shall first be reviewed. If the sum of this consideration and other items mentioned above is lower than the fair value of the net identifiable assets acquired, the difference is, after reassessment, recognised in profit or loss of the current period.

III. Significant Accounting Policies and Estimates (continued)

5. Consolidated financial statements

The consolidation scope of the consolidated financial statements is determined on the basis of control, including the financial statements for the year ended 31 December 2016 of the Company and all of its subsidiaries. A subsidiary is an entity that is controlled by the Company (including enterprise, divided part of the investee and a structured entity that is controlled by the Company).

In the preparation of the consolidated financial statements, when the accounting policies of a subsidiary are different from those of the Company, the Company shall make adjustments to the financial statements of the subsidiary based on its own accounting policies. All intra-group assets, liabilities, equities, revenues, expenses and cash flows resulting from intra-group transactions are eliminated on consolidation in full.

Where the amount of losses of a subsidiary attributable to non-controlling shareholders exceeds the opening balance of owners' equity attributable to non-controlling shareholders of the subsidiary, the excess shall still be allocated against non-controlling interests.

For subsidiaries acquired through business combinations not involving entities under common control, the operating results and cash flows of the acquiree shall be included in the consolidated financial statements, from the date on which the Group obtains control, till the Group ceases to have control on it. While preparing the consolidated financial statements, the acquirer shall adjust the subsidiary's financial statements, on the basis of the fair values of the identifiable assets, liabilities and contingent liabilities recognised on the acquisition date.

For subsidiaries acquired through business combinations involving entities under common control, the operating results and cash flows of the acquiree shall be included in the consolidated financial statements from the beginning of the period in which the combination occurs. While preparing the comparative financial statements, adjustments are made to related items in the financial statements for the prior period as if the reporting entity established through combination had been in existence since the ultimate holding party began to exercise control.

The Group shall reassess whether it controls an investee if facts and circumstances indicate that there are changes to one or more of elements of control.

6. Joint arrangement classification and joint operation

Joint arrangement is classified as joint operation and joint venture. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture.

The Group recognises in relation to its interest in a joint operation: its assets, including its share of any assets held jointly; its liabilities, including its share of any liabilities incurred jointly; its revenue from the sale of its share of the output arising from the joint operation; its share of the revenue from the sale of the output by the joint operation; and its expenses, including its share of any expenses incurred jointly.

III. Significant Accounting Policies and Estimates (continued)

7. Cash and cash equivalents

Cash comprises the Group's cash on hand and deposits that can be readily withdrawn on demand. Cash equivalents are short-term highly liquid investments held by the Group that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

8. Foreign currency transactions and foreign currency translation

The Group translates the amounts of foreign currency transactions occurred into its functional currency.

Foreign currency transactions are initially recorded using the functional currency rates ruling at the transaction dates. At the balance sheet date, foreign currency monetary items are translated using the spot exchange rate at the balance sheet date. All the resulting exchange differences are taken to profit or loss, except for those relating to foreign currency borrowings specifically for the construction and acquisition of qualifying assets, which are capitalised in accordance with the principle of capitalisation of borrowing costs. Non-monetary foreign currency items measured at historical cost shall still be translated at the spot exchange rate prevailing on the transaction date, and the amount denominated in the functional currency is not changed. Non-monetary foreign currency items measured at fair value are translated at the spot exchange rate prevailing at the date on which the fair values are determined. The exchange difference thus resulted are recognised in profit or loss or as other comprehensive income of the current period.

For foreign operations, the Group translates their functional currency amounts into RMB in preparing the financial statements as follows: asset and liability items in the statement of financial position are translated using the spot exchange rates at the balance sheet date, and equity items other than "retained earnings" are translated using the spot exchange rates at the dates of transactions; revenue and expense items in the statement of profit or loss are translated using the average exchange rate for the period during which the transactions occur. The resulted exchange differences are recognised in other comprehensive income and presented as a separate component of equity in the statement of financial position. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation recognised is profit or loss of the current period. If the disposal only involves a portion of a particular foreign operation, the component of other comprehensive income relating to that particular foreign operation recognised is profit or loss of the current period on a pro-rata basis.

In the circumstances of the Group has the foreign currency monetary item of net investment in substance to subsidiary (foreign operation), offsetting entry should be made when preparing consolidated financial statements in two ways as follows:

(1) In substance the foreign currency monetary item of net investment to subsidiary was created and disclosed by the functional currency of parent company or subsidiary, the exchange difference arising from foreign currency monetary item should be recognized in "Exchange fluctuation reserve";

(2) In substance the foreign currency monetary item of net investment to subsidiary was created and disclosed by other currency of parent company and subsidiary except functional currency, the offsetting balance arising from foreign currency monetary item exchange of the parent and subsidiary should be recognised in "Exchange fluctuation reserve";

III. Significant Accounting Policies and Estimates (continued)

8. Foreign currency transactions and foreign currency translation (continued)

If the foreign currency monetary item of net investment in substance was created to another subsidiary (foreign operation) between subsidiaries in consolidated financial statement, the principles above should be referred to when preparing consolidated financial statements.

Foreign currency cash flows and the cash flows of foreign subsidiaries are translated using the average exchange rate for the period during which the cash flows occur. The effect of exchange rate changes on cash is separately presented as an adjustment item in the statement of cash flows.

9. Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Recognition and derecognition of financial instruments

The Group recognises a financial asset or a financial liability when it becomes a party to the contractual provisions of a financial instrument.

The Group derecognises a financial asset (or part of a financial asset, or part of a group of similar financial assets), that is to be written off from the accounts and the statement of financial position when the following criteria are met:

(1) the rights to receive cash flows from the financial asset have expired; or

(2) the Group has transferred its rights to receive cash flows from the financial asset, or has an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; and either (a) has transferred substantially all the risks and rewards of the financial asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the financial asset.

If the underlying obligation of a financial liability has been fulfilled, discharged, cancelled, or has expired, the financial liability is derecognised. If an existing financial liability is replaced by the same creditor with a new financial liability that has substantially different terms, or if the terms of an existing financial liability are substantially revised, such replacement or revision is accounted for as the derecognition of the original liability and the recognition of a new liability, and the resulted difference is recognised in profit or loss of the current period.

Regular way purchase or sale of financial assets are recognised and derecognised using trade date accounting. Regular way purchase or sale of financial assets refers to that the financial assets are delivered to or by the Group under the terms of a contract within a period as specified by law or general practice. The trade date is the date that an asset is delivered to or by the Group.

III. Significant Accounting Policies and Estimates (continued)

9. Financial instruments (continued)

Classification and measurement of financial assets

The Group's financial assets are, on initial recognition, classified into the following categories: financial assets at fair value through profit or loss, other current assets, loans and receivables, available-for-sale financial asset, and derivatives designated as effective hedging instruments. A financial asset is initially recognised at fair value. In the case of financial assets at fair value through profit or loss, relevant transaction costs are directly charged to profit or loss of the current period; transaction costs relating to financial assets of other categories are included in the value initially recognised.

Subsequent measurement of a financial asset is determined by its category:

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and those designated upon initial recognition as financial assets at fair value through profit or loss. A financial asset held for trading is the financial asset that meets one of the following conditions: 1) the financial asset is acquired for the purpose of selling it in the short term; 2) the financial asset is a part of a portfolio of identifiable financial instruments that are collectively managed, and there is objective evidence indicating that the enterprise recently manages this portfolio for the purpose of short-term profits; 3) the financial asset is a derivative, except for a derivative that is designated as an effective hedging instrument, or a financial guarantee contract, or a derivative that is linked to and must be settled by delivery of an unquoted equity instrument (without a quoted price from an active market) whose fair value cannot be reliably measured. For such kind of financial assets, fair values are adopted for subsequent measurement. All the realised or unrealised gains or losses on these financial assets are recognised in profit or loss of the current period. Dividend income or interest income relating to financial assets at fair value through profit or loss is charged to profit or loss of the current period.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity date that an entity has the positive intention and ability to hold to maturity. Such kind of financial assets are subsequently measured at amortised cost using the effective interest method. Gains or losses arising from amortisation or impairment and derecognition are recognised in profit or loss of the current period.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such kind of financial assets are subsequently measured at amortised cost using the effective interest method. Gains or losses arising from amortisation or impairment are recognised in the profit or loss of the current period.

III. Significant Accounting Policies and Estimates (continued)

9. Financial instruments (continued)

Classification and measurement of financial assets (continued)

Available-for-sale financial assets

Available-for-sale financial assets are those non-derivative financial assets that are designated as available for sale or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss. After initial recognition, available-for-sale financial asset are measured at fair value. The premium/discount is amortised using the effective interest method and recognised as interest income or expense. A gain or loss arising from a change in the fair value of an available-for-sale financial asset is recognised as other comprehensive income in capital surplus, except for impairment losses and foreign exchange gains and losses resulted from monetary financial assets which are recognised in profit or loss, until the financial asset is derecognised or determined to be impaired, at which time the accumulated gain or loss previously recognised is transferred to profit or loss of the current period. Interest and dividends relating to an available-for-sale financial asset are recognised in profit or loss of the current period.

Investments in equity instruments, which do not have quoted prices in an active market and whose fair values cannot be reliably measured, are measured at cost.

Classification and measurement of financial liabilities

The Group's financial liabilities are, on initial recognition, classified into financial liabilities at fair value through profit or loss, other financial liabilities or derivatives designated as effective hedging instruments. For financial liabilities at fair value through profit or loss, relevant transaction costs are directly recognised in profit or loss of the current period, and transaction costs relating to other financial liabilities are included in the initial recognition amounts.

The subsequent measurement of a financial liability is determined by its category:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and those designated upon initial recognition as financial liabilities at fair value through profit or loss. A financial liability held for trading is the financial liability that meets one of the following criteria: 1) the financial liability is assumed for the purpose of repurchasing it in the short term; 2) the financial liability is a part of a portfolio of identifiable financial instruments that are collectively managed, and there is objective evidence indicating that the enterprise recently manages this portfolio for the purpose of short-term profits; 3) the financial liability is a derivative, except for a derivative that is designated as effective hedging instrument, or a financial guarantee contract, or a derivative that is linked to and must be settled by delivery of an unquoted equity instrument (without a quoted price in an active market) whose fair value cannot be reliably measured. For such kind of financial liabilities, fair values are adopted for subsequent measurement. All the realised or unrealised gains or losses on these financial liabilities are recognised in profit or loss in the current period.

Other financial liabilities

After initial recognition, such kind of financial liabilities are measured at amortised costs by using the effective interest method.

III. Significant Accounting Policies and Estimates (continued)

9. Financial instruments (continued)

Offsetting of financial instruments

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

Derivative financial instrument

The Group uses derivative financial instruments, such as forward foreign exchange contracts, forward contracts and interest rate swaps, to hedge its foreign currency risk. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. Those derivatives which do not have quoted prices in an active market and the fair value cannot be measured reliable and must deliver equity when settled shall be measured at cost.

Any gains or losses arising from changes in fair value of derivatives are taken directly to the statement of profit or loss, except for the effective portion of cash flow hedges, which is recognised in other comprehensive income and later reclassified to profit or loss when the hedged item affects profit or loss.

Impairment of financial assets

The Group assesses at the balance sheet date the carrying amount of every financial asset. If there is objective evidence indicating that a financial asset may be impaired, a provision is provided for the impairment. Objective evidence that a financial asset is impaired is one or more events that occur after the initial recognition of the asset and have an impact (which can be reliably estimated) on the expected future cash flows of the financial asset. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows.

Financial assets carried at amortised cost

If an impairment loss on a financial asset has been incurred, the carrying amount of the asset is reduced to the present value of expected future cash flows through the use of allowance account (excluding future credit losses that have not been incurred). The amount reduced is recognised in profit or loss. The present value of expected future cash flows is discounted at the financial asset's original effective interest rate (i.e., effective interest rate computed on initial recognition) and includes the value of any related collateral. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. For loans and receivables, it no collectable future cash flows are expected, and all related collateral is sold or transferred into the Group, loans and receivables with related allowances are written off.

III. Significant Accounting Policies and Estimates (continued)

9. Financial instruments (continued)

Impairment of financial assets (continued)

Financial assets carried at amortised cost (continued)

For a financial asset that is individually significant, the asset is individually assessed for impairment, and the amount of impairment is recognised in profit or loss if there is objective evidence of impairment. For a financial asset that is not individually significant, it is included in a group of financial assets with similar credit risk characteristics and collectively assessed for impairment. If no objective evidence of impairment incurs for an individually assessed financial asset (whether the financial asset is individually significant or not individually significant), it is included in a group of financial assets with similar credit risk characteristics and collectively assessed for impairment again. Assets for which an impairment loss is individually recognised is not included in a group of financial assets with similar credit risk characteristics and collectively assessed for impairment.

If subsequent to the Group's recognition of an impairment loss on a financial asset carried at amortised cost, there is objective evidence of a recovery in value of the financial asset and the recovery is related to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed and recognised in profit or loss. However, the reversal shall not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment loss not been recognised at the date the impairment is reversed.

Available-for-sale financial asset

If there is objective evidence that an available-for-sale financial asset is impaired, the accumulated loss arising from decline in fair value previously recognised in other comprehensive income is transferred out and recognised in profit or loss. The accumulated loss that transferred out from other comprehensive income is the difference between the acquisition cost (net of any principal repayment and amortisation) and the current fair value, less any impairment loss on the financial asset previously recognised in profit or loss.

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of profit or loss – is removed from other comprehensive income and recognised in the statement of profit or loss. Impairment losses on equity instruments classified as available for sale are not reversed through the statement of profit or loss. Increases in their fair value after impairment are recognised directly in other comprehensive income.

The determination of what is "significant" or "prolonged" requires judgement. In making this judgement, the Group evaluates, among other factors, the extent or duration to which the fair value of an investment is less than its cost.

In the case of debt investments classified as available for sale, if there is a rise of fair value and the rise is objectively related to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed and recognised in profit or loss.

III. Significant Accounting Policies and Estimates (continued)

9. Financial instruments (continued)

Impairment of financial assets (continued)

Financial assets carried at cost

If there is objective evidence that such an asset is impaired, the difference between its carrying amount and the present value of expected future cash flows which are discounted at the current market interest rate is recognised as an impairment loss in profit or loss. Once an impairment loss is recognised, it cannot be reversed.

Transfer of financial assets

The financial asset is derecognised if the Group transfers substantially all the risks and rewards of ownership of the financial asset; the financial asset is not derecognised if the Group retains substantially all the risks and rewards of ownership of the financial asset.

If the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, the transaction is accounted for as follows: (i) if the Group has not retained control, the financial asset is derecognised and any resulting assets or liabilities are recognised; or (ii) if the Group has retained control, the financial asset is recognised to the extent of its continuing involvement in the transferred financial asset and an associated liability is recognised.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

10. Inventories

Inventories include raw materials, semi-finished products, work in progress, finished goods, assets under construction contract and turnover materials.

Inventories are initially carried at actual cost. Cost of inventories comprises all costs of purchase, costs of conversion and other costs. The actual cost of inventories transferred out is determined by using the weighted average method. Turnover materials include low value consumables and packing materials, which are amortised by using the immediate write-off method.

The Group adopts a perpetual inventory system.

At the balance sheet date, inventories are measured at the lower of cost and net realisable value. If the cost of inventories is higher than the net realisable value, a provision for decline in value of inventories is recognised in profit or loss. If factors that previously resulted in the provision for decline in value of inventories no longer exist, the amount of the write-down is reversed. The reversal is limited to the amount originally provided for the provision for the decline in value of inventories, and is recognised in profit or loss of the current period.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale and relevant taxes. The provision for decline in values of raw materials, semi-finished products, work in progress, finished goods, and turnover materials are made on an individual basis. For items of inventories that relate to a product line that is produced and marketed in the same geographical area, have the same or similar end uses or purposes, and cannot be practicably evaluated separately from other items, provision for decline in value of inventories can be determined on an aggregate basis.

III. Significant Accounting Policies and Estimates (continued)

11. Long-term equity investments

Long-term equity investments include investments in subsidiaries, joint ventures and associates.

A long-term equity investment is recorded at its initial investment cost on acquisition. For a long-term equity investment acquired through a business combination involving entities under common control, the initial investment cost of the long-term equity investment is the acquirer's share of the carrying amount of acquiree's equity at the combination date in the consolidated financial statements of ultimate holding party; the difference between the carrying amount of the net assets obtained and the carrying amount of the consideration paid for the combination shall be adjusted to share premium under capital surplus (if the capital surplus is not sufficient to absorb the difference, any excess shall be adjusted against retained earnings). The other comprehensive income before combination date is accounted for in the disposal of such investment under the same accounting basis applied by the acquiree in direct disposal of relevant assets and liabilities. The shareholders' equity recognised due to acquiree's movements other than net profits, other comprehensive income, and distribution of profits is recognised in profit or loss of the current period during disposal. If the investment remains to be classified as long-term equity investment after disposal, the equity is carried forward pro rata. If the investment is reclassified as financial instruments after disposal, the equity is carried forward entirely. For a long-term equity investment through a business combination not involving entities under common control, the initial investment cost of the long-term equity investment is the cost of combination (for a business combination not involving entities under common control achieved in stages that involves multiple exchange transactions, the initial investment cost is carried at the aggregate of the carrying amount of the acquirer's previously held equity interest in the acquiree and the new investment cost incurred on the acquisition date). The cost of combination is the aggregate of the fair values, at the acquisition date, of the assets given, liabilities incurred or assumed, and equity securities issued by the acquirer, in exchange for control of the acquiree. Other comprehensive income recognised using equity method that consists of the initial investment cost before the date of acquisition should be accounted for in the disposal of such investment under the same accounting basis applied by the acquiree in direct disposal of relevant assets and liabilities. The shareholders' equity recognised due to acquiree's movements other than net profits, other comprehensive income, and distribution of profits is recognised in profit or loss of the current period during disposal. If the investment remains to be classified as long-term equity investment after disposal, the equity is carried forward pro rata. If the investment is reclassified as financial instruments after disposal, the equity is carried forward entirely. The fair value change accumulated due to the recognition of other comprehensive income in processing previously held equity investment as financial instrument before acquisition date is entirely recognised in profit or loss at current period when switch to cost method. For a long-term equity investment acquired other than through a business combination, the initial investment cost is determined as follows: for a long-term equity investment acquired by paying cash, the initial investment cost is the actual purchase price paid and those costs, taxes and other necessary expenditures directly attributable to the acquisition of the long-term equity investment; for a long-term equity investment acquired by the issue of equity securities, the initial investment cost is the fair value of the securities issued.

For a long-term equity investment where the Company can exercise control over the investee, the long-term investment is accounted for using the cost method in the Company's financial statements. Control is the power over an investee. An investor must have exposure or rights to variable returns from its involvement with the investee, and the ability to use its power over the investee to affect the amount of the investor's returns.

III. Significant Accounting Policies and Estimates (continued)

11. Long-term equity investments (continued)

Under the cost method, the long-term equity investment is measured at its initial investment cost. The cost of long-term equity investment is adjusted if capital is contributed or withdrawn. The cash dividend or profit distribution declared by the investee is recognised as investment income for the period.

The equity method is adopted when the Group has joint control, or exercises significant influence on the investee. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control with other parties over those policies.

Under the equity method, where the initial investment cost of a long-term equity investment exceeds the investing enterprise's interest in the fair values of the investee's identifiable net assets at the acquisition date, no adjustment is made to the initial investment cost. Where the initial investment cost is less than the investing enterprise's interest in the fair values of the investee's identifiable net assets at the acquisition date, the difference is charged to profit or loss of the current period, and the cost of the long-term equity investment is adjusted accordingly.

Under the equity method, the Group recognises its share of the net profits or losses and other comprehensive income made by the investee as investment income or losses and other comprehensive income respectively, and adjusts the carrying amount of the investment accordingly. The Group recognises its share of the investee's net profits or losses after making appropriate adjustments to the investee's net profits and losses based on the fair value of the investee's identifiable assets at the acquisition date, using the Group's accounting policies and periods, and eliminating the portion of the profits or losses arising from internal transactions with its joint ventures and associates, attributable to the investing entity according to its share ratio (but impairment losses for assets arising from internal transactions shall be recognised in full), except for the disposal of assets that consist of operations. The carrying amount of the investment is reduced based on the Group's share of any profit distributions or cash dividends declared by the investee. The Group's share of net losses of the investee is recognised to the extent the carrying amount of the investment together with any long-term interests that in substance form part of its net investment in the investee is reduced to zero, except that the Group has the obligations to assume additional losses. The Group adjusts the carrying amount of the long-term equity investment for any changes in shareholders' equity of the investee (other than net profits or losses, other comprehensive income, and profit distribution) and includes the corresponding adjustments in the shareholders' equity of the Group.

On disposal of a long-term equity investment, the difference between the proceeds actually received and the carrying amount is recognised in profit or loss of the current period; for a long-term equity investment ceased to be accounted for using the equity method, the other comprehensive income relevant to equity method is processed under the same accounting basis applied by the acquiree in direct disposal of relevant assets and liabilities. Changes in shareholders' equity of the investee (other than net profits or losses, other comprehensive income, and profit distribution) should be recognised as profit or loss of the current period; for a long-term equity investment remains to be accounted for using the equity method, the other comprehensive income originally accounted for using the equity method is processed under the same accounting basis applied by the acquiree in direct disposal of relevant assets and liabilities, and is transferred to profit or loss of the current period according to the proportion disposed of. Any changes in the shareholders' equity of the investee (other than net profits or losses, other comprehensive income, and profit distribution) included in the shareholders' equity of the Group is transferred to profit or loss of the current period on a pro-rata basis according to the proportion disposed of.

III. Significant Accounting Policies and Estimates (continued)

12. Fixed assets

A fixed asset is recognised only when the economic benefits associated with the asset will probably flow into the Group and the cost of the asset can be measured reliably. Subsequent expenditure incurred for a fixed asset that meets the recognition criteria shall be included in the cost of the fixed asset, and the carrying amount of the component of the fixed asset that is replaced shall be derecognised. Otherwise, such expenditure shall be recognised in the profit or loss for the period in which it is incurred.

Fixed assets are initially measured at cost. The cost of a purchased fixed asset comprises the purchase price, relevant taxes and any directly attributable expenditure for bringing the asset to working condition for intended use.

Depreciation is calculated using the straight-line method. The estimated useful lives, estimated residual value rates and annual depreciation rates of each category of fixed asset are presented as follows:

	Useful life	Estimated residual value rate	Annual depreciation rate
Buildings	20-45years	5%	2.11%-4.75%
Machinery	6-10 years	5%	9.50%-15.83%
Vehicles	5 years	5%	19.00%
Office facilities and others	5 years	5%	19.00%

The Group reviews the useful life, estimated net residual value of a fixed asset, and the depreciation method applied at least at each financial year-end, and makes adjustments if necessary.

13. Construction in progress

The cost of construction in progress is determined according to the actual expenditure incurred for the construction, including all necessary construction expenditure incurred during the construction period, borrowing costs that shall be capitalised before the construction gets ready for its intended use, and other relevant expenses.

Construction in progress is transferred to fixed assets when the asset is ready for its intended use.

III. Significant Accounting Policies and Estimates (continued)

14. Borrowing costs

Borrowing costs are interests and other costs incurred by the Group in connection with the borrowing of funds. Borrowing costs include interests, amortisation of discounts or premiums related to borrowings, ancillary costs incurred in connection with the arrangement of borrowings, and exchange differences arising from foreign currency borrowings.

The borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised. The amounts of other borrowing costs incurred are recognised as an expense in the period in which they are incurred. Qualifying assets are assets (fixed assets, investment property, inventories, etc.) that necessarily take a substantial period of time for acquisition, construction or production to get ready for their intended use or sale.

The capitalisation of borrowing costs commences only when all of the following conditions are satisfied:

(1) expenditures for the asset are being incurred;

(2) borrowing costs are being incurred; and

(3) activities relating to the acquisition, construction or production of the asset that are necessary to prepare the asset for its intended use or sale have commenced.

Capitalisation of borrowing costs ceases when the qualifying asset being acquired, constructed or produced becomes ready for its intended use or sale. Any borrowing costs subsequently incurred are recognised as an expense in the period in which they are incurred.

During the capitalisation period, the amount of interest to be capitalised for each accounting period shall be determined as follows:

(1) Where funds are borrowed for a specific purpose, the amount of interest to be capitalised is the actual interest expense incurred on that borrowing for the period less any bank interest earned from depositing the borrowed funds before being used on the asset or any investment income on the temporary investment of those funds.

(2) Where funds are borrowed for a general purpose, the amount of interest to be capitalised on such borrowings is determined by applying a weighted average interest rate to the weighted average of the excess amounts of accumulated expenditure on the asset over and above the amounts of specific-purpose borrowings.

Capitalisation of borrowing costs is suspended during periods in which the acquisition, construction or production of a qualifying asset is interrupted by activities other than those necessary to prepare the asset for its intended use or sale, when the interruption is for a continuous period of more than 3 months. Borrowing costs incurred during these periods are recognised as an expense of the current period until the acquisition, construction or production is resumed.

III. Significant Accounting Policies and Estimates (continued)

15. Intangible assets

An intangible asset shall be recognised only when it is probable that the economic benefits associated with the asset will flow to the enterprise and the cost of the asset can be measured reliably. Intangible assets are measured initially at cost. However, intangible assets acquired in a business combination with a fair value that can be measured reliably are recognised separately as intangible assets and measured at fair value.

The useful life of an intangible asset is determined according to the period over which it is expected to generate economic benefits for the Group. An intangible asset is regarded as having an indefinite useful life when there is no foreseeable limit to the period over which the asset is expected to generate economic benefits for the Group.

The useful lives of the intangible assets are as follows:

	Useful life
Land use rights	40-50 years
Software licenses	3-10 years
Patents, licenses and technical know-how	5-10 years
Trademarks	20 years
Backlog orders and service contracts	Over the service providing periods

Land use rights that are purchased by the Group are accounted for as intangible assets. For buildings such as plants that are developed and constructed by the Group, the relevant land use rights and buildings are accounted for as intangible assets and fixed assets, respectively. Payments for the land and buildings purchased are allocated between the land use rights and the buildings; if the payments cannot be reasonably allocated, all of the land use rights and buildings are accounted for as fixed assets.

An intangible asset with a finite useful life is amortised using the straight-line method over its useful life. For an intangible asset with a finite useful life, the Group reviews the useful life and the amortisation method at least at each financial year-end and makes adjustment if necessary.

An intangible asset with an indefinite useful life is tested for impairment annually, irrespective of whether there is any indication that it may be impaired. Such asset is not amortised, but its useful life is reassessed in each accounting period. If there is evidence indicating that the useful life of the intangible asset is finite, it is accounted for using the above accounting policies applicable to intangible assets with finite useful lives.

The Group classifies the expenditure on an internal research and development project into expenditure on the research phase and expenditure on the development phase. Expenditure on the research phase of an internal research and development project is recognised in profit or loss for the period in which it is incurred. Expenditure on the development phase is capitalised when the Group can demonstrate all of the following: (i) the technical feasibility of completing the intangible asset so that it will be available for use or sale; (ii) the intention to complete the intangible asset and use or sell it; (iii) how the intangible asset will generate probable future economic benefits. Among other things, the Group can demonstrate the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset; (iv) the availability of adequate technical, financial and other resources to complete the development and the ability to use or sell the intangible asset; and (v) its ability to measure reliably the expenditure attributable to the intangible asset during its development phase. Expenditure on the development phase that does not meet the above criteria is recognised in profit or loss for the period in which it is incurred.

III. Significant Accounting Policies and Estimates (continued)

16. Impairment of assets

The Group determines the impairment of assets, other than the impairment of inventories, deferred income taxes, financial assets, using the following methods:

The Group assesses at the balance sheet date whether there is any indication that an asset may be impaired. If any indication exists that an asset may be impaired, the Group estimates the recoverable amount of the asset and performs test for impairment. Goodwill arising from a business combination and an intangible asset with an indefinite useful life are tested for impairment at least at each year-end, irrespective of whether there is any indication that the asset may be impaired. Intangible assets that have not been ready for intended use are tested for impairment each year.

The recoverable amount of an asset is the higher of its fair value less costs to sell and the present value of the future cash flow expected to be derived from the asset. The Group estimates the recoverable amount on an individual basis. If it is not possible to estimate the recoverable amount of the individual asset, the Group determines the recoverable amount of the asset group to which the asset belongs. Identification of an asset group is based on whether major cash inflows generated by the asset group are largely independent of the cash inflows from other assets or asset groups.

When the recoverable amount of an asset or asset group is less than its carrying amount, the carrying amount is reduced to the recoverable amount. The reduction in carrying amount is treated as impairment loss and recognised in profit or loss of the current period. A provision for impairment loss of the asset is recognised accordingly.

For the purpose of impairment testing, the carrying amount of goodwill acquired in a business combination is allocated from the acquisition date on a reasonable basis, to each of the related asset groups; if it is impossible to allocate to the related asset groups, it is allocated to each of the related sets of asset groups. Each of the related asset groups or sets of asset groups is an asset group or set of asset group that is able to benefit from the synergies of the business combination and shall not be larger than a reportable segment determined by the Group.

In testing an asset group or a set of asset groups to which goodwill has been allocated for impairment, if there is any indication of impairment, the Group firstly tests the asset group or set of asset groups excluding the amount of goodwill allocated for impairment, compares the recoverable amount with the carrying amount and recognises impairment loss if any. After that, the Group tests the asset group or set of asset groups including goodwill for impairment. The carrying amount (including the portion of the carrying amount of goodwill allocated) of the related asset group or set of asset groups is compared to its recoverable amount. If the carrying amount of the asset group or set of asset groups is higher than its recoverable amount, the amount of the impairment loss firstly reduces the carrying amount of the goodwill allocated to the asset group or set of asset groups, and then reduces the carrying amount of other assets (other than the goodwill) within the asset group or set of asset groups, pro rata on the basis of the carrying amount of each asset.

Once the above impairment loss is recognised, it cannot be reversed in the subsequent accounting periods.

III. Significant Accounting Policies and Estimates (continued)

17. Employee benefits

Employee benefits are all forms of considerations given by an entity in exchange for services rendered by employees or for the termination of employment. Employee benefits include short-term benefits, post-employment benefits, termination benefits and other long-term employee benefits. The benefits the Group provided to employees' spouses, children, dependents, and families of deceased employees also belong to employee benefits.

Short-term benefits

The actual short-term benefits occurred during the accounting period that employees provide services are recognised as liability in the costs of the relevant assets or profit or loss of the current period.

Benefits after demission (Defined contribution plan)

The employees of the Group participate in pension insurance and unemployment insurance which are managed by the local government, along with supplementary pensions, and the relevant expenditure is recognised, when incurred, in the costs of the relevant assets or profit or loss of the current period.

Termination benefits

The Group recognises a liability and expenses for termination benefits at the earlier of the following dates: a) when the Group can no longer withdraw the offer of those benefits; and b) when the Group recognises costs for a restructuring and involves the payment of termination costs.

18. Provisions

Except for contingent consideration transferred and contingent liability assumed in business combinations not involving entities under common control, the Group recognises an obligation related to a contingency as a provision when all of the following conditions are satisfied:

(1) the obligation is a present obligation of the Group;

(2) it is probable that an outflow of economic benefits from the Group will be required to settle the obligation; and

(3) the amount of the obligation can be measured reliably.

A provision is initially measured at the best estimate of the expenditure required to settle the related present obligation, with comprehensive consideration of factors such as the risks, uncertainty and time value of money relating to a contingency. The carrying amount of a provision is reviewed at the balance sheet date. If there is clear evidence that the carrying amount does not reflect the current best estimate, the carrying amount is adjusted to the best estimate.

The contingent consideration, acquired from the acquiree in business combinations is measured at fair value. After the initial recognition, the contingent consideration is measured at the higher of recognised amount of contingent consideration and initial recognised amount deducting the accumulated amortisation recognised by the revenue recognition principles.

III. Significant Accounting Policies and Estimates (continued)

19. Revenue

Revenue is recognised only when it is probable that the associated economic benefits will flow into the Group, its amount can be measured reliably, and all of the following conditions are satisfied.

Revenue from the sales of goods

The Group recognises revenue when it has transferred to the buyer the significant risks and rewards of ownership of the goods; the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold; the associated costs incurred or to be incurred can be measured reliably. The amount of revenue arising from the sale of goods is determined in accordance with the consideration received or receivable from the buyer under contract or agreement, except where the consideration received or receivable under contract or agreement is not fair. Where the consideration receivable under contract or agreement is deferred, such that the arrangement is in substance of a financing nature, the amount of revenue arising on the sale of goods is measured at the fair value of the consideration receivable.

Revenue from the rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably at the balance sheet date, revenue associated with the transaction is recognised using the percentage of completion method, or otherwise, the revenue is recognised to the extent of costs incurred that are expected to be recoverable. The outcome of a transaction involving the rendering of services can be estimated reliably when all of the following conditions are satisfied: the amount of revenue can be measured reliably; it is probable that the associated economic benefits will flow to the Group; the stage of completion of the transaction can be measured reliably; the costs incurred and to be incurred for the transaction can be measured reliably. The Group determines the stage of completion of a transaction involving the rendering of services by using the proportion of costs incurred to date to the estimated total costs. The total service revenue on a transaction involving the rendering of services is determined in accordance with the consideration received or receivable from the recipient of services under contract or agreement, except where the consideration received or receivable under contract or agreement is not fair.

When the Group has entered into a contract or agreement with other enterprises comprising both sales of goods and the rendering of services, if the sales of goods component and the rendering of services component can be separately identified and measured, they are accounted for separately; if the sales of goods and the rendering of services cannot be separately identified, or can be separately identified but cannot be separately measured, the contract is treated as the sale of goods.

Revenue from the construction contract

At the balance sheet date, if the outcome of a construction contract can be estimated reliably, revenue and expenses are recognised on the percentage of completion method, otherwise revenue is recognised only to the extent of contract costs incurred that it is probable will be recoverable. The outcome of a construction contract can be estimated reliably when: it is probable that the associated economic benefits will flow to the Group; the costs incurred and to be incurred for the contract can be measured reliably; and additional condition should be satisfied for fixed price contract: the total contract amount can be measured reliably and the percentage of completion as well as the estimated cost of completion can be determined reliably. The Group measures percentage of completion by reference to the proportion that costs incurred to date bearing to estimated total costs for each contract. Total contract amount includes the initial amount specified in the contract and the amount of revenue because of contract alteration, penalty, bonus, etc.

III. Significant Accounting Policies and Estimates (continued)

19. Revenue (continued)

Interest income

Interest income is recognised on a time proportion basis for which the Group's currency fund is used by others and the effective interest rate.

Dividend income

Dividend income is recognised when obtaining the rights to receive dividends.

Lease income

Lease income from operating leases is recognised on the straight-line basis over the lease term. Contingent rents are charged to profit or loss in the period in which they actually arise.

20. Government grants

Government grant is recognised when the Group can comply with the conditions attached to it and it can be received. If a government grant is in the form of a transfer of a monetary asset, it is measured at the amount received or receivable. If a government grant is in the form of a transfer of a non-monetary asset, it is measured at fair value; if fair value is not reliably determinable, it is measured at a nominal amount.

Pursuant to government documents, if the government grant is a compensation for constructing or forming long-term assets, the government grant is recognised as government grants related to assets. When government documents are not stated clearly, the fundamental conditions attached to the grant should be the criterion for judgments. If the fundamental conditions attached to the grant are for constructing or forming long-term assets, the government grant is recognised as government grants related to assets. Otherwise, the government grant is recognised as government grants related to income.

A government grant related to income is accounted as follows: (a) if the grant is a compensation for related expenses or losses to be incurred in subsequent periods, the grant is recognised as deferred income, and recognised in profit or loss over the periods in which the related costs are recognised; (b) if the grant is a compensation for related expenses or losses already incurred, it is recognised immediately in profit or loss of the current period. A government grant related to an asset shall be recognised as deferred income, and evenly amortised to profit or loss over the useful life of the related asset. However, a government grant measured at a nominal amount is recognised immediately in profit or loss of the current period.

III. Significant Accounting Policies and Estimates (continued)

21.Income tax

Income tax comprises current and deferred tax. Income tax is recognised as income or expense in profit or loss of the current period, or recognised directly in shareholders' equity if it arises adjustments for goodwill from a business combination or relates to a transaction or event which is recognised directly in shareholders' equity.

The Group measures a current tax asset or liability arising from the current and prior periods based on the amount of income tax expected to be paid by the Group or returned by the tax authority calculated according to related tax laws.

For temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts, and temporary differences between the carrying amounts and the tax bases of items, the tax bases of which can be determined for tax purposes, but which have not been recognised as assets and liabilities, deferred taxes are provided using the liability method.

A deferred tax liability is recognised for all taxable temporary differences, except:

(1) where the taxable temporary differences arise from the initial recognition of goodwill, or the initial recognition of an asset or liability in a transaction which contains both of the following characteristics: (i) the transaction is not a business combination; and (ii) at the time of the transaction, it affects neither accounting profit nor taxable profit or deductible loss.

(2) in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not be reversed in the foreseeable future.

A deferred tax asset is recognised for deductible temporary differences, carry forward of unused deductible tax losses and tax credits, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of deductible tax losses and tax credits can be utilised, except:

(1) where the deferred tax asset arises from a transaction that is not a business combination and, at the time of the transaction, neither the accounting profit nor taxable profit or deductible loss is affected.

(2) in respect of the deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, a deferred tax asset is only recognised to the extent that it is probable that the temporary differences will be reversed in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised in the future.

At the balance sheet date, deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, according to the requirements of tax laws. The measurement of deferred tax assets and deferred tax liabilities reflects the tax consequences that would follow from the manner in which the Group expects at the balance sheet date, to recover the assets or settle the liabilities.

The carrying amount of deferred tax assets is reviewed at the balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available in future periods to allow the deferred tax assets to be utilised. Unrecognised deferred tax assets are reassessed at the balance sheet date and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

III. Significant Accounting Policies and Estimates (continued)

22. Leases

A finance lease is a lease that transfers in substance all the risks and rewards incidental to ownership of an asset. An operating lease is a lease other than a finance lease.

In the case of the lessee of an operating lease

Lease payments under an operating lease are recognised by a lessee on the straight-line basis over the lease term, and either included in the cost of the related asset or charged to profit or loss of the current period. Contingent rents are charged to profit or loss in the period in which they actually arise.

In the case of the lessor of an operating lease

Rent income under an operating lease is recognised by a lessor on the straight-line basis over the lease term, through profit or loss. Contingent rents are charged to profit or loss in the period in which they actually arise.

23. Distribution of profit

The cash dividend of the Company is recognised as a liability after being approved in a shareholders' meeting.

24. Production safety expenses

Production safety expenses accrued according to the rules shall be recorded in the costs of related products or profit or loss for the current period, and "Special reserve". When used to distinguish whether it will generate fixed assets for processing, respectively: if belongs to disbursement costs, directly offset against special reserve; if generates fixed assets, summarise the expenditure occurred, and recognised as fixed assets until the asset is ready for its intended use. Meanwhile, offsetting against the special reserve and the accumulated depreciation shall be recognised equivalent at the same time.

25. Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Group measures its assets or liabilities at fair value at the end of each reporting period. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group at the measurement date. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

III. Significant Accounting Policies and Estimates (continued)

25. Fair value measurement (continued)

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole: Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities; Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly; Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation at the end of each reporting period.

26. Significant accounting judgements and estimates

The preparation of the financial statements requires management to make judgements, estimates and assumptions that will affect the reported amounts and disclosure of revenue, expenses, assets and liabilities, and the disclosure of contingent liabilities at the balance sheet date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements which have the most significant effect on the amounts recognised in the financial statements:

Consolidation of entities in which the Group holds less than a majority of voting rights

The Group considers that it controls Qingdao CRRC Electric Equipment Co., Ltd. (formerly named Qingdao CSR Electric Equipment Co., Ltd.) ("Qingdao Electric") even though it owns less than 50% of the voting rights. This is because the Group is the single largest shareholder of Qingdao Electric with a 45% equity interest. Pursuant to articles of Qingdao Electric, for resolutions of the shareholders' meeting affecting relative operating activities of Qingdao Electric, CRRC Qingdao Sifang Co., Ltd. (formerly named CSR Qingdao Sifang Locomotive & Rolling Stock Co., Ltd.), a related party of the Company, which owns Qingdao Electric 38% equity interest, commits to comply with the Company in the exercise of the proposal rights and voting rights. The Company recommends four of the seven directors in Board of Qingdao Electric and the resolutions of Board are deemed as valid when more than half of all directors approved.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the future accounting periods, are described below.

Impairment of trade receivables

Impairment of trade receivables is recognised based on the recoverability of receivables. Impairment of trade receivables is recognised where there is indication that a receivable is not recoverable. Judgements and estimates are required in recognising impairment of trade receivables. The difference (if any) between the re-estimated value and the current estimate will impact the carrying amount of a receivable in the period in which the estimate is changed.

III. Significant Accounting Policies and Estimates (continued)

26. Significant accounting judgements and estimates (continued)

Estimation uncertainty (continued)

Provision for impairment of inventories

According to the accounting policy for inventories, the Group adopts the lower of cost and net realisable value to measure inventories, and recognises provision for impairment of inventories on the condition that the cost of them is higher than the net realisable value or they are slow-moving or obsolete. At the end of each year, the Group will review whether a single inventory is an obsolete and slow-moving item and whether the net realisable value is lower than its cost. The difference (if any) between the re-estimated value and the current estimate will impact the carrying amount of the inventory in the period in which the estimate is changed.

Deferred tax assets

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profit together with future tax planning strategies.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the present value of the future expected cash flows from the asset groups or sets of asset groups to which the goodwill is allocated. Estimating the present value requires the Group to make an estimate of the expected future cash flows from the asset groups or sets of asset groups and also choose a suitable discount rate in order to calculate the present value of those cash flows.

Development expenditure

Determining the amounts to be capitalised requires management to make assumptions regarding the expected future cash flows from the assets, applicable discount rates and the expected period of benefits.

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets at the balance sheet date. Intangible assets with indefinite useful lives are tested for impairment annually and at other times when such indicator exists. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. Where the carrying amount of an asset or asset group is higher than its recoverable amount (i.e., the higher of its fair value less costs to sell and the present value of the future cash flows expected to be derived from it), it is indicated that such asset or asset group is impaired. The fair value less costs to sell is determined with reference to the price in the relevant sales agreement or an observable market price in an arm's length transaction, adjusted for incremental costs that would be directly attributable to the disposal of the asset or asset group. When calculating the present value of expected future cash flows from an asset or asset group, management shall estimate the expected future cash flows from the asset or asset group and choose a suitable discount rate in order to calculate the present value of those cash flows.

III. Significant Accounting Policies and Estimates (continued)

26. Significant accounting judgements and estimates (continued)

Estimation uncertainty (continued)

Provision for warranties

The Group makes product warranty provision for the sales of some products. Management estimates future maintenance expense based on the historical maintenance experience of products and translates it into the present value by selecting an appropriate discount rate to recognise provision for warranties.

IV. Taxes

1. Major categories of taxes and respective tax rates

Major categories of taxes and respective tax rates of the Company and its PRC subsidiaries in the current year are set out below:

Value-added tax (VAT)	–	Output VAT is calculated by applying 17% to the taxable sales, less deductible input VAT of the current period.
Business tax	–	It is calculated by applying 5% to the taxable income which is switched to apply to VAT since 1 May 2016
City maintenance and construction surtax	–	It is levied at 7% on the turnover taxes paid.
Corporate income tax	–	It is levied at 25% on the taxable profit.

2. Tax benefits and official approval

The Group's tax benefits and official approval are as follows:

Pursuant to the provisions of Rule 28 under the Corporate Income Tax Law of the People's Republic of China, high-tech enterprises that require government support are subject to corporate income tax at the rate of 15%. The Company and its subsidiaries, including Zhuzhou Times Electronics Technology Co., Ltd. ("Times Electronics"), Ningbo CRRC Times Sensor Technology Co., Ltd. ("Ningbo Times"), Zhuzhou CRRC Times Equipment Technology Co., Ltd. (formerly named Zhuzhou Times Equipment Technology Co., Ltd.) (Times Equipment"), Shenyang CRRC Times Transportation Equipment Co., Ltd. (formerly named Shenyang CSR Times Transportation Equipment Co., Ltd.) ("Shenyang Times"), Qingdao Electric, and Zhuzhou National Engineering Research Centre of Converters Co., Ltd. ("ZNERCC"), were accredited as high-tech enterprises and granted certificates of high-tech enterprise and subject to corporate income tax at the rate of 15%.

Pursuant to "The Notice Regarding the Tax Policies of the Strategy of Further Development of Western Region Issued by Ministry of Finance, General Administration of Customs and State Administration of Taxation"(《政部、海關總署、國家稅務總局關於深入實施西部大開發戰略有關稅收政策問題的通知》), the subsidiaries of the Company, including Baoji CRRC Times Engineering Machinery Co., Ltd. (formerly named Baoji CSR Times Engineering Machinery Co., Ltd.) ("Baoji Times") and Kunming CRRC Electric Equipment Co., Ltd. (formerly named Kunming CSR Electric Equipment Co., Ltd.) ("Kunming Electric"), enjoyed the preferential tax at the rate of 15%.

Pursuant to "The Notice Regarding the Tax Policies of the Encouragement Policy of Further Development of Software Industry and Integrate Circuit Industry Issued by Ministry of Finance and State Administration of Taxation"(《政部、國家稅務總局關於進一步鼓勵軟件產業和集成電路產業發展企業所得稅政策的通知》), CRRC Times Electric Software Technology Co., Ltd. ("Times Software") and Hunan CRRC Times Signal & Communication Co., Ltd. ("Times Signal & Communication") enjoyed the preferential tax policy of "Two years exemptions and three years halve" ("兩免三減半").

V. Notes to Key Items of the Consolidated Financial Statements

1. Cash and bank balances

	31 December 2016	31 December 2015 (Restated)
Cash	**15,258**	27,689
Cash in bank	**3,082,378,340**	3,431,986,513
Other cash and bank balances	**118,740,684**	68,464,599
	3,201,134,282	3,500,478,801

As at 31 December 2016, the cash and bank balances of RMB73,322,760 (31 December 2015 (Restated): RMB32,218,267) and RMB45,417,924 (31 December 2015 (Restated): RMB34,339,237) of the Group are restricted as security deposits for issuance of bank acceptance bills and for issuance of bank letters of guarantee respectively. The Group is free from cash or bank balances used for credit guarantee deposits (31 December 2015 (Restated): RMB1,907,095).

As at 31 December 2016, the cash and bank balances deposited overseas by the Group were equivalent to RMB72,169,186 (31 December 2015 (Restated): RMB31,646,603).

Interest income earned on current deposits is calculated by using the current deposit interest rate. The deposit periods for short-term deposits vary from 1 day to 3 months depending on the cash requirements of the Group and earn interest at the respective deposit rates. As at 31 December 2016, the cash and bank balances of RMB29,791,590 (31 December 2015 (Restated): Nil) are over-three-month fixed deposit with no pledge.

2. Bills receivable

	31 December 2016	31 December 2015 (Restated)
Bank acceptance bills	**1,348,748,973**	2,256,946,188
Commercial acceptance bills	**2,910,606,137**	1,680,796,041
	4,259,355,110	3,937,742,229

V. Notes to Key Items of the Consolidated Financial Statements (continued)

2. Bills receivable (continued)

Five highest bills receivable are listed as follows:

	31 December 2016
Zhuzhou Shiling Transportation Equipment Company, Ltd. ("Shiling")	580,000,000
Non-related party 1	575,195,234
CRRC Zhuzhou Locomotive Co., Ltd.	451,108,027
Guangzhou Locomotive Co., Ltd.	352,000,000
Non-related party 2	311,902,500
	2,270,205,761

	31 December 2015 (Restated)
CRRC Zhuzhou Locomotive Co., Ltd.	572,000,000
CRRC Ziyang Co., Ltd.	473,000,000
Non-related party 1	413,280,450
Non-related party 2	322,572,350
CRRC Qishuyan Co., Ltd.	321,600,000
	2,102,452,800

As at 31 December 2016, none of the title of bills receivable was restricted.

V. Notes to Key Items of the Consolidated Financial Statements (continued)

3. Trade receivables

The credit period of trade receivables is usually 6 months. The trade receivables bear no interest.

Maturity analysis:

	31 December 2016	31 December 2015 (Restated)
Within 6 months	**3,990,789,823**	3,855,923,915
6 months to 1 year	**561,498,187**	441,057,349
1 to 2 years	**731,145,754**	468,217,558
2 to 3 years	**215,113,334**	133,512,934
Over 3 years	**97,095,075**	59,732,441
	5,595,642,173	4,958,444,197
Less: Provision for bad debt	**228,632,297**	184,075,210
	5,367,009,876	4,774,368,987
Less: Classified as non-current assets (Note V. 9)	**49,932,355**	11,178,796
	5,317,077,521	4,763,190,191

The movements of provision for bad debt are as follows:

	2016	2015 (Restated)
Opening balance	**184,075,210**	166,124,782
Business combination not involving entities under common control	**—**	2,655,697
Provision in the current year	**77,210,320**	66,126,636
Reversal in the current year	**(9,349,414)**	(49,399,822)
Write-off in the current year	**(498,454)**	(1,605,191)
Transfer out by disposal of subsidiaries	**(22,183,177)**	—
Exchange realignment	**(622,188)**	173,108
Closing balance	**228,632,297**	184,075,210

V. Notes to Key Items of the Consolidated Financial Statements (continued)

3. Trade receivables (continued)

Five highest trade receivables (including long-term trade receivables) are listed as follows:

	31 December 2016
CRRC Qingdao Sifang Co., Ltd.	**965,613,595**
CRRC Zhuzhou Locomotive Co., Ltd.	**440,787,002**
Non-related party 1	**384,948,305**
Guangzhou Locomotive Co., Ltd.	**129,560,603**
Non-related party 2	**127,956,795**
	2,048,866,300

	31 December 2015 (Restated)
CRRC Zhuzhou Locomotive Co., Ltd.	514,778,101
CRRC Qingdao Sifang Co., Ltd.	411,250,079
Non-related party 1	230,423,621
Non-related party 2	187,100,443
Non-related party 3	156,859,466
	1,500,411,710

4. Prepayments

Maturity analysis:

	31 December 2016	31 December 2015 (Restated)
Within 1 year	**202,020,838**	258,955,665
1 to 2 years	**7,886,229**	7,293,668
2 to 3 years	**6,141,588**	2,598,511
Over 3 years	**1,204,128**	1,275,250
	217,252,783	270,123,094

V. Notes to Key Items of the Consolidated Financial Statements (continued)

4. Prepayments (continued)

Five highest prepayments are listed as follows:

	31 December 2016
Non-related party 1	**44,714,988**
Non-related party 2	**12,896,111**
Zhuzhou CRRC Electromechanical Technology Co., Ltd.	**12,456,260**
Non-related party 3	**11,092,700**
Non-related party 4	**9,856,000**
	91,016,059

	31 December 2015 (Restated)
Non-related party 1	39,504,757
Non-related party 2	25,100,720
Hunan CRRC Wabtec Railway Transportation Technology Co., Ltd. ("CRRC Wabtec")	17,599,826
Non-related party 3	13,923,330
Non-related party 4	10,000,000
	106,128,633

5. Other receivables

Maturity analysis:

	31 December 2016	31 December 2015 (Restated)
Within 1 year	**125,430,032**	154,591,645
1 to 2 years	**3,996,201**	6,165,631
2 to 3 years	**832,548**	789,217
Over 3 years	**2,926,698**	2,642,000
	133,185,479	164,188,493
Less: Provision for bad debt	**3,396,942**	4,572,565
	129,788,537	159,615,928

V. Notes to Key Items of the Consolidated Financial Statements (continued)

5. Other receivables (continued)

The movements of provision for bad debt are as follows:

	2016	2015 (Restated)
Opening balance	4,572,565	5,901,887
Provision in the current year	288,420	1,837,661
Reversal in the current year	(1,363,944)	(2,957,283)
Write-off in the current year	(11,000)	(209,700)
Transfer out by disposal of subsidiaries	(89,099)	—
Closing balance	3,396,942	4,572,565

Net value of other receivables by nature is as follows:

	31 December 2016	31 December 2015 (Restated)
Retention amount of escrow account (Note)	–	96,683,315
Tender deposit	56,259,446	29,750,074
Export rebates receivables	30,032,538	3,747,169
Deposit	27,366,492	14,567,766
Others	16,130,061	14,867,604
	129,788,537	159,615,928

Note: In 2015, the Group acquired Specialist Machine Developments (SMD) Limited ("SMD") with its subsidiaries ("SMD Group"), depositing GBP10,100,000 (equivalent to RMB96,683,315, as at 31 December 2015) into the escrow account jointly owned with the vendor as retention for repaying the contingent consideration up to GBP10,100,000 (equivalent to RMB96,683,315, as at 31 December 2015). For details, please refer to Note VI.4 Business combinations not involving entities under common control. The Group is not required to pay the contingent consideration and the retention has been received in 2016, as the performance target stipulated in agreement was not achieved by SMD Group.

V. Notes to Key Items of the Consolidated Financial Statements (continued)

5. Other receivables (continued)

Five highest other receivables are listed as follows:

	31 December 2016
Non-related party 1	29,876,040
Non-related party 2	22,591,025
Non-related party 3	2,947,199
Non-related party 4	2,861,312
Non-related party 5	2,600,000
	60,875,576

	31 December 2015 (Restated)
Non-related party 1	96,683,315
Non-related party 2	16,150,000
Non-related party 3	3,516,135
Non-related party 4	3,266,380
Non-related party 5	2,200,000
	121,815,830

6. Inventories

	31 December 2016		
	Gross carrying amount	Impairment provision	Carrying amount
Raw materials	875,506,184	106,595,458	768,910,726
Semi-finished products	428,622,953	97,593,601	331,029,352
Work in progress	347,164,662	8,788,430	338,376,232
Finished goods	1,844,227,599	60,918,713	1,783,308,886
Assets under construction contract	241,288	—	241,288
Turnover materials	17,948,473	1,097,297	16,851,176
	3,513,711,159	274,993,499	3,238,717,660

V. Notes to Key Items of the Consolidated Financial Statements (continued)

6. Inventories (continued)

	31 December 2015 (Restated)		
	Gross carrying amount	Impairment provision	Carrying amount
Raw materials	855,959,564	87,500,727	768,458,837
Semi-finished products	391,748,807	68,173,883	323,574,924
Work in progress	447,578,166	13,132,550	434,445,616
Finished goods	1,602,383,005	49,743,607	1,552,639,398
Assets under construction contract	27,435,581	—	27,435,581
Turnover materials	14,855,575	1,502,646	13,352,929
	3,339,960,698	220,053,413	3,119,907,285

Summary of the completed but not yet invoiced assets under construction contract included in the closing balance of inventories are listed as below:

	Aggregate cost incurred	**Aggregate margin recognised**	**Amount invoiced**
31 December 2016	**611,736,136**	**57,364,136**	**668,858,984**

	Aggregate cost incurred	Aggregate margin recognised	Amount invoiced
31 December 2015 (Restated)	769,604,566	123,346,458	865,515,443

The movements of provision for impairment of inventories are as follows:

2016

	Opening balance	Provision	Reversal and write off	Transfer out by disposal of subsidiaries	Exchange realignment	Closing balance
Raw materials	87,500,727	24,344,561	(2,878,200)	(11,045)	(2,360,585)	106,595,458
Semi-finished products	68,173,883	29,585,309	(165,591)	–	–	97,593,601
Work in progress	13,132,550	2,537,822	(5,736,154)	–	(1,145,788)	8,788,430
Finished goods	49,743,607	17,270,977	(1,956,058)	–	(4,139,813)	60,918,713
Turnover materials	1,502,646	–	(405,349)	–	–	1,097,297
	220,053,413	73,738,669	(11,141,352)	(11,045)	(7,646,186)	274,993,499

V. Notes to Key Items of the Consolidated Financial Statements (continued)

6. Inventories (continued)

2015 (Restated)

	Opening balance	Provision	Business combination not involving entities under common control	Reversal and write off	Exchange realignment	Closing balance
Raw materials	42,844,548	36,469,591	10,417,215	(2,836,090)	605,463	87,500,727
Semi-finished products	46,266,599	59,472,594	–	(37,565,310)	–	68,173,883
Work in progress	20,855,841	5,787,320	–	(13,433,996)	(76,615)	13,132,550
Finished goods	36,289,243	30,282,331	–	(16,728,981)	(98,986)	49,743,607
Assets under construction contract	–	–	2,741,940	(2,881,410)	139,470	–
Turnover materials	349,989	1,152,657	–	–	–	1,502,646
	146,606,220	133,164,493	13,159,155	(73,445,787)	569,332	220,053,413

7. Other current assets

	31 December 2016	31 December 2015 (Restated)
Bank financial products (Note)	**2,300,752,192**	3,210,864,995
Value-added tax retained	**192,381,070**	56,016,402
Other tax retained	**3,905,732**	6,229,960
	2,497,038,994	3,273,111,357

Note: As at 31 December 2016, the bank financial products held by the Group are with expected yield rates from 2.50% to 4.30% (31 December 2015 (Restated): 2.00%-4.05%). These bank financial products will expire in succession before 12 April 2017.

V. Notes to Key Items of the Consolidated Financial Statements (continued)

8. Available-for-sale financial asset

	31 December 2016	31 December 2015 (Restated)
Available-for-sale equity instruments, at cost	900,000	900,000

2016 and 2015

	Opening/ Closing balance	Proportion of shareholding	Cash dividend received
Guangzhou CRRC Transit Tram Research Institute	900,000	9.00%	–

9. Long-term receivables

	31 December 2016	31 December 2015 (Restated)
Trade receivables (Note V. 3)	49,932,355	11,178,796
Less: Long-term receivables due within one year	–	–
	49,932,355	11,178,796

V. Notes to Key Items of the Consolidated Financial Statements (continued)

10. Long-term equity investments

2016

		Current Year movements					
	Opening balance	Investment in current year	Impact of unrealised profits	Investment income/loss under equity method	Cash dividends announced	Exchange realignment	Closing balance
Non-listed investments							
Equity method							
Joint ventures							
Shiling	157,255,872	–	(5,527,672)	41,038,861	(34,500,000)	–	158,267,061
SMD-BORD Limited	1,909,854	–	–	(1,000,998)	–	(154,088)	754,768
SMD Energy Limited	19	–	–	–	–	(2)	17
Shanghai Shentong CRRC Rail Transit Operation Safety Engineering Technology Research Co., Ltd. ("Shanghai Shentong CRRC")	–	5,000,000	–	547,428	–	–	5,547,428
	159,165,745	5,000,000	(5,527,672)	40,585,291	(34,500,000)	(154,090)	164,569,274
Associates							
Siemens Traction Equipment Ltd. Zhuzhou ("Zhuzhou Siemens")	52,750,239	–	–	3,673,623	(4,552,116)	–	51,871,746
CRRC Wabtec	9,957,106	–	–	2,230,839	–	–	12,187,945
	62,707,345	–	–	5,904,462	(4,552,116)	–	64,059,691
	221,873,090	5,000,000	(5,527,672)	46,489,753	(39,052,116)	(154,090)	228,628,965

V. Notes to Key Items of the Consolidated Financial Statements (continued)

10. Long-term equity investments (continued)

2015 (Restated)

	Opening balance	Current Year movements: Business combination not involving entities under common control (Note VI.4)	Impact of unrealised profits	Investment income/loss under equity method	Cash dividends announced	Exchange realignment	Closing balance
Non-listed investments							
Equity method							
Joint ventures							
Shiling	180,186,598	–	(22,846,297)	49,915,571	(50,000,000)	–	157,255,872
SMD-BORD Limited	–	2,497,286	–	(673,800)	–	86,368	1,909,854
SMD Energy Limited	–	18	–	–	–	1	19
	180,186,598	2,497,304	(22,846,297)	49,241,771	(50,000,000)	86,369	159,165,745
Associates							
Zhuzhou Siemens	49,577,867	–	–	3,172,372	–	–	52,750,239
CRRC Wabtec	7,246,040	–	–	2,711,066	–	–	9,957,106
	56,823,907	–	–	5,883,438	–	–	62,707,345
	237,010,505	2,497,304	(22,846,297)	55,125,209	(50,000,000)	86,369	221,873,090

V. Notes to Key Items of the Consolidated Financial Statements (continued)

11. Fixed assets

2016

	Buildings	Machinery	Vehicles	Office facilities and others	Total
Cost					
Opening balance	1,337,038,514	1,411,361,932	43,742,700	212,265,764	3,004,408,910
Purchase	354,199,288	633,935,099	2,686,219	70,804,535	1,061,625,141
Construction in progress	86,131,651	141,031,991	–	813,852	227,977,494
Sale and disposal	(2,244,161)	(56,350,591)	(1,716,566)	(8,657,251)	(68,968,569)
Transfer out by disposal of subsidiaries	(16,140,100)	–	(1,612,675)	(1,096,074)	(18,848,849)
Exchange realignment	(8,571,914)	(36,884,715)	17,020	(186,679)	(45,626,288)
Closing balance	1,750,413,278	2,093,093,716	43,116,698	273,944,147	4,160,567,839
Accumulated depreciation					
Opening balance	250,862,587	720,800,478	29,464,440	119,935,300	1,121,062,805
Increase	48,405,873	149,704,760	4,723,379	26,747,566	229,581,578
Write-off	(1,745,428)	(42,040,938)	(1,630,738)	(7,625,636)	(53,042,740)
Transfer out by disposal of subsidiaries	(822,227)	–	(1,412,762)	(888,059)	(3,123,048)
Exchange realignment	(720,312)	(18,189,558)	10,034	(28,421)	(18,928,257)
Closing balance	295,980,493	810,274,742	31,154,353	138,140,750	1,275,550,338
Impairment provision					
Opening balance	10,513,264	56,999,504	–	799,991	68,312,759
Increase	–	2,413,142	–	–	2,413,142
Write-off	–	(9,219,078)	–	(7,973)	(9,227,051)
Closing balance	10,513,264	50,193,568	–	792,018	61,498,850
Net carrying amount					
31 December 2016	1,443,919,521	1,232,625,406	11,962,345	135,011,379	2,823,518,651
31 December 2015	1,075,662,663	633,561,950	14,278,260	91,530,473	1,815,033,346

V. Notes to Key Items of the Consolidated Financial Statements (continued)

11. Fixed assets (continued)

2015 (Restated)

	Buildings	Machinery	Vehicles	Office facilities and others	Total
Cost					
Opening balance	1,277,234,196	1,330,783,937	38,368,887	173,400,589	2,819,787,609
Purchase	6,316,475	43,732,823	6,481,811	37,872,813	94,403,922
Construction in progress	13,167,354	51,853,978	—	4,244,605	69,265,937
Business combination not involving entities under common control (Note VI.4)	41,586,090	16,990,888	—	—	58,576,978
Sale and disposal	(52,777)	(30,575,462)	(1,102,683)	(3,250,080)	(34,981,002)
Other decrease	(3,619,761)	(6,051,656)	—	—	(9,671,417)
Exchange realignment	2,406,937	4,627,424	(5,315)	(2,163)	7,026,883
Closing balance	1,337,038,514	1,411,361,932	43,742,700	212,265,764	3,004,408,910
Accumulated depreciation					
Opening balance	208,414,776	593,037,769	25,213,482	99,854,630	926,520,657
Increase	42,421,237	146,177,689	5,301,840	22,996,567	216,897,333
Write-off	(9,556)	(19,807,406)	(1,047,550)	(2,922,606)	(23,787,118)
Exchange realignment	36,130	1,392,426	(3,332)	6,709	1,431,933
Closing balance	250,862,587	720,800,478	29,464,440	119,935,300	1,121,062,805
Impairment provision					
Opening balance	10,513,264	53,626,322	—	814,363	64,953,949
Increase	—	5,110,212	—	3,660	5,113,872
Write-off	—	(1,737,030)	—	(18,032)	(1,755,062)
Closing balance	10,513,264	56,999,504	—	799,991	68,312,759
Net carrying amount					
31 December 2015	1,075,662,663	633,561,950	14,278,260	91,530,473	1,815,033,346
31 December 2014	1,058,306,156	684,119,846	13,155,405	72,731,596	1,828,313,003

V. Notes to Key Items of the Consolidated Financial Statements (continued)

11. Fixed assets (continued)

Fixed assets held under operating leases are as follows:

	31 December 2016	31 December 2015 (Restated)
Buildings	56,061,022	56,719,315

As at 31 December 2016, the title of fixed assets with a net carrying amount of RMB3,142,332 (31 December 2015 (Restated): RMB29,286,996) was pledged to secure general banking facilities granted to the Group.

As at 31 December 2016, the Group was in the process of applying for the title certificates of certain buildings with an aggregate carrying amount of RMB203,164,326 (31 December 2015 (Restated): RMB150,692,125). The Company's management is of the view that the Group is entitled to lawfully and validly occupy and use the above-mentioned buildings. The Company's management is also of the opinion that the aforesaid matter would not have any significant impact on the Group's financial position as at 31 December 2016.

12. Construction in progress

	31 December 2016	31 December 2015 (Restated)
Semiconductor key lab construction project	89,721,848	24,535,133
Semiconductor implantation equipment project	27,814,367	—
Copper electroplating system	14,595,848	14,595,848
PECVDs equipment	13,241,298	—
Motor driver lab construction project	10,179,487	—
Overhaul and inspection equipments for after-sale service department	7,140,595	—
Power electronic devices & electric drive system test platform construction project	666,000	91,493,884
Yinzhou Wuxiang base	—	34,580,883
Maotangao staff dorm building B interior decoration project	—	9,347,570
Electron irradiation processing facility construction project	—	7,134,987
Others	28,369,481	27,426,252
	191,728,924	209,114,557

V. Notes to Key Items of the Consolidated Financial Statements (continued)

12. Construction in progress (continued)

The movements of construction in progress in 2016 are as follows:

	Budget	Opening balance	Increase	Transferred to fixed assets	Exchange realignment	Closing balance	Capital resource	Proportion of budget invested
Semiconductor key lab construction project	292,650,000	24,535,133	65,186,715	–	–	89,721,848	Self-raised & government grant	31%
Semiconductor implantation equipment project	32,000,000	–	27,814,367	–	–	27,814,367	government grant	87%
Copper electroplating system	15,426,100	14,595,848	–	–	–	14,595,848	Self-raised	95%
PECVDs equipment	13,500,000	–	13,241,298	–	–	13,241,298	government grant	98%
Motor driver lab construction project	21,900,000	–	10,179,487	–	–	10,179,487	Self-raised & government grant	46%
Overhaul and inspection equipments for after-sale service department	7,140,595	–	7,140,595	–	–	7,140,595	Self-raised	100%
Power electronic devices & electric drive system test platform construction project	156,100,000	91,493,884	10,662,624	101,490,508	–	666,000	Self-raised	75%
Yinzhou Wuxiang base	110,000,000	34,580,883	37,246,723	71,827,606	–	–	Self-raised	65%
Maotangao staff dorm building B interior decoration project	9,371,700	9,347,570	266,645	9,614,215	–	–	Self-raised	100%
Electron irradiation processing facility construction project	7,500,000	7,134,987	304,094	7,439,081	–	–	Self-raised	99%
Others		27,426,252	40,533,167	37,606,084	(1,983,854)	28,369,481		
		209,114,557	212,575,715	227,977,494	(1,983,854)	191,728,924		

V. Notes to Key Items of the Consolidated Financial Statements (continued)

12. Construction in progress (continued)

The movements of construction in progress in 2015 are as follows (Restated):

	Budget	Opening balance	Increase	Transferred to fixed assets	Exchange realignment	Closing balance	Capital resource	Proportion of budget invested
Power electronic devices & electric drive system test platform construction project	156,100,000	88,054,052	17,818,464	14,378,632	–	91,493,884	Self-raised	68%
Yinzhou Wuxiang base	110,000,000	1,686,197	32,894,686	–	–	34,580,883	Self-raised	31%
Semiconductor key lab construction project	292,650,000	1,538,331	22,996,802	–	–	24,535,133	Self-raised & government grant	8%
Copper electroplating system	15,426,100	–	14,595,848	–	–	14,595,848	Self-raised	95%
Maotangao staff dorm building B Interior decoration project	9,371,700	3,269,048	6,078,522	–	–	9,347,570	Self-raised	100%
Electron irradiation processing facility construction project	7,500,000	4,203,858	3,117,453	186,324	–	7,134,987	Self-raised	98%
Maotangao staff dorm building construction project	121,436,500	5,389,782	9,281,450	14,671,232	–	–	Self-raised & government grant	100%
Others		8,773,670	58,184,966	40,029,749	497,365	27,426,252		
		112,914,938	164,968,191	69,265,937	497,365	209,114,557		

Note: The Group received special loan for constructions in progress. The interest expense amounting to RMB1,096,476 (2015 (Restated): RMB139,972) has been capitalised.

V. Notes to Key Items of the Consolidated Financial Statements (continued)

13. Intangible assets

2016

	Land use rights	Software licenses	Patents, licenses and technical know-how	Trademarks	Backlog orders and service contracts	Total
Cost						
Opening balance	194,464,936	90,311,201	575,023,389	134,017,800	58,393,470	1,052,210,796
Purchase	35,983,814	19,565,984	1,936,068	–	–	57,485,866
Internal development	–	–	8,966,778	–	–	8,966,778
Transfer out by disposal of subsidiaries	–	(94,017)	(13,170,600)	–	–	(13,264,617)
Exchange realignment	(2,094,062)	(1,259,012)	(32,528,474)	(14,886,200)	(6,486,130)	(57,253,878)
Closing balance	228,354,688	108,524,156	540,227,161	119,131,600	51,907,340	1,048,144,945
Accumulated amortisation						
Opening balance	29,003,329	66,866,355	97,651,109	5,025,668	20,102,670	218,649,131
Increase	4,034,626	5,892,919	44,165,696	6,302,660	15,756,650	76,152,551
Transfer out by disposal of subsidiaries	–	(94,017)	(5,497,725)	–	–	(5,591,742)
Exchange realignment	–	(420,296)	(1,624,062)	(904,313)	(3,098,130)	(6,046,801)
Closing balance	33,037,955	72,244,961	134,695,018	10,424,015	32,761,190	283,163,139
Impairment provision						
Opening balance	–	–	131,627,620	–	–	131,627,620
Closing balance	–	–	131,627,620	–	–	131,627,620
Net carrying amount						
31 December 2016	195,316,733	36,279,195	273,904,523	108,707,585	19,146,150	633,354,186
31 December 2015	165,461,607	23,444,846	345,744,660	128,992,132	38,290,800	701,934,045

V. Notes to Key Items of the Consolidated Financial Statements (continued)

13. Intangible assets (continued)

2015 (Restated)

	Land use rights	Software licenses	Patents, licenses and technical know-how	Trademarks	Backlog orders and service contracts	Total
Cost						
Opening balance	194,184,880	80,447,696	284,477,599	–	–	559,110,175
Business combination not involving entities under common control (Note VI.4)	–	–	255,914,400	127,957,200	55,752,780	439,624,380
Purchase	–	7,622,315	6,756,604	–	–	14,378,919
Internal development	–	2,115,780	15,767,660	–	–	17,883,440
Exchange realignment	280,056	125,410	12,107,126	6,060,600	2,640,690	21,213,882
Closing balance	194,464,936	90,311,201	575,023,389	134,017,800	58,393,470	1,052,210,796
Accumulated amortisation						
Opening balance	25,328,452	58,536,206	63,565,933	–	–	147,430,591
Increase	3,674,877	8,314,445	36,574,764	5,042,468	20,169,870	73,776,424
Exchange realignment	–	15,704	(2,489,588)	(16,800)	(67,200)	(2,557,884)
Closing balance	29,003,329	66,866,355	97,651,109	5,025,668	20,102,670	218,649,131
Impairment provision						
Opening balance	–	–	131,627,620	–	–	131,627,620
Closing balance	–	–	131,627,620	–	–	131,627,620
Net carrying amount						
31 December 2015	165,461,607	23,444,846	345,744,660	128,992,132	38,290,800	701,934,045
31 December 2014	168,856,428	21,911,490	89,284,046	–	–	280,051,964

As at 31 December 2016, none of the Group's land use rights (31 December 2015 (Restated): a net carrying amount of RMB17,023,133) was pledged to secured banking facilities.

The land use rights related to the land located in Mainland China which is held under a medium term lease.

V. Notes to Key Items of the Consolidated Financial Statements (continued)

14. Development expenditure

2016

	Opening balance	Internal development	Decrease: Recognised as intangible asset	Decrease: Recognised in profit or loss	Closing balance
Research expenses	–	1,129,597,094	–	1,129,597,094	–
Development expenses	663,534	83,575,228	8,966,778	–	75,271,984
	663,534	1,213,172,322	8,966,778	1,129,597,094	75,271,984

2015 (Restated)

	Opening balance	Internal development	Decrease: Recognised as intangible asset	Decrease: Recognised in profit or loss	Closing balance
Research expenses	–	982,555,274	–	982,555,274	–
Development expenses	15,092,149	3,454,825	17,883,440	–	663,534
	15,092,149	986,010,099	17,883,440	982,555,274	663,534

15. Goodwill

2016

	Opening balance	Exchange realignment	Transfer out by disposal of subsidiaries	Closing balance	Impairment provision	Net carrying amount
Dynex Power Inc. ("Dynex")	46,517,958	–	–	46,517,958	46,517,958	–
Ningbo Times	437,432	–	–	437,432	–	437,432
Times Electronics	13,333,101	–	–	13,333,101	–	13,333,101
SMD	561,253,135	38,620,270	–	599,873,405	128,469,740	471,403,665
Shanghai CRRC Hange Shipping & Marine Engineering Co., Ltd. (formerly named Shanghai CSR Hange Shipping & Marine Engineering Co., Ltd.) ("Shanghai Hange")	20,723,508	–	20,723,508	–	–	–
	642,265,134	38,620,270	20,723,508	660,161,896	174,987,698	485,174,198

V. Notes to Key Items of the Consolidated Financial Statements (continued)

15. Goodwill (continued)

2015 (Restated)

	Opening balance	Business combination not involving entities under common control (Note VI.4)	Exchange realignment	Closing balance	Impairment provision	Net carrying amount
Dynex	46,517,958	–	–	46,517,958	46,517,958	–
Ningbo Times	437,432	–	–	437,432	–	437,432
Times Electronics	13,333,101	–	–	13,333,101	–	13,333,101
SMD	–	535,871,949	25,381,186	561,253,135	–	561,253,135
Shanghai Hange	20,723,508	–	–	20,723,508	–	20,723,508
	81,011,999	535,871,949	25,381,186	642,265,134	46,517,958	595,747,176

The movements of impairment of goodwill are as follows:

2016

	Opening balance	Provision	Closing balance
Dynex	**46,517,958**	**–**	**46,517,958**
SMD	**–**	**128,469,740**	**128,469,740**
	46,517,958	**128,469,740**	**174,987,698**

2015 (Restated)

	Opening balance	Provision	Closing balance
Dynex	46,517,958	–	46,517,958

Goodwill acquired through business combinations has been allocated to the asset group for impairment testing.

The recoverable amount of the goodwill was determined according to the present value of expected future cash flows of the asset group. The expected future cash flows were determined according to cash flow projections based on financial budgets covering a five-year period approved by management. The discount rate applied for the cash flow projections was 14.8% (2015 (Restated): 14.2%), and cash flows beyond the five-year period were extrapolated using a growth rate of 2% (2015 (Restated): 2%).

V. Notes to Key Items of the Consolidated Financial Statements (continued)

15. Goodwill (continued)

Assumptions were used for the calculation of the present values of expected future cash flows of the asset groups as at 31 December 2016 and 31 December 2015. Key assumptions made by management on projections of cash flows used in the test for impairment are described as follows:

Budgeted gross margin — It is determined on the basis of the gross margin achieved in current year.

Discount rates — The discount rates used are pre-tax discount rates which reflect specific risks related to the relevant asset groups.

The amounts assigned to the key assumptions relating to market development of the asset group and the discount rate are consistent with external information sources.

As at 31 December 2016, in the opinion of the directors of the Company, apart from Dynex and SMD, of which the goodwill impairment is accrued, other asset groups to which goodwill is distributed have no impairment.

16. Deferred tax assets/liabilities

Deferred tax assets and deferred tax liabilities that have not been offset:

	31 December 2016		31 December 2015	
	Deductible temporary differences	Deferred tax assets	Deductible temporary differences (Restated)	Deferred tax assets (Restated)
Deferred tax assets				
Provision for product quality warranties	602,284,995	90,849,287	868,078,394	130,231,759
Provision for impairment of assets	670,871,895	103,790,531	578,415,518	89,323,147
Government grants	369,142,391	55,678,499	294,182,312	45,087,414
Depreciation differences arising from different depreciation terms in tax laws and accounting	111,790,022	17,008,262	111,281,171	16,956,433
Payroll payable	1,405,104	281,021	14,949,502	2,242,425
Deductible losses	107,199,853	21,439,971	18,608,155	3,721,631
Special reserve	11,211,581	1,729,905	7,520,445	1,240,582
Accrued expense	50,140,546	7,521,082	—	—
Others	19,475,768	2,921,365	25,697,649	3,854,648
	1,943,522,155	301,219,923	1,918,733,146	292,658,039

V. Notes to Key Items of the Consolidated Financial Statements (continued)

16. Deferred tax assets/liabilities (continued)

	31 December 2016		31 December 2015	
	Taxable temporary differences	**Deferred tax liabilities**	Taxable temporary differences (Restated)	Deferred tax liabilities (Restated)
Deferred tax liabilities				
Fair value adjustments arising from acquisition of subsidiaries	**332,684,940**	**66,948,217**	440,714,140	88,569,301
Depreciation differences arising from different depreciation terms in tax laws and accounting	**58,134,248**	**11,626,850**	68,753,373	13,750,674
	390,819,188	**78,575,067**	509,467,513	102,319,975

Deductible losses and deductible temporary differences of unrecognised deferred tax assets are as follows:

	31 December 2016	31 December 2015 (Restated)
Deductible losses	**188,029,247**	101,720,669
Deductible temporary differences	**254,658,750**	136,299,450
	442,687,997	238,020,119

Deductible losses of unrecognised deferred tax assets will expire in the following years:

	31 December 2016	31 December 2015 (Restated)
2016	**–**	18,015,639
2017	**24,191,832**	24,191,832
2018	**33,472,072**	33,472,072
2019	**4,980,050**	4,980,050
2020	**21,061,076**	21,061,076
2021	**104,324,217**	–
	188,029,247	101,720,669

V. Notes to Key Items of the Consolidated Financial Statements (continued)

17. Other non-current assets

	31 December 2016	31 December 2015 (Restated)
Prepayments for acquisition of land use rights	42,831,600	42,831,600
Prepayments for construction in progress	7,359,187	5,160,683
Prepayments for purchase of machinery and equipment	23,277,034	10,918,640
	73,467,821	58,910,923

18. Provision for impairment of assets

2016

	Opening balance	Provision	Decrease: Reversal	Decrease: Write-off	Decrease: Transfer out by disposal of subsidiaries	Exchange realignment	Closing balance
Provision for bad debt	188,647,775	77,498,740	(10,713,358)	(509,454)	(22,272,276)	(622,188)	232,029,239
Provision for impairment of inventories	220,053,413	73,738,669	(9,692,814)	(1,448,538)	(11,045)	(7,646,186)	274,993,499
Provision for impairment of fixed assets	68,312,759	2,413,142	–	(9,227,051)	–	–	61,498,850
Provision for impairment of intangible assets	131,627,620	–	–	–	–	–	131,627,620
Provision for impairment of goodwill	46,517,958	128,469,740	–	–	–	–	174,987,698
	655,159,525	282,120,291	(20,406,172)	(11,185,043)	(22,283,321)	(8,268,374)	875,136,906

2015 (Restated)

	Opening balance	Provision	Business combination not involving entities under common control	Decrease: Reversal	Decrease: Write-off	Exchange realignment	Closing balance
Provision for bad debt	172,026,669	67,964,297	2,655,697	(52,357,105)	(1,814,891)	173,108	188,647,775
Provision for impairment of inventories	146,606,220	133,164,493	13,159,155	(70,418,393)	(3,027,394)	569,332	220,053,413
Provision for impairment of fixed assets	64,953,949	5,113,872	–	–	(1,755,062)	–	68,312,759
Provision for impairment of intangible assets	131,627,620	–	–	–	–	–	131,627,620
Provision for impairment of goodwill	46,517,958	–	–	–	–	–	46,517,958
	561,732,416	206,242,662	15,814,852	(122,775,498)	(6,597,347)	742,440	655,159,525

V. Notes to Key Items of the Consolidated Financial Statements (continued)

19. Short-term borrowings

	31 December 2016	31 December 2015 (Restated)
Guaranteed loans	–	2,678,000
Trusted loans	–	109,000,000
Other loans (Note V. 30. Note)	159,166,033	53,636,349
	159,166,033	165,314,349

As at 31 December 2016, the annual interest rate of the above borrowings is 0-3.5% (31 December 2015 (Restated): 0-6.56%).

20. Financial liabilities at fair value through profit or loss

	31 December 2016	31 December 2015 (Restated)
Derivative financial instrument		
Forward foreign exchange contracts		
– Losses on fair value changes	6,135,766	–

As at 31 December 2016, the Group entered into forward foreign exchange contracts converting Japan YEN to RMB, which is not yet expired. The contract amount is YEN6,170,000,000, and the period is from 26 January 2017 to 30 June 2017 with the maturity rate of 0.060478-0.061335. It is assessed that the loss on fair value changes in the end of the year is RMB6,135,766.

21. Bills payable

	31 December 2016	31 December 2015 (Restated)
Commercial acceptance bills	211,538,939	312,359,145
Bank acceptance bills	1,623,830,636	1,492,499,293
	1,835,369,575	1,804,858,438

V. Notes to Key Items of the Consolidated Financial Statements (continued)

22. Trade payables

The trade payables are non-interest-bearing and generally have an average payment term of 3 months.

	31 December 2016	31 December 2015 (Restated)
Within 3 months	2,227,937,793	2,135,889,338
3 months to 1 year	349,574,979	399,403,130
1 to 2 years	130,081,567	110,342,784
2 to 3 years	85,912,775	50,214,836
Over 3 years	94,089,468	109,059,570
	2,887,596,582	2,804,909,658
Less: Classified as long-term payables (Note V.31)	100,662,888	116,298,371
	2,786,933,694	2,688,611,287

23. Advances from customers

	31 December 2016	31 December 2015 (Restated)
Within 1 year	606,393,643	807,482,580
1 to 2 years	229,372,239	96,362,182
2 to 3 years	16,184,953	4,672,365
Over 3 years	6,634,754	6,168,975
	858,585,589	914,686,102

V. Notes to Key Items of the Consolidated Financial Statements (continued)

24. Employee benefits payable

2016

	Opening balance	Increase	Decrease	Exchange realignment	Closing balance
Short-term benefits	50,962,922	1,363,727,686	1,378,367,613	(620,150)	35,702,845
Benefits after demission (defined contribution plan)	2,401,620	176,072,947	177,502,108	(55,914)	916,545
	53,364,542	1,539,800,633	1,555,869,721	(676,064)	36,619,390

2015 (Restated)

	Opening balance	Business combination not involving entities under common control (Note VI.4)	Increase	Decrease	Exchange realignment	Closing balance
Short-term benefits	54,794,064	580,382	1,238,128,589	1,242,384,983	(155,130)	50,962,922
Benefits after demission (defined contribution plan)	682,933	2,016,582	167,485,441	167,859,031	75,695	2,401,620
	55,476,997	2,596,964	1,405,614,030	1,410,244,014	(79,435)	53,364,542

V. Notes to Key Items of the Consolidated Financial Statements (continued)

24. Employee benefits payable (continued)

Details of short-term benefits are as follows:

2016

	Opening balance	Increase	Decrease	Exchange realignment	Closing balance
Salaries, bonuses, allowances and subsidies	22,227,487	1,080,741,066	1,101,123,881	(439,568)	1,405,104
Staff welfare	–	65,856,325	65,856,325	–	–
Social insurance	242,915	82,681,587	82,661,169	–	263,333
Including: Basic medical insurance	147,896	48,505,592	48,518,428	–	135,060
Supplementary medical insurance	300	19,142,008	19,142,008	–	300
Work injury insurance	49,333	10,981,088	10,954,964	–	75,457
Maternity insurance	45,386	4,052,899	4,045,769	–	52,516
Housing fund	8,333	81,470,685	81,475,494	–	3,524
Union fund and employee education fund	21,579,378	36,927,499	28,660,464	–	29,846,413
Others	6,904,809	16,050,524	18,590,280	(180,582)	4,184,471
	50,962,922	1,363,727,686	1,378,367,613	(620,150)	35,702,845

2015 (Restated)

	Opening balance	Business combination not involving entities under common control	Increase	Decrease	Exchange realignment	Closing balance
Salaries, bonuses, allowances and subsidies	31,415,023	580,382	993,164,546	1,002,892,033	(40,431)	22,227,487
Staff welfare	–	–	56,145,889	56,145,889	–	–
Social insurance	873,264	–	69,172,770	69,803,119	–	242,915
Including: Basic medical insurance	97,242	–	38,526,316	38,475,662	–	147,896
Supplementary medical insurance	625,165	–	17,294,526	17,919,391	–	300
Work injury insurance	70,650	–	9,780,733	9,802,050	–	49,333
Maternity insurance	80,207	–	3,571,195	3,606,016	–	45,386
Housing fund	5,238	–	70,580,437	70,577,342	–	8,333
Union fund and employee education fund	13,937,049	–	35,547,272	27,904,943	–	21,579,378
Others	8,563,490	–	13,517,675	15,061,657	(114,699)	6,904,809
	54,794,064	580,382	1,238,128,589	1,242,384,983	(155,130)	50,962,922

V. Notes to Key Items of the Consolidated Financial Statements (continued)

24. Employee benefits payable (continued)

Details of defined contribution plan are as follows:

2016

	Opening balance	Increase	Decrease	Exchange realignment	Closing balance
Basic pension insurance	2,287,975	132,857,174	134,295,277	(55,914)	793,958
Unemployment insurance	106,130	6,130,929	6,121,890	–	115,169
Annuity	7,515	37,084,844	37,084,941	–	7,418
	2,401,620	176,072,947	177,502,108	(55,914)	916,545

2015 (Restated)

	Opening balance	Business combination not involving entities under common control	Increase	Decrease	Exchange realignment	Closing balance
Basic pension insurance	592,371	2,016,582	128,210,905	128,607,578	75,695	2,287,975
Unemployment insurance	19,850	–	10,338,155	10,251,875	–	106,130
Annuity	70,712	–	28,936,381	28,999,578	–	7,515
	682,933	2,016,582	167,485,441	167,859,031	75,695	2,401,620

25. Taxes payable

	31 December 2016	31 December 2015 (Restated)
Corporate income tax	118,984,355	167,301,184
Value-added tax	89,660,988	46,643,379
City maintenance and construction and education surcharge	12,279,418	12,277,517
Individual income tax	50,215,044	35,623,349
Others	7,121,939	2,300,387
	278,261,744	264,145,816

V. Notes to Key Items of the Consolidated Financial Statements (continued)

26. Other payables

	31 December 2016	31 December 2015 (Restated)
Within 1 year	**229,774,567**	128,691,156
1 to 2 years	**47,983,603**	147,836,863
2 to 3 years	**138,333,398**	4,681,758
Over 3 years	**29,433,771**	29,758,395
	445,525,339	310,968,172

27. Current portion of non-current liabilities

	NoteV	31 December 2016	31 December 2015 (Restated)
Long-term borrowings due within one year	30	**1,586,759**	90,294,334
Other non-current liabilities due within one year	32	**–**	6,913,197
		1,586,759	97,207,531

Long-term borrowings due within one year are as follows:

	31 December 2016	31 December 2015 (Restated)
Trusted loans	**–**	81,000,000
Mortgaged loans	**–**	8,720,840
Other loans	**1,586,759**	573,494
	1,586,759	90,294,334

V. Notes to Key Items of the Consolidated Financial Statements (continued)

28. Provisions

2016

	Opening balance	Increase	Decrease	Exchange realignment	Closing balance
Provision for product quality warranties	885,538,077	130,202,858	411,960,302	(1,495,638)	602,284,995
Less: Provisions due within one year					262,822,271
					339,462,724

2015 (Restated)

	Opening balance	Business combination not involving entities under common control (Note VI.4)	Increase	Decrease	Exchange realignment	Closing balance
Provision for product quality warranties	814,818,406	7,243,310	350,304,746	287,138,455	310,070	885,538,077
Less: Provisions due within one year						367,927,119
						517,610,958

The Group provides guarantee with a period of 2-5 years to its main products, during which period free maintenance service is provided to customers for products under normal operations. Management estimates future maintenance expense based on the historical maintenance experience of products, and accrues provision for warranties at certain percentage of revenues in the year that revenue is recognised.

29. Deferred income

	31 December 2016	31 December 2015 (Restated)
Government grants related to assets	309,472,299	253,898,312
Government grants related to incomes	59,670,092	40,284,000
	369,142,391	294,182,312
Less: Classified as current liabilities	76,840,639	59,304,497
Government grants classified as non-current liabilities	292,301,752	234,877,815

V. Notes to Key Items of the Consolidated Financial Statements (continued)

29. Deferred income (continued)

Liabilities relevant to government grants as at 31 December 2016 are listed as follows:

	Opening balance	Increase	Recognised as non-operating income	Other movements	Closing balance	Relevant to asset/income
8 MW golden sun demonstration project	54,458,334	–	(10,891,667)	–	43,566,667	Asset
Maotangao staff dorm building construction project	19,978,472	–	(454,918)	–	19,523,554	Asset
Photovoltaic power generation comprehensive test system construction project	8,391,667	–	(1,900,000)	–	6,491,667	Asset
Industrialization of 200KM EMU AC drive & network control system and ATP control device	8,391,667	–	(1,900,000)	–	6,491,667	Asset
(Power electronics) research for power electronic devices & built for production line	5,600,000	–	(400,000)	–	5,200,000	Asset
High voltage chip packaging and module technology development and industrialization for high speed train application	14,540,000	–	–	–	14,540,000	Income
Industrial foundation fortification project-production of IGBT module for alternative fuel automobiles	–	23,340,000	–	–	23,340,000	Asset
Construction of intelligent manufacturing works for core components of rolling stock	5,000,000	–	–	–	5,000,000	Asset
Hunan governmental earmark on the development of mobile internet industry in 2016	–	5,000,000	–	–	5,000,000	Asset
(Power electronics) integrated manufacturing technology R&D and industrialization of SIC based power electronic devices	53,170,000	19,400,000	–	(3,966,000)	68,604,000	Asset
Test platforms of power electronics devices & electric drive systems	1,500,000	23,410,000	(1,037,917)	–	23,872,083	Asset
Basic construction compensation	9,000,672	–	(206,912)	–	8,793,760	Asset
SIC-based power electronic devices lab & fab construction project	17,000,000	–	–	–	17,000,000	Asset
The revamping of high voltage and low voltage IGBT chip module production line	50,000,000	–	–	–	50,000,000	Asset
R&D, industrialization of 6-inch SIC wafer and application in high power IGBT	10,000,000	–	–	–	10,000,000	Asset
Others	37,151,500	41,534,920	(15,432,427)	(1,535,000)	61,718,993	Asset/income
	294,182,312	112,684,920	(32,223,841)	(5,501,000)	369,142,391	

V. Notes to Key Items of the Consolidated Financial Statements (continued)

29. Deferred income (continued)

Liabilities relevant to government grants as at 31 December 2015 (Restated) are listed as follows:

	Opening balance	Increase	Recognised as non-operating income	Other movements	Closing balance	Relevant to asset/income
8 MW golden sun demonstration project	51,430,000	13,920,000	(10,891,666)	–	54,458,334	Asset
Maotangao staff dorm building construction project	20,433,390	–	(454,918)	–	19,978,472	Asset
Photovoltaic power generation comprehensive test system construction project	10,735,000	–	(2,343,333)	–	8,391,667	Asset
Industrialization of 200KM EMU AC drive & network control system and ATP control device	10,291,667	–	(1,900,000)	–	8,391,667	Asset
(Power electronics) research for power electronic devices & built for production line	6,000,000	–	(400,000)	–	5,600,000	Asset
High voltage chip packaging and module technology development and industrialization for high speed train application	14,224,000	316,000	–	–	14,540,000	Income
3.3KV high voltage IGBT for rail transit application project	3,200,000	–	–	–	3,200,000	Income
(Power electronics) integrated manufacturing technology R&D and industrialization of SIC based power electronic devices	53,170,000	–	–	–	53,170,000	Asset
Electric control system of large maintenance machinery tamping vehicle project	6,800,000	–	–	–	6,800,000	Asset
Basic construction compensation	9,207,584	–	(206,912)	–	9,000,672	Asset
SIC-based power electronic devices lab & fab construction project	–	17,000,000	–	–	17,000,000	Asset
The revamping of high voltage and low voltage IGBT chip module production line	–	50,000,000	–	–	50,000,000	Asset
Research on key technology of super large power electronic devices and systems	2,530,000	530,000	–	–	3,060,000	Income
R&D, industrialization of 6-inch SIC wafer and application in high power IGBT	–	10,000,000	–	–	10,000,000	Asset
Others	37,000,000	19,584,000	(24,042,500)	(1,950,000)	30,591,500	Asset/income
	225,021,641	111,350,000	(40,239,329)	(1,950,000)	294,182,312	

V. Notes to Key Items of the Consolidated Financial Statements (continued)

30. Long-term borrowings

	31 December 2016	31 December 2015 (Restated)
Trusted loans	**100,188,000**	367,098,830
Mortgage loans	**1,042,042**	9,909,050
Guaranteed loans	**–**	924,020,699
Other loans (Note)	**1,674,081**	573,494
	102,904,123	1,301,602,073
Less: Long-terms borrowing due within one year	**1,586,759**	90,294,334
	101,317,364	1,211,307,739

Maturity analysis:

	31 December 2016	31 December 2015 (Restated)
Due within one year	**1,586,759**	90,294,334
Due within 1 to 2 years	**3,114,803**	187,099,040
Due within 2 to 5 years	**15,514,561**	936,520,699
Due over 5 years	**82,688,000**	87,688,000
	102,904,123	1,301,602,073

As at 31 December 2016, the annual interest rates for loans above are 0-4.92% (31 December 2015 (Restated): 0-6.61%).

Note: Pursuant to relevant borrowing agreements, the loans are entitled to priority to be repaid with certain assets if the Group is incapable of repayment. The carrying amounts of such assets as at 31 December 2016 and 31 December 2015 are as follows.

	31 December 2016	31 December 2015 (Restated)
Cash and bank balances	**27,875,516**	6,618,851
Trade receivables	**112,659,853**	153,269,517
Other receivables	**39,598,924**	4,193,920
Prepayments	**9,319,932**	44,073,503
Inventories	**146,506,184**	179,400,406
Other current assets	**3,506**	15,870
Long-term equity investments	**751,696**	1,909,873
Fixed assets	**198,045,552**	195,160,854
Construction in progress	**1,586,755**	9,906,652
	536,347,918	594,549,446

V. Notes to Key Items of the Consolidated Financial Statements (continued)

31. Long-term payables

Maturity analysis

	31 December 2016	31 December 2015 (Restated)
1 to 2 years	49,693,657	51,879,020
Over 2 years	50,969,231	64,419,351
	100,662,888	116,298,371

32. Other non-current liabilities

	NoteV	31 December 2016	31 December 2015 (Restated)
Present value of contingent consideration (Note)		5,458,914	14,794,775
Less: Non-current liabilities due within one year	27	–	6,913,197
Recognised in profit or loss		5,458,914	7,881,578
		–	–

Note: The fair value of the contingent consideration amounting to GBP1,456,093 (equivalent to approximately RMB13,308,396) arised from the acquisition of SMD on 9 April 2015. Due to the impact of exchange realignments and discounting periods, the contingent consideration was revalued at RMB14,794,775 on 31 December 2015. The contingent consideration amounting to GBP814,577(equivalent to RMB7,881,578 as at 31 December 2015) was recognised as non-operating profit, as the performance of the first financial year after the acquisition date did not meet the performance target stipulated under the purchase agreement. As at 31 December 2016, the contingent consideration amounting to GBP641,516(equivalent to RMB5,458,914 as at 31 December 2016) was recognised as non-operating profit, as the performance of the second financial year after the acquisition date did not meet the performance target stipulated under the purchase agreement.

V. Notes to Key Items of the Consolidated Financial Statements (continued)

33. Share capital

2016

	Opening/Closing balance	
	Carrying amount	**Percentage**
Registered, issued and paid unrestricted shares:		
State-owned legal person shares	**628,147,237**	**53.44%**
Overseas listed foreign shares	**547,329,400**	**46.56%**
	1,175,476,637	**100.00%**

2015 (Restated)

	Opening/Closing balance	
	Carrying amount	Percentage
Registered, issued and paid unrestricted shares:		
State-owned legal person shares	628,147,237	53.44%
Overseas listed foreign shares	547,329,400	46.56%
	1,175,476,637	100.00%

34. Capital reserve

2016

	Opening balance	**Decrease (Note VI.2)**	**Closing balance**
Share premium	**3,352,123,130**	**–**	**3,352,123,130**
Others	**273,000,000**	**(283,222,700)**	**(10,222,700)**
	3,625,123,130	**(283,222,700)**	**3,341,900,430**

2015 (Restated)

	Opening balance	Increase	Decrease	Closing balance
Share premium	3,352,499,586	–	(376,456)	3,352,123,130
Others	–	273,000,000	–	273,000,000
	3,352,499,586	273,000,000	(376,456)	3,625,123,130

V. Notes to Key Items of the Consolidated Financial Statements (continued)

35. Other comprehensive income

Other comprehensive income attributable to Parent on the statement of financial position:

	1 January 2015	Changes	31 December 2015	**Changes**	**31 December 2016**
Exchange fluctuation reserve	(30,272,682)	(11,118,551)	(41,391,233)	**(48,246,315)**	**(89,637,548)**

Amount incurred of other comprehensive income on the statement of profit or loss:

2016

Other comprehensive income to be reclassified to profit or loss

	Before tax	**Income tax**	**After tax**	**Attribute to the Parent**	**Non-controlling interest**
Exchange fluctuation reserve	**(52,977,259)**	**–**	**(52,977,259)**	**(48,246,315)**	**(4,730,944)**

2015 (Restated)

Other comprehensive income to be reclassified to profit or loss

	Before tax	Income tax	After tax	Attribute to the Parent	Non-controlling interest
Exchange fluctuation reserve	(11,030,764)	–	(11,030,764)	(11,118,551)	87,787

36. Special reserve

2016

	Opening balance	**Increase**	**Decrease**	**Closing balance**
Production safety expenses	**7,520,445**	**36,598,203**	**32,907,067**	**11,211,581**

2015 (Restated)

	Opening balance	Increase	Decrease	Closing balance
Production safety expenses	2,920,995	33,611,332	29,011,882	7,520,445

V. Notes to Key Items of the Consolidated Financial Statements (continued)

37. Surplus reserve

2016

	Opening balance	Increase	Closing balance
Statutory surplus reserve	**1,149,501,481**	**266,550,267**	**1,416,051,748**

2015 (Restated)

	Opening balance	Increase	Closing balance
Statutory surplus reserve	859,087,844	290,413,637	1,149,501,481

According to the provisions of the Company Law and the Company's articles of association, the Company appropriates the statutory surplus reserve at 10% of the net profit. When the accumulated amount of the statutory surplus reserve reaches 50% or more of the Company's registered capital, additional appropriation is not needed.

After the appropriation of the statutory surplus reserve, the Company may appropriate the discretionary surplus reserve. When approved, the discretionary surplus reserve can be used to recover accumulated losses or increase the share capital.

38. Retained earnings

	2016	2015 (Restated)
Retained earnings at the end of last year	**7,829,036,380**	5,631,283,306
Add: Business combination involving entities under common control (Note1)	**34,877,454**	27,956,953
Retained earnings at the beginning of the year	**7,863,913,834**	5,659,240,259
Add: Net profit attributable to shareholders of the Parent	**2,903,679,787**	2,965,277,867
Less: Appropriation to statutory surplus reserve (Note 2)	**266,550,267**	290,413,637
Cash dividends paid (Note 3)	**556,265,193**	470,190,655
Retained earnings at the end of the year	**9,944,778,161**	7,863,913,834

Note1: In 2016, as the change in scope of consolidation due to business combination involving entities under common control, the retained earnings at the beginning of the year increased to RMB34,877,454 (2015 (Restated): RMB27,956,953).

Note2: As at 31 December 2016, included in the retained earnings under the Group's consolidated statement of changes in equity, the appropriation to surplus reserve of subsidiaries for the current year which is attributable to shareholders of the Parent is RMB52,807,752 (31 December 2015(Restated): RMB14,541,112).

V. Notes to Key Items of the Consolidated Financial Statements (continued)

38. Retained earnings (continued)

Note3: Pursuant to 2015 Annual General Meeting held on 23 June 2016, a final dividend of RMB0.45 (pre-tax) was paid on each of the 1,175,476,637 shares in issue, amounting to a total cash dividend of RMB528,964,487. The dividend was paid in the year 2016.

Pursuant to 2014 Annual General Meeting held on 5 June 2015, a final dividend of RMB0.40 (pre-tax) was paid on each of the 1,175,476,637 shares in issue, amounting to a total cash dividend of RMB470,190,655. The dividend was paid in the year 2015.

Pursuant to the resolution of CRRC Zhuzhou Institute Co., Ltd. on 16 June 2016, a dividend of RMB27,300,706 was paid to CRRC Zhuzhou Institute Co., Ltd. by ZNERCC, a subsidiary of the Company. The dividend was paid during the year 2016.

Pursuant to the board of directors' meeting held on 28 March 2017, a proposed final dividend of RMB0.45 (pre-tax) will be paid on each of the 1,175,476,637 shares in issue, amounting to a total cash dividend of RMB528,964,487. The above proposal needs to be approved at the Annual General Meeting. Before the approval of the general meeting of shareholders, it will not form part of the Company's liabilities, therefore it was not reflected in the current year financial statements.

39. Revenue and cost of sales

Revenue, also the Group's turnover, represents the net invoiced value of goods sold after deducting returns and trade discounts, the value of services rendered and the total rental income received.

Revenue is stated as follows:

	2016	2015 (Restated)
Revenue from principal operations	14,386,591,254	14,530,555,469
Other operating income	271,228,309	269,480,005
	14,657,819,563	14,800,035,474

Cost of sales is stated as follows:

	2016	2015 (Restated)
Cost of sales from principal operations	8,862,337,991	8,964,188,241
Other operating costs	199,946,533	174,222,084
	9,062,284,524	9,138,410,325

V. Notes to Key Items of the Consolidated Financial Statements (continued)

39. Revenue and cost of sales (continued)

Details of revenue are listed as follows:

	2016	2015 (Restated)
Sale of goods and raw materials	13,216,275,786	14,206,360,185
Maintenance income	1,016,495,768	100,781,023
Revenue from construction contracts	299,121,865	388,339,288
Technical service income	73,839,777	75,163,247
Rental income	17,092,997	14,158,071
Others	34,993,370	15,233,660
	14,657,819,563	14,800,035,474

40. Taxes and surcharges

	2016	2015 (Restated)
City maintenance and construction surtax	57,626,093	59,594,761
Education surtax	41,330,299	43,001,784
Others	12,171,612	886,200
	111,128,004	103,482,745

41. Administrative expenses

Administrative expenses for the year 2016 included auditors' remuneration of RMB4,400,000 (2015 (Restated):RMB 4,494,340).

42. Finance costs

		2016	2015 (Restated)
Interest expenses		25,790,486	31,903,616
Less: Interest capitalised	Note V.12	(1,096,476)	(139,972)
Interest income		(46,315,633)	(63,499,803)
Exchange losses		37,813,383	3,786,317
Financial institutions commissions		6,667,124	9,684,035
Others		(827,533)	229,223
		22,031,351	(18,036,584)

V. Notes to Key Items of the Consolidated Financial Statements (continued)

43. Asset impairment losses

	2016	2015 (Restated)
Bad debt loss	66,785,382	15,607,192
Impairment loss of inventories	64,045,855	62,746,100
Impairment loss of fixed assets	2,413,142	5,113,872
Impairment loss of goodwill	128,469,740	–
	261,714,119	83,467,164

44. Losses on fair value changes

	2016	2015 (Restated)
Derivative finance instrument		
Forward foreign exchange contracts		
– Losses on fair value changes	6,135,766	–

45. Investment income

	2016	2015 (Restated)
Income from non-listed investments:		
Long-term equity investment income under the equity method	46,489,753	55,125,209
Investment loss on the disposal of long-term equity investment	(3,730,943)	–
Bank financial products income	46,955,252	66,081,060
	89,714,062	121,206,269

46. Non-operating income

	2016	2015 (Restated)
Gains on disposal of non-current assets	2,051,399	464,531
Refunds of value-added tax	276,892,820	102,621,485
Government grants	53,321,340	67,586,283
Unsettled payment	80,610	1,214,508
Penalty income and default compensation income	3,776,918	742,870
Others	14,322,126	18,523,823
	350,445,213	191,153,500

V. Notes to Key Items of the Consolidated Financial Statements (continued)

47. Non-operating expenses

	2016	2015 (Restated)
Loss on disposal of non-current assets	2,535,955	1,533,350
Loss on penalties and compensation	469,116	1,632,548
Others	669,436	1,868,664
	3,674,507	5,034,562

48. Expenses by nature

The supplementary information to the cost of sales, selling expenses and administrative expenses of the Group classified by nature is as follows:

	2016	2015 (Restated)
Consumption of raw materials and semi-finished products	7,677,768,563	8,365,506,702
Inventory movements of finished goods and work in progress	(141,431,090)	(532,175,094)
Staff costs	1,539,800,633	1,405,614,030
Depreciation	229,581,578	216,897,333
Amortisation	76,152,551	73,776,424
Provision for product quality warranties	130,202,858	350,304,746
Research and development expense	1,129,597,094	982,555,274

49. Income tax expense

	2016	2015 (Restated)
Current income tax expense		
– Mainland China	444,151,425	521,723,199
– Other countries and regions	67,522	86,971
	444,218,947	521,810,170
Deferred tax expense	(26,655,055)	(43,552,223)
	417,563,892	478,257,947

V. Notes to Key Items of the Consolidated Financial Statements (continued)

49. Income tax expense (continued)

The reconciliation from total profit to income tax expense is as follows:

	2016	2015 (Restated)
Total profit	**3,335,746,183**	3,456,494,957
Income tax expense at statutory tax rate of 25% (Note)	**833,936,546**	864,123,739
Effect of different income tax rates for overseas entities	**19,546,457**	2,257,296
Effect of preferential tax rate applicable to the Company and its certain subsidiaries	**(412,635,360)**	(347,270,246)
Profits and losses attributable to joint ventures and associates	**(6,144,312)**	(8,235,105)
Income not subject to tax	**(8,946,776)**	(4,255,113)
Income tax benefits on research and development expenditure	**(52,339,376)**	(44,592,205)
Expenses not deductible for tax	**15,972,752**	7,534,526
Deductible temporary differences not recognised	**7,710,626**	12,084,012
Tax losses not recognised	**17,790,301**	4,349,206
Utilisation of tax losses carried forward from previous periods	**(1,080,446)**	(1,427,208)
Recognise the un-recognised deductible temporary differences of previous years	**(9,277,035)**	—
Others	**13,030,515**	(6,310,955)
Tax expense at the Group's effective tax rate	**417,563,892**	478,257,947

Note: The income tax of the Group is calculated based on the estimated taxable income gained in China and the applicable tax rate. Tax arising from taxable income in other regions is calculated at applicable tax rates according to existing laws, interpretations and practices of the countries in which the Group operates.

50. Earnings per share

The calculation of the basic earnings per share is based on the net profit for the year attributable to ordinary shareholders of the Company divided by the weighted average number of ordinary shares in issue. The number of newly issued ordinary shares is determined according to specific terms of the issue contract and calculated from the date of consideration receivable.

The calculation of basic earnings per share is as follows:

	2016	2015 (Restated)
Earnings		
Net profit for the year attributable to ordinary shareholders of the Company	**2,903,679,787**	2,965,277,867
Shares		
Weighted average number of ordinary shares in issue of the Company	**1,175,476,637**	1,175,476,637
Basic earnings per share (Yuan/share)	**2.47**	2.52
Diluted earnings per share (Yuan/share)	**2.47**	2.52

The Company did not have potentially dilutive ordinary shares as at the approval date of these financial statements.

V. Notes to Key Items of the Consolidated Financial Statements (continued)

51. Supplementary information to the statement of cash flows

(1) Supplementary information to the statement of cash flows

	2016	2015 (Restated)
Adjustment of net profit to cash flows from operating activities:		
Net profit	2,918,182,291	2,978,237,010
Add: Provision for impairment of assets	261,714,119	83,467,164
Depreciation	229,581,578	216,897,333
Amortisation of intangible assets	76,152,551	73,776,424
Losses from disposal of fixed assets, intangible assets and other long-term assets	484,556	1,068,819
Provision of special reserve	3,811,556	4,599,450
Finance costs	24,694,010	31,763,644
Losses on fair value changes	6,135,766	–
Investment income	(89,714,062)	(121,206,269)
Increase in deferred tax assets	(12,415,259)	(29,972,196)
Decrease in deferred tax liabilities	(21,670,948)	(4,077,652)
Increase in inventories	(183,278,368)	(689,825,722)
Increase in operating receivables	(1,769,214,011)	(2,080,048,661)
Increase in operating payables	11,058,744	968,243,305
Net cash flows from operating activities	1,455,522,523	1,432,922,649

Significant investing and financing activities which do not involve cash:

	2016	2015 (Restated)
Dividends payable compensated from trade receivables	4,500,000	4,000,000
Dividends receivable compensated from trade payables	34,500,000	50,000,000
Equipment procurement paid from operating current account	–	15,191,624

Movement in cash and cash equivalents:

	2016	2015 (Restated)
Closing balance of cash	3,063,801,902	3,439,887,202
Less: Opening balance of cash	3,439,887,202	2,708,188,486
Net change of cash and cash equivalents	(376,085,300)	731,698,716

V. Notes to Key Items of the Consolidated Financial Statements (continued)

51. Supplementary information to the statement of cash flows (continued)

(2) Information of acquiring and disposal subsidiaries

Information of acquiring subsidiaries

	2016	2015 (Restated)
Considerations for acquisition of subsidiaries	**283,222,700**	1,098,528,719
Cash and cash equivalents paid for acquisition of subsidiaries	**283,222,700**	1,085,220,323
Less: Cash and cash equivalents acquired from subsidiaries	**—**	10,413,257
Net cash outflow in the acquisition of subsidiaries	**283,222,700**	1,074,807,066

Information of disposal subsidiaries

	2016	2015 (Restated)
Considerations for disposal of subsidiaries	**132,468,180**	—
Cash and cash equivalents received from disposal of subsidiaries	**132,468,180**	—
Less: Cash and equivalents acquired from subsidiaries	**32,281,867**	—
Net cash inflow in the disposal of subsidiaries	**100,186,313**	—

(3) Cash and cash equivalents

	31 December 2016	31 December 2015 (Restated)
Cash		
Including: Cash on hand	**15,258**	27,689
Bank deposits on demand	**2,896,613,514**	2,509,784,121
Deposits due within 3 months	**155,973,236**	922,202,392
Security deposit due within 3 months	**11,199,894**	7,873,000
Closing balance of cash and cash equivalents	**3,063,801,902**	3,439,887,202

V. Notes to Key Items of the Consolidated Financial Statements (continued)

52. Assets with restrictions on title

		31 December 2016	31 December 2015 (Restated)
Pledged assets			
Cash and bank balance	Note 1	**118,740,684**	68,464,599
Other receivables	Note 2	**–**	96,683,315
Fixed assets	Note 3	**3,142,332**	29,286,996
Intangible assets	Note 4	**–**	17,023,133
		121,883,016	211,458,043

Note1: As at 31 December 2016, the cash and bank balances of RMB73,322,760 (31 December 2015 (Restated): RMB32,218,267) and RMB45,417,924 (31 December 2015 (Restated): RMB34,339,237) are restricted as security deposits for issuance of bank acceptance bills. The Group is free from cash or bank balances used for issuance of bank letters of guarantee (31 December 2015 (Restated): RMB1,907,095).

Note 2: In 2015, the Group acquired SMD Group, saving GBP10,100,000 (equivalent to RMB96,683,315 as at 31 December 2015) into the escrow account jointly owned with the vendor as retention for repaying the contingent consideration limited to GBP10,100,000 (equivalent to RMB96,683,315 as at 31 December 2015). The retention have been settled in 2016.

Note 3: As at 31 December 2016, the title of fixed assets with a net carrying amount of RMB3,142,332 (31 December 2015 (Restated): RMB29,286,996) was pledged to secure general banking facilities granted to the Group.

Note 4: As at 31 December 2016, the Group has no land use rights was pledged (2015 (Restated): a net carrying amount of RMB17,023,133 was pledged to banking facilities).

VI. Changes in scope of consolidation

1. Subsidiaries newly built up

Following subsidiaries are newly built up during current year:

		Proportion of shareholding
Times Signal & Communication	Note 1	100%
Lanzhou CRRC Times Rail Transit Technology Co., Ltd. (Lanzhou Times)	Note 2	51%

Note 1: In March 2016, Times Signal & Communication was established by the Company with registered capital of RMB200,000,000. The interest held by the Company is 100%. Up to the balance sheet date, the Company has injected the capital of RMB100,000,000.

Note 2: In November 2016, Lanzhou Times was jointly established by the Company and Lanzhou Railway Administration. The registered capital of Lanzhou Times is RMB50,000,000, within which injected by the Company and Lanzhou Railway Administration are RMB25,500,000 and RMB24,500,000 respectively. The interest held by the Company and Lanzhou Railway Administration are 51% and 49% respectively.

2. Business combinations involving entities under common control

In December 2016, the Company acquired 100% share of ZNERCC by cash consideration of RMB283,222,700. ZNERCC is a subsidiary of CRRC Zhuzhou Institute Co., Ltd., the parent company of the Company. It is controlled by the Parent Company before and after the combination, and that control is not temporary, therefore the business combination is involving entities under common control. In accordance with the equity transfer agreement, since 100% share of ZNERCC was transferred to the Company by the Parent Company on 21 December 2016, the Company completed the business combination under common control of ZNERCC. 21 December 2016 is determined to be the date of acquisition.

	For the period from 1 January 2016 to 21 December 2016	2015
Revenue	534,544,603	768,001,646
Net Profit attributable to shareholders of the Parent	78,233	6,920,501
Net cash flows	(48,484,013)	

VI. Changes in scope of consolidation (continued)

2. Business combinations involving entities under common control (continued)

The carrying amount of assets and liabilities of ZNERCC at the date of acquisition and at the balance sheet date of the prior reporting period were as follows (RMB):

	21 December 2016	31 December 2015
Cash and bank balances	40,283,556	96,797,819
Bills receivable	116,531,122	28,578,327
Trade receivables	500,204,595	878,989,335
Prepayments	19,341,473	76,090,189
Inventories	47,488,807	50,826,972
Other receivables	8,447,547	5,183,006
Other current assets	–	3,588,103
Fixed assets	31,699,795	52,203,299
Intangible assets	4,146,853	12,782,789
Goodwill	–	20,723,508
Deferred tax assets	15,697,623	12,877,701
Short-term borrowings	–	(111,678,000)
Bills payable	(46,159,552)	(106,308,978)
Trade payables	(383,538,175)	(338,931,970)
Advances from customers	(17,218,073)	(25,955,207)
Employee benefits payable	(15,006,264)	(2,999,164)
Interests payable	–	(3,405,845)
Taxes payable	(14,318,851)	(13,967,701)
Other payables	(18,380,783)	(16,702,968)
Current portion of non-current liabilities	–	(81,000,000)
Long-term borrowings	–	(185,910,830)
Provisions	(1,606,692)	(2,878,522)
Deferred income	(6,958,000)	(5,903,000)
Deferred tax liabilities	–	(2,132,364)
Total	280,654,981	340,866,499
Non-controlling interests	–	32,989,045
	280,654,981	307,877,454
Consolidation difference (recognised in equity)	2,567,719	
Consideration	283,222,700	

VI. Changes in scope of consolidation (continued)

3. Disposal of subsidiary

	Place of registration	Nature of business	Proportion of shareholding	Proportion of votes	Reasons for not being a subsidiary
Shanghai Hange	Shanghai	Manufacture industry	78%	78%	Note

Note: On 31 May 2016, ZNERCC, a subsidiary of the Company, entered into the equity transfer agreement with CRRC Zhuzhou Institute Co., Ltd. to sell its 78% equity interests in Shanghai Hange at RMB132,468,180. The disposal date was 31 May 2016 and since then, Shanghai Hange was excluded from the consolidation scope. The related financial information of Shanghai Hange is as below:

	31 May 2016 Carrying amount	31 December 2015 Carrying amount
Current Assets	622,813,255	576,772,195
Non-current Assets	27,252,051	27,891,247
Current Liabilities	(419,662,473)	(267,370,881)
Non-current Liabilities	(82,357,173)	(188,043,194)
	148,045,660	149,249,367
Goodwill	20,723,508	
Losses on disposal	(3,730,943)	
Disposal consideration	132,468,180	

	For the period from 1 January 2016 to 31 May 2016
Revenue	87,018,148
Cost of sales	74,318,090
Net profit	(1,203,708)

VI. Changes in scope of consolidation (continued)

4. Business combinations not involving entities under common control

As at 9 April 2015, the Group acquired 100% share of SMD Group from independent third parties, through its subsidiary, CRRC Times Electric (Hong Kong) Co., Ltd. (formerly named CSR Times Electric (Hong Kong) Co., Limited) ("HK Electric") paying by cash. As at 9 April 2015, the Group obtains control of SMD Group and the acquisition date was determined as 9 April 2015.

The fair value and carrying amount of identifiable assets and liabilities of SMD Group on the acquisition date are as follows (RMB):

	9 April 2015 Fair value	9 April 2015 Carrying amount
Cash and bank balances	10,413,257	10,413,257
Trade receivables	115,694,349	115,694,349
Prepayments	16,467,662	16,467,662
Inventories	212,280,647	212,280,647
Other current assets	5,350,421	5,350,421
Long-term equity investments	2,497,304	2,497,304
Fixed assets	58,576,978	49,622,844
Intangible assets (Note1)	439,624,380	—
Deferred tax assets	583,265	583,265
Short-term borrowings	(940,026,428)	(940,026,428)
Trade payables	(170,638,512)	(170,638,512)
Advances from customers	(1,903,482)	(1,903,482)
Employee benefits payable	(2,596,964)	(2,596,964)
Taxes payable	(18,908,546)	(18,908,546)
Other payables	(7,824,976)	(7,824,976)
Provisions	(7,243,310)	(7,243,310)
Deferred tax liabilities	(89,715,703)	—
	(377,369,658)	(736,232,469)
		The excess of the aggregate fair value of the consideration over the net identifiable assets acquired
Goodwill acquired in a business combination (Note V. 15)	535,871,949	
Consideration of the equity interest	158,502,291	Note2

The Group has engaged an independent appraiser to evaluate the allocation of purchase price of SMD Group. The Group determines the fair value of net identifiable assets and contingent consideration (Note 3) according to the finalised valuation outcome.

VI. Changes in scope of consolidation (continued)

4. Business combinations not involving entities under common control (continued)

Note 1: On the acquisition date, the fair value of intangible assets of SMD Group was GBP48,100,000 (equivalent to approximately RMB439,624,380), including technical know-how, trademarks, backlog orders, service contracts and so on. The fair value of intangible assets was calculated using discounted cash flow method.

Note 2: The total consideration of this transaction is GBP120,191,768 (equivalent to approximately RMB1,098,528,719 at acquisition date), including the amount of GBP102,849,781 (equivalent to approximately RMB940,026,428 at acquisition date) to repay the loans then outstanding on behalf of SMD Group on the acquisition date and the amount of GBP17,341,987 ((equivalent to approximately RMB158,502,291 at acquisition date) as the consideration of the equity interest, which includes cash considerations that have been paid amounted to GBP15,885,894 (equivalent to approximately RMB145,193,895 at acquisition date) and the fair value of contingent consideration amounted to GBP1,456,093 (equivalent to approximately RMB13,308,396 at acquisition date)).

Note 3: Pursuant to the purchase agreement, if the performances of the first financial year (2015) and the second financial year (2016) of SMD Group after the acquisition date meet certain performance targets stipulated under the purchase agreement, the Group shall pay contingent consideration from GBP0 to GBP10,100,000 (equivalent to approximately RMB92,311,980 at acquisition date) by using the retention amount of escrow account paid on the acquisition date. Furthermore, if the performances of the first financial year (2015) and the second financial year (2016) of SMD Group after the acquisition date meet certain more stringent performance targets stipulated under the purchase agreement, the Group shall pay certain additional contingent consideration up to GBP7,000,000 (equivalent to approximately RMB63,978,600 at acquisition date). On the acquisition date, the fair value of contingent consideration amounted to GBP1,456,093 (equivalent to approximately RMB13,308,396 at acquisition date). As at 31 December 2015, SMD Group did not achieve the performance target stipulated in above agreement. Therefore the contingent consideration amounting to GBP814,577(equivalent to approximately RMB 7,881,578 as at 31 December 2015) was recognised as non-operating income. As at 31 December 2016, SMD Group did not achieve the performance target stipulated in above agreement, the contingent consideration amounting to GBP641,516 (equivalent to approximately RMB5,458,914 as at 31 December 2016) was recognised as non-operating profit.

For the period from the acquisition date to 31 December 2015, the financial performance and cash flows of SMD Group (without consideration of netting off the intercompany transactions within the Group and depreciation and amortisation relating to fair value adjustments at the acquisition date) are listed as follows:

	For the period from 9 April 2015 to 31 December 2015
Revenue	210,677,140
Net profit	470,631
Net cash flows	(13,105,778)

VII. Interests in other entities

1. Interests in subsidiaries

Particulars of subsidiaries of the Company are as follows:

Company name	Place of registration/ Principal place of business	Registered capital	Nature of business	Proportion of shareholding Direct	Proportion of shareholding Indirect	Proportion of votes	Note
By newly established or invested							
Ningbo Times	Ningbo Zhejiang	RMB148,826,200	Manufacture industry	100%	–	100%	
Times Electronics	Zhuzhou Hunan	RMB80,000,000	Manufacture industry	100%	–	100%	
Times Equipment	Zhuzhou Hunan	RMB101,000,000	Manufacture industry	100%	–	100%	
Beijing CRRC Rail Transit Intelligent Control Technology Co., Ltd. (formerly named Beijing CSR Times Information Technology Co., Ltd.) ("Beijing CRRC Intelligent Control")	Beijing	RMB29,000,000	Manufacture industry	100%	–	100%	
Shenyang Times	Shenyang Liaoning	RMB56,000,000	Manufacture industry	100%	–	100%	
Baoji Times	Baoji Shaanxi	RMB281,655,300	Manufacture industry	85.8%	–	85.8%	
Kunming Electric	Kunming Yunnan	RMB55,000,000	Manufacture industry	100%	–	100%	Note1
Hangzhou CRRC Times Electric Equipment Co., Ltd. (formerly named Hangzhou CSR Electric Equipment Co., Ltd.) ("Hangzhou Electric")	Hangzhou Zhejiang	RMB75,000,000	Manufacture industry	60%	–	60%	
Guangzhou CRRC Times Electric Technology Co., Ltd. (formerly named Guangzhou CSR Times Electric Technology Co., Ltd.) ("Guangzhou Times")	Guangzhou Guangdong	RMB30,000,000	Manufacture industry	60%	–	60%	
HK Electric	Hong Kong	HKD426,952,000	Investment holding	100%	–	100%	
Ningbo CRRC Electrical Equipment Co., Ltd. (formerly named Ningbo CSR Electrical Equipment Co., Ltd.) ("Ningbo Electric")	Ningbo Zhejiang	RMB10,000,000	Manufacture industry	100%	–	100%	
Qingdao Electric	Qingdao Shandong	RMB100,000,000	Manufacture industry	45%	–	45%	Note2
Shanghai CRRC Railway Technologies Co., Ltd. (formerly named Shanghai CSR Railway Transportation Technology Co., Ltd.) ("Shanghai CRRC Rail Transit")	Shanghai	RMB50,000,000	Manufacture industry	51%	–	51%	
Wenzhou CRRC Railway Technologies Co., Ltd. (formerly named Yueqing CSR Railway Technologies Co., Ltd.) ("Wenzhou Electric")	Wenzhou Zhejiang	RMB30,000,000	Manufacture industry	51%	–	51%	
Times Software	Zhuzhou Hunan	RMB100,000,000	Software service	100%	–	100%	
Times Signal & Communication	Changsha Hunan	RMB200,000,000	Manufacture industry	100%	–	100%	
Lanzhou Times	Lanzhou Gansu	RMB50,000,000	Manufacture industry	51%	–	51%	
CRRC Times Electric Australia Pty. Ltd. (formerly named CSR Times Electric Australia Pty. Ltd.) ("Times Australia")	Australia	AUD290,000	Trading	100%	–	100%	
CRRC Times Electric USA, LLC (formerly named Times Electric USA, LLC) ("Times USA")	America	USD430,000	Trading	100%	–	100%	
CRRC Times Electric Brasil Ltda. (formerly named CSR Times Electric Brasil Ltda.) ("Times Brasil")	Brasil	USD741,820	Trading	99%	1%	100%	

VII. Interests in other entities (continued)

1. Interests in subsidiaries (continued)

Particulars of subsidiaries of the Company are as follows (continued):

Company name	Place of registration/ Principal place of business	Registered capital	Nature of business	Proportion of shareholding		Proportion of votes
				Direct	Indirect	
By business combination not involving entities under common control						
Dynex	Canada	CAD37,096,192	Investment holding	75%	–	75%
Dynex Semiconductor Limited ("Dynex Semiconductor")	United Kingdom	GBP15,000,000	Manufacture industry	–	75%	75%
SMD	United Kingdom	GBP44,049,014	Investment holding	–	100%	100%
Soil Machine Dynamics Limited	United Kingdom	GBP100	Manufacture industry	–	100%	100%
Bywell Holdings Limited	United Kingdom	GBP85,409	Investment holding	–	100%	100%
Specialist Machine Developments (Investment) Limited	United Kingdom	GBP2	Investment holding	–	100%	100%
SMD Offshore Support Limited	United Kingdom	GBP2	Trading	–	100%	100%
Soil Machine Dynamics USA LLC	USA	USD0	Trading	–	100%	100%
SMD Robotics Limited	United Kingdom	GBP1	Trading	–	100%	100%
Soil Machine Dynamics Singapore Pte. Ltd.	Singapore	SGD1	Manufacture industry	–	100%	100%
SMD do Brasil Ltd.	Brasil	BRC100	Trading	–	100%	100%
Crossco 236 Limited	United Kingdom	GBP1	Dormant	–	100%	100%
SMD ROVs Limited	United Kingdom	GBP1	Dormant	–	100%	100%
SMD Specialist Vehicles Limited	United Kingdom	GBP1	Dormant	–	100%	100%
By business combination involving entities under common control						
ZNERCC	Zhuzhou Hunan	RMB273,000,000	Manufacture industry	100%	–	100%

Note1: In 2016, the Company injected the capital of RMB52,000,000 to Kunming Electric. After the injection, Kunming Electric increased the registered capital and paid in capital to RMB55,000,000.

Note2: In 2016, the Company and the minority shareholders, CRRC Qingdao Sifang Co., Ltd. and Qingdao Hongda Schnell Science & Technology Co., Ltd. injected the capital of RMB22,500,000, RMB19,000,000 and RMB8,500,000 respectively. After the injection, Qingdao Electric increased the registered capital to RMB100,000,000.

VII. Interests in other entities (continued)

1. Interests in subsidiaries (continued)

Subsidiaries with significant non-controlling interests are as follows:

2016

	Proportion of non-controlling interests	Profits attributable to non-controlling interests	Dividends paid to non-controlling shareholders	Accumulated non-controlling interests
Baoji Times	14.2%	8,756,126	(2,130,544)	58,345,001

2015 (Restated)

	Proportion of non-controlling interests	Profits attributable to non-controlling interests	Dividends paid to non-controlling shareholders	Accumulated non-controlling interests
Baoji Times	14.2%	5,260,602	(1,943,949)	51,719,419

The table below demonstrates main financial information of the subsidiaries above. The information demonstrated is before offsetting the transaction amounts and carrying amounts with other entities within the Group:

	Baoji Times
31 December 2016	
Current assets	1,709,780,431
Non-current assets	169,261,302
Total assets	1,879,041,733
Current liabilities	1,459,161,441
Non-current liabilities	9,000,000
Total liabilities	1,468,161,441
2016	
Revenue	1,303,903,291
Net profit	61,662,863
Total comprehensive income	61,662,863
Net cash flows used in operating activities	(151,626,736)

VII. Interests in other entities (continued)

1. Interests in subsidiaries (continued)

	Baoji Times (Restated)
31 December 2015	
Current assets	1,218,465,363
Non-current assets	178,412,894
Total assets	1,396,878,257
Current liabilities	1,032,656,999
Non-current liabilities	—
Total liabilities	1,032,656,999
2015	
Revenue	1,015,426,328
Net profit	37,046,492
Total comprehensive income	37,046,492
Net cash flows used in operating activities	(61,084,365)

2. Interests in joint ventures and associates

	Place of registration/ Principal place of business	Nature of business	Registered capital	Proportion of shareholding		Accounting method
				Direct	Indirect	
Joint ventures						
Shiling	Zhuzhou Hunan	Manufacture industry	USD14,000,000	50%	—	Equity
SMD-BORD Limited	United Kingdom	Service industry	GBP198	—	50%	Equity
SMD Energy Limited	United Kingdom	Service industry	GBP2	—	50%	Equity
Shanghai Shentong CRRC	Shanghai	Research and technical service	RMB10,000,000	50%	—	Equity
Associates						
Zhuzhou Siemens	Zhuzhou Hunan	Manufacture industry	RMB128,989,000	30%	—	Equity
CRRC Wabtec	Changsha Hunan	Manufacture industry	RMB32,500,000	50%	—	Equity

Shiling, as an important joint venture of the Group, is one of the suppliers of the fitting equipment products of Electric Multiple Units of the Group.

VII. Interests in other entities (continued)

2. Interests in joint ventures and associates (continued)

The table below demonstrates the financial information of Shiling, which is adjusted according to accounting differences and adjusted to the carrying amount of current financial statements:

	31 December 2016	31 December 2015 (Restated)
Current assets	**843,911,878**	691,505,710
Including: Cash and bank balances	**273,095,958**	99,139,828
Non-current assets	**52,776,206**	50,998,756
Total assets	**896,688,084**	742,504,466
Current liabilities	**447,418,001**	306,312,105
Non-current liabilities	**—**	—
Total liabilities	**447,418,001**	306,312,105
Net assets	**449,270,083**	436,192,361
Net assets portion based on shareholding	**224,635,042**	218,096,181
Less: Unrealised profit of downstream trading	**64,978,751**	59,451,079
Carrying amount of investment	**158,267,061**	157,255,872

	2016	2015 (Restated)
Revenue	**1,502,154,750**	1,327,825,527
Income tax expense	**26,271,137**	33,583,162
Net profit	**82,077,722**	99,831,142
Total comprehensive income	**82,077,722**	99,831,142
Dividends received (Note)	**—**	—

Note: In 2016, Shiling distributed dividends of RMB34,500,000 (2015 (Restated): RMB50,000,000) to the Company, which was used to compensate the trade payables to Shiling by the Company.

The table below demonstrates the financial information of joint ventures and associates that are individually insignificant to the Group:

	2016	2015 (Restated)
Total carrying amount of investment	**70,361,904**	64,617,218
Total amounts based on shareholding		
Net profit	**5,450,892**	5,209,638
Total comprehensive income	**5,296,802**	5,296,007

VIII. Risks related to financial instruments

1. Classification of financial instruments

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

31 December 2016

Financial assets

	Loans and receivables	Available-for-sale financial asset	Total
Cash and bank balances	3,201,134,282	–	3,201,134,282
Bills receivable	4,259,355,110	–	4,259,355,110
Trade receivables	5,317,077,521	–	5,317,077,521
Other receivables	129,788,537	–	129,788,537
Other current assets	2,300,752,192	–	2,300,752,192
Available-for-sale financial asset	–	900,000	900,000
Long-term receivables	49,932,355	–	49,932,355
	15,258,039,997	900,000	15,258,939,997

Financial liabilities

	Financial liabilities at fair value through profit or loss	Other financial liabilities	Total
Short-term borrowings	–	159,166,033	159,166,033
Financial liabilities at fair value through profit or loss	6,135,766	–	6,135,766
Bills payable	–	1,835,369,575	1,835,369,575
Trade payables	–	2,786,933,694	2,786,933,694
Dividends payables	–	3,000,000	3,000,000
Interests payable	–	448,131	448,131
Other payables	–	445,525,339	445,525,339
Long-term borrowings (inclusive of current portion of long-term borrowings)	–	102,904,123	102,904,123
Long-term payables	–	100,662,888	100,662,888
	6,135,766	5,434,009,783	5,440,145,549

VIII. Risks related to financial instruments (continued)

1. Classification of financial instruments (continued)

31 December 2015 (Restated)

Financial assets

	Loans and receivables	Available-for-sale financial asset	Total
Cash and bank balances	3,500,478,801	—	3,500,478,801
Bills receivable	3,937,742,229	—	3,937,742,229
Trade receivables	4,763,190,191	—	4,763,190,191
Other receivables	159,615,928	—	159,615,928
Other current assets	3,210,864,995	—	3,210,864,995
Available-for-sale financial asset	—	900,000	900,000
Long-term receivables	11,178,796	—	11,178,796
	15,583,070,940	900,000	15,583,970,940

Financial liabilities

	Other financial liabilities
Short-term borrowings	165,314,349
Bills payable	1,804,858,438
Trade payables	2,688,611,287
Interests payable	5,910,617
Other payables	310,968,172
Long-term borrowings (inclusive of current portion of long-term borrowings)	1,301,602,073
Long-term payables	116,298,371
	6,393,563,307

VIII. Risks related to financial instruments (continued)

2. Transfer of financial assets

Transferred financial assets that are not derecognised in their entirety

As at 31 December 2016, the Group endorsed commercial acceptance bills (the "Endorsed Bills") with a carrying amount of RMB50,332,813 (31 December 2015 (Restated): RMB47,187,385) to certain of its suppliers in order to settle the trade payables due to such suppliers (the "Endorsement"). In the opinion of the directors, the Group has retained the substantial risks and rewards, which include default risks relating to such Endorsed Bills. Accordingly, it continued to recognise the full carrying amounts of the settled accounts payable.

Transferred financial assets that are derecognised in their entirety with continuing involvement

As at 31 December 2016, the Group endorsed bank acceptance bills (the "Derecognised Bills") to certain of its suppliers in order to settle the trade payables due to such suppliers with a carrying amount of RMB366,049,565 (31 December 2015 (Restated): RMB384,724,682).The Derecognized Bills had a maturity of one to ten months at 31 December 2016. In accordance with the Law of Negotiable Instruments in the PRC, the holders of the Derecognised Bills have a right of recourse against the Group if the PRC banks default (the "Continuing Involvement"). The maximum exposure to loss from the Group's Continuing Involvement in the Derecognised Bills and the undiscounted cash flows to repurchase these Derecognised Bills is equal to their carrying amounts. In the opinion of the directors, the fair values of the Group's Continuing Involvement in the Derecognised Bills are not significant. The Group has transferred substantially all risks and rewards relating to the Derecognised Bills. Accordingly, the carrying amounts of trade payables settled by the Derecognised Bills were derecognised.

In 2016, the Group has not recognised any gain or loss on the date of transfer of the Derecognised Bills. No gains or losses were recognised from the Continuing Involvement, both during the year or cumulatively. The endorsement has been made evenly throughout the year.

3. Financial instruments and their risks

The Group's principal financial instruments, other than derivative instruments, comprise bank loans and cash and bank balances. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as the trade receivables and trade payables, which arise directly from its operations.

The Group also conducts derivative transactions, mainly including forward currency contracts, aiming at managing the exchange rate risk from the operation of the Group. During the entire year, the Group implements the policy of not conducting derivative instrument speculating transactions.

The main risks arising from the Group's financial instruments are credit risk, liquidity risk, and market risk. In this regard, the Group's risk management policies are outlined below.

VIII. Risks related to financial instruments (continued)

3. Financial instruments and their risks (continued)

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

The credit risk of the Group's other financial assets, which mainly comprise cash and bank balances, other receivables and other current assets, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

The major customers of the Group are CRRC Corporation Limited and its subsidiaries as well as other state-owned enterprises and institutions in the railway transportation industry. Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed according to customers. As at 31 December 2016, the Group had certain concentrations of credit risk as 17.3% (31 December 2015 (Restated): 10.4%) and 36.6% (31 December 2015 (Restated): 30.3%) of the Group's trade receivables (including long-term trade receivables) were due from the Group's largest customer and the five largest customers, respectively.

The maturity profile of the Group's financial assets with no impairment incurred is analysed as follows:

31 December 2016

			Overdue but not impaired	
	Total	Neither overdue nor impaired	Within six months	Over six months
Bills receivables	4,259,355,110	4,259,355,110	–	–
Trade receivables	3,948,323,883	3,948,323,883	–	–
Other receivables	110,790,371	110,790,371	–	–
Other current assets	2,300,752,192	2,300,752,192	–	–
Available-for-sale financial asset	900,000	900,000	–	–
Long-term receivables	40,541,736	40,541,736	–	–
	10,660,663,292	10,660,663,292	–	–

VIII. Risks related to financial instruments (continued)

3. Financial instruments and their risks (continued)

Credit risk (continued)

31 December 2015 (Restated)

			Overdue but not impaired	
	Total	Neither overdue nor impaired	Within six months	Over six months
Bills receivable	3,937,742,229	3,937,742,229	—	—
Trade receivable	3,845,937,025	3,845,937,025	—	—
Other receivables	132,863,844	132,863,844	—	—
Other current assets	3,210,864,995	3,210,864,995	—	—
Available-for-sale financial asset	900,000	900,000	—	—
Long-term receivables	7,328,630	7,328,630	—	—
	11,135,636,723	11,135,636,723	—	—

As at 31 December 2016 and 31 December 2015, the trade receivables not overdue without impairment were related to several recent customers without default records.

Liquidity risk

The Group monitors its risk of shortage of funds using a recurring liquidity planning tool. This tool considers both the maturity of its financial instruments and expected cash flows from the Group's operations.

The Group's objective is to maintain a balance between the continuity of funding and flexibility through the use of various financing means, such as bills settlement and bank borrowings. The Group has obtained banking facilities from several commercial banks to meet working capital requirements and capital expenditures.

The Group's management monitors the liquidity position of the Group on an ongoing basis to ensure the availability of sufficient liquid funds to meet all obligations as they fall due and to make the most efficient use of the Group's financial resources.

VIII. Risks related to financial instruments (continued)

3. Financial instruments and their risks (continued)

Liquidity risk (continued)

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

31 December 2016

	Within 1 year	1-2 years	Over 2 years	Total
Short-term borrowings	159,166,033	–	–	159,166,033
Financial liabilities at fair value through profit or loss	6,135,766	–	–	6,135,766
Bills payable	1,835,369,575	–	–	1,835,369,575
Trade payables	2,786,933,694	–	–	2,786,933,694
Interests payable	448,131	–	–	448,131
Other payables	445,525,339	–	–	445,525,339
Long-term borrowings (inclusive of current portion of long-term borrowings)	2,715,858	4,199,722	106,429,527	113,345,107
Long-term payables	–	49,693,657	50,969,231	100,662,888
	5,236,294,396	53,893,379	157,398,758	5,447,586,533

31 December 2015 (Restated)

	Within 1 year	1-2 years	Over 2 years	Total
Short-term borrowings	165,314,349	–	–	165,314,349
Bills payable	1,804,858,438	–	–	1,804,858,438
Trade payables	2,688,611,287	–	–	2,688,611,287
Interests payable	5,910,617	–	–	5,910,617
Other payables	310,968,172	–	–	310,968,172
Long-term borrowings (inclusive of current portion of long-term borrowings)	119,721,343	210,308,069	1,047,547,141	1,377,576,553
Long-term payables	–	51,879,020	64,419,351	116,298,371
	5,095,384,206	262,187,089	1,111,966,492	6,469,537,787

VIII. Risks related to financial instruments (continued)

3. Financial instruments and their risks (continued)

Market risk

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long term debt obligations with a floating interest rate.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's net profit (through the impact on floating rate borrowings) and the other comprehensive income after tax.

2016

	Increase/ (decrease) in basis points	Increase/ (decrease) in net profit	Increase/ (decrease) in other comprehensive income after tax	Increase/ (decrease) in shareholders' equity
GBP	+1%	(500)	–	(500)

2015 (Restated)

	Increase/ (decrease) in basis points	Increase/ (decrease) in net profit	Increase/ (decrease) in other comprehensive income after tax	Increase/ (decrease) in shareholders' equity
GBP	+1%	(2,351)	–	(2,351)
EUP	+1%	(404,595)	–	(404,595)

VIII. Risks related to financial instruments (continued)

3. Financial instruments and their risks (continued)

Market risk (continued)

Foreign currency risks

The businesses of the Group are principally conducted in Mainland China. While most of the transactions of the Group are principally conducted in RMB, certain of its sales, purchases and borrowings are denominated in other currencies including mainly the Japanese yen, United States dollar, and UK Pound sterling. Fluctuations of exchange rates of RMB against such foreign currencies can affect the Group's results of operations.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the exchange rates of JPY, US dollar, and GBP, with all other variables held constant, of the Group's net profit and other comprehensive income after tax. As the carrying amounts of financial instruments denominated in other currencies are not significant, their sensitivity analyses are omitted here.

2016

	Increase/ (decrease) in exchange rate	Increase/ (decrease) in net profit	Increase/ (decrease) in other comprehensive income after tax	Increase/ (decrease) in shareholders' equity
Japanese yen				
If RMB strengthens against Japanese yen	+10%	19,114,831	–	19,114,831
If RMB weakens against Japanese yen	-10%	(19,114,831)	–	(19,114,831)
United States dollar				
If RMB strengthens against United States dollar	+10%	(5,849,504)	(480,021)	(6,329,525)
If RMB weakens against United States dollar	-10%	5,849,504	480,021	6,329,525
UK Pound sterling				
If RMB strengthens against UK Pound sterling	+10%	(150,104)	7,629,784	7,479,680
If RMB weakens against UK Pound sterling	-10%	150,104	(7,629,784)	(7,479,680)

VIII. Risks related to financial instruments (continued)

3. Financial instruments and their risks (continued)

Market risk (continued)

Foreign currency risks (continued)

2015 (Restated)

	Increase/ (decrease) in exchange ate	Increase/ (decrease) in net profit	Increase/ (decrease) in other comprehensive income after tax	Increase/ (decrease) in shareholders' equity
Japanese yen				
If RMB strengthens against Japanese yen	+10%	23,277,135	—	23,277,135
If RMB weakens against Japanese yen	-10%	(23,277,135)	—	(23,277,135)
United States dollar				
If RMB strengthens against United States dollar	+10%	(6,432,214)	(273,282)	(6,705,496)
If RMB weakens against United States dollar	-10%	6,432,214	273,282	6,705,496
UK Pound sterling				
If RMB strengthens against UK Pound sterling	+10%	2,132,710	(11,323,385)	(9,190,675)
If RMB weakens against UK Pound sterling	-10%	(2,132,710)	11,323,385	9,190,675

VIII. Risks related to financial instruments (continued)

4. Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business development and maximise shareholders' value.

The Group manages its capital structure and makes adjustment to it in light of changes in economic conditions and the risk characteristics of underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is no subject to any externally imposed capital requirements. No changes were made in the objectives or processes for managing capital during the years ended 31 December 2016 and 31 December 2015.

The Group monitors capital using a gearing ratio, which is net debt divided by the adjusted capital plus net debt. The Group's policy is to maintain the gearing ratio below 30%. Net debt includes financial liabilities at fair value through profit or loss, interest-bearing bank and other borrowings, bills payable, trade payables, advances from customers, employee benefits payable, dividends payable, interests payable, other taxes payable excluding income tax payable, other payables and long-term payables, less cash and cash equivalents. Capital includes equity attributable to shareholders of the Parent. The gearing ratios as at balance sheet date were as follows:

	31 December 2016	31 December 2015 (Restated)
Short-term borrowings	**159,166,033**	165,314,349
Financial liabilities at fair value through profit or loss	**6,135,766**	—
Bills payable	**1,835,369,575**	1,804,858,438
Trade payables	**2,786,933,694**	2,688,611,287
Advances from customers	**858,585,589**	914,686,102
Employee benefits payable	**36,619,390**	53,364,542
Dividends payable	**3,000,000**	—
Interests payable	**448,131**	5,910,617
Taxes payable (excluding income tax payable)	**159,277,389**	96,844,632
Other payables	**445,525,339**	310,968,172
Long-term borrowings (inclusive of current portion of long-term borrowings)	**102,904,123**	1,301,602,073
Long-term payables	**100,662,888**	116,298,371
Less: Cash and cash equivalents	**3,063,801,902**	3,439,887,202
Net debt	**3,430,826,015**	4,018,571,381
Equity attributable to the shareholders of the Parent	**15,799,781,009**	13,780,144,294
Capital and net debt	**19,230,607,024**	17,798,715,675
Gearing ratio	**17.84%**	22.58%

IX. Fair value

1. Assets and liabilities measured at fair value

31 December 2016

	Inputs used in financial instruments measured at fair value			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Financial liabilities at fair value through profit or loss	–	6,135,766	–	6,135,766

2. Assets and liabilities disclosured at fair value

31 December 2016

	Inputs used in financial instruments measured at fair value			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Long-term receivables	–	49,932,355	–	49,932,355
Long-term borrowings	–	101,317,364	–	101,317,364
Long-term payables	–	100,662,888	–	100,662,888

31 December 2015 (Restated)

	Inputs used in financial instruments measured at fair value			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Long-term receivables	–	11,178,796	–	11,178,796
Long-term borrowings	–	1,211,307,739	–	1,211,307,739
Long-term payables	–	116,298,371	–	116,298,371

IX. Fair value (continued)

3. Fair value evaluation

The carrying amounts and the fair values of financial instruments of the Group other than short-term financial instruments with carrying amounts that reasonably approximate to fair values, are as follows:

	Carrying amount		Fair value	
	31 December 2016	31 December 2015 (Restated)	**31 December 2016**	31 December 2015 (Restated)
Financial assets				
Long-term receivables	**49,932,355**	11,178,796	**49,932,355**	11,178,796

	Carrying amount		Fair value	
	31 December 2016	31 December 2015 (Restated)	**31 December 2016**	31 December 2015 (Restated)
Financial liabilities				
Financial liabilities at fair value through profit or loss	**6,135,766**	—	**6,135,766**	—
Long-term borrowings	**101,317,364**	1,211,307,739	**101,317,364**	1,211,307,739
Long-term payables	**100,662,888**	116,298,371	**100,662,888**	116,298,371

IX. Fair value (continued)

3. Fair value evaluation (continued)

Management has assessed that the fair values of cash and bank balances, bills receivable, trade receivables, other receivables, other current assets, short-term borrowings, bills payable, trade payables, dividends payable, interests payable, other payables and long-term borrowing due within one year approximate to their carrying amounts largely due to the short-term maturities of these instruments.

The Group's finance team headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The corporate finance team reports directly to the chief financial officer and the audit committee. At each reporting date, the corporate finance team analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer.

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 long-term receivables, long-term borrowings, long-term payables, etc. have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The Group's own non-performance risk for interest-bearing bank and other borrowings as at 31 December 2016 was assessed to be insignificant.

The Group signed the derivative financial instrument contracts with more than one counterparties (mainly refer to financial institutions with higher credit rating). Derivative financial instruments mainly includes forward foreign exchange contracts calculated using the method of valuation techniques of forward pricing, swap model and present value method. The model covers multiple input values of observed market, including credit quality of counterparty, spot and forward exchange rate and interest rate curve. The carrying amounts of the forward foreign exchange contracts are in accordance with the fair value. As at 31 December 2016, the fair value of the derivative instrument is the net value after offsetting the credit valuation of default risk attributable to derivative instrument counterparty after adjustment. The change of counterparty credit risk had no significant impact on the effectiveness of derivative hedging evaluation and other financial instrument measured at fair value.

X. Related party relationships and transactions

1. Parent company

Name of the parent company	Place of registration	Nature of business	Registered capital	Proportion of shareholding	Proportion of votes
CRRC Zhuzhou Institute Co., Ltd.	Zhuzhou Hunan	Manufacture Industry	5,264,500,000	50.16%	50.16%

The controlling shareholder of the parent company is CRRC Corporation Limited.

The ultimate holding party of the Company is CRRC Group, which is an enterprise directly under the central government directly administered by the State-owned Assets Supervision and Administration Commission of the State Council.

In 2016, CRRC Corporation Limited made the capital contribution amounting to RMB1,080,000,000 to CRRC Zhuzhou Institute Co., Ltd. After completion of the capital contribution, the registered capital and paid-in capital of CRRC Zhuzhou Institute Co., Ltd. increased to RMB5,264,500,000.

2. Subsidiaries

For details of the subsidiaries of the Company, please refer to Note VII.1. Interests in subsidiaries.

Investments in subsidiaries

	31 December 2016	31 December 2015 (Restated)
Non-listed shares, at cost	**1,780,373,643**	1,299,718,662
Shares listed in Canada, at cost	**216,539,728**	216,539,728
	1,996,913,371	1,516,258,390
Impairment	**(178,169,001)**	(49,699,261)
	1,818,744,370	1,466,559,129
Market value of listed shares	**33,109,577**	22,667,107

The amounts of receivables from and payables to subsidiaries in the current assets and current liabilities of the Company are RMB2,115,284,214 (31 December 2015 (Restated): RMB1,190,967,434) and RMB973,590,898 (31 December 2015 (Restated): RMB625,038,246), respectively. The amounts of the Company's receivables from and payables to subsidiaries are non-interest-bearing and unsecured. Of these amounts, the repayment period of the trading amounts is determined by the provisions of the trading terms, whereas non-trading amounts are not subject to any fixed repayment period.

X. Related party relationships and transactions (continued)

3. Joint ventures and associates

For details of the joint ventures and associates, please refer to Note VII. 2. Interests in joint ventures and associates.

4. Other related parties

Company names	Related party relations
Changzhou Ruitai Engineering Machinery Co., Ltd.	Corporation controlled by the ultimate holding party
CRRC Shijiazhuang Co., Ltd.	Corporation controlled by the ultimate holding party
Nanjing CRRC Puzhen Rapid Transit Vehicles Co., Ltd.	Corporation controlled by the ultimate holding party
Beijing North Gofront Science Business Co., Ltd.	Corporation controlled by the ultimate holding party
CRRC Qishuyan Co., Ltd.	Corporation controlled by the ultimate holding party
Ningbo Jiangbei Gofront Herong Electric Co., Ltd.	Corporation controlled by the ultimate holding party
Shijiazhuang King Transportation Equipment Co., Ltd.	Corporation controlled by the ultimate holding party
CRRC Zhuzhou Electric Co., Ltd.	Corporation controlled by the ultimate holding party
CRRC Yangtze Tongling Co., Ltd.	Corporation controlled by the ultimate holding party
CRRC Changzhou Tech-mark Industrial Co., Ltd.	Corporation controlled by the ultimate holding party
CRRC Hangzhou Co., Ltd.	Corporation controlled by the ultimate holding party
Qingdao CRRC Sifang Sales Co., Ltd.	Corporation controlled by the ultimate holding party
Tianjin CRRC Sifang Co., Ltd. (formerly named CSR (Tianjin) Rail Transit Co., Ltd.)	Corporation controlled by the ultimate holding party
Ziyang CRRC Electric Locomotive Co., Ltd. (formerly named Ziyang CSR Electric Locomotive Co., Ltd.)	Corporation controlled by the ultimate holding party
Meishan CRRC Fastener Science & Technology Co., Ltd.	Corporation controlled by the ultimate holding party
CRRC Ziyang Transmission Co., Ltd.	Corporation controlled by the ultimate holding party
CRRC Finance Co,. Ltd. (formerly named China CNR Finance Co,. Ltd.)	Corporation controlled by the ultimate holding party
Ziyang CRRC Electrical Technology Co., Ltd. (formerly named Ziyang CSR Electric Co., Ltd.)	Corporation controlled by the ultimate holding party
Zhuzhou CRRC Logistics Co., Ltd. (formerly named Zhuzhou CSR Logistics Co., Ltd.)	Corporation controlled by the ultimate holding party
Nanjing CRRC Puzhen Haitai Brake Equipment Co., Ltd. (formerly named Nanjing Puzhen Haitai Brake Equipment Co., Ltd.)	Corporation controlled by the ultimate holding party
Chengdu CSR Tongli Railway Vehicles Co., Ltd.	Corporation controlled by the ultimate holding party

X. Related party relationships and transactions (continued)

4. Other related parties (continued)

Company names	Related party relations
Wuhan CRRC Sifang Maintenance Center Co., Ltd. (Formerly named Wuhan CSR Sifang Maintenance Center Co., Ltd.)	Corporation controlled by the ultimate holding party
Qingdao CRRC Sifang Logistics Co., Ltd.	Corporation controlled by the ultimate holding party
CRRC Yangtze Co., Ltd.	Corporation controlled by the ultimate holding party
CRRC Ziyang Co., Ltd.	Corporation controlled by the ultimate holding party
CRRC Chengdu Co., Ltd.	Corporation controlled by the ultimate holding party
CRRC Luoyang Co., Ltd.	Corporation controlled by the ultimate holding party
CRRC Nanjing Puzhen Co., Ltd.	Corporation controlled by the ultimate holding party
CRRC Qishuyan Institute Co., Ltd.	Corporation controlled by the ultimate holding party
CRRC Qingdao Sifang Co., Ltd.	Corporation controlled by the ultimate holding party
CRRC Sifang Co., Ltd.	Corporation controlled by the ultimate holding party
CRRC Zhuzhou Locomotive Co., Ltd.	Corporation controlled by the ultimate holding party
CRRC Dalian Co., Ltd. (became a related party since 1 June 2015)	Corporation controlled by the ultimate holding party
CRRC Erqi Co., Ltd. (became a related party since 1 June 2015)	Corporation controlled by the ultimate holding party
CRRC Qingdao Sifang Rolling Stock Research Institute Co., Ltd. (became a related party since 1 June 2015)	Corporation controlled by the ultimate holding party
CRRC Changchun Railway Vehicles Co., Ltd. (became a related party since 1 June 2015)	Corporation controlled by the ultimate holding party
CRRC Taiyuan Co., Ltd. (became a related party since 1 June 2015)	Corporation controlled by the ultimate holding party
Chongqing CRRC Changke Railway Vehicles Co., Ltd. (formerly named Chongqing Changke Railway Vehicles Co., Ltd. became a related party since 1 June 2015)	Corporation controlled by the ultimate holding party
Changchun CRRC Railway Vehicles Co., Ltd. (formerly named CNR Changchun Railway Vehicles Co., Ltd., became a related party since 1 June 2015)	Corporation controlled by the ultimate holding party
CRRC Yongji Electric Co., Ltd. (became a related party since 1 June 2015)	Corporation controlled by the ultimate holding party

X. Related party relationships and transactions (continued)

4. Other related parties (continued)

Company names	Related party relations
CRRC Lanzhou Co., Ltd. (became a related party since 1 June 2015)	Corporation controlled by the ultimate holding party
CRRC Dalian Institute Co., Ltd. (became a related party since 1 June 2015)	Corporation controlled by the ultimate holding party
Qingdao Sri Technology Co., Ltd. (became a related party since 1 June 2015)	Corporation controlled by the ultimate holding party
Wuhan CRRC Changke Railway Vehicles Co., Ltd. (formerly named Wuhan CNR Changchun Railway Vehicles Co., Ltd.,became a related party since 1 June 2015)	Corporation controlled by the ultimate holding party
CRRC Xi'an Co.,Ltd. (became a related party since 1 June 2015)	Corporation controlled by the ultimate holding party
Taiyuan Liangjian Rail Engineering Vehicle Co., Ltd. (became a related party since 1 June 2015)	Corporation controlled by the ultimate holding party
Xi'an CRRC Yongdian Electric Co., Ltd. (formerly named Xi'an Yongdian Electric Co., Ltd., became a related party since 1 June 2015)	Corporation controlled by the ultimate holding party
Shanghai Alstom Transport Co., Ltd. (became a related party since 1 June 2015)	Corporation controlled by the ultimate holding party
Beijing Tianlu Longxiang Rail Transit Equipment Co., Ltd. (became a related party since 1 June 2015)	Corporation controlled by the ultimate holding party
Quanzhou CRRC Tangshan Railway Vehicle Co., Ltd. (formerly named CNR(Quanzhou) Railway Equipment Co., Ltd., became a related party since 1 June 2015)	Corporation controlled by the ultimate holding party
Beijing CRRC CED Railway Electric Tech. Co., Ltd. (formerly named Beijing CED Railway Electric Tech. Co., Ltd., became a related party since 1 June 2015)	Corporation controlled by the ultimate holding party
CRRC Tianjin JL Equipment Co., Ltd. (formerly named Tianjin JL Railway Transport Equipment Co., Ltd., became a related party since 1 June 2015)	Corporation controlled by the ultimate holding party
CRRC Tangshan Co., Ltd. (formerly named Tangshan Railway Vehicle Co., Ltd., became a related party since 1 June 2015)	Corporation controlled by the ultimate holding party
CRRC Datong Co., Ltd. (became a related party since 1 June 2015)	Corporation controlled by the ultimate holding party
CRRC Zhuzhou Electric Locomotive Works (ceased to be a related party since 1 June 2015, and became a related party since 5 August 2015)	Corporation controlled by the ultimate holding party

X. Related party relationships and transactions (continued)

4. Other related parties (continued)

Company names	Related party relations
Ningbo CRRC New Energy Technology Co., Ltd. (formerly named Ningbo CSR New Energy Technology Co., Ltd. ceased to be a related party since 1 June 2015, and became a related party since 5 August 2015)	Corporation controlled by the ultimate holding party
Zhuzhou CRRC Special Equipment Technology Co., Ltd. (formerly named Zhuzhou CSR Special Equipment Technology Co., Ltd., ceased to be a related party since 1 June 2015, and became a related party since 5 August 2015)	Corporation controlled by the ultimate holding party
Bombardier Sifang (Qingdao) Transportation Ltd.	Corporation controlled by the ultimate holding party
Meishan CRRC Brake Technology Co., Ltd. (formerly named Sichuan Brake Technology Co., Ltd.)	Corporation controlled by the ultimate holding party
CRRC Guangdong Co., Ltd.	Corporation controlled by the ultimate holding party
Guangzhou CRRC Urban Rail Equipment Co., Ltd.	Corporation controlled by the ultimate holding party
(formerly named Guangzhou CSR Urban Rail Equipment Co., Ltd.)	Corporation controlled by the ultimate holding party
Dalian CRRC Electrical Technology Co., Ltd. (formerly named Dalian Universal Computer Measurement & Control Development Co., Ltd., became a related party since 1 June 2015)	Corporation controlled by the ultimate holding party
Dalian CRRC Zelong Machinery Co., Ltd. (formerly named Dalian Zelong Machinery Co., Ltd., became a related party since 1 June 2015)	Corporation controlled by the ultimate holding party
Qingdao KAMAX Buffer Equipment Co., Ltd. (became a related party since 1 June 2015)	Corporation controlled by the ultimate holding party
CRRC Industry Research Institute Co., Ltd.	Corporation controlled by the ultimate holding party
Guangzhou CRRC Junfa Electrical Co. Ltd.	Corporation controlled by the ultimate holding party
Chengdu CRRC Electric Co., Ltd.	Corporation controlled by the ultimate holding party
(formerly named Chengdu CSR Electric Co., Ltd.)	
Shijiazhuang CRRC Railway Vehicles Equipment Co., Ltd. (formerly named Shijiazhuang CSR Railway Vehicles Equipment Co., Ltd.)	Corporation controlled by the ultimate holding party
Hefei CRRC Rolling Stock Co.,Ltd. (formerly named Hefei CSR Rolling Stock Co.,Ltd.)	Corporation controlled by the ultimate holding party
Zhejiang CRRC Electric Vehicles Co.,Ltd. (formerly named Zhejiang CSR Electric Vehicles Co.,Ltd.)	Corporation controlled by the ultimate holding party
Hunan CRRC Special Electric Equipment Co., Ltd. (formerly named Hunan CSR Special Electric Equipment Co., Ltd.)	Corporation controlled by the parent company

X. Related party relationships and transactions (continued)

4. Other related parties (continued)

Company names	Related party relations
Zhuzhou CRRC Electromechanical Technology Co., Ltd. (formerly named Zhuzhou Electromechanical Technology Co., Ltd.)	Corporation controlled by the parent company
Zhuzhou Times Material International Trade Co., Ltd. (formerly named Zhuzhou CSR Times Material International Trade Co., Ltd.)	Corporation controlled by the parent company
CRRC Beijing Heavy Industry and Mechanics Co., Ltd. (formerly named Beijing CSR Times Locomotive & Rolling Stock Mechanics Co., Ltd.)	Corporation controlled by the parent company
Hunan CRRC Times Electric Vehicle Co., Ltd. (formerly named Hunan CSR Times Electric Vehicle Co., Ltd.)	Corporation controlled by the parent company
Zhuzhou Times Electric Insulation Co., Ltd.	Corporation controlled by the parent company
Zhuzhou Times Rubber and Plastics Components Development Co., Ltd.	Corporation controlled by the parent company
Xiangyang CRRC Electric Machinery Co., Ltd. (formerly named Xiangyang CSR Electric Machinery Co., Ltd.)	Corporation controlled by the parent company
CRCC Zhuzhou Traction Electrical Equipment Test & Certification Co., Ltd.	Corporation controlled by the parent company
CSR-AVC Thermal Technologies (Zhuzhou) Co., Ltd.	Corporation controlled by the parent company
Zhuzhou Times New Material Technology Co., Ltd.	Corporation controlled by the parent company
Xiangyang China Railway Hongji Engineering Co., Ltd.	Corporation controlled by the parent company
Changzhou Ruiyang Transmission Technology Co., Ltd.	A joint venture of the ultimate holding group
Shentong CNR (Shanghai) Railway Vehicles Maintenance Co., Ltd. (became a related party since 1 June 2015)	A joint venture of the ultimate holding group
Qingdao Faiveley SRI Rail Brake Co., Ltd. (became a related party since 1 June 2015)	A joint venture of the ultimate holding group
Shentong CSR (Shanghai) Railway Vehicles Maintenance Co., Ltd. (became a related party since 5 August 2015)	A joint venture of the ultimate holding group
Dalian Toshiba Electric Equipment Co., Ltd. (became a related party since 1 June 2015)	A joint venture of the ultimate holding group
Zhuzhou CRRC times Hi-tech Investment & Trusting Co., Ltd. (formerly named Zhuzhou CSR times Hi-tech Investment & Trusting Co., Ltd.)	A joint venture of the ultimate holding group
Tianjin Electric Locomotive Co., Ltd. (became a related party since 1 June 2015)	Associate of the ultimate holding group
Guangzhou Locomotive Co., Ltd.	Associate of the ultimate holding group
Zhuzhou Electric Vehicle Co., Ltd.	Associate of the parent company

X. Related party relationships and transactions (continued)

5. Major transactions between the Group and its related parties

(1) Sales of goods to related parties

	2016	2015 (Restated)
Corporations controlled by the ultimate holding party	**6,091,211,975**	7,584,533,199
Joint ventures of the Company	**1,398,720,795**	1,006,465,708
Corporations controlled by the parent company	**116,969,962**	118,490,501
Parent company	**48,759,708**	34,021,635
Associates of the ultimate holding group	**12,486,222**	5,064,444
Associates of the Company	**6,072,452**	7,550,083
Joint ventures of the ultimate holding group	**657,299**	1,202,051
	7,674,878,413	8,757,327,621

(2) Purchases of goods from related parties

	2016	2015 (Restated)
Joint ventures of the Company	**1,353,622,655**	1,534,761,292
Corporations controlled by the ultimate holding party	**821,427,745**	958,190,988
Corporations controlled by the parent company	**553,047,926**	389,006,893
Associates of the Company	**68,881,598**	58,488,103
Joint ventures of the ultimate holding group	**19,498,512**	2,718,401
Parent company	**–**	127,682
	2,816,478,436	2,943,293,359

(3) Sales of electricity to related parties

	2016	2015 (Restated)
Corporations controlled by the parent company	**2,372,225**	679,989
Parent company	**724,695**	398,047
Associates of the Company	**28,466**	44,669
Corporations controlled by the ultimate holding party	**–**	16,136
	3,125,386	1,138,841

X. Related party relationships and transactions (continued)

5. Major transactions between the Group and its related parties (continued)

(4) Purchases of electricity from related parties

	2016	2015 (Restated)
Corporations controlled by the ultimate holding party	357,582	679,827
Corporations controlled by the parent company	–	51,157
	357,582	730,984

(5) Sales of fixed assets to related parties

	2016	2015 (Restated)
Corporations controlled by the parent company	–	540,789

(6) Purchases of fixed assets from related parties

	2016	2015 (Restated)
Parent company (Note)	993,524,799	6,890
Corporations controlled by the parent company	249,500	–
Associates of the Company	–	741,559
	993,774,299	748,449

Note: As at 25 September 2014, the Company entered into an agreement with CRRC Zhuzhou Institute Co., Ltd. to lease all the real estate, property and related facilities and equipment related to the production of high-power IGBT line. According to the lease agreement, the rent was RMB15,400,722 per month. Lease term starts from 1 September 2014 and lasts for 3 years.

As at 18 May 2016, the Company entered into the Asset Transfer Agreement with CRRC Zhuzhou Electric Locomotive Research Institute Co., Ltd. to purchase the production of high-power IGBT line at a consideration of RMB1,119,039,000(subject to tax adjustment). The lease agreement signed on 25 September 2014 was terminated on 30 June 2016. This transaction constituted connected transactions under the provisions of Chapter 14A of the Hong Kong Listing Rules.

X. Related party relationships and transactions (continued)

5. Major transactions between the Group and its related parties (continued)

(7) Related party leases

As lessor

	2016	2015 (Restated)
Corporations controlled by the parent company	4,029,703	6,451,042
Corporations controlled by the ultimate holding party	1,086,975	190,986
Parent company	430,870	3,621,335
Associates of the Company	—	477,597
	5,547,548	10,740,960

As lessee

	2016	2015 (Restated)
Parent company	93,947,993	186,217,582
Corporations controlled by the ultimate holding party	2,352,895	2,142,379
Associates controlled by the parent company	1,655,792	1,873,623
Corporations controlled by the parent company	1,101,600	59,874
	99,058,280	190,293,458

(8) Technical service income from related parties

	2016	2015 (Restated)
Corporations controlled by the ultimate holding party	13,428,576	6,426,578
Corporations controlled by the parent company	4,703,420	3,491,050
Parent company	1,920,540	4,472,288
Joint ventures of the ultimate holding group	7,675	—
Joint ventures controlled by the parent company	—	3,827
	20,060,211	14,393,743

X. Related party relationships and transactions (continued)

5. Major transactions between the Group and its related parties (continued)

(9) Maintenance services provided to related parties

	2016	2015 (Restated)
Corporations controlled by the ultimate holding party	663,995,652	33,080,749
Associates of the ultimate holding group	136,273,675	6,837,607
Joint ventures of the ultimate holding group	1,060,769	—
Joint ventures of the Company	443,396	—
Corporations controlled by the parent company	171,725	4,761
	801,945,217	39,923,117

(10) Technical service fees paid to related parties

	2016	2015 (Restated)
Parent company	224,117,830	185,746,000
Corporations controlled by the ultimate holding party	18,840,000	66,038
Corporations controlled by the parent company	9,749,689	15,137,509
Joint ventures of the Company	202,830	—
	252,910,349	200,949,547

(11) Project management fees paid to related parties

	2016	2015 (Restated)
Parent company	—	1,380,000

X. Related party relationships and transactions (continued)

5. Major transactions between the Group and its related parties (continued)

(12) Fund lending between related parities

Fund borrowed in

2015 (Restated)

	Borrowed amount	Interest rate	Start date	Expiry date
Shareholder of the parent company	50,000,000	1.08%	29 September 2015	28 September 2030
Shareholder of the parent company	34,188,000	1.08%	29 September 2015	28 September 2030
Shareholder of the parent company	16,000,000	1.08%	25 December 2015	24 December 2030
Parent company	28,200,000	5.35%	28 October 2015	26 February 2017
Parent company	30,000,000	6.20%	18 March 2015	17 March 2017
Parent company	40,900,000	5.35%	22 September 2015	21 January 2017
Parent company	15,000,000	5.09%	12 November 2015	11 January 2017
Parent company	23,200,000	5.10%	7 December 2015	6 January 2017
	237,488,000			

Note: In 2015, the Group applied specific loans for the revamping of high voltage and low voltage IGBT chip module production line amounting to RMB100,188,000 from China Development Fund Corporation Limited through CRRC Corporation Limited.

(13) Interest income from cash and bank balances

	2016	2015 (Restated)
Corporations controlled by the ultimate holding party	**5,347,486**	6,937,781

(14) Interest expense to borrowings

	2016	2015 (Restated)
Shareholder of the parent company	**1,096,476**	139,972
Parent company	**5,276,168**	10,161,572
	6,372,644	10,301,544

X. Related party relationships and transactions (continued)

5. Major transactions between the Group and its related parties (continued)

(15) Remuneration of key management

	2016	2015 (Restated)
Remuneration of key management	13,319,331	13,091,392

The terms of the above sales and purchase transactions, sales and purchases of fixed assets and intangible assets, service transactions, fund lending to related parties and lease transactions with related parties were agreed by both parties.

(16) Commitments between the Group and related parties

The material commitments signed between the Group and the respective related parties which are not required to be presented in the financial statements as at the balance sheet date are as follows:

Sales of goods to related parties

	2017
Corporations controlled by the ultimate holding party	1,471,677,568
Joint ventures of the Company	401,096,159
	1,872,773,727

Purchases of goods from related parties

	2017
Joint ventures of the Company	191,274,896
Corporations controlled by the ultimate holding party	149,135,312
Corporations controlled by the parent company	119,572,728
Joint ventures of the ultimate holding group	13,172,264
Associates of the Company	913,643
	474,068,843

X. Related party relationships and transactions (continued)

6. Amounts due from and due to related parties

	31 December 2016	31 December 2015 (Restated)
Trade receivables (including long-term trade receivables):		
Corporations controlled by the ultimate holding party	1,758,432,938	1,368,855,388
Associates of the ultimate holding group	129,870,603	19,267,150
Corporations controlled by the parent company	38,701,250	17,094,008
Parent company	1,592,350	12,217,952
Joint ventures of the ultimate holding group	571,447	566,618
Joint ventures of the Company	–	125,906,817
Associates of the Company	–	8,839,681
	1,929,168,588	1,552,747,614

	31 December 2016	31 December 2015 (Restated)
Bills receivable:		
Corporations controlled by the ultimate holding party	1,031,520,154	1,435,479,580
Joint ventures of the Company	580,000,000	–
Associates of the ultimate holding group	352,000,000	7,000,000
Corporations controlled by the parent company	36,709,748	58,366,161
Parent company	29,630,430	61,630,430
Joint ventures of the ultimate holding group	5,900,000	–
	2,035,760,332	1,562,476,171

	31 December 2016	31 December 2015 (Restated)
Prepayments:		
Corporations controlled by the parent company	13,476,260	–
Corporations controlled by the ultimate holding party	2,408,917	1,322,593
Associates of the Company	–	17,599,826
	15,885,177	18,922,419

X. Related party relationships and transactions (continued)

6. Amounts due from and due to related parties (continued)

	31 December 2016	31 December 2015 (Restated)
Other receivables:		
Corporations controlled by the parent company	1,407,024	50,000
Corporations controlled by the ultimate holding party	1,152,967	799,406
Associates of the Company	2,301	2,209
Parent company	700	2,906
	2,562,992	854,521

	31 December 2016	31 December 2015 (Restated)
Cash and bank deposit:		
Corporations controlled by the ultimate holding party (Note)	684,753,576	387,923,874

Note: As at 31 December 2016, the Company's current deposit with CRRC Finance Co., Ltd. is amounted to RMB684,753,576 (31 December 2015: RMB337,923,846).

Cash and bank deposit transaction above between the Group and corporations controlled by the ultimate holding party constituted connected transactions or continuing connected transactions under the provisions of Chapter 14A of the Hong Kong Listing Rules.

On 2 April 2014, the Company entered into a Financial Service Framework Agreement with CSR Finance Co., Ltd. Pursuant to the agreement, the maximum daily deposit balance with CSR Finance Co., Ltd. is no more than RMB350,000,00. The interest rate is no less than the benchmark interest rate set by People's Bank of China for similar deposits and the interest rate payable by CSR Finance Co., Ltd. To other members of CRRC Group for comparable deposits.

On 29 December 2016, the Company entered into a Financial Service Framework Agreement with CRRC Finance Co., Ltd. (the Financial Service Framework Agreement above signed on 2 April 2014 terminated). The agreement was effective from 31 December 2016. Pursuant to the agreement, the maximum daily deposit balance with CRRC Finance Co., Ltd. is no more than RMB700,000,000. The interest rate is no less than the benchmark interest rate set by People's Bank of China for similar deposits and the interest rate payable by CRRC Finance Co., Ltd. to other members of the CRRC Group for comparable deposits.

In accordance with the requirements of Accounting Standards for Business Enterprises, the deposit balance of ZNERCC with CRRC Finance Co., Ltd. amounting to RMB50,000,028 as at 31 December 2015 was added to the cash and bank deposit between the Group and its related parties.

X. Related party relationships and transactions (continued)

6. Amounts due from and due to related parties (continued)

	31 December 2016	31 December 2015 (Restated)
Trade payables:		
Joint ventures of the Company	361,003,042	401,970,347
Corporations controlled by the ultimate holding party	172,757,101	135,066,397
Corporations controlled by the parent company	49,618,160	69,527,480
Joint ventures of the ultimate holding group	16,989,718	7,864,406
Parent company	164,372	—
Associates of the Company	—	7,459,447
	600,532,393	621,888,077

	31 December 2016	31 December 2015 (Restated)
Bills payable:		
Corporations controlled by the ultimate holding party	301,753,248	341,870,457
Corporations controlled by the parent company	217,191,910	72,560,000
Joint ventures of the Company	100,000,000	156,240,997
Joint ventures of the ultimate holding group	4,050,456	—
	622,995,614	570,671,454

	31 December 2016	31 December 2015 (Restated)
Advances from customers:		
Joint ventures of the Company	42,111,113	—
Corporations controlled by the ultimate holding party	19,990,519	65,859,979
Associates of the ultimate holding group	1,654,432	126,119
Corporations controlled by the parent company	1,607,500	3,219,282
	65,363,564	69,205,380

	31 December 2016	31 December 2015 (Restated)
Interests payable		
Shareholders of the parent company	409,897	139,972
Parent company	—	3,227,665
	409,897	3,367,637

X. Related party relationships and transactions (continued)

6. Amounts due from and due to related parties (continued)

	31 December 2016	31 December 2015 (Restated)
Other payables:		
Parent company	**242,268,055**	153,649,556
Corporations controlled by the parent company	**2,087,131**	1,869,576
Corporations controlled by the ultimate holding party	**1,006,162**	850,000
	245,361,348	156,369,132

	31 December 2016	31 December 2015 (Restated)
Non-current liabilities due within one year		
Parent company	**–**	81,000,000

	31 December 2016	31 December 2015 (Restated)
Long-term borrowings:		
Shareholders of the parent company	**100,188,000**	100,188,000
Parent company	**–**	218,300,000
	100,188,000	318,488,000

In December 2016, the Group completed the business combination under common control, and the date is 21 December 2016. This transaction constituted connected transaction or continuing connected transactions under the provision of Chapter 14A of the Hong Kong Listing Rules, refer to Note VI. 2. Before this combination, the Company and ZNERCC were controlled by the same parent company. In accordance with the requirements of Accounting Standards for Business Enterprises, the transactions in the period from 1 January 2016 to 21 December 2016 between the Group and ZNERCC, including sales of goods amounting to RMB148,892,477, technical service provided amounting to RMB3,868, maintenance service provided amounting to RMB247,269, purchases of goods amounting to RMB29,672,273, purchases of water and electricity amounting to RMB258,617 with related party were offset by the Group. Meanwhile, the transactions in the period from 1 January 2016 to 21 December 2016 between ZNERCC and other related parties of CRRC Group, including sales of goods amounting to RMB100,372,215 and purchases of goods amounting to RMB27,903,783 were added to the transactions between the Group and its related parties.

In accordance with the requirements of Accounting Standards for Business Enterprises, the transactions in 2015 between the Group and ZNERCC, including sales of goods amounting to RMB101,318,657, technical service provided amounting to RMB315,742, maintenance service provided amounting to RMB314,358, purchases of goods amounting to RMB9,868,634, purchases of water and electricity amounting to RMB338,778 with related party were offset by the Group. Meanwhile, the transactions in 2015 between ZNERCC and other related parties, including sales of goods amounting to RMB36,168,060 and purchases of goods amounting to RMB27,003,843 were added to the transactions between the Group and its related parties.

X. Related party relationships and transactions (continued)

6. Amounts due from and due to related parties (continued)

Goods and service provided amounting to RMB7,140,418,596 (2015: RMB7,859,522,598) and purchases of goods and service amounting to RMB1,648,450,192 (2015:RMB 1,535,238,302) in the above related parties between the Group and the parent company and corporations controlled by the parent company, ultimate holding party and corporations controlled by the ultimate holding party, joint ventures of the ultimate holding party, the ultimate holding party and associates with above 30% share held by the ultimate holding party, also constituted connected transactions or continuing connected transactions under the provisions of Chapter 14A of the Hong Kong Listing Rules. The underlying agreement is the product and supporting service mutual supplying framework agreement signed between the Company and CRRC Group (along with its subsidiaries excluding the Group) on 12 August 2013.

In 2016, goods and service provided amounting to RMB11,391,462 (2015: RMB1,540,328) and purchases of goods and service amounting to RMB1,173,435 (2015: RMB275,481) in the above related parties transactions between the Group (other than Qingdao Electric) and Qingdao Electric, also constituted connected transactions or continuing connected transactions under the provisions of Chapter 14A of the Hong Kong Listing Rules. The underlying agreement is the product and supporting service mutual supplying framework agreement signed between the Company and Qingdao Electric (along with its subsidiaries) on 2 July 2014.

Leasing out fixed assets amounting to RMB2,025,818 (2015: RMB9,698,377) in the above related parties transactions between the Group and the parent company and corporations controlled by the parent company also constituted connected transactions or continuing connected transactions under the provisions of Chapter 14A of the Hong Kong Listing Rules. The underlying agreement is the first, second and third copies of the lease agreement on buildings, facilities and services signed on 1 January 2015 and the fourth copy lease agreement on buildings and facilities signed on 12 June 2015 between the Company and the parent company.

Leasing in fixed assets amounting to RMB92,404,333 (2015:RMB184,808,666) in the above related parties transactions between the Group and the parent company also constituted connected transactions or continuing connected transactions under the provisions of Chapter 14A of the Hong Kong Listing Rules. The underlying agreement is the IGBT line lease agreement signed between the Company and the parent company on 25 September 2014.

The Company's bills receivable from and bills payable to related parties are non-interest-bearing, unsecured and have fixed terms of repayment, cash and bank deposits are interest-bearing, unsecured and have no fixed terms of repayment, and short-term borrowings and long-term borrowings are interest-bearing, unsecured and have fixed terms of repayment. Other amounts due from and due to related parties are non-interest-bearing and unsecured. In particular, the repayment period of trading amounts is subjected to the provisions of the trading terms, and non-trading amounts have no fixed repayment periods

XI. Commitments and contingencies

1. Commitments

	31 December 2016	31 December 2015 (Restated)
Contracted but not provided for		
Capital commitments:	**61,832,679**	87,658,109

2. Contingencies

As of the balance sheet date, except for the other non-current liabilities event disclosed in Note V. 32, the Group had no contingencies which should be disclosed.

XII. Post balance sheet events

As of the balance sheet date, except for the dividend distribution event proposed by the board of directors disclosed in Note V.38, the Group had no post balance sheet events which should be disclosed.

XIII. Other significant events

1. Segment reporting

Operating segments

For management purposes, the Group's operating activities are attributable to a single operating segment, focusing on the provision of rolling stock and its extension products and services in the market. Therefore, no other operating segment is presented.

Other information

Products and services information

Revenue from external customers

	2016	2015 (Restated)
Railway transportation equipment and relevant products and services	**14,657,819,563**	14,800,035,474

Geographical information

Revenue from external customers

	2016	2015 (Restated)
Mainland China	**14,229,072,170**	14,271,057,319
Other countries and regions	**428,747,393**	528,978,155
	14,657,819,563	14,800,035,474

Revenue from external customers is analysed by geographic locations where the customers are located.

Total non-current assets

	31 December 2016	31 December 2015 (Restated)
Mainland China	**3,489,475,020**	2,352,805,040
Other countries and regions	**1,021,669,709**	1,250,471,631
	4,511,144,729	3,603,276,671

Non-current assets are analysed by geographic locations where the assets are located, excluding financial assets and deferred tax assets.

XIII. Other significant events (continued)

1. Segment reporting (continued)

Other information (continued)

Information of major customers

In 2016, the Group's operating revenue (which accounted for more than 10% of the Group's total revenue) of RMB6,949,806,026 was derived from sales to a single customer (including sales to a group of entities which are known to be under the control of that customer) (2015 (Restated): RMB7,796,419,085 from all the entities)).

2. Operating lease

As lessor

The leases of the Group as lessor were the operating leases of buildings. Please refer to Note V. 11 for details. According to the lease contracts entered into with lessees, the minimum lease receivables under irrevocable leases are as follows:

	31 December 2016	31 December 2015 (Restated)
Within 1 year, inclusive	**6,731,757**	6,701,317
1 to 2 years, inclusive	**3,906,225**	4,113,825
2 to 3 years, inclusive	**3,971,448**	3,629,025
Over 3 years	**15,110,425**	18,804,672
	29,719,855	33,248,839

As lessee

Significant operating leases

According to the lease contracts entered into with lessors, the minimum lease payables under irrevocable leases are as follows:

	31 December 2016	31 December 2015 (Restated)
Within 1 year, inclusive	**10,929,862**	224,301,168
1 to 2 years, inclusive	**5,806,225**	146,968,493
2 to 3 years, inclusive	**3,086,733**	5,139,805
Over 3 years	**16,481,634**	21,765,399
	36,304,454	398,174,865

XIII. Other significant events (continued)

3. Other financial information

(1) Net current assets and total assets less current liabilities

	31 December 2016		31 December 2015 (Restated)	
	Group	**Company**	Group	Company
Net current assets	**12,109,069,957**	**10,317,492,740**	12,291,870,415	10,737,478,727
Total assets less current liabilities	**16,972,266,964**	**16,218,546,881**	16,199,883,921	14,228,898,903

(2) Contributions paid to pension plans

	2016	2015 (Restated)
Contributions paid to pension plans	**169,942,018**	157,147,286

As at 31 December 2016, the Group was not mandated to withdraw any amount of contributions in order to reduce the contribution amounts to pension plans in future years (31 December 2015 (Restated): Nil).

(3) Remuneration of directors, supervisors and chief executive

Remuneration of directors, supervisors and chief executive for the current year is disclosed as follows:

	2016	2015 (Restated)
Fees	**864,975**	920,826
Other emoluments:		
Salaries, allowances and benefits in kind	**1,641,920**	1,615,921
Performance related bonuses	**1,856,928**	2,599,400
Pension scheme contributions	**180,896**	179,258
	3,679,744	4,394,579
	4,544,719	5,315,405

XIII. Other significant events (continued)

3. Other financial information (continued)

(3) Remuneration of directors, supervisors and chief executive (continued)

2016

	Fees	Salaries, allowances and benefits in kind	Performance related bonuses	Pension scheme contributions	Total
Executive directors					
Ding Rongjun	–	–	–	–	–
Li Donglin (chief executive) (Note 1)	–	–	–	–	–
Deng Huijin (Note 2)	–	–	–	–	–
Liu Ke'an	–	511,790	730,307	45,224	1,287,321
Yan Wu	–	385,474	411,152	45,224	841,850
	–	897,264	1,141,459	90,448	2,129,171
Non-executive directors					
Ma Yunkun	92,857	–	–	–	92,857
	92,857	–	–	–	92,857
Independent non-executive directors					
Gao Yucai (Note 3)	29,262	–	–	–	29,262
Chan Kam Wing, Clement	278,571	–	–	–	278,571
Pao Ping Wing	278,571	–	–	–	278,571
Liu Chunru	92,857	–	–	–	92,857
	679,261	–	–	–	679,261
Supervisors					
Xiong Ruihua	–	–	–	–	–
Pang Yiming	–	314,914	224,751	45,224	584,889
Zhou Guifa	–	429,742	490,718	45,224	965,684
Geng Jianxin	92,857	–	–	–	92,857
	92,857	744,656	715,469	90,448	1,643,430
	864,975	1,641,920	1,856,928	180,896	4,544,719

XIII. Other significant events (continued)

3. Other financial information (continued)

(3) Remuneration of directors, supervisors and chief executive (continued)

2015 (Restated)

	Fees	Salaries, allowances and benefits in kind	Performance related bonuses	Pension scheme contributions	Total
Executive directors					
Ding Rongjun	—	—	—	—	—
Li Donglin (chief executive)	—	499,567	1,096,882	41,954	1,638,403
Deng Huijin	—	—	—	—	—
Yan Wu	—	382,532	431,037	45,768	859,337
	—	882,099	1,527,919	87,722	2,497,740
Non-executive directors					
Ma Yunkun	85,113	—	—	—	85,113
	85,113	—	—	—	85,113
Independent non-executive directors					
Gao Yucai	92,857	—	—	—	92,857
Chan Kam Wing, Clement	278,571	—	—	—	278,571
Pao Ping Wing	278,571	—	—	—	278,571
Liu Chunru	92,857	—	—	—	92,857
	742,856	—	—	—	742,856
Supervisors					
Xiong Ruihua	—	—	—	—	—
Pang Yiming	—	311,972	467,502	45,768	825,242
Zhou Guifa	—	421,850	603,979	45,768	1,071,597
Geng Jianxin	92,857	—	—	—	92,857
	92,857	733,822	1,071,481	91,536	1,989,696
	920,826	1,615,921	2,599,400	179,258	5,315,405

Note1: As at 12 January 2016, Li Donglin resigned as the executive director of the Company. Liu Ke'an became the executive director of the Company. As at 28 March 2017, Li Donglin became the executive director of the Company.

Note2: As at 28 March 2017, Deng Huijin resigned as the executive director of the Company.

Note3: As at 23 March 2016, Gao Yucai resigned as the independent non-executive director of the Company. As at 28 March 2017, Chen Xiaoming became the independent non-executive director of the Company.

XIII. Other significant events (continued)

3. Other financial information (continued)

(3) Remuneration of directors, supervisors and chief executive (continued)

The five highest paid employees of the Group are as follows:

	2016	2015 (Restated)
Director, supervisor and chief executive	1	1
Non-director and non-supervisor employee	4	4
	5	5

The remuneration paid to the above non-director, non-supervisor and non-chief executive highest paid employees is as follows:

	2016	2015 (Restated)
Salaries, allowances and benefits in kind	6,216,721	9,643,514
Performance related bonuses	546,671	1,230,871
Pension scheme contributions	342,529	358,431
	7,105,921	11,232,816

The number of the non-director, non-supervisor and non-chief executive highest paid employees whose remuneration fell within the following bands is as follows:

	2016	2015 (Restated)
HKD1,000,001 to HKD2,000,000	3	1
HKD2,000,001 to HKD3,000,000	–	1
HKD3,000,001 to HKD4,000,000	1	1
HKD4,000,001 to HKD5,000,000	–	1
	4	4

In 2016, Ding Rongjun waived the allowance of RMB104,000 after tax per year. Deng Huijin waived the allowance of RMB78,000 after tax per year. Liu Ke'an and Yan Wu waived the allowance of RMB65,000 after tax each per year. In addition, Xiong Ruitua waived the allowance of RMB52,000 after tax per year. Pang Yiming waived the allowance of RMB26,000 after tax per year. Besides, there were no other director, supervisor, chief executive or any of the non-director, non-supervisor, non-chief executive highest paid individual who waived or agreed to waive any emoluments. No emoluments were paid by the Group to any director, supervisor, chief executive and any non-director and non-supervisor highest paid individual as an inducement to join or upon joining the Group, or as compensation for loss of office. (2015 (Restated): Nil)

XIII. Other significant events (continued)

4. Comparative information

As stated in Note VI.2, the Group completed the business combination under common control of ZNERCC during the current period, and hence the comparative information of consolidated financial statements are restated to include the financial position, financial performance and cash flows of the acquiree, to conform the presentation and accounting treatment for the current year.

XIV. Notes to Key Items of the Company's Financial Statements

1. Cash and bank balances

	31 December 2016	31 December 2015
Cash in bank	**2,082,511,996**	2,754,350,998
Other cash and bank balances	**12,486,372**	12,442,282
	2,094,998,368	2,766,793,280

As at 31 December 2016, the cash and bank balance of RMB12,486,372 (31 December 2015: RMB12,442,282) of the Company is restricted as security deposit for issuance of bank letters of guarantee.

As at 31 December 2016, no cash and bank balances was deposited overseas by the Company (31 December 2015: nil).

Interest income earned on current deposits is calculated by using the current deposit interest rate. The deposit periods for short-term deposits vary from 1 day to 3 months depending on the cash requirements of the Company and earn interest at the respective deposit rates.

2. Bills receivable

	31 December 2016	31 December 2015
Bank acceptance bills	**1,115,404,736**	2,067,987,071
Commercial acceptance bills	**2,882,638,490**	1,689,491,042
	3,998,043,226	3,757,478,113

Five highest bills receivable are listed as follows:

	31 December 2016
Shiling	**580,000,000**
Non-related party 1	**573,195,234**
CRRC Zhuzhou Locomotive Co., Ltd.	**451,108,027**
Guangzhou Locomotive Co., Ltd.	**350,000,000**
Non-related party 2	**307,902,500**
	2,262,205,761

XIV. Notes to Key Items of the Company's Financial Statements (continued)

2. Bills receivable (continued)

Five highest bills receivable are listed as follows (continued):

	31 December 2015
CRRC Zhuzhou Locomotive Co., Ltd.	572,000,000
CRRC Ziyang Co., Ltd.	473,000,000
Non-related party 1	413,280,450
Non-related party 2	322,572,350
CRRC Qishuyan Co., Ltd.	321,600,000
	2,102,452,800

3. Trade receivables

The credit period of trade receivables is usually 6 months. The trade receivables bear no interest.

Maturity analysis:

	31 December 2016	31 December 2015
Within 6 months	**3,646,465,127**	3,095,663,847
6 months to 1 year	**438,241,359**	399,341,554
1 to 2 years	**412,332,616**	429,310,695
2 to 3 years	**124,647,210**	116,865,529
Over 3 years	**44,387,112**	20,863,402
	4,666,073,424	4,062,045,027
Less: Provision for bad debt	**116,295,954**	98,154,429
	4,549,777,470	3,963,890,598
Less: Classified as non-current assets (Note XIV. 9)	**4,308,988**	3,337,685
	4,545,468,482	3,960,552,913

XIV. Notes to Key Items of the Company's Financial Statements (continued)

3. Trade receivables (continued)

The movements of provision for bad debt are as follows:

	2016	2015
Opening balance	98,154,429	99,729,772
Provision in the current year	26,930,609	42,604,342
Reversal in the current year	(8,290,631)	(42,638,431)
Write-off in the current year	(498,453)	(1,541,254)
Closing balance	116,295,954	98,154,429

Five highest trade receivables (including long-term trade receivables) are listed as follows:

	31 December 2016
CRRC Qingdao Sifang Co., Ltd.	932,095,464
CRRC Zhuzhou Locomotive Co., Ltd.	392,979,032
Times Electronics	181,980,196
ZNERCC	139,076,717
Non-related party 1	126,776,810
	1,772,908,219

	31 December 2015
CRRC Zhuzhou Locomotive Co., Ltd.	483,075,646
Times Electronics	454,309,540
CRRC Qingdao Sifang Co., Ltd.	400,426,622
Non-related party 1	187,100,443
Non-related party 2	156,859,466
	1,681,771,717

XIV. Notes to Key Items of the Company's Financial Statements (continued)

4. Dividends receivable

	31 December 2016	31 December 2015
Guangzhou Electronics	**4,500,000**	—

5. Prepayments

Maturity analysis:

	31 December 2016	31 December 2015
Within 1 year	**48,941,680**	93,249,265
1 to 2 years	**1,426,537**	3,731,836
2 to 3 years	**2,671,569**	2,401,953
Over 3 years	**1,082,507**	1,115,554
	54,122,293	100,498,608

Five highest prepayments are as follows:

	31 December 2016
Zhuzhou CRRC Electromechanical Technology Co., Ltd.	**12,456,260**
Non-related party 1	**9,856,000**
Non-related party 2	**8,584,119**
Non-related party 3	**7,493,696**
Non-related party 4	**1,295,476**
	39,685,551

	31 December 2015
Dynex Semiconductor	29,852,013
Non-related party 1	25,100,720
CRRC Wabtec	17,599,826
Non-related party 2	8,555,100
Non-related party 3	4,121,332
	85,228,991

XIV. Notes to Key Items of the Company's Financial Statements (continued)

6. Other receivables

Maturity analysis:

	31 December 2016	31 December 2015
Within 1 year	184,238,356	155,067,698
1 to 2 years	108,934,801	12,367,304
2 to 3 years	183,198	21,293,693
Over 3 years	55,595,436	90,318,065
	348,951,791	279,046,760
Less: Provision for bad debt	2,603,152	3,962,449
	346,348,639	275,084,311

The movements of provision for bad debt are as follows:

	2016	2015
Opening balance	3,962,449	4,501,538
Accrual of current year	–	1,343,831
Reversal in the current year	(1,348,297)	(1,673,220)
Write-off in the current year	(11,000)	(209,700)
Closing balance	2,603,152	3,962,449

Other receivables by nature are as follows:

	31 December 2016	31 December 2015
Receivables from subsidiaries	284,131,911	235,492,314
Tender deposit	48,713,917	25,006,064
Others	13,502,811	14,585,933
	346,348,639	275,084,311

XIV. Notes to Key Items of the Company's Financial Statements (continued)

6. Other receivables (continued)

Five highest other receivables are as follows:

	31 December 2016
Ningbo Electric	77,600,000
Beijing CRRC Intelligent Control	69,290,376
Baoji Times	55,634,658
HK Electric	42,547,000
Times Software	31,575,985
	276,648,019

	31 December 2015
Beijing CRRC Intelligent Control	65,630,216
Ningbo Electric	57,600,000
Kunming Electric	52,095,000
HK Electric	48,360,244
Baoji Times	4,860,000
	228,545,460

7. Inventories

	31 December 2016		
	Gross carrying amount	Impairment provision	Carrying amount
Raw materials	657,146,932	77,576,991	579,569,941
Semi-finished products	338,356,179	96,363,071	241,993,108
Work in progress	80,256,415	–	80,256,415
Finished goods	1,223,224,061	17,011,554	1,206,212,507
Turnover materials	17,759,211	1,095,354	16,663,857
	2,316,742,798	192,046,970	2,124,695,828

XIV. Notes to Key Items of the Company's Financial Statements (continued)

7. Inventories (continued)

	31 December 2015		
	Gross carrying amount	Impairment provision	Carrying amount
Raw materials	532,941,985	66,801,789	466,140,196
Semi-finished products	305,856,260	67,909,341	237,946,919
Work in progress	93,250,337	—	93,250,337
Finished goods	1,488,174,493	10,541,756	1,477,632,737
Turnover materials	14,778,398	1,502,174	13,276,224
	2,435,001,473	146,755,060	2,288,246,413

The movements of provision for impairment of inventories are as follows:

2016

	Opening balance	**Provision**	**Write-off and reversal**	**Closing balance**
Raw materials	**66,801,789**	**10,775,202**	**—**	**77,576,991**
Semi-finished products	**67,909,341**	**28,619,321**	**(165,591)**	**96,363,071**
Finished goods	**10,541,756**	**6,469,798**	**—**	**17,011,554**
Turnover materials	**1,502,174**	**—**	**(406,820)**	**1,095,354**
	146,755,060	**45,864,321**	**(572,411)**	**192,046,970**

2015

	Opening balance	Provision	Write-off and reversal	Closing balance
Raw materials	33,383,431	33,418,358	—	66,801,789
Semi-finished products	45,041,013	59,367,471	(36,499,143)	67,909,341
Finished goods	5,110,764	5,754,661	(323,669)	10,541,756
Turnover materials	349,879	1,152,295	—	1,502,174
	83,885,087	99,692,785	(36,822,812)	146,755,060

XIV. Notes to Key Items of the Company's Financial Statements (continued)

8. Other current assets

	31 December 2016	31 December 2015
Bank financial products(Note)	2,300,752,192	2,901,794,247
Value-added tax retained	119,072,313	17,783,516
Other tax retained	—	25,535,287
	2,419,824,505	2,945,113,050

Note: As at 31 December 2016, the bank financial products held by the Company are with expected yield rates from 2.50% to 4.30% (31 December 2015: 3.10%-4.05%). These bank financial products will expire in succession before 12 April 2017.

9. Long-term receivables

	31 December 2016	31 December 2015
Trade receivables (Note XIV. 3)	4,308,988	3,337,685
Receivables from subsidiaries	921,335,000	—
	925,643,988	3,337,685
Less: Long-term receivables due within one year	—	—
	925,643,988	3,337,685

10. Long-term equity investments

	31 December 2016	31 December 2015
Long-term equity investments using equity method	227,874,180	219,963,217
Long-term equity investments using cost method	1,996,913,371	1,516,258,390
	2,224,787,551	1,736,221,607
Less: Impairment of long-term investments	178,169,001	49,699,261
	2,046,618,550	1,686,522,346

Changes in long-term equity investments impairment are as follows:

	2016	2015
Opening balance	49,699,261	49,699,261
Provision in the current year	128,469,740	—
Closing balance	178,169,001	49,699,261

XIV. Notes to Key Items of the Company's Financial Statements (continued)

10. Long-term equity investments (continued)

Long-term equity investments using equity method

2016

	Opening balance	Current period movements: Investment current year	Impact of unrealised profits	Investment income under equity method	Cash dividends announced	Closing balance
Non-listed investments						
Equity method						
A joint venture						
Shiling	157,255,872	–	(5,527,672)	41,038,861	(34,500,000)	158,267,061
Shanghai Shentong CRRC	–	5,000,000	–	547,428	–	5,547,428
	157,255,872	5,000,000	(5,527,672)	41,586,289	(34,500,000)	163,814,489
Associates						
Zhuzhou Siemens	52,750,239	–	–	3,673,623	(4,552,116)	51,871,746
CRRC Wabtec	9,957,106	–	–	2,230,839	–	12,187,945
	62,707,345	–	–	5,904,462	(4,552,116)	64,059,691
	219,963,217	5,000,000	(5,527,672)	47,490,751	(39,052,116)	227,874,180

2015

	Opening balance	Current period movements: Impact of unrealised profits	Investment income under equity method	Cash dividends announced	Closing balance
Non-listed investments					
Equity method					
A joint venture					
Shiling	180,186,598	(22,846,297)	49,915,571	(50,000,000)	157,255,872
Associates					
Zhuzhou Siemens	49,577,867	–	3,172,372	–	52,750,239
CRRC Wabtec	7,246,040	–	2,711,066	–	9,957,106
	56,823,907	–	5,883,438	–	62,707,345
	237,010,505	(22,846,297)	55,799,009	(50,000,000)	219,963,217

XIV. Notes to Key Items of the Company's Financial Statements (continued)

10. Long-term equity investments (continued)

Long-term equity investments using cost method

2016

	Opening balance	Changes	Closing balance
Non-listed investments			
Times Electronics	182,977,618	–	182,977,618
Ningbo Times	133,507,255	–	133,507,255
Beijing CRRC Intelligent Control	29,000,000	–	29,000,000
Times USA	3,187,516	–	3,187,516
Times Equipment	99,561,157	–	99,561,157
Shenyang Times	56,000,000	–	56,000,000
Baoji Times	260,000,000	–	260,000,000
Kunming Electric	3,000,000	52,000,000	55,000,000
Hangzhou Electric	33,000,000	–	33,000,000
Guangzhou Times	18,000,000	–	18,000,000
HK Electric	352,308,400	–	352,308,400
Times Australia	1,814,037	–	1,814,037
Ningbo Electric	10,000,000	–	10,000,000
Times Brasil	4,062,679	–	4,062,679
Qingdao Electric	22,500,000	22,500,000	45,000,000
Wenzhou Electric	15,300,000	–	15,300,000
Times Software	50,000,000	–	50,000,000
Shanghai CRRC Rail Transit	25,500,000	–	25,500,000
Times Signal & Communication	–	100,000,000	100,000,000
Lanzhou Times	–	25,500,000	25,500,000
ZNERCC	–	280,654,981	280,654,981
	1,299,718,662	480,654,981	1,780,373,643
Listed investments			
Dynex	216,539,728	–	216,539,728
	1,516,258,390	480,654,981	1,996,913,371
Less: Impairment of long-term investments	49,699,261	128,469,740	178,169,001
	1,466,559,129	352,185,241	1,818,744,370

XIV. Notes to Key Items of the Company's Financial Statements (continued)

10. Long-term equity investments (continued)

Long-term equity investments using cost method (continued)

2015

	Opening balance	Changes	Closing balance
Non-listed investments			
Times Electronics	182,977,618	—	182,977,618
Ningbo Times	133,507,255	—	133,507,255
Beijing CRRC Intelligent Control	29,000,000	—	29,000,000
Times USA	3,187,516	—	3,187,516
Times Equipment	99,561,157	—	99,561,157
Shenyang Times	56,000,000	—	56,000,000
Baoji Times	260,000,000	—	260,000,000
Kunming Electric	3,000,000	—	3,000,000
Hangzhou Electric	33,000,000	—	33,000,000
Guangzhou Times	18,000,000	—	18,000,000
HK Electric	8,098,000	344,210,400	352,308,400
Times Australia	1,814,037	—	1,814,037
Ningbo Electric	10,000,000	—	10,000,000
Times Brasil	4,062,679	—	4,062,679
Qingdao Electric	22,500,000	—	22,500,000
Wenzhou Electric	—	15,300,000	15,300,000
Times Software	—	50,000,000	50,000,000
Shanghai CRRC Rail Transit	25,500,000	—	25,500,000
	890,208,262	409,510,400	1,299,718,662
Listed investments			
Dynex	216,539,728	—	216,539,728
	1,106,747,990	409,510,400	1,516,258,390
Less: Impairment of long-term investments	49,699,261	—	49,699,261
	1,057,048,729	409,510,400	1,466,559,129

XIV. Notes to Key Items of the Company's Financial Statements (continued)

11. Fixed assets

2016

	Buildings	Machinery	Vehicles	Office facilities and others	Total
Cost					
Opening balance	873,000,009	947,643,865	25,480,030	157,967,049	2,004,090,953
Purchase	347,349,182	618,562,828	2,088,882	60,359,182	1,028,360,074
Construction in progress	14,304,044	131,025,636	–	679,237	146,008,917
Sale and disposal	–	(52,709,014)	(1,475,766)	(9,538,261)	(63,723,041)
Closing balance	1,234,653,235	1,644,523,315	26,093,146	209,467,207	3,114,736,903
Accumulated depreciation					
Opening balance	161,856,955	515,321,905	17,923,456	91,288,161	786,390,477
Increase	31,164,265	120,950,388	2,357,668	19,525,829	173,998,150
Write-off	–	(39,505,044)	(1,401,978)	(7,917,072)	(48,824,094)
Closing balance	193,021,220	596,767,249	18,879,146	102,896,918	911,564,533
Impairment provision					
Opening balance	10,513,264	56,370,266	–	715,618	67,599,148
Increase	–	2,413,142	–	–	2,413,142
Write-off	–	(9,219,078)	–	(7,973)	(9,227,051)
Closing balance	10,513,264	49,564,330	–	707,645	60,785,239
Net carrying amount					
31 December 2016	1,031,118,751	998,191,736	7,214,000	105,862,644	2,142,387,131
31 December 2015	700,629,790	375,951,694	7,556,574	65,963,270	1,150,101,328

XIV. Notes to Key Items of the Company's Financial Statements (continued)

11. Fixed assets (continued)

2015

	Buildings	Machinery	Vehicles	Office facilities and others	Total
Cost					
Opening balance	863,781,874	907,448,031	22,077,650	124,665,898	1,917,973,453
Purchase	–	22,898,274	3,873,084	31,676,298	58,447,656
Construction in progress	12,837,897	43,102,416	–	4,244,605	60,184,918
Sale and disposal	–	(19,753,200)	(470,704)	(2,619,752)	(22,843,656)
Other decrease	(3,619,762)	(6,051,656)	–	–	(9,671,418)
Closing balance	873,000,009	947,643,865	25,480,030	157,967,049	2,004,090,953
Accumulated depreciation					
Opening balance	136,641,269	416,039,454	15,609,950	79,406,445	647,697,118
Increase	25,215,686	114,710,465	2,760,675	14,091,296	156,778,122
Write-off	–	(15,428,014)	(447,169)	(2,209,580)	(18,084,763)
Closing balance	161,856,955	515,321,905	17,923,456	91,288,161	786,390,477
Impairment provision					
Opening balance	10,513,264	53,103,610	–	117,112	63,733,986
Increase	–	4,510,982	–	602,891	5,113,873
Write-off	–	(1,244,326)	–	(4,385)	(1,248,711)
Closing balance	10,513,264	56,370,266	–	715,618	67,599,148
Net carrying amount					
31 December 2015	700,629,790	375,951,694	7,556,574	65,963,270	1,150,101,328
31 December 2014	716,627,341	438,304,967	6,467,700	45,142,341	1,206,542,349

The carrying amount of fixed assets on operating lease is as follows:

	31 December 2016	31 December 2015
Buildings	**53,861,012**	53,840,320

XIV. Notes to Key Items of the Company's Financial Statements (continued)

12. Construction in Progress

	31 December 2016	31 December 2015
Semiconductor key lab construction project	89,721,848	24,535,133
Semiconductor implantation equipment project	27,814,367	–
Copper electroplating system	14,595,848	14,595,848
PECVDs equipment	13,241,298	–
Motor driver lab construction project	10,179,487	–
Overhaul and inspection equipments for after-sale service department	7,140,595	–
Power electronic devices & electric drive system test platform construction project	666,000	91,493,884
Maotangao staff dorm building B interior decoration project	–	9,347,570
Electron irradiation processing facility construction project	–	7,134,987
Others	23,970,872	17,069,599
	187,330,315	164,177,021

The movements of construction in progress in 2016 are as follows:

	Budget	Opening balance	Increase	Transfers to fixed assets	Closing balance	Capital resource	Proportion of budget invested
Semiconductor key lab construction project	292,650,000	24,535,133	65,186,715	–	89,721,848	Self-raised and government grant	31%
Semiconductor implantation equipment project	32,000,000	–	27,814,367	–	27,814,367	Government grant	87%
Copper electroplating system	15,426,100	14,595,848	–	–	14,595,848	Self-raised	95%
PECVDs equipment	13,500,000	–	13,241,298	–	13,241,298	Government grant	98%
Motor driver lab construction project	21,900,000	–	10,179,487	–	10,179,487	Self-raised and government grant	46%
Overhaul and inspection equipments for after-sale service department	7,140,595	–	7,140,595	–	7,140,595	Self-raised	100%
Power electronic devices & electric drive system test platform construction project	156,100,000	91,493,884	10,662,624	101,490,508	666,000	Self-raised	75%
Maotangao staff dorm building B interior decoration project	9,371,700	9,347,570	266,645	9,614,215	–	Self-raised	100%
Electron irradiation processing facility construction project	7,500,000	7,134,987	304,094	7,439,081	–	Self-raised	99%
Others		17,069,599	34,366,386	27,465,113	23,970,872		
		164,177,021	169,162,211	146,008,917	187,330,315		

XIV. Notes to Key Items of the Company's Financial Statements (continued)

12. Construction in Progress (continued)

The movements of construction in progress in 2015 are as follows:

	Budget	Opening balance	Increase	Transfers to fixed assets	Closing balance	Capital resource	Proportion of budget invested
Power electronic devices & electric drive system test platform construction project	156,100,000	88,054,052	17,818,464	14,378,632	91,493,884	Self-raised	68%
Semiconductor key lab construction project	292,650,000	1,538,331	22,996,802	–	24,535,133	Self-raised and government grant	8%
Copper Electroplating System	15,426,100	–	14,595,848	–	14,595,848	Self-raised	95%
Maotangao staff dorm building B interior decoration project	9,371,700	3,269,048	6,078,522	–	9,347,570	Self-raised	100%
Electron irradiation processing facility construction project	7,500,000	4,203,858	3,117,453	186,324	7,134,987	Self-raised	98%
Maotangao staff dorm construction project	121,436,500	5,389,782	9,281,450	14,671,232	–	Self-raised	100%
Others		16,436,338	31,581,991	30,948,730	17,069,599	Self-raised and government grant	
		118,891,409	105,470,530	60,184,918	164,177,021		

Note: The Company received special loan for constructions in progress. The interest expense amounting to RMB1,096,476 has been capitalised. (2015: RMB 139,972)

XIV. Notes to Key Items of the Company's Financial Statements (continued)

13. Intangible assets

2016

	Land use rights	Software licenses	Patents, licenses and technical know-how	Total
Cost				
Opening balance	74,494,406	74,239,113	285,075,065	433,808,584
Purchase	35,974,978	17,337,772	17,309,390	70,622,140
Closing balance	110,469,384	91,576,885	302,384,455	504,430,724
Accumulated amortisation				
Opening balance	13,935,654	63,502,223	38,374,680	115,812,557
Increase	1,837,373	4,209,428	16,010,490	22,057,291
Closing balance	15,773,027	67,711,651	54,385,170	137,869,848
Impairment provision				
Opening balance	—	—	131,627,620	131,627,620
Closing balance	—	—	131,627,620	131,627,620
Net carrying amount				
31 December 2016	94,696,357	23,865,234	116,371,665	234,933,256
31 December 2015	60,558,752	10,736,890	115,072,765	186,368,407

2015

	Land use rights	Software licenses	Patents, licenses and technical know-how	Total
Cost				
Opening balance	74,494,406	69,430,395	202,947,781	346,872,582
Purchase	—	4,808,718	82,127,284	86,936,002
Closing balance	74,494,406	74,239,113	285,075,065	433,808,584
Accumulated amortisation				
Opening balance	12,458,031	56,438,005	30,688,333	99,584,369
Increase	1,477,623	7,064,218	7,686,347	16,228,188
Closing balance	13,935,654	63,502,223	38,374,680	115,812,557
Impairment provision				
Opening balance	—	—	131,627,620	131,627,620
Closing balance	—	—	131,627,620	131,627,620
Net carrying amount				
31 December 2015	60,558,752	10,736,890	115,072,765	186,368,407
31 December 2014	62,036,375	12,992,390	40,631,828	115,660,593

XIV. Notes to Key Items of the Company's Financial Statements (continued)

14. Deferred tax assets

	31 December 2016		31 December 2015	
	Deductible temporary differences	**Deferred tax assets**	Deductible temporary differences	Deferred tax assets
Provision for product quality warranties	**562,240,833**	**84,336,125**	842,666,295	126,399,944
Provision for impairment of assets	**474,081,623**	**71,112,243**	431,984,157	64,797,623
Government grants	**328,789,231**	**49,318,385**	267,358,640	40,103,796
Depreciation differences arising from different depreciation terms in tax laws and accounting	**100,209,083**	**15,031,362**	101,068,579	15,160,287
Payroll payable	**—**	**—**	14,023,402	2,103,510
Special reserve	**6,781,144**	**1,017,172**	4,096,637	614,496
Accrued expense	**50,140,546**	**7,521,082**	—	—
	1,522,242,460	**228,336,369**	1,661,197,710	249,179,656

15. Bills payable

	31 December 2016	31 December 2015
Commercial acceptance bills	**211,538,939**	311,859,145
Bank acceptance bills	**1,012,016,990**	1,094,352,237
	1,223,555,929	1,406,211,382

16. Trade payables

The trade payables are non-interest-bearing and generally have an average payment term of 3 months.

	31 December 2016	31 December 2015
Within 3 months	**1,973,579,188**	1,981,014,774
3 months to 1 year	**369,297,368**	188,489,547
1 to 2 years	**60,773,556**	79,965,499
2 to 3 years	**72,743,713**	21,047,485
Over 3 years	**83,197,992**	100,385,338
	2,559,591,817	2,370,902,643
Less: Classified as long-term payables	**100,662,888**	116,298,371
	2,458,928,929	2,254,604,272

XIV. Notes to Key Items of the Company's Financial Statements (continued)

17. Advances from customers

	31 December 2016	31 December 2015
Within 1 year	**440,936,164**	680,580,384
1 to 2 years	**226,258,469**	89,610,239
2 to 3 years	**13,838,595**	4,280,795
Over 3 years	**3,457,484**	1,409,557
	684,490,712	775,880,975

18. Taxes payable

	31 December 2016	31 December 2015
Corporate income tax	**80,474,120**	150,829,766
Value-added tax	**35,179,896**	10,545,664
City maintenance and construction and education surcharge	**5,077,006**	6,747,064
Individual income tax	**38,305,246**	23,582,803
Others	**3,425,117**	37,075
	162,461,385	191,742,372

19. Other payables

	31 December 2016	31 December 2015
Within 1 year	**199,299,915**	120,774,150
1 to 2 years	**45,639,437**	149,003,645
2 to 3 years	**139,424,067**	3,312,456
Over 3 years	**28,298,484**	27,954,765
	412,661,903	301,045,016

XIV. Notes to Key Items of the Company's Financial Statements (continued)

20. Provisions

2016

	Opening balance	Increase	Decrease	Closing balance
Provision for product quality warranties	842,666,295	102,757,184	383,182,646	562,240,833
Less: Provisions due within one year				235,516,065
				326,724,768

2015

	Opening balance	Increase	Decrease	Closing balance
Provision for product quality warranties	797,513,606	306,173,933	261,021,244	842,666,295
Less: Provisions due within one year				334,500,647
				508,165,648

21. Deferred income

	31 December 2016	31 December 2015
Government grants related to assets	284,107,139	233,577,640
Government grants related to income	44,682,092	33,781,000
	328,789,231	267,358,640
Less: Classified as current liabilities	69,458,807	58,097,585
Government grant recognised as non-current liabilities	259,330,424	209,261,055

XIV. Notes to Key Items of the Company's Financial Statements (continued)

21. Deferred income (continued)

Liabilities relevant to government grants at 31 December 2016 are listed as follows:

	Opening balance	Increase	Recognised as non-operating income	Other movements	Closing balance	Relevant to asset/income
8 MW golden sun demonstration project	54,458,334	–	(10,891,667)	–	43,566,667	Asset
Maotangao staff dorm building construction project	19,978,472	–	(454,918)	–	19,523,554	Asset
Photovoltaic power generation comprehensive test system construction project	8,391,667	–	(1,900,000)	–	6,491,667	Asset
Industrialization of 200KM EMU AC drive & network control system and ATP control device	8,391,667	–	(1,900,000)	–	6,491,667	Asset
(Power electronics) research for power electronic devices & built for production line	5,600,000	–	(400,000)	–	5,200,000	Asset
High voltage chip packaging and module technology development and industrialization for high speed train application	14,540,000	–	–	–	14,540,000	Income
(Power electronics) integrated manufacturing technology R&D and industrialization of SIC based power electronic devices	53,170,000	19,400,000	–	(3,966,000)	68,604,000	Asset
Construction of intelligent manufacturing works for core components of rolling stock	5,000,000	–	–	–	5,000,000	Asset
Industrial foundation fortification project-production of IGBT module for alternative fuel automobiles	–	23,340,000	–	–	23,340,000	Asset
Sic-based power electronic devices lab & fab construction project	17,000,000	–	–	–	17,000,000	Asset
Test platforms of power electronics devices & electric drive systems	1,500,000	23,410,000	(1,037,917)	–	23,872,083	Asset
The revamping of high voltage and low voltage IGBT chip module production line	50,000,000	–	–	–	50,000,000	Asset
Hunan governmental earmark on the development of mobile internet industry in 2016	–	5,000,000	–	–	5,000,000	Asset
R&D, industrialization of 6-inch SIC wafer and application in high power IGBT	10,000,000	–	–	–	10,000,000	Asset
Others	19,328,500	12,791,000	(1,959,907)	–	30,159,593	Asset/Income
	267,358,640	83,941,000	(18,544,409)	(3,966,000)	328,789,231	

XIV. Notes to Key Items of the Company's Financial Statements (continued)

21. Deferred income (continued)

Liabilities relevant to government grants at 31 December 2015 are listed as follows:

	Opening balance	Increase	Recognized as non-operating income	Other movements	Closing balance	Relevant to asset/income
8 MW golden sun demonstration project	51,430,000	13,920,000	(10,891,666)	–	54,458,334	Asset
Maotangao staff dorm building construction project	20,433,390	–	(454,918)	–	19,978,472	Asset
Photovoltaic power generation comprehensive test system construction project	10,735,000	–	(2,343,333)	–	8,391,667	Asset
Industrialization of 200KM EMU AC drive & network control system and ATP control device	10,291,667	–	(1,900,000)	–	8,391,667	Asset
(Power electronics) research for power electronic devices & built for production Line	6,000,000	–	(400,000)	–	5,600,000	Asset
High voltage chip packaging and module technology development and industrialization for high speed train application	14,224,000	316,000	–	–	14,540,000	Income
(Power electronics) integrated manufacturing technology R&D and industrialization of SIC based power electronic devices	53,170,000	–	–	–	53,170,000	Asset
3.3KV high voltage IGBT for rail transit application project	3,200,000	–	–	–	3,200,000	Income
SIC-based power electronic devices lab & fab construction project	–	17,000,000	–	–	17,000,000	Asset
The revamping of high voltage and low voltage IGBT chip module production line	–	50,000,000	–	–	50,000,000	Asset
Research on key technology of super large power electronic devices and systems	2,530,000	530,000	–	–	3,060,000	Income
R&D, Industrialization of 6-inch SIC wafer and application in high power IGBT	–	10,000,000	–	–	10,000,000	Asset
Others	25,130,000	16,781,000	(20,392,500)	(1,950,000)	19,568,500	Asset/income
	197,144,057	108,547,000	(36,382,417)	(1,950,000)	267,358,640	

XIV. Notes to Key Items of the Company's Financial Statements (continued)

22. Long-term borrowings

	31 December 2016	31 December 2015
Trusted loans	100,188,000	100,188,000
Less: long-term borrowings due within one year	–	–
	100,188,000	100,188,000

Maturity analysis:

	31 December 2016	31 December 2015
Within 1 year	–	–
1 to 2 years	2,500,000	–
2 to 5 years	15,000,000	12,500,000
Over 5 years	82,688,000	87,688,000
	100,188,000	100,188,000

As at 31 December 2016,the annual interest rate of the above borrowings is 1.08% (31 December 2015:1.08%).

23. Revenue and cost of sales

Revenue is also the turnover of the Company and represents the net invoice value of goods sold after deducting returns and trade discounts, the value of services rendered and the total rental income received.

Revenue is stated as follows:

	2016	2015
Revenue from principal operations	11,695,472,733	12,053,069,344
Other operating income	307,681,588	391,377,171
	12,003,154,321	12,444,446,515

Cost of sales is stated as follows:

	2016	2015
Cost of sales from principal operations	7,430,785,383	7,371,135,613
Other operating costs	248,443,221	295,726,525
	7,679,228,604	7,666,862,138

XIV. Notes to Key Items of the Company's Financial Statements (continued)

23. Revenue and cost of sales (continued)

Details of revenue are listed as follows:

	2016	2015
Sale of goods and material	11,008,612,154	12,291,326,533
Maintenance income	894,897,957	64,264,458
Technical service income	67,891,489	61,562,221
Rental income	13,011,322	12,744,276
Others	18,741,399	14,549,027
	12,003,154,321	12,444,446,515

24. Taxes and surcharges

	2016	2015
City maintenance and construction surtax	40,622,752	47,512,336
Education surcharge	29,016,251	33,937,383
Others	6,543,863	75
	76,182,866	81,449,794

25. Finance costs

		2016	2015
Interest expenses		1,096,476	139,972
Less: Interest capitalised	Note XIV.12	(1,096,476)	(139,972)
Interest income		(46,664,862)	(48,124,002)
Exchange (gains)/losses		(6,077,629)	11,367,414
Others		4,050,954	5,607,499
		(48,691,537)	(31,149,089)

26. Asset impairment losses

	2016	2015
Bad debt loss/(reversal of loss)	17,291,681	(363,478)
Impairment loss of inventories	45,291,910	62,869,973
Impairment loss of fixed assets	2,413,142	5,113,873
Impairment loss of long-term equity investment	128,469,740	—
	193,466,473	67,620,368

XIV. Notes to Key Items of the Company's Financial Statements (continued)

27. Investment income

	2016	2015
Income from non-listed investments:		
Long-term equity investment income under the equity method	**41,963,079**	32,952,712
Long-term equity investment income under the cost method	**157,023,285**	137,094,738
Bank financial product income	**45,792,548**	62,558,630
	244,778,912	232,606,080

28. Non-operating income

	2016	2015
Gain on disposal of non-current assets	**1,865,462**	299,429
Refunds of value-added tax	**193,685,462**	75,474,995
Government grants	**26,796,177**	49,000,931
Penalty income and default compensation income	**1,826,434**	431,222
Others	**6,131,273**	5,389,004
	230,304,808	130,595,581

29. Non-operating expenses

	2016	2015
Loss on disposal of non-current assets	**1,544,905**	1,302,682
Loss on penalties and compensations	**210,052**	1,603,679
Others	**88,578**	162,517
	1,843,535	3,068,878

XIV. Notes to Key Items of the Company's Financial Statements (continued)

30. Income tax expense

	2016	2015
Current income tax expense		
—Mainland China	370,565,731	468,962,449
Deferred tax expense	20,843,287	(26,592,443)
	391,409,018	442,370,006

The reconciliation from total profit to income tax expense is as follows:

	2016	2015
Total profit	3,056,911,689	3,346,506,375
Income tax expense at statutory tax rate of 25%	764,227,922	836,626,594
Effect of preferential tax rate applicable to the Company	(305,691,169)	(334,650,637)
Profits and losses attributable to associates and a joint venture	(6,144,312)	(4,942,906)
Income not subject to tax	(23,553,493)	(20,564,211)
Income tax benefits on research and development expenditure	(42,633,414)	(33,404,500)
Expenses not deductible for tax	2,525,953	3,528,399
Deductible temporary differences not recognised	20,099,612	3,426,945
Recognise the un-recognised deductible temporary differences of previous years	(9,277,035)	—
Others	(8,145,046)	(7,649,678)
Tax expense at the Group's effective tax rate	391,409,018	442,370,006

XIV. Notes to Key Items of the Company's Financial Statements (continued)

31. Supplementary information to the statement of cash flows

(1) Supplementary information to the statement of cash flows

	2016	2015
Adjustment of net profit to cash flows from operating activities:		
Net profit	2,665,502,671	2,904,136,369
Add: Provision for impairment of assets	193,466,473	67,620,368
Depreciation	173,998,150	156,778,122
Amortisation of intangible assets	22,057,291	16,228,188
Losses from disposal of fixed assets, intangible assets and other long-term assets	(320,557)	1,003,253
Accrued special reserve	2,684,507	4,096,637
Loss on fair value changes	6,135,766	—
Investment income	(244,778,912)	(182,606,080)
Increase/(decrease) in deferred tax assets	20,843,287	(26,592,443)
Increase/(decrease) in inventories	118,258,675	(620,635,418)
Increase in operating receivables	(960,869,404)	(1,752,740,819)
(Decrease)/Increase in operating payables	(267,375,417)	930,078,290
Net cash flows from operating activities	1,729,602,530	1,497,366,467

Significant investing and financing activities which do not involve cash:

	2016	2015
Dividends payable compensated from trade receivables	4,500,000	4,000,000
Dividends receivable compensated from trade payables	34,500,000	50,000,000
Equipment procurement paid from operating current account	—	15,191,624

Movement in cash and cash equivalents:

	2016	2015
Closing balance of cash	2,082,511,996	2,754,350,998
Less: Opening balance of cash	2,754,350,998	2,214,865,319
Net change of cash and cash equivalents	(671,839,002)	539,485,679

XIV. Notes to Key Items of the Company's Financial Statements (continued)

31. Supplementary information to the statement of cash flows (continued)

(2) Cash and cash equivalents

	31 December 2016	31 December 2015
Cash		
Including: Cash on hand	–	–
Bank deposits on demand	2,038,738,761	1,972,194,701
Deposits due within 3 months	43,773,235	782,156,297
Closing balance of cash and cash equivalents	2,082,511,996	2,754,350,998

32. Major transactions between the Company and its related parties

(1) Sales of goods to related parties

	2016	2015 (Restated)
Subsidiaries	784,790,840	667,590,132
Corporations controlled by the ultimate holding party	5,747,861,616	7,122,815,748
Joint ventures of the Company	1,412,337,056	1,062,589,848
Corporations controlled by the parent company	80,837,104	96,515,971
Parent company	15,979,010	29,622,185
Associates of the ultimate holding group	9,492,222	2,307,692
Associates of the Company	6,257,118	7,365,416
	8,057,554,966	8,988,806,992

(2) Purchases of goods from related parties

	2016	2015 (Restated)
Subsidiaries	1,391,273,288	914,104,040
Joint ventures of the Company	1,353,622,655	1,534,761,292
Corporations controlled by the ultimate holding party	653,464,445	884,104,632
Corporations controlled by the parent company	483,122,864	363,909,843
Associates of the Company	68,881,598	57,374,126
Joint ventures of the ultimate holding group	19,498,512	2,718,401
Parent company	–	127,682
	3,969,863,362	3,757,100,016

XIV. Notes to Key Items of the Company's Financial Statements (continued)

32. Major transactions between the Company and its related parties (continued)

(3) Sales of electricity to related parties

	2016	2015 (Restated)
Subsidiaries	4,156,194	786,159
Corporations controlled by the parent company	2,372,225	679,989
Parent company	724,695	398,047
Associates of the Company	28,466	44,669
Corporations controlled by the ultimate holding party	–	16,136
	7,281,580	1,925,000

(4) Purchases of electricity from related parties

	2016	2015 (Restated)
Corporations controlled by the ultimate holding party	357,582	679,827
Corporations controlled by the parent company	–	51,157
	357,582	730,984

(5) Sales of fixed assets to related parties

	2016	2015 (Restated)
Subsidiaries	–	4,794,872
Corporations controlled by the parent company	–	540,789
	–	5,335,661

XIV. Notes to Key Items of the Company's Financial Statements (continued)

32. Major transactions between the Company and its related parties (continued)

(6) Purchases of fixed assets from related parties

	2016	2015 (Restated)
Subsidiaries	95,280,373	2,608,922
Parent company(Note)	993,524,799	6,890
Corporations controlled by the parent company	249,500	—
	1,089,054,672	2,615,812

Note: As at 25 September 2014, the Company entered into an agreement with CRRC Zhuzhou Institute Co., Ltd. to lease all the real estate, property and related facilities and equipment related to the production of high-power IGBT line. According to the lease agreement, the rent was RMB15,400,722 per month. Lease term starts from 1 September 2014 and lasts for 3 years.

As at 18 May 2016, the Company entered into an agreement with CRRC Zhuzhou Institute Co., Ltd. to purchase the production of high-power IGBT line at a consideration of RMB1,119,039,000(subject to tax adjustment). The lease agreement signed on 25 September 2014 was terminated on 30 June 2016.

(7) Purchases of intangible assets from related parties

	2016	2015 (Restated)
Subsidiaries	18,007,600	75,705,774

(8) Related party leases

As lessor

	2016	2015 (Restated)
Subsidiaries	2,077,590	2,763,604
Corporations controlled by the parent company	4,029,703	6,451,042
Parent company	430,870	3,621,335
Associates of the Company	—	477,597
	6,538,163	13,313,578

As lessee

	2016	2015 (Restated)
Parent company	93,947,993	185,387,169
Corporations controlled by the ultimate holding party	2,136,679	2,142,379
Associates of the parent company	1,655,792	1,873,623
Corporations controlled by the parent company	1,101,600	59,874
	98,842,064	189,463,045

XIV. Notes to Key Items of the Company's Financial Statements (continued)

32. Major transactions between the Company and its related parties (continued)

(9) Technical service income from related parties

	2016	2015 (Restated)
Subsidiaries	3,868	315,742
Corporations controlled by the ultimate holding party	9,895,557	6,426,578
Corporations controlled by the parent company	4,703,420	3,491,050
Parent company	1,920,540	585,496
Joint ventures of the ultimate holding group	7,675	—
Associates controlled by the parent company	—	3,827
	16,531,060	10,822,693

(10) Maintenance services provided to related parties

	2016	2015 (Restated)
Subsidiaries	247,269	314,358
Corporations controlled by the ultimate holding party	663,995,652	33,080,749
Associates of the ultimate holding group	136,273,675	6,837,607
Joint ventures of the ultimate holding group	1,060,769	—
Joint ventures of the Company	443,396	—
Corporations controlled by the parent company	171,725	4,761
	802,192,486	40,237,475

(11) Technical service fees paid to related parties

	2016	2015 (Restated)
Subsidiaries	61,838,833	92,456,085
Parent company	224,117,830	185,746,000
Corporations controlled by the parent company	9,749,689	15,137,509
Joint ventures of the Company	202,830	—
Corporations controlled by the ultimate holding party	—	66,038
	295,909,182	293,405,632

(12) Project management fees paid to related parties

	2016	2015 (Restated)
Parent company	—	1,380,000

XIV. Notes to Key Items of the Company's Financial Statements (continued)

32. Major transactions between the Company and its related parties (continued)

(13) Fund lending between related parities

Fund borrowed in

2015 (Restated)

	Borrowed amount	Interest rate	Start date	Expiry date
Shareholder of the parent company	50,000,000	1.08%	29 September 2015	28 September 2030
Shareholder of the parent company	34,188,000	1.08%	29 September 2015	28 September 2030
Shareholder of the parent company	16,000,000	1.08%	25 December 2015	24 December 2030
	100,188,000			

Note: In 2015, the Group applied for specific loans for the revamping of high voltage and low voltage IGBT chip module production line amounting to RMB100,188,000 from China Development Fund Corporation Limited through CRRC Corporation Limited.

Fund borrowed to

2016

	Borrowed amount	Interest rate	Start date	Expiry date
Subsidiaries	886,370,000	3.00%	24 August 2016	24 August 2021

(14) Interest income from cash and bank balances and borrowings

	2016	2015 (Restated)
Subsidiaries	9,733,364	—
Corporations controlled by the ultimate holding party	5,347,486	6,937,781
	15,080,850	6,937,781

(15) Interest expense to borrowings

	2016	2015 (Restated)
Shareholder of the parent company	1,096,476	139,972

XIV. Notes to Key Items of the Company's Financial Statements (continued)

32. Major transactions between the Company and its related parties (continued)

(16) Guarantee provided to related parities

2016

	Guaranteed amount	Starting date	Expiry date	Completed or not
Subsidiaries	89,399,756	2016/3/2	2017/3/2	No

2015

	Guaranteed amount	Starting date	Expiry date	Completed or not
Subsidiaries	390,236,000	2015/4/1	2018/4/1	No
Subsidiaries	297,998,400	2015/4/2	2018/4/2	No
Subsidiaries	241,236,800	2015/3/31	2018/3/31	No
	929,471,200			

The terms of the above sales and purchase transactions, sales and purchases of fixed assets and intangible assets, service transactions, guarantee provided to related parties, fund lending between related parties and lease transactions with related parties were agreed by both parties.

33. Amounts due from and due to related parties

	31 December 2016	31 December 2015 (Restated)
Trade receivables(including long-term trade receivables):		
Subsidiaries	1,673,708,854	879,027,093
Corporations controlled by the ultimate holding party	1,639,989,704	1,304,065,053
Associates of the ultimate holding group	122,701,500	7,624,550
Corporations controlled by the parent company	25,000,798	6,805,037
Parent company	1,592,350	12,217,952
Joint ventures of the ultimate holding group	62,055	—
Joint ventures of the Company	—	125,729,218
Associates of the Company	—	8,617,537
	3,463,055,261	2,344,086,440

XIV. Notes to Key Items of the Company's Financial Statements (continued)

33. Amounts due from and due to related parties (continued)

	31 December 2016	31 December 2015 (Restated)
Bills receivable:		
Subsidiaries	**134,208,798**	46,596,014
Corporations controlled by the ultimate holding party	**989,089,606**	1,434,269,580
Joint ventures of the Company	**580,000,000**	—
Associates of the ultimate holding group	**350,000,000**	7,000,000
Corporations controlled by the parent company	**30,010,735**	57,650,161
Parent company	**29,630,430**	61,630,430
	2,112,939,569	1,607,146,185

	31 December 2016	31 December 2015 (Restated)
Prepayments:		
Subsidiaries	**1,801,400**	29,852,013
Corporations controlled by the parent company	**12,456,260**	—
Corporations controlled by the ultimate holding party	**120,433**	740,285
Associates of the Company	**—**	17,599,826
	14,378,093	48,192,124

	31 December 2016	31 December 2015 (Restated)
Other receivables:		
Subsidiaries	**1,213,933,536**	235,492,314
Corporations controlled by the parent company	**1,407,024**	—
Associates of the Company	**2,301**	—
Parent company	**700**	—
	1,215,343,561	235,492,314

XIV. Notes to Key Items of the Company's Financial Statements (continued)

33. Amounts due from and due to related parties (continued)

	31 December 2016	31 December 2015 (Restated)
Dividends receivable:		
Subsidiaries	**4,500,000**	–

	31 December 2016	31 December 2015 (Restated)
Interests receivables		
Subsidiaries	**8,466,626**	–

	31 December 2016	31 December 2015 (Restated)
Cash and bank deposits:		
Corporations controlled by the ultimate holding party (Note)	**684,747,910**	337,923,846

Note: As at 31 December 2016, the Company's current deposit with CRRC Finance Co., Ltd. is amounted to RMB684,747,910 (31 December 2015: RMB337,923,846).

On 2 April 2014, the Company entered into a Financial Service Framework Agreement with CSR Finance Co., Ltd. Pursuant to the agreement, the maximum daily deposit balance with CSR Finance Co., Ltd. is no more than RMB350,000,00. The interest rate is no less than the benchmark interest rate set by People's Bank of China for similar deposits and the interest rate payable by CSR Finance Co., Ltd. to other members of CRRC Group for comparable deposits.

On 29 December 2016, the Company entered into a Financial Service Framework Agreement with CRRC Finance Co., Ltd. (the Financial Service Framework Agreement above signed on 2 April 2014 terminated). The agreement was effective from 31 December 2016. Pursuant to the agreement, the maximum daily deposit balance with CRRC Finance Co., Ltd. is no more than RMB700,000,000. The interest rate is no less than the benchmark interest rate set by People's Bank of China for similar deposits and the interest rate payable by CRRC Finance Co., Ltd. to other members of the CRRC Group for comparable deposits.

XIV. Notes to Key Items of the Company's Financial Statements (continued)

33. Amounts due from and due to related parties (continued)

	31 December 2016	31 December 2015 (Restated)
Trade payables:		
Subsidiaries	906,408,200	560,226,113
Joint ventures of the Company	361,003,042	401,970,347
Corporations controlled by the ultimate holding party	88,143,208	94,654,154
Corporations controlled by the parent company	36,574,886	58,509,678
Joint ventures of the ultimate holding group	16,989,718	7,864,406
Parent company	164,372	—
Associates of the Company	—	7,459,447
	1,409,283,426	1,130,684,145

	31 December 2016	31 December 2015 (Restated)
Bills payable:		
Subsidiaries	10,000,000	—
Corporations controlled by the ultimate holding party	283,053,248	327,110,457
Corporations controlled by the parent company	203,091,910	59,000,000
Joint ventures of the Company	100,000,000	156,240,997
Joint ventures of the ultimate holding group	4,050,456	—
	600,195,614	542,351,454

	31 December 2016	31 December 2015 (Restated)
Advances from customers:		
Subsidiaries	—	9,296,944
Joint ventures of the Company	42,111,113	—
Corporations controlled by the ultimate holding party	8,755,029	46,910,279
Associates of the ultimate holding group	1,654,432	126,119
Corporations controlled by the parent company	100	—
	52,520,674	56,333,342

XIV. Notes to Key Items of the Company's Financial Statements (continued)

33. Amounts due from and due to related parties (continued)

	31 December 2016	31 December 2015 (Restated)
Interests payable		
Shareholder of the parent company	**409,897**	139,972

	31 December 2016	31 December 2015 (Restated)
Other payables		
Subsidiaries	**57,182,698**	55,515,189
Parent company	**242,268,055**	153,491,610
Corporations controlled by the parent company	**1,726,532**	1,867,490
Corporations controlled by the ultimate holding party	**450,000**	850,000
	301,627,285	211,724,289

	31 December 2016	31 December 2015 (Restated)
Long-term borrowings		
Shareholders of the parent company	**100,188,000**	100,188,000

The Company's bills receivable from and bills payable to related parties are non-interest-bearing, unsecured and have fixed terms of repayment, cash and bank deposits are interest-bearing, unsecured and have no fixed terms of repayment, long-term trade receivables and long-term borrowings are interest-bearing, unsecured and have fixed terms of repayment. Other amounts due from and due to related parties are non-interest-bearing and unsecured. The repayment period of the trading amounts is determined by the provisions of the trading terms, whereas non-trading amounts are not subject to any fixed repayment period.

"Articles"	the Articles of Association of the Company
"Baoji Times"	寶雞中車時代工程機械有限公司 (Baoji CRRC Times Engineering Machinery Co., Ltd.), formerly known as 寶雞南車時代工程機械有限公司 (Baoji CSR Times Engineering Machinery Co. Ltd.), a subsidiary of the Company in which the Company holds 85.8% of its equity interests
"Beijing CRRC Intelligent"	北京中車軌道交通智控科技有限公司 (Beijing CRRC Transit Intelligent Control Technology Co., Ltd.), formerly known as 北京南車時代信息技術有限公司 (Beijing CSR Times Information Technology Co., Ltd.), a wholly-owned subsidiary of the Company
"Board" or "Board of Directors"	the board of Directors of the Company
"CG Code"	the Code on Corporate Governance and Corporate Governance Report set out in Appendix 14 to the Listing Rules
"CNR"	formerly known as 中國北車股份有限公司 (China CNR Corporation Limited)
"Company"	株洲中車時代電氣股份有限公司 (Zhuzhou CRRC Times Electric Co., Ltd.), formerly known as 株洲南車時代電氣股份有限公司 (Zhuzhou CSR Times Electric Co., Ltd.), a joint stock company established in the PRC with limited liability whose H shares are listed on the Main Board of the Hong Kong Stock Exchange
"CRCCE"	中國鐵建高新裝備股份有限公司 (CRCC High-Tech Equipment Corporation Limited), formerly known as 昆明中鐵大型養路機械集團有限公司 (China Railway Large Maintenance Machinery Co., Ltd. Kunming), one of the Promoters of the Company, whose H shares are listed on the Main Board of the Hong Kong Stock Exchange (stock code: 1786)
"CRRC"	中國中車股份有限公司 (CRRC Corporation Limited), a joint stock limited liability company incorporated in the PRC and formed through the merger of CSR and CNR, whose A shares and H shares are listed on the Shanghai Stock Exchange and the Main Board of the Hong Kong Stock Exchange, respectively. CRRC holds the entire equity interest in the Parent Company
"CRRC Finance"	中車財務有限公司 (CRRC Finance Co., Ltd.), known as 中國北車集團財務有限公司 (China CNR Finance Co., Ltd.) before 18 January 2017, a company established under the laws of the PRC with limited liability
"CRRCG"	中車集團, CRRC Group and its subsidiaries
"CRRC Group"	中國中車集團公司, a Chinese state-owned Company, which was established through the merger of 中國北方機車車輛工業集團公司 (China Northern Locomotive & Rolling Stock Industry (Group) Corporation) and 中國南車集團公司 (CSR Group), CRRC Group is the ultimate controlling shareholder of the Company

"CRRC Investment & Leasing"	中車投資租賃有限公司 (CRRC Investment & Leasing Co., Ltd., formerly known as 南車投資租賃有限公司 (CSR Investment & Leasing Co., Ltd.), a wholly-owned subsidiary of CRRC, and one of the Promoters
"CRRC Sifang"	中車青島四方機車車輛股份有限公司 (CRRC Qingdao Sifang Co., Ltd.), formerly known as 南車青島四方機車車輛股份有限公司 (CSR Qingdao Sifang Locomotive & Rolling Stock Co., Ltd.), which is held as to 97.81% by CRRC
"CRRC Wabtec"	湖南中車西屋軌道交通技術有限公司 (Hunan CRRC-Wabtec Rail Transit Technology Co., Ltd.), formerly known as 湖南南車西屋軌道交通技術有限公司 (Hunan CSR-Wabtec Railway Transportation Technology Co., Ltd.), a company held as to 50% by the Company and as to 50% by Wabtec China Rail Products & Services Holding Limited
"CRRC Zhuzhou"	中車株洲電力機車有限公司 (CRRC Zhuzhou Locomotive Co., Ltd.), formerly known as 南車株洲電力機車有限公司 (CSR Zhuzhou Electric Locomotive Co., Ltd.), which is held as to 100% by CRRC, and one of the Promoters
"CSR"	formerly known as 中國南車股份有限公司 (CSR Corporation Limited)
"CSR Finance"	南車財務有限公司 (CSR Finance Co., Ltd.), a company incorporated under the laws of the PRC with limited liability, CSR Finance is held as to 91% by CRRC and held as to 9% by CRRC Group
"Director(s)"	the director(s) of the Company
"Dynex"	Dynex Power Inc., a company established under the law of Canada and listed on the TSX Venture Exchange, Toronto, Canada (stock code: DNX) whose 75% equity interests was acquired by the Company in October 2008 and is a Company's subsidiary. Dynex Semiconductor Ltd. is its only operating subsidiary and its headquarters are located in Lincoln, England
"Electric Multiple Units"	Electric Multiple Units power converters, auxiliary power supply equipment and control systems
"Group"	the Company and its subsidiaries
"Guangzhou Times"	廣州中車時代電氣技術有限公司 (Guangzhou CRRC Times Electric Technology Co., Ltd.), formerly known as 廣州南車時代電氣技術有限公司 (Guangzhou CSR Times Electric Technology Co., Ltd.), a subsidiary of the Company in which the Company holds 60% of its equity interests
"Hangzhou Electric"	杭州中車時代電氣設備有限公司 (Huangzhou CRRC Times Electric Equipment Co., Ltd.), formerly known as 杭州南車電氣設備有限公司 (Hangzhou CSR Electric Equipment Co., Ltd.), a subsidiary of the Company in which the Company holds 60% of its equity interests

"HK Electric"	中車時代電氣（香港）有限公司 (CRRC Times Electric (Hong Kong) Co., Limited), formerly known as CSR Times Electric (Hong Kong) Co., Limited, a company established under the law of Hong Kong and a wholly-owned subsidiary of the Company
"Kunming Electric"	昆明中車時代電氣設備有限公司 (Kunming CRRC Times Electric Equipment Co., Ltd.), formerly known as 昆明南車電氣設備有限公司 (Kunming CSR Electric Equipment Co., Ltd.), a wholly-owned subsidiary of the Company
"Lanzhou Times"	蘭州中車時代軌道交通科技有限公司 (Lanzhou CRRC Times Rail Transit Technology Co., Ltd.), a wholly-owned subsidiary of the Company
"Listing Rules"	The Rules Governing the Listing of Securities on the Stock Exchange
"Locomotives"	Locomotives power converters, auxiliary power supply equipment and control systems
"Metropolitan rail transportation equipment"	Metropolitan rail transportation equipment power converters, auxiliary power supply equipment and control systems
"Ningbo Electric"	寧波中車時代電氣設備有限公司 (Ningbo CRRC Times Electric Equipment Co., Ltd.), formerly known as 寧波南車電氣設備有限公司 (Ningbo CSR Electric Equipment Co., Ltd.), a wholly-owned subsidiary of the Company
"Ningbo Times"	寧波中車時代傳感技術有限公司 (Ningbo CRRC Times Transducer Technology Co., Ltd.) formerly known as 寧波南車時代傳感技術有限公司 (Ningbo CSR Times Sensor Technology Co., Ltd.), a wholly-owned subsidiary of the Company
"Parent Company" or "CRRC ZELRI"	中車株洲電力機車研究所有限公司 (CRRC Zhuzhou Institute Co., Ltd.), formerly known as 南車株洲電力機車研究所有限公司 (CSR Zhuzhou Electric Locomotive Research Institute Co,. Ltd.), a wholly-owned subsidiary of CRRC, one of the Promoters of the Company and the controlling shareholder of the Company
"Parent Group"	the Parent Company and its subsidiaries (excluding the Group)
"PRC"	The People's Republic of China
"PRC Accounting Standards"	Accounting Standards for Business Enterprises and relevant regulations issued by the Ministry of Finance of the PRC
"Promoters"	the promoters of the Company, being CRRC ZELRI, CRRC Zhuzhou, CRRC Investment & Leasing, Qishuyan Works and CRCCE
"Qishuyan Works"	中車集團常州戚墅堰機車車輛廠 (CRRC Changzhou Qishuyan Locomotive & Rolling Stock Works), formerly known as 中國南車集團戚墅堰機車車輛廠 (CSRG Qishuyan Locomotive & Rolling Stock Works), a wholly-owned subsidiary of CRRC Group and one of the Promoters

"Qingdao Electric"	青島中車電氣設備有限公司 (Qingdao CRRC Electric Equipment Co., Ltd.), formerly known as 青島南車電氣設備有限公司 (Qingdao CSR Electric Equipment Co., Ltd.), held as to 45% by the Company, as to 38% by 中車青島四方機車車輛股份有限公司 (CRRC Qingdao Sifang Locomotive & Rolling Stock Co., Ltd.), formerly known as 南車青島四方機車車輛股份有限公司 (CSR Qingdao Sifang Locomotive & Rolling Stock Co., Ltd.), as to 17% by Qingdao Hongda Schnell Science & Technology Co., Ltd. It is a subsidiary of the Company since the Company has actual control over it
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Shanghai CRRC Rail Transit"	上海中車軌道交通科技有限公司 (Shanghai CRRC Rail Transit Technology Co., Ltd.), formerly known as 上海南車軌道交通科技有限公司 (Shanghai CSR Railway Transportation Technology Co., Ltd.), a subsidiary of the Company in which the Company holds 51% of its equity interests
"Shanghai Shentong CRRC"	上海申通中車軌道交通運行安全工程技術研究有限公司 (Shanghai Shentong CRRC Rail Transit Operation Safety Engineering Technology Research Co., Ltd.), a company in which the Company holds 50% of its equity interests
"Shenyang Times"	瀋陽中車時代交通設備有限公司 (Shenyang CRRC Times Transportation Technology Co., Ltd.), formerly known as 瀋陽南車時代交通設備有限公司 (Shenyang CSR Times Transportation Equipment Co., Ltd.), a wholly-owned subsidiary of the Company
"Shiling"	株洲時菱交通設備有限公司 (Zhuzhou Shiling Transportation Equipment Co., Ltd.), held as to 50% by the Company, as to 40% by Mitsubishi Electric Corporation and as to 10% by Mitsubishi Electric (China) Ltd.
"SMD"	Specialist Machine Developments (SMD) Limited, a private limited company incorporated in England and Wales
"SMD Group"	"SMD" and its subsidiaries
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Supervisory Committee"	the supervisory committee of the Company
"the year" or "the reporting period"	the financial year ended 31 December 2016
"Times Australia"	CRRC Times Electric Australia Pty. Ltd., formerly known as CSR Times Electric Australia Pty. Ltd., a company established under the law of Australia and a wholly-owned subsidiary of the Company
"Times Brasil"	CRRC Times Electric Brasil Ltd., formerly known as CSR Times Electric Brasil Ltd., a company established under the law of Brasil and a wholly-owned subsidiary of the Company
"Times Electronics"	株洲時代電子技術有限公司 (Zhuzhou Times Electronics Technology Co., Ltd.), a wholly-owned subsidiary of the Company

"Times Equipment"	株洲中車時代裝備技術有限責任公司 (Zhuzhou CRRC Times Equipment Tecnology Co., Ltd.), formerly known as 株洲時代裝備技術有限責任公司 (Zhuzhou Times Equipment Technology Co., Ltd.), a wholly-owned subsidiary of the Company
"Times New Materials"	株洲時代新材料科技股份有限公司 (Zhuzhou Times New Materials Technology Co., Ltd.), whose shares are listed on the Shanghai Stock Exchange (stock code: 600458), a subsidiary of CRRC ZELRI
"Times Signal & Communication"	湖南中車時代通信信號有限公司 (Hunan CRRC Times Signal & Communication Co., Ltd.), a wholly-owned subsidiary of the Company
"Times Software"	株洲中車時代軟件技術有限公司 (Zhuzhou CRRC Times Software Technology Co., Ltd.), formerly known as 株洲南車時代軟件技術有限公司 (Zhuzhou CSR Times Software Technology Co., Ltd.), a wholly-owned subsidiary of the Company
"Times USA"	CRRC Times Electric USA LLC., formerly known as CSR Times Electric USA LLC, a company established under the law of the United States of America and a wholly-owned subsidiary of the Company
"Traction Inspection"	中鐵檢驗認證株洲牽引電氣設備檢驗站有限公司 (China Railway Approved Zhuzhou Traction Electric Equipment Inspection Station Company Limited), a subsidiary of CRRC ZELRI in which CRRC ZELRI holds 55% of its equity interest
"Wenzhou Electric"	溫州中車電氣設備有限公司 (Wenzhou CRRC Electric Equipment Co., Ltd.), formerly known as 樂清南車軌道科技有限公司 (Yueqing CSR Railway Technologies Co., Ltd.), a subsidiary of the Company in which the Company holds 51% of its equity interest
"Zhuzhou Siemens"	株洲西門子牽引設備有限公司 (Siemens Traction Equipment Ltd., Zhuzhou), held as to 30% by the Company, as to 20% by CRRC Zhuzhou and as to 50% by Siemens Ltd., China
"ZNERCC"	株洲變流技術國家工程研究中心有限公司 (Zhuzhou National Engineering Research Centre of Converters Co., Ltd.), a limited liability company established under the laws of the PRC and a wholly-owned subsidiary of the Company

Basic Corporate Information

1	**Name in Chinese**	株洲中車時代電氣股份有限公司
	Name in English	Zhuzhou CRRC Times Electric Co., Ltd.
2	**Authorised representatives**	Ding Rongjun Tang Tuong Hock, Gabriel
3	**Company secretary**	Tang Tuong Hock, Gabriel
	Registered office	Times Road, Shifeng District, Zhuzhou, Hunan Province, PRC, 412001
	Telephone	+86 731 2849 8028
	Fax	+86 731 2849 3447
	Website	www.tec.crrczic.cc
	Principal place of business in Hong Kong	Unit 1106, 11th Floor, Jubilee Centre, 18 Fenwick Street, Wanchai, Hong Kong
4	**Listing information**	H Shares The Stock Exchange of Hong Kong Limited Stock Code : 3898 Stock Short Name: CRRC Times Elec
5	**H share registrar**	Computershare Hong Kong Investor Services Limited 17M Floor, Hopewell Centre 183 Queen's Road East Wanchai Hong Kong
6	**Legal advisers**	Minter Ellison Grandall Law Firm (Hangzhou)
7	**Auditor**	Ernst & Young Hua Ming LLP Level 16, Ernst & Young Tower Oriental Plaza, No. 1 East Chang An Avenue Dong Cheng District, Beijing China 100738

株洲中车时代电气股份有限公司
ZHUZHOU CRRC TIMES ELECTRIC CO., LTD.