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

(Stock code: 3898)

CHANGES OF ACCOUNTING POLICIES

The board (the “**Board**”) of directors (the “**Directors**”) of Zhuzhou CRRC Times Electric Co., Ltd. (the “**Company**”, together with its subsidiaries, the “**Group**”) announces that, on 19 April 2018, the Board resolved and approved changes in accounting policies of the Company in response to the relevant promulgations or revisions of the Accounting Standards for Business Enterprise by the Ministry of Finance (the “**MOF**”) of the People’s Republic of China.

OVERVIEW OF THE CHANGES IN ACCOUNTING POLICIES

In 2017, the MOF has successively promulgated or revised “Accounting Standards for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments” (“**ASBE No. 22**”), “Accounting Standard for Business Enterprises No. 23 – Transfer of Financial Assets” (“**ASBE No. 23**”), “Accounting Standard for Business Enterprises No. 24 – Hedge Accounting” (“**ASBE No. 24**”), “Accounting Standard for Business Enterprises No. 37 – Presentation and Reporting of Financial Instruments” (“**ASBE No. 37**”), “Accounting Standard for Business Enterprises No. 14 – Revenue” (“**ASBE No. 14**”), “Accounting Standard for Business Enterprises No. 42 – Non-current Assets Held for Sale, Disposal Groups and Discontinued Operations” (“**ASBE No. 42**”), “Accounting Standard for Business Enterprises No. 16 – Government Grants” (“**ASBE No. 16**”), (collectively, the “**New Standards**”).

Save and except for ABSE No. 42 and ABSE No. 16 which took effect from 28 May 2017 and 12 June 2017, respectively, all New Standards were implemented with effect from 1 January 2018.

DETAILS OF THE CHANGES IN ACCOUNTING POLICIES

ASBE No. 22, ASBE No. 23 and ASBE No. 24

These three revised standards in relation to financial instruments will change the classification of financial assets from current “four types” to “three types”. By reducing the categories of financial assets, the objectivity of classification and consistency of the related accounting treatments will be enhanced.

The approach for impairment accounting of financial assets will also change from the “loss occurred approach” to the “loss expected approach” so as to make impairment provisions of financial assets in a more timely and adequate manner, and reveal, prevent and control the credit risks of financial assets. Hedge accounting is also amended to reflect the risk management activities of the enterprises in a more truthful manner.

The abovementioned three standards will simplify the accounting treatment of embedded derivatives, adjust the accounting treatment of investments in non-trading equity interest instrument and further specify the judgment principles and the accounting treatment of transfer of financial assets. The accounting treatment of time value of options in hedge accounting and the fair value options of credit risks exposures are also incorporated.

ASBE No. 37

The revised standards will (i) adjust the relevant demonstrative items of balance sheets and statements of consolidated profit and loss of enterprises and their content disclosure; (ii) reflect the impact on financial conditions and operating results of enterprises upon the change of financial asset classification from the current “four types” to “three types”; and (iii) require enterprises to sufficiently disclose the credit risks, liquidity risks and market risks encountered, through which the risk management target and disclosure of strategies of the enterprises will then be strengthened.

ASBE No. 14

Amendments to the standards mainly include (i) incorporating the current revenue and construction contract standards into a unified revenue recognition model; (ii) replacing the risk-and-reward approach with the transfer-of-control approach as the criteria for the time of revenue recognition; (iii) providing a clearer guidance on the accounting treatment of contracts concerning multiple trading arrangements; and (iv) expressly formulating the revenue recognition and measurement of certain specific transactions (or matters).

ASBE No. 42

The newly promulgated standards specify the classification and measurement of non-current assets held-for-sale or disposal groups, which provide that profits and losses derived from continuing operations or discontinued operations shall be separately stated in the income statements with detailed disclosure in the notes of the information of non-current assets held-for-sale or disposal groups or discontinued operations.

ASBE No. 16

Prior to the implementation of such standards, government grants related to assets were recognised as deferred income and included in non-operating income after amortising over the useful life of the related assets. Government grants related to income to be used in compensating the related costs or losses or losses in the future would be recognised as deferred income and included in non-operating income during the period(s) when the related costs were recognised, while those used in compensating the related costs or losses already incurred would be included in non-operating income directly.

Upon implementation of the revised standards, a grant related to the daily activities of the Company shall be included in other income based on the nature of business. A grant unrelated to the daily activities shall be included in non-operating income.

IMPACT OF THE CHANGES IN ACCOUNTING POLICIES ON THE COMPANY

As the changes in accounting policies are made by the Company in accordance with the relevant provisions published by the MOF, and in view of the current business operations of the Company, such changes in accounting policies will have no material impact on the financial position and operating results of the Group and have no impact on the net profit attributable to shareholders of the Company and the interests of shareholders of the Company.

OPINION OF THE INDEPENDENT NON-EXECUTIVE DIRECTORS AND THE SUPERVISORY COMMITTEE OF THE COMPANY REGARDING THE CHANGES IN ACCOUNTING POLICIES

The independent non-executive Directors and the supervisory committee of the Company agree with the New Standards and are of the view that the New Standards are reasonable according to the stipulations in relevant documents of the MOF. The New Standards also conform to the relevant requirements of the MOF, China Securities Regulatory Commission and other regulatory authorities. The changes in accounting policies shall reflect the Company's financial positions and operating results in a more objective and fairer manner, and are in line with the interests of the Company and its shareholders.

The procedures for the review of the New Standards are in compliance with the requirements of relevant laws and regulations and the articles of association of the Company. The changes in the accounting policies are not required to be submitted to the general meeting of the Company for consideration by its shareholders.

By order of the Board

Ding Rongjun

Chairman

Zhuzhou, China, 19 April 2018

As at the date of this announcement, our chairman of the Board and executive Director is Ding Rongjun, our vice chairman of the Board and executive Director is Li Donglin, our other executive Directors are Liu Ke'an and Yan Wu, our non-executive Director is Zhang Xinning, and our independent non-executive Directors are Chan Kam Wing, Clement, Pao Ping Wing, Liu Chunru and Chen Xiaoming.