



中国中车股份有限公司
CRRC CORPORATION LIMITED

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

CONNECT the **WORLD**
through **CONSTANT INNOVATION**



Annual Report 2021







Important

- 1 The Board and the Supervisory Committee of the Company and its Directors, Supervisors and Senior Management warrant that there are no false representations, misleading statements contained in or material omissions from this annual report and they will assume joint and several legal liabilities for the truthfulness, accuracy and completeness of the contents disclosed herein.
- 2 This report has been considered and approved at the fourth meeting of the third session of the Board of the Company. All Directors attended the Board meeting.
- 3 KPMG Huazhen LLP has issued standard unqualified audit report for the Company's financial statements prepared under the China Accounting Standards for Business Enterprises in accordance with PRC Auditing Standards.
- 4 Sun Yongcai, the Chairman of the Company, Li Zheng, the Chief Financial Officer and Wang Jian, the head of the Accounting Department (person in charge of accounting affairs) warrant the truthfulness, accuracy and completeness of the financial reports in this annual report.
- 5 Proposal on profit distribution or transfer of capital reserve fund during the reporting period considered and approved by the Board

The Company proposes to distribute cash dividends to all shareholders based on the total share capital registered on the registration date for dividend distribution (the specific date will be clarified in the announcement on the implementation of dividend distribution). As of 31 December 2021, the total share capital of the Company was 28,698,864,088 shares, base on which and calculating at cash dividend of RMB0.18 (tax inclusive) per share, the Company is proposed to distribute cash dividend of RMB5.166 billion (tax inclusive) in aggregate. In case from the date of disclosure of announcement on profit distribution plan to the registration date for dividend distribution, there are changes in the total share capital of the Company

due to the conversion of convertible bonds, repurchase of shares, cancellation of repurchased shares granted under equity incentive schemes, cancellation of repurchased shares due to material asset restructuring, etc., the Company proposes to remain the total distribution amount unchanged, and to adjust the distribution proportion per share accordingly. If the total share capital of the Company changes subsequently, specific adjustments will be announced separately. The profit distribution plan is subject to the consideration and approval at the 2021 annual general meeting of the Company.

- 6 Statement for the risks involved in the forward-looking statements: this report contains forward-looking statements that involve future plans and development strategies which do not constitute a substantive commitment by the Company to investors. Investors should be aware of the investment risks.
- 7 Unless specified otherwise, the recording currency used in this report is Renminbi.
- 8 Major risk reminder: the major risk factors faced by the Company include strategic risks, market risks, product quality risks, exchange rate risks, overseas operating risks and industrial structure adjustment risks, which have been described in detail in this report. Please refer to the discussion and analysis on possible risks that the Company may face in its future development in "Report of Directors – B. Management Discussion and Analysis".



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Results Highlights

Revenue
RMB'000



2021:
225,731,755

2020:
227,656,041

-0.85%

Net profit
RMB'000



2021:
12,417,546

2020:
13,823,060

-10.17%

Net profit attributable to shareholders
of the Company
RMB'000



2021:
10,302,605

2020:
11,331,053

-9.08%

Basic earnings per share



2021:
0.36

2020:
0.39

-7.69%

Total assets
RMB'000



As at 31 December 2021:
426,826,499

As at 31 December 2020:
392,380,368

+8.78%

Total liabilities
RMB'000

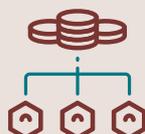


As at 31 December 2021:
244,534,993

As at 31 December 2020:
223,238,804

+9.54%

Total equity
RMB'000



As at 31 December 2021:
182,291,506

As at 31 December 2020:
169,141,564

+7.77%

Including: equity attributable
to shareholders of the Company
RMB'000



As at 31 December 2021:
148,574,346

As at 31 December 2020:
143,021,347

+3.88%

Shareholders' equity per share
RMB/share



As at 31 December 2021:
5.18

As at 31 December 2020:
4.98

+4.02%

Financial Summary

Items	2021 RMB'000	2020 RMB'000	2019 RMB'000	2018 RMB'000	2017 RMB'000 (Restated)
Revenue	225,731,755	227,656,041	229,010,833	219,082,641	211,012,935
Operating costs	179,303,892	176,954,601	176,149,897	170,526,021	163,154,065
Taxes and levies	1,685,931	1,756,246	1,938,170	2,038,395	2,113,899
Selling expenses	7,264,149	8,683,345	8,516,415	7,745,841	7,218,095
Administrative expenses	13,481,469	13,773,241	14,444,854	13,430,881	13,945,916
Research and development expenses	13,085,219	13,349,896	12,017,162	10,896,916	9,977,454
Financial expenses	380,159	829,091	373,201	1,279,396	1,253,364
Add: Other income	1,658,697	2,253,502	1,274,943	1,125,094	823,714
Investment income	242,491	739,658	2,153,377	2,053,926	2,694,308
Gains from changes in fair value	309,908	77,121	233,737	419,593	-330,511
Credit impairment losses	-41,615	-390,040	-3,613,736	-1,630,275	-
Assets impairment losses	-885,548	-864,794	-1,549,953	-1,407,475	-2,774,665
Gains on disposal of assets	1,016,195	1,193,045	1,753,202	1,008,776	966,038
Operating profit	12,831,064	15,318,113	15,822,704	14,734,830	14,729,026
Non-operating income	1,468,980	1,304,009	978,881	987,581	1,018,331
Non-operating expense	545,221	631,032	193,260	380,039	362,174
Profit before tax	13,754,823	15,991,090	16,608,325	15,342,372	15,385,183
Less: Income tax expenses	1,337,277	2,168,030	2,784,624	2,343,865	2,387,765
Net profit	12,417,546	13,823,060	13,823,701	12,998,507	12,997,418
Earnings per share					
Basic	0.36	0.39	0.41	0.39	0.38
Diluted	0.36	0.38	0.40	0.39	0.37
Assets and liabilities					
Total assets	426,826,499	392,380,368	383,572,485	357,523,050	375,206,468
Total liabilities	244,534,993	223,238,804	224,744,003	207,838,423	233,286,846
Total equity attributable to					
Shareholders of the Company	148,574,346	143,021,347	135,893,631	128,457,695	121,583,931
Total non-controlling interests	33,717,160	26,120,217	22,934,851	21,226,932	20,335,691
Total equity at the end of the period (shares)	28,698,864,088	28,698,864,088	28,698,864,088	28,698,864,088	28,698,864,088
Net cash flows from operating activities	20,592,700	-2,032,393	22,530,536	18,869,344	16,184,344

Chairman's Statement





Chairman's Statement



Dear investors,

On behalf of the board of directors of the Company, I hereby present the Annual Report 2021 of CRRC.

2021 marked the 140th anniversary of the founding of CRRC as well as the onset of the 14th Five-Year Plan. The Company has tackled the complex business situation with aplomb and completed various tasks. During the year, the Company fought the pandemic and overcame difficulties, maintaining a stable operating result and a more solid foundation for high-quality development. It demonstrated the responsibility of CRRC in serving the country's "six stabilities" and "six guarantees". Based on the new development stage, it has anchored the goal of building a respected world-class CRRC, forming a "14th Five-Year Plan" strategic planning system with accurate positioning, cohesion, clear boundary and complementary functions. By taking on the social responsibility of a central enterprise, deepening assistance in industry, consumption and education, as well as helping rural revitalization, CRRC has significantly improved its social image, social impact and social status. All these achievements are attributable to the strong support of our shareholders. On behalf of the board of directors, I would like to express my utmost sincere thanks to all investors!

In 2021, the Company has always been focusing on its responsibility of "prospering and serving the country with industry", and made firm steps in the new journey of high-quality development.

Firstly, the Company stabilised efficiency and created value by overcoming the deepening impact of the pandemic on the industry, overcoming the impact of rising raw material prices, strengthening operational control, actively improving quality and increasing efficiency, achieving stable results. CRRC's brand value amounted to RMB126.0 billion, which ranked first in the domestic machinery and equipment manufacturing industry.

Secondly, the Company has strengthened its innovation and improved its logistics, formulated and implemented the work plan for the source of original technologies in the field of advanced rail transit equipment sector and the head of modern industrial chains, accelerated the construction of national innovation center and further improved the scientific and technological innovation system. The high-speed maglev transportation system with a speed of 600 km/h has been selected the Top Ten Central Enterprises' Major Pillar of the Country in 2021.

Thirdly, the Company has consolidated the foundation and improved the quality, and deeply implemented the world class management improvement activities. We have been awarded the first prize of National Management Innovation Achievements. We have also issued the "double carbon" action plan to lead the green and low-carbon transformation and development.

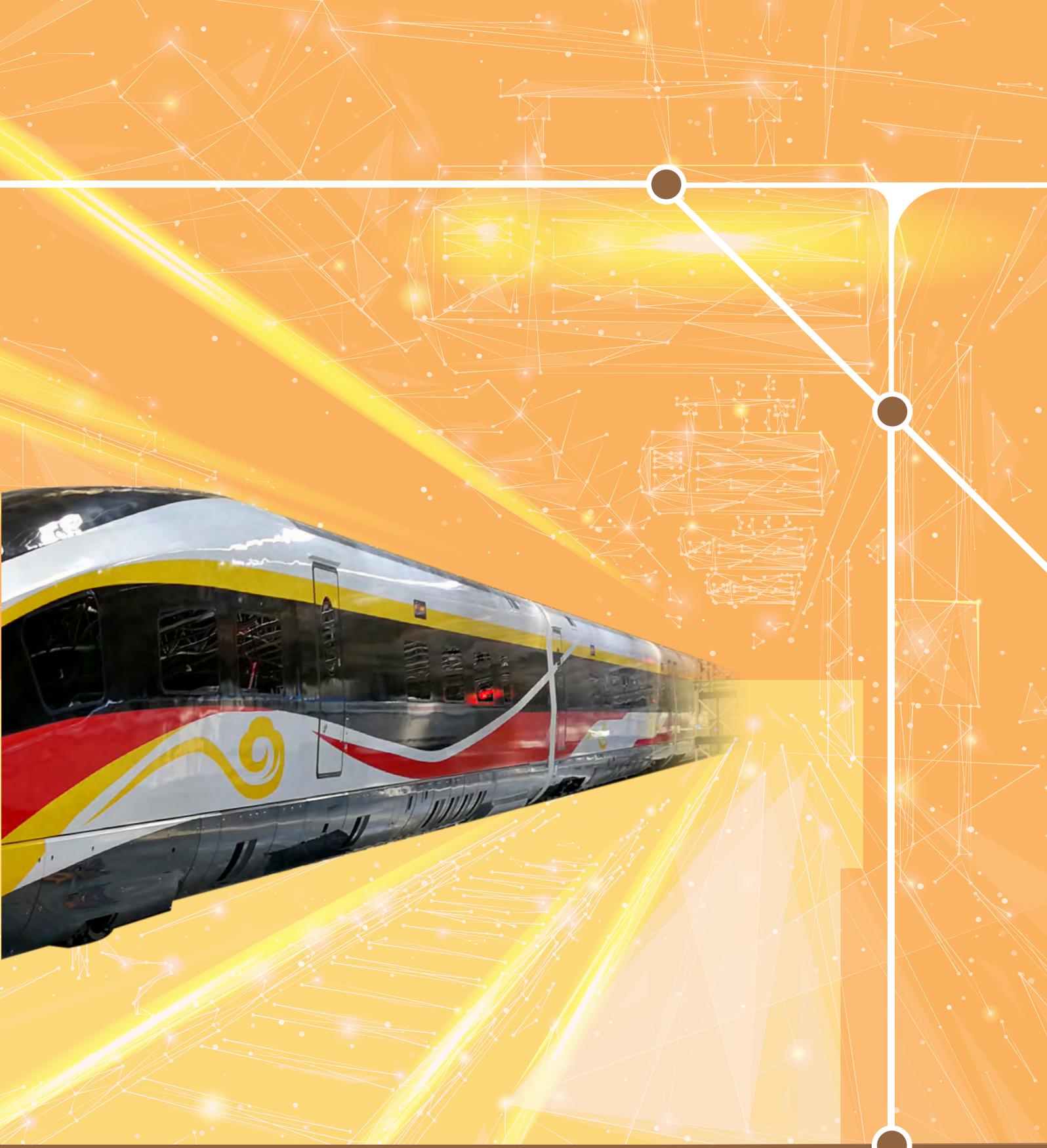
Fourthly, the Company has strengthened empowerment and promoted transformation. We adhered to the development of digital economy as the key increment of high-quality development, released the information development plan of the 14th Five-Year Plan, as well as accelerated the promotion of industrial digitization and digital industrialization. The "innovative application of rail transit vehicle positioning and control based on Beidou" was named the Top Ten Example Cases of Beidou Application of Central Enterprises.

2022 is the year of deepening the "14th Five-Year Plan" strategic plan. The Company will focus on achieving high-quality and stable growth, comprehensively promote the implementation of the "14th Five-Year Plan" strategy, adhere to the core position of scientific and technological innovation strategy, promote self-reliance and independence of higher-level science and technology, create synchronized development of the source of original technology and head of modern industrial chain, strive to improve management level and efficiency, give full impetus to CRRC's high quality development, and give back to the society, shareholders and employees, better development and better performance.

Sun Yongcai
March 2022

Report of Directors





Report of Directors

A. BUSINESS OVERVIEW

I. industry situation of the Company during the reporting period

Internationally, with the increasingly intensified reform of the rail transit industry and the restructuring and integration of global industry giants, the industry competition landscape has changed profoundly and the competition has become increasingly fierce. Domestically, the rail transit equipment market, construction of main line railways, and railway operation rights have been fully liberalized, and foreign investment thresholds have been further reduced. Various investment entities and operating entities of rail transit have become increasingly diversified, and business awareness has continued to increase. Some regions and some enterprises have accelerated the deployment of the entire rail transit industry chain and gradually formed the ability to provide system solutions. The new business situation of the rail transit industry has gradually become more competitive. With the continuous reform of railway passenger



Report of Directors

transport and freight transportation, modern integrated transportation system is undergoing rapid construction, demand for urban rail transit vehicles has been diversified, and users have higher requirements for the applicability, safety, reliability and comfort of rail transit equipment products. At the same time, the proposal of "Dual Carbon" goal has also opened up a broad space for the development of green transportation such as rail transit and new energy vehicles, as well as green energy industries such as wind power, photovoltaics, and hydrogen. In addition, the impact of the pandemic on passenger rail transport is still ongoing and will have a dampening effect on demand for passenger rail equipment. As the world's leading and most diverse rolling stock supplier and systematic solution provider with advanced technologies, CRRC should be market-oriented and customer-centric to optimize business structure, establish and improve the service system with full life cycle, accelerate the transformation of "manufacturing + service" and system solution provider, provide customers with more valuable products and services, and make contributions to build China into a country with strong production and transportation network leveraging on "CRRC Wisdom" and "CRRC Power".



II. business of the Company during the reporting period

The main scope of business of CRRC includes: research and development, design, manufacturing, refurbishment, sales, leasing and technical services of railway locomotives, MUs, urban rail transit vehicles, engineering machinery, various electromechanical equipment, electronic equipment and components, as well as electronic devices and environmental protection equipment; information consultation; industry investment and management; asset management; import and export business.

(I) Main business

1. Railway equipment business

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

Facing the global market, the Company stayed abreast of changes in the domestic and international railway transport market and trends in the development of technology with an aim to become a world-leading provider of systematic solutions for rail transportation equipment. The Company accelerated innovations in its technology, products, service and business models, and created a systematic, modular and standardized product platform and technology platform, with a view to continuously meeting the requirements for developing an advanced and widely-applicable railway system and for intelligent, environment-friendly and safe development. The position of the Company in the industry has been further consolidated, and the railway equipment business has developed steadily. To improve the quality and efficiency of development, the Company accelerated its business integration and structure adjustment, deepened reorganization of locomotive business, MUs business and passenger carriage business. The Company will continue to further its strategic cooperation with State Railway Group, and actively participate in the amendment of the articles and systems of the State Railway. Besides, it will give full play to the advantage in the integration of manufacturing, maintenance and service, deepen the aftermarket overhaul services, and accelerate and improve the service capacity of rail equipment products with full life cycle.

2. Urban rail transit vehicles and urban infrastructure business

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



Facing the global market, the Company seized new opportunities for the development of metropolitan areas and urban agglomerations, expedited innovations in urban rail transportation equipment technology and products to increase its core competitiveness. The Company created a systematic, modular and standardized product platform and technology platform, constantly consolidated and expanded domestic and international markets with high-quality products and services. The Company actively sought strategic cooperation opportunity, gave full play to its comprehensive advantages in equipment manufacturing, business portfolio and integration of industry and financing, focused on intelligent transportation, connectivity and intelligent city construction, vigorously developed the operation, maintenance and overhaul markets, and continued to expand into the service area, general contracting of electromechanical area, and operation and maintenance area. The Company carried out PPP business according to the industry norm, strengthened project management and control, and drove the development of urban rail transit vehicles and related business. The Company accelerated the integration of resources, promoted the combination of manufacturing and service, and made dedicated efforts in maintenance services.

3. New industry business

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

In the mechanical and electrical business, the Company strived to improve technology platform and the construction of industrial chain, and promote upgrade in core business technologies of rail transportation equipment with the focus on mastering core technologies, breaking through key technologies and increasing core competitiveness, and expedited the specialized and scale development of key systems and important spare parts in the industrial, transportation and energy fields. As to the emerging industry, the Company adhered to the principles of “relevance and multi-dimensions, high-end positioning and industry-leading position”, and strengthened resource allocation, gave full play to core technological advantages. The Company has developed emerging businesses, with businesses such as wind power equipment and new materials as its important growth poles, and businesses including environmental protection, industrial digital, heavy machinery, ship electric drives and marine engineering equipment as its important growth drivers. The new industries, which are experiencing steady development, has become an important part of the Company’s business.

4. Modern service business

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

By adhering to “integration of industry and financing, promoting industry with financing”, the Company strengthened risk control, standardized the construction of financial service platform, investment and financing platform as well as financial lease platform, and accelerated the integrated development of the manufacturing industry and the service industry. The Company made continuous efforts in the industry and financing platform. With funds as carriers and innovation in development models, the function of the physical business was increasingly highlighted. The Company developed its modern logistics service by expanding the scope of centralized procurement and promoting the extensive application of intelligent logistics in CRRC’s industrial chain. The Company continuously promoted the optimization and development of the “CRRC Procurement (中車購)” e-commerce platform and the CRRC supply chain management e-procurement platform. The “Enterprises-friendly Purchase (宜企拍)” has been optimized and upgraded following the principle of “professional, open, innovative and marketized”, and realized the “business + management” function.

5. International business

The Company has implemented the international operation and development plan under CRRC's 14th Five-Year Plan, improved the functions of the international business platform companies, and reformed and optimized the management structure of the platform companies. We have coordinated the pandemic prevention and control and operation management, and proactively expanded overseas rail transit and new industry markets according to the concept of "the complete equipment drives components, manufacturing industry drives service industry, general contracting drives industry chain and rail transit equipment drives non-rail transit equipment". We have also carried out greenfield investments, strategic mergers and acquisitions and joint-venture operation in accordance with the concept of "light assets, emphasis on efficiency and sustainable development", and put into practice the all-factor business mode of "product + technology + service + capital + management", promoted the "five-locals model", promoted the overseas franchising business and "tri-tiered multi points" business development, strengthened brand building and promotion, unleashed the power of the overseas R&D centers, and continuously improved its industry influence and discourse power.

(II) Major products

Product structure	Main product functions
MUs	Mainly include various electric multiple units and diesel multiple units at the speed of 200 km/hour and below, 200-250 km/hour, 300-350 km/hour and above, which are mainly used to provide main line railway and inter-city railway passenger transport services. On the basis of "import, digestion, absorption and re-innovation", the MU products represented by "Fuxinghao" have independent intellectual property rights.
Locomotives	Mainly include various DC driving and AC driving electric locomotives and diesel locomotives with the largest traction power of 28,800 KW and the highest speed of 200 km/hour, which are mainly used to provide passenger and goods transport services in main line railway. The Company's locomotive products have independent intellectual property rights.
Passenger carriages	Mainly include seater car, sleeping car, dining car, luggage van, generator car, special vehicles, plateau cars and double-deck railway passenger carriages at the speed of 120-160 km/hour, which are mainly used to provide passenger transport services in main line railway. The Company's passenger carriages have independent intellectual property rights.

Report of Directors

Product structure	Main product functions
Freight wagons	Mainly include various railway gondola trucks, box wagon, flatcar, tank truck, hopper car and other special goods transport trucks, which are mainly used to transport goods for main line railway and industrial and mining enterprises. The Company's freight wagons have independent intellectual property rights.
Urban rail transit vehicles	Mainly include subway vehicles, light-rail vehicles, urban (commuting) vehicles, monorail vehicles, maglev train, tramcar, rubber-tyred vehicles, smart rails, etc., which are mainly used to provide commuter and passenger transport services between cities and suburbs. The Company's urban rail transit vehicles have independent intellectual property rights.
Electrical and mechanical equipment	Mainly include traction electric driving and network control system, diesel engine, braking system, cooling and heat transfer system, train operation and control system, passenger information system, power supply system, gear assembly, etc., which are mainly used to complement with MUs, locomotives, urban rail transit vehicles, tracking engineering machinery products in main line railway and inter-city railway, and part of them are provided to third party customers as spare parts. All of the aforesaid products of the Company have independent intellectual property rights.
Emerging industries	Mainly include wind power equipment and parts (wind turbines, blades, gearboxes, towers, converters, wind power elastic supports, wind power super capacitors, etc.), new materials (vibration and noise reduction materials, light quantitative materials, aramid, etc.), and multi-industry complete machines, components, and parts products such as electric drive systems of new energy vehicles, environmental protection, industrial digital, heavy machinery, and marine engineering. All of the aforesaid products of the Company have independent intellectual property rights.



(III) Operation model

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

1. Production model: as the value of the product of rolling stock manufacturing industry per unit is comparatively high, its production model is to “limit production to sales”, meaning that the arrangement of production is based on purchase order contracts obtained from customers. Not only does this model avoid excess inventory of finished products, it also satisfies the needs of customers by arranging for production according to the particular order.
2. Purchasing model: a combination of centralized procurement and decentralized procurement is commonly used. For centralized procurement, it mainly adopts the “unified management, two-level concentration” management model in which purchase applications for bulk materials and key components are collected from all subsidiaries of the Company to form a centralized procurement plan for conduction of centralized supplier management assessment, purchase price management, procurement bidding management as well as centralized ordering and centralized settlement by the Company. For other materials, etc., the subsidiaries shall formulate procurement plans according to production requirements, and select appropriate suppliers and sign supply contracts through centralized organization of bidding and other methods to achieve centralized procurement. Whether it will be done by the Company or its subsidiaries, a centralized procurement shall be completed on the “CRRC Procurement” e-commerce procurement platform to realize open, transparent and traceable management of CRRC’s procurement business to ensure timely supply of raw materials for production and reduce procurement costs.
3. Sales model: take advantage of industry technologies to build and improve technology platforms and product platforms for a variety of rail transit equipment in response to user needs, and, for the purpose of providing safe, reliable and affordable products and services, actively participate in open tender or negotiated tender of users inside and outside China, sign supply contracts through bidding and rigorous business negotiations to form orders to guarantee quality and quantity and production on schedule and finally achieve sales.
4. Distribution of the industrial chain: the Company has a number of rolling stock equipment manufacturing bases and research bases at an international advanced level. The Company has formed a complete nationwide industrial chain and production system with the main machinery companies of high-speed MUs, locomotives, urban rail transit vehicles, passenger carriages and freight wagons as its core and supporting companies as its backbone.

5. Distribution of the value chain: the product value of the Company mainly lies in the value chain distribution system of the comprehensive rolling stock equipment with the production of high-speed MUs, high-power locomotives, urban rail transit vehicles, passenger carriages and freight wagons as well as the manufacturing and repairing of related supporting products as core value and supplemented with financial products, financial-related products and financial lease products.
6. Research and development model: the Company has two-level research and development management model of "centralizing research and development of technology, jointly developing products and building and sharing capability" in place.

(IV) Industry status

As the world's largest and most diverse rolling stock supplier with advanced technology, CRRC has consecutively ranked first in the world in terms of sales volume of rolling stock equipment for years. CRRC has actively implemented the strategy of building a powerful transportation country, and fully, accurately and comprehensively implemented the new development concept based on the new development stages. We served and integrated into the construction of a new development layout, actively adapted to the new environment and changes, seized market opportunities to accelerate the structural reform, transformation and upgrading. We made great efforts to achieve new breakthroughs in business layout, market expansion, scientific and technological innovation, reform and innovation, management improvement, integration of industry and finance and the party built "golden card" The position of rail transit equipment industry has been further consolidated.



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

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

IV. Analysis of the core competitiveness during the reporting period

1. Continued leading market position

Since its establishment, CRRC has focused on its principal responsibilities and major businesses, strengthened strategic leadership, deeply grasped opportunities, and actively responded to challenges. It has developed into the world's an advance, diverse rolling stock supplier with leading technology, and received great attention from leaders of the party and the state. The series of rolling stock equipment represented by Chinese standard high-speed MUs of "Fuxinghao" became the "golden card" of China's high-end equipment going global. In 2021, focusing on core business, pillar business, support business, platform business, and cultivating business, the Company further optimized business layout and enriched product offerings, with a more diversified business structure with rolling stock equipment as the core and strategic emerging industries as the main body. The Company continuously consolidated advantages in the railway equipment business, and developed the urban rail transit vehicles and urban infrastructure business. It also expanded new businesses such as electromechanical, wind power equipment and new materials, and achieved standardized development in modern service businesses, meeting and leading the diversified market needs. The Company continued to take a lead in the global rail transit equipment manufacturing industry in terms of economies of scale index, the revenue of rail transit equipment business ranked first in the world, and wind power equipment and polymer composite materials entered the forefront in China.

2. Innovation-driven technological capabilities

CRRC insisted on self-reliance in science and technology, and focused on the safety and stability of the industrial chain and supply chain. In accordance with the general requirement of the industry to move towards mid-to-high end, the Company strengthened the technological innovation system and capacity building, doubled its efforts in scientific and technological research, accelerated technology and product upgrades, and continued to enhance innovation leadership to achieve a major leap from falling behind and catching up to taking the lead. On 19 January 2021, General Secretary Xi Jinping praised when he took the Beijing-Zhangjiakou high-speed rail to Zhangjiakou to inspect the preparations for the Beijing Winter Olympics and Paralympics, "A successful example of our country's independent innovation is the high-speed rail, which grew out of nothing, from introduction, digestion, absorption and then innovation to independent innovation. It has now led the world." CRRC has built a product series of multiple units with completely independent intellectual property rights. The "Fuxinghao" series multiple units with a speed of 160-350 km/h have been fully put into operation. The plateau dual-

power source “Fuxinghao” multiple units were put into operation on the Lalin railway line, achieving full coverage of “Fuxinghao” in 31 provinces (including autonomous regions and municipalities) across the country. The high-speed maglev with a speed of 600 km/h, variable gauge cross-border interconnection high-speed multiple units with a speed of 400 km/h, freight multiple units with a speed of 350 km/h and first Chinese standard subway train has been rolled off. We have actively participated in the formulation and revision of international and domestic standards, presiding 8 international standards, 1 national standard and 4 railway industry standards. We vigorously carried out patent application, applied for 6,103 patents throughout the year. We have achieved the best result ever in the 22nd China Patent Awards by winning 2 gold awards, 2 silver awards and 13 excellence awards. Adhering to the development of digital economy as the key increment of high-quality development, we have established two digital enterprises, two digital workshops and eleven intelligent production lines.

3. Continuous release of benefits from reform

CRRC has actively promoted the continuous deepening of various reform tasks, continuously improved the top-level reform design, implemented major measures, and conducted various practices. We have successfully achieved the three-year phased goal of creating a world-class model enterprise, deeply promoted the three-year action of CRRC reform and the action of deepening the reform of market-oriented operation mechanism, and spared no effort to promote the reform. In 2021, the Company was named the project reform model state-owned enterprise in terms of “learning from the advanced, realizing the implementation and promoting the reform”, and listed one of the key publicity enterprises for the reform of state-owned enterprises by the Propaganda Department. The mixed ownership reform was actively and steadily promoted. The Zhuzhou Institute has become an example of the national “double hundred enterprises”. The reform experience of Yangtze River Group and Tangshan Company was selected into the case collection of “scientific reform example action” of the SASAC. The reform of the market-oriented





operation mechanism of “four complete and five capable” was launched in full swing, and the two guiding opinions of institutional reform and “two determinations and two excellence” were issued and implemented. The task of standardizing the construction and reform of the board of directors was fully completed. The management experience of “two systems and one contract” was selected into the first set of examples of deepening the reform of three systems by the SASAC. Times Electric technology has been listed on the STAR Market, which has enhanced the driving force of innovation and entrepreneurship.

4. The development direction of transnational operations

CRRC adhered to the path of internationalization, focused on rail transportation equipment business, took the “One Belt One Road” initiative and international production capacity cooperation as an opportunity, actively responded to challenges such as the complex and volatile international environment and accelerating industry competition. It also made every effort to expand the international market and build a respected international company, and has achieved new breakthroughs in product varieties, market areas, and output models. In 2021, the Company has overcome the series of adverse effects brought by COVID-19 and successfully broke through three new markets of Luxemburg, Greece and Ivory Coast. New orders were obtained from countries and regions such as UAE, Pakistan, Australia, New Zealand, the Netherlands, Guinea, Chile and Argentina. It has obtained additional purchase orders for centralized power MUs of China-Laos railway, completed the manufacturing and delivery of “Lancanghao” cars of China-Laos railway with high standards and high quality, ensured the smooth opening of China-Laos railway within the year, by which CRRC has contributed to the construction of “the Belt and Road and the landmark project of China-Laos friendship”, and further enhanced the market influence and demonstration effect of the Company along the “Belt and Road”. The “going out” model has been successfully practiced repeatedly to achieve sustainable market expansion.

Report of Directors







B. MANAGEMENT DISCUSSION AND ANALYSIS

I. Discussion and analysis of operation

2021 was the 140th anniversary of the founding of CRRC and the onset of the 14th Five-Year Plan, marking a milestone in the development history of the Company. In the face of the intertwined influence of the century changing situation and the overwhelming epidemic, the board of directors of the Company made scientific decisions, the management team made an all-out effort, and all employees worked tirelessly. By closely adhering to the “12368” business working concept¹, focusing on the “seven new breakthroughs”², as well as coordinating the epidemic prevention and control and business development, we have completed various tasks, and achieved a good start of the 14th Five-Year Plan.



- (l) Stabilising efficiency and creating value with generally stable operating results. In the face of the complex operating situation, with a firm grasp of the general direction of seeking progress while maintaining stability, the Company overcame the deepening impact of the pandemic on the industry and the impact of rising raw material prices, strengthened operational control, and actively improved quality and increased efficiency, and achieved basically stable results. The expected objectives of operating indicators such as operating net cash flow, gearing ratio, and R&D investment intensity have all been achieved. All levels at the Company have joined hands to undertake the mission and responsibility of steady growth.

¹ "12368" business directions: "1" refers to focusing on the one theme of high-quality development; "2" refers to stimulating the two forces of scientific and technological innovation and deepening reform; "3" refers to creating the three engines of "strengthening the foundation, empowering and climbing"; "6" refers to building six mechanisms: market-oriented operation mechanism, collaborative innovation mechanism, market co-expansion mechanism, business leading mechanism, resource sharing mechanism and industry finance interaction mechanism; "8" refers to eight key tasks, namely promoting business growth, market breakthrough, strategic guidance, management improvement, scientific and technological innovation, deepening reform, risk resolution and party building.

² "seven new breakthroughs": realizing new breakthroughs in business layout, market expansion, scientific and technological innovation, reform and innovation, management improvement, integration of industry and finance, and the construction of party building "golden card".

Report of Directors

- (II) Expanding markets and optimizing the layout, and actively promoting industrial development. By focusing on the main responsibility and main business, and fully exploring the market, the resilience and competitiveness of the industrial chain have been continuously improved. For the railway business, the Lalin railway was opened, the “Fuxinghao” successfully entered Tibet, the high-speed maglev train with a speed of 600 km/h was officially rolled off, and the intelligent “Fuxinghao” high-speed MUs of “Ruixue Yingchun (瑞雪迎春)” served the Beijing Winter Olympics. As for the urban transportation, the Company has made progress in the “product +” and “system +” modes with the supports of digitalization and intellectualization. For the strategic emerging business, the Company’s first fully independent roof photovoltaic project and the first industry finance interactive wind power system solution project have realized parallel power generation. The electric drive system of mining offloading truck has been put into the large tonnage mine truck market. For the international business, the first overseas PPP project – Mexico Metro Line 1 has been well implemented. “Green Giant (綠巨人)” and “Lancanghao” have been put into operation in China-Laos railway. As the Company’s first overseas vehicle merger enterprise, Zhuzhou Vossloh achieved profits during the year and made a breakthrough in the European market. It made a combination of “new manufacturing + maintenance + leasing”, and further consolidated its position as a “bridgehead” in the high-end market.
- (III) Consolidating the foundation and improving the quality, and continuously deepening the management enhancement. We deeply implemented the world class management improvement activities. We further promoted the base strengthening project and solidly carried out the project of “improving the poor performance and eliminating waste”. The project of “1618” to improve quality and efficiency has achieved remarkable results. The operating revenue of industrial intelligent logistics doubled year-on-year, and urban rail air conditioning realized cross project and cross enterprise centralized purchase for the first time. We explored the construction of treasurer system to improve the efficiency of capital allocation. Safety and quality management has been continuously strengthened, and product quality liability accidents have been continuously reduced. Safety, environmental protection and epidemic prevention works have achieved the “5 zeroes” goal³. We have released the “double carbon” action plan to lead the green and low-carbon transformation and development.

³ “5 zeroes” goal: achieving the goal of “5 zeroes” for the above equal-responsibility level production safety accidents, fire and explosion accidents, new on-the-job occupational diseases, emergency environmental incidents and gathering-caused epidemic infection incidents.

II. Major operation results during the reporting period

In 2021, the Company achieved revenue of RMB225.732 billion, representing a year-on-year decrease of 0.85%; net profit attributable to shareholders of the Company was RMB10.303 billion, representing a year-on-year decrease of 9.08%. As at the end of December 2021, total consolidated assets was RMB426.826 billion, representing a year-on-year increase of 8.78%; net assets attributable to shareholders of the Company was RMB148.574 billion, representing a year-on-year increase of 3.88%; the gearing ratio (This ratio is calculated by dividing the Group's total liabilities by its total assets as at 31 December 2021) was 57.29%, increased by 0.40% as compared with that at the beginning of the year. In 2021, the Company entered into new contracts in the value of approximately RMB221.0 billion, of which new international business contracts in the value of approximately RMB35.0 billion; as at the end of the period, orders in hand were in the value of approximately RMB220.3 billion, of which international business orders in hand were in the value of approximately RMB86.0 billion.

(I) Analysis of main business

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

Unit: '000 Currency: RMB

Item	Amount		Change (%)
	Amount for the current period	for the same period of previous year	
Revenue	225,731,755	227,656,041	-0.85
Operating costs	179,303,892	176,954,601	1.33
Selling expenses	7,264,149	8,683,345	-16.34
Administrative expenses	13,481,469	13,773,241	-2.12
Research and Development expenses	13,085,219	13,349,896	-1.98
Financial expenses	380,159	829,091	-54.15
Net cash flow from operating activities	20,592,700	-2,032,393	-
Net cash flow from investment activities	-13,685,364	312,779	-
Net cash flow from financing activities	7,110,955	-3,952,852	-

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2. Analysis of revenue and cost

Revenue decreased by 0.85% as compared to the same period of the previous year, mainly due to the decrease in revenue from urban rail transit vehicles and urban infrastructure.

Operating costs increased by 1.33% as compared to the same period of the previous year, mainly because operating costs increased at a slightly higher rate than revenue due to the different product mix, leading to a growth in total cost.

(1) Information on main business by industry, product, region and sales model

Unit: '000 Currency: RMB

By industry	Revenue	Operating costs	Gross profit margin (%)	Main business by industry		
				Increase/ decrease in revenue from the same period of the previous year (%)	Increase/ decrease in operating costs from the same period of the previous year (%)	Increase/ decrease in gross profit margin from the same period of the previous year
Railway transportation equipment and their extent industries	225,731,755	179,303,892	20.57	-0.85	1.33	Decreased by 1.70 ppt



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Unit: '000 Currency: RMB

By product	Revenue	Operating costs	Gross profit margin (%)	Main business by product		
				Increase/decrease in revenue from the same period of the previous year (%)	Increase/decrease in operating costs from the same period of the previous year (%)	Increase/decrease in gross profit margin from the same period of the previous year
Railway equipment	90,685,334	69,699,352	23.14	0.22	2.40	Decreased by 1.64 ppt
Urban rail transit vehicles and urban infrastructure	54,555,862	43,451,544	20.35	-6.01	-7.08	Increased by 0.91 ppt
New industry	71,820,826	59,899,171	16.60	0.14	5.86	Decreased by 4.51 ppt
Modern service	8,669,733	6,253,825	27.87	17.23	12.85	Increased by 2.80 ppt
Total	225,731,755	179,303,892	20.57	-0.85	1.33	Decreased by 1.70 ppt

Unit: '000 Currency: RMB

By region	Revenue	Main business by region	
		Increase/decrease in revenue from the same period of the previous year (%)	
Mainland China	205,697,355	-2.32	
Other countries or regions	20,034,400	17.41	

By sales model	Revenue	Operating costs	Gross profit margin (%)	Main business by sales model		
				Increase/decrease in revenue from the same period of the previous year (%)	Increase/decrease in operating costs from the same period of the previous year (%)	Increase/decrease in gross profit margin from the same period of the previous year
Sales by order	225,731,755	179,303,892	20.57	-0.85	1.33	Decreased by 1.70 ppt

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Explanation of main business by industry, by product, by region and by sales model

Revenue from the railway equipment business increased by 0.22% as compared to the same period of the previous year, mainly due to the increase in revenue from locomotive business and passenger carriage business. Operating costs increased by 2.40% as compared to the same period of the previous year, mainly because the growth in cost was slightly higher than the growth of revenue due to different product types.

Revenue from urban rail transit vehicles and urban infrastructure business decreased by 6.01% as compared to the same period of the previous year, mainly due to the decrease in the revenue from urban rail transit vehicles. Operating costs decreased by 7.08% as compared to the same period of the previous year, mainly because the operating costs decreased following the decrease in revenue.

Revenue from the new industry business increased by 0.14% as compared to the same period of the previous year, mainly due to the increase in revenue from general mechanical and electrical business. Operating costs increased by 5.86% as compared to the same period of the previous year, mainly because the growth in cost was slightly higher than the growth of revenue due to different product types.

Revenue from the modern service business increased by 17.23% as compared to the same period of the previous year, mainly due to the increase in revenue from leasing and logistics businesses during the period. Operating costs increased by 12.85% as compared to the same period of the previous year, mainly due to the operating costs increased following the increase in revenue.

Revenue of the Company decreased by 0.85% as compared to the same period of the previous year, and revenue from railway equipment business, urban rail transit vehicles and urban infrastructure business, new industry business and modern service business accounted for 40.17%, 24.17%, 31.82% and 3.84%, respectively, of total revenue. In particular, revenue generated by the locomotive business of the railway equipment business was RMB22.905 billion; revenue generated by the passenger carriage business was RMB10.699 billion; revenue generated by the MUs business was RMB41.099 billion; revenue generated by the freight wagon business was RMB15.982 billion; revenue generated by the urban rail vehicles of the urban rail transit vehicles and urban infrastructure business was RMB47.900 billion; revenue generated by wind power business of the new industry was RMB30.242 billion; revenue generated by the railway equipment repair and modification business of the railway equipment business was RMB34.000 billion. The Company sold 744 locomotives, 1,019 passenger carriages, 1,292 MUs, 33,739 freight wagons and 8,045 urban rail subways.

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During the reporting period, the Company's revenue from Mainland China decreased by 2.32%. Revenue from other countries or regions increased by 17.41%, mainly due to the increase in the revenue from overseas passenger carriages and urban rail subways during the period.

(2) Analysis of cost

Unit: '000 Currency: RMB

By industry	Amount for the current period	Proportion in total cost for the current period (%)	Amount for the same period of the previous year	Cost of main business by industry	
				Proportion in total cost for the same period of the previous year (%)	Proportion of change of amount for the current period as compared to amount for the same period of the previous year (%)
Railway transportation equipment and their extent industries	179,303,892	100.00	176,954,601	100.00	1.33%

Unit: '000 Currency: RMB

By product	Amount for the current period	Proportion in total cost for the current period (%)	Amount for the same period of the previous year	Cost of main business by product	
				Proportion in total cost for the same period of the previous year (%)	Proportion of change of amount for the current period as compared to amount for the same period of the previous year (%)
Direct materials	151,511,383	84.50	150,774,148	85.21	0.49
Direct labour costs	10,001,728	5.58	9,408,731	5.32	6.30
Manufacturing costs	10,336,097	5.76	10,110,877	5.71	2.23
Others	7,454,674	4.16	6,660,845	3.76	11.92
Total	179,303,892	100.00	176,954,601	100.00	1.33

(3) *Information on major customers and suppliers*

In 2021, the procurement by the Company from its top 5 suppliers amounted to RMB8.879 billion, accounting for 6.54% of the total amount of procurement for the year, of which procurement from related parties was RMB0, representing 0% of total procurement for the year.

In 2021, the sales of the Company to its top 5 customers amounted to RMB98.832 billion, accounting for 43.78% of the total sales of the Company for the year, of which sales from related parties was RMB0, representing 0% of total sales for the year.

Other descriptions

State Railway Group (including its affiliated railway bureau group company and its subsidiaries) is the largest customer of the Company, which accounted for 35.82% of the total sales of the Company for the year.

None of the Directors of the Company or their close associates or any shareholders holding more than 5% of the Company's share capital has any interest in the above suppliers or customers.

Relationship with customers:

Since the product unit value was relatively high, our sales method mainly consisted of participating in tenders or tender negotiations, through bidding in tenders, communication and negotiation based on historical prices in determining the final price and secure orders. Our sales customers were mainly railway and urban rail transportation operators. Railway customers were divided into railway customers and non-railway customers. Non-railway customers were mainly large-scale plants, mining groups and ports, etc., the demand of which shows a trend of a year-on-year increase. Such customers were fragmented and thus the Company was not over-reliant on them. Urban rail transit customers are rail transit operators in different cities and the number of operators has increased year by year. The customers are fragmented, and thus the Company was also not over-reliant on them. For the year ended 31 December 2021, approximately 43.78% of our products were sold to our five largest customers.

Relationship with suppliers:

Our principal raw materials and components were purchased through external procurements while some were supplied by internal production. We have established direct and stable supply channels with our major suppliers and external contracted production units. Since our suppliers were not highly concentrated, there was little risk of over-reliance on any single supplier. For the year ended 31 December 2021, approximately 6.54% of our products were manufactured by our five largest suppliers.



3. Expenses

Selling expenses decreased by approximately 16.34% as compared to the same period of the previous year, mainly due to the decrease in provision for the product quality warranty.

Administrative expenses decreased by approximately 2.12% as compared to the same period of the previous year, which was not a significant change.

Financial expenses decreased by approximately 54.15% as compared to the same period of the previous year, mainly due to lower foreign exchange losses resulted from the foreign exchange fluctuation.

4. R&D Investment

(1) Table of R&D investment

Unit: '000 Currency: RMB

Expensed R&D investment for the current period	13,085,219
Capitalized R&D investment in the current period	119,668
Total R&D investment	13,204,887
Proportion of R&D investment in revenue (%)	5.85
Proportion of R&D inputs capitalised (%)	0.91

(2) Table of R&D personnel

Number of R&D personnel in the Company	35,083
Number of R&D personnel as a percentage of the total number of personnel in the Company (%)	21.84
Academic structure of R&D personnel	
Education level	Number of people in education level
PhD	398
Postgraduate	9,978
Undergraduate and below	24,707
Age structure of R&D personnel	
Age group	Number of people in age group
Below 35	20,679
36 to 50	11,455
51 or above	2,949

(3) Description

In 2021, the Company organized and implemented a total of 13 projects in 7 research and development directions under the national advanced rail transit key projects. The Company has set up 8 collaborative innovation teams in the frontier areas of magnetic levitation, new materials, new energy, lightweighting and health management. In 2021, the Company also launched new products for rail transportation, such as locomotives, trucks and urban rail vehicles, new products for wind turbines, as well as 346 research and development projects for key systems and components. Various projects were progressing smoothly, which strongly supports the sustainable and healthy development of the Company.

5. Cash flow

The net cash flow from operating activities was a net inflow of RMB20.593 billion, compared to a net outflow of RMB2.032 billion in the same period of the previous year, mainly due to the decrease in the cash payment for purchase of goods and receipt of service during the reporting period as compared to the same period of the previous year.

The net cash flow from investing activities was a net outflow of RMB13.685 billion, compared to a net inflow of RMB313 million in the same period of the previous year, mainly due to the decrease in cash received for recovery of investments during the reporting period as compared to the same period of the previous year.

The net cash flow from financing activities was a net inflow of RMB7.111 billion, compared to a net outflow of RMB3.953 billion in the same period of the previous year, mainly due to the increase in cash received from the issuance of A shares and absorption of investments by Times Electric, a subsidiary, during the reporting period.

(II) Explanation on significant changes in profit resulting from non-principal business

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

(III) Analysis of assets and liabilities

1. Assets and liabilities

Unit: '000 Currency: RMB

Name of item	Amount at the end of the period	Amount at the end of the period as a percentage of total assets (%)	Amount at the end of the previous period	Amount at the end of the previous period as a percentage of total assets (%)	Proportion of change of amount at the end of the period compared to amount at the end of the previous period (%)
Cash and bank balances	48,585,115	11.38	33,492,359	8.54	45.06
Held-for-trading financial assets	10,694,693	2.51	5,799,390	1.48	84.41
Bills receivable	23,022,568	5.39	12,779,393	3.26	80.15
Debt investments	2,002,484	0.47	1,169,010	0.30	71.30
Other non-current financial assets	370,460	0.09	578,293	0.15	-35.94
Short-term borrowings	15,815,647	3.71	10,128,677	2.58	56.15
Receipts in advance	22,911	0.01	212,951	0.05	-89.24
Non-current liabilities due within one year	4,612,838	1.08	7,569,139	1.93	-39.06
Long-term borrowings	7,454,276	1.75	4,202,602	1.07	77.37

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Other descriptions

Cash and bank balances increased by approximately 45.06%, mainly due to centralized collection at the end of the year.

Held-for-trading financial assets increased by approximately 84.41%, mainly due to the increase in financial products purchased by the Company.

Bills receivable increased by 80.15%, mainly due to the increase in the commercial acceptance bill received.

Debt investments increased by approximately 71.30%, mainly due to the increase in the interbank negotiable certificates of deposit invested by Finance Company.

Other non-current financial assets decreased by approximately 35.94%, mainly due to the bond investment redemption on maturity.

Short-term borrowings increased by approximately 56.15%, mainly due to the increase in short-term bank borrowings of the Company.

Receipts in advance decreased by approximately 89.24%, mainly due to the decrease in Company's advance receipts for lease payments.

Non-current liabilities due within one year decreased by approximately 39.06%, mainly due to the decrease in the Company's bonds payable due within one year.

Long-term borrowings increased by approximately 77.37%, mainly due to the addition of long-term bank borrowings by the Company.

2. Material assets subject to restriction as at the end of the reporting period

For details, please refer to "69. Assets with restrictive ownership title or right of use" under "VII. Notes of Consolidated Financial Statements" in Financial Report.

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

Item	31 December 2021 (RMB '000)	31 December 2020 (RMB '000)
Foreign currency financial assets:		
Cash and bank balances	6,592,473	6,773,815
Held-for-trading financial assets	245,095	236,598
Accounts receivable	2,421,400	2,487,950
Other receivables	273,823	447,499
Other current assets	-	392,760
Debt investments (including those due within one year)	518,686	1,251,587
Long-term receivables (including those due within one year)	274,081	285,283
Other non-current financial assets	197,647	-
Other non-current assets	-	2,070,791
Total	10,523,205	13,946,283
Foreign currency financial liabilities:		
Short-term borrowings	3,083,909	2,840,607
Accounts payable	3,067,186	3,758,112
Other payables	1,527,707	3,811,546
Long-term borrowings (including those due within one year)	211,814	220,130
Bonds payable (including those due within one year)	-	2,344,463
Long-term payables (including those due within one year) (except for special account payables)	525	-
Lease liabilities (include those due within one year)	423,864	-
Total	8,315,005	12,974,858

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

(1) Significant capital expenditure

Item	From January to December 2021 (RMB'000)	From January to December 2020 (RMB'000)
Fixed assets	1,404,951	1,778,475
Construction in progress	5,347,596	6,454,407
Intangible assets	1,228,700	1,554,373
Development expenditures	13,276,501	13,579,237
Total	21,257,748	23,366,492

(2) Capital commitment

As at 31 December 2021, the capital commitments that the Group had contracted but not yet undertaken was RMB2,607 million, which will be used mainly for prepayments for property, plant, machinery and equipment, land leases and other intangible assets.

5. Detailed information on contingent liabilities of the Company

The Company has no significant contingent liabilities other than the guarantees provided by the Company as set out in the section headed "Significant Events-IV. Significant Contracts and Their Implementation" and those items as disclosed in Note XIV to the consolidated financial statements of this annual report.

6. Detailed information on mortgaged assets of the Company

Item	31 December 2021 Amount (RMB'000)
Cash and bank balances	2,478,414
Bills receivable	7,747,105
Accounts receivable	2,292,436
Receivables at FVTOCI	140,022
Contract assets	30,302
Long-term receivables	2,348,132
Fixed assets	207,447
Intangible assets	721,497
Other non-current assets	352,657
Total	16,318,012

7. Borrowings, corporate bonds and notes

As at 31 December 2021, the Group had total borrowings, bonds and notes of approximately RMB29,415 million, as compared to the total amount of approximately RMB23,141 million as at 31 December 2020.

As at 31 December 2021, out of the total borrowings, bonds and notes of the Group, RMB26,120 million was denominated in Renminbi, RMB2,107 million was denominated in USD, and RMB682 million was denominated in Euro.

The Group's long-term interest-bearing borrowings, bonds and notes and short-term interest-bearing borrowings, bonds and notes as at 31 December 2021 were RMB9,954 million and RMB19,461 million, respectively.

As at 31 December 2021, the total bank and other borrowings of the Group with floating interest rates amounted to RMB8,563 million, as compared to RMB5,754 million as at 31 December 2020.

	31 December 2021 Amount (RMB'000)	31 December 2020 Amount (RMB'000)
Within one year (starting date and ending date inclusive)	19,461,119	16,438,878
One to two years	4,862,785	2,112,063
Two to five years	2,842,111	3,090,018
Over five years	2,249,380	1,500,521
Total	29,415,395	23,141,480

8. Cash flow

As at 31 December 2021, the cash and cash equivalents owned by the Group amounted to approximately RMB43,278 million, of which RMB37,314 million was denominated in RMB; RMB2,721 million was denominated in USD; and RMB1,204 million was denominated in Euro.

(IV) Analysis of industrial and operational information

Please refer to “Report of Directors – A. Business Overview” and “Report of Directors – B. Management Discussion and Analysis – I. Discussion and analysis of operation” for relevant information.

(V) Analysis of investment

1. Overall analysis of external equity investment

As of the end of the reporting period, the long-term equity investment of the Company was RMB17.204 billion, representing an increase of RMB1.084 billion or 6.73% from the beginning of the year, which was mainly due to the Company’s addition investment in joint ventures and associates of RMB1.627 billion. For details, please refer to Note VII.15 Long-term equity investments to the financial statements.

(1) Significant equity investment

On 16 March 2021, the “Resolution on the Implementation of the Capital Increase by Way of an Open Market Transaction of CRRC Financial Leasing Co., Ltd.” was considered and approved at the 26th meeting of the second session of the Board of the Company. For details, please refer to the Announcement of “Resolutions of the 26th Meeting of the Second Session of the Board of Directors of CRRC Corporation Limited” published by the Company on 16 March 2021. As of now, the project is still under implementation.

(2) Significant non-equity investment

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

(3) Financial assets measured at fair value

Unit: '000 Currency: RMB

	Opening balance	Gains/losses from changes in fair value during the current period	Aggregate changes in fair value included in equity	Provision for impairment loss during the current period	Other changes increase/ decrease during the current period	Closing balance
1. Held-for-trading financial assets	5,799,390	293,574	-	-	4,601,729	10,694,693
Including: derivative financial assets	2,428	661	-	-	-	3,089
Including: certificate of deposits	4,190,475	78,336	-	-	3,862,920	8,131,731
Including: equity instrument Investment	1,606,487	214,577	-	-	738,809	2,559,873
2. Other equity instrument investment	2,662,850	-	161,812	-	172,676	2,997,338
Including: listed equity instrument investment	1,131,167	-	63,168	-	-50,357	1,143,978
Including: non-listed equity instrument investment	1,531,683	-	98,644	-	223,033	1,853,360
3. Receivables at FVTOCI	8,164,214	-	-96,284	7,064	2,484,121	10,552,051
Including: accounts receivable	1,471,159	-	-36,045	7,064	-93,504	1,341,610
Including: bills receivable	6,693,055	-	-60,239	-	2,577,625	9,210,441
4. Other non-current financial assets	578,293	16,334	-	-	-224,167	370,460
Including: preference share and perpetual bond	578,293	16,334	-	-	-224,167	370,460
Subtotal of financial assets	17,204,747	309,908	65,528	7,064	7,034,359	24,614,542

(VI) Significant sale of assets and equity

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

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

Unit: '000 Currency: RMB

Company name	Product and scope of main business	Registered capita	Total assets at the end of the period	Net profit from		Revenue from January to December 2021	Operating profit from January to December 2021
				Net assets at the end of the period attributable to the shareholders of the parent company	Net profit from January to December 2021 attributable to the shareholders of the parent company		
CRRC Sifang	R&D and manufacturing of railway MUs, passenger carriages and urban rail transit vehicles; and repair services for railway MUs and high-end passenger carriages etc	4,509,795	68,023,065	18,702,856	2,435,975	38,012,606	2,870,820
CRRC Changchun	Design, manufacturing, repair, sale and lease of railway passenger carriages, MUs, urban rail transit vehicles and the accessories thereof, as well as related technical services and technical consultancy etc.	5,807,947	60,699,594	21,119,303	2,025,559	30,019,104	2,218,369
CRRC Zhuzhou	R&D and manufacturing of railway electric locomotives, MUs and urban rail transit vehicles etc.	5,455,090	34,510,761	11,173,473	1,270,873	23,553,983	1,478,816
CRRC ZELRI	Research and manufacturing on electric drive and control technologies related to rail transit and relevant electrical equipment; and research and development and manufacturing of railway locomotives and accessories thereof etc.	8,446,840	74,883,449	20,524,335	869,541	36,227,172	2,218,347

(VIII) Structured entities controlled by the Company

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

(IX) Use of proceeds from H Shares

As approved by the "Reply in relation to the Approval of China CNR Corporation Limited to Issue Overseas Listed Foreign Shares" (CSRC Permit [2014] No. 404) issued by CSRC, CNR issued through its public offering 1,939,724,000 (including over-allotment) overseas listed foreign shares (H shares) in May 2014 and the proceeds raised totaled HKD10.028 billion. As of 31 December 2021, the proceeds of H shares used by the Company in aggregate were approximately HKD10.060 billion, the actual use is as follows: to increase capital contribution of approximately HKD6.640 billion into subsidiaries, to replenish its working capital and repay bank loans of approximately HKD3.157 billion, to finance the product research and development expense of approximately HKD60 million and to pay issuance costs of approximately HKD203 million, which are in line with use of proceeds disclosed previously. As of 31 December 2021, interest of bank deposits received for the proceeds from issuance of H shares amounted to HKD115 million in total and the proceeds not yet used by the Company raised through issuance of H shares, plus interests thereon accrued, amounted to HKD83 million. It is expected that the proceeds of HKD83 million will be used to finance the product research and development expense and replenish the working capital by 2023, which is in line with the use of proceeds as disclosed previously.

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

(I) Landscape and trend of the industry

1. Macro policy

Entering the 14th Five-Year Plan period, China has been calmly responding to the century changes and the overwhelming epidemic, and taking new steps in building a new development layout. New achievements in high-quality development have been made, and a good start for the 14th Five-Year Plan has been laid. Economic development and epidemic prevention and control have maintained a leading position in the world. The growth of the national strategic scientific and technological capacity has accelerated, and the resilience of the industrial chain has been improved. Reform and opening-up have been advanced in depth, the protection of people's livelihood has been strong and effective, and the construction of ecological civilization has been continuously promoted. On the other hand, China's economic development faces the triple pressure of shrinking demand, supply shock and weakening expectation. Under the impact of the epidemic, the evolution of the century changes has accelerated, and the external environment has become more complex, severe and uncertain. The development of the Company is also facing challenges such as changes in the market demand orientation of the industry, intensified competition in the industry, and the reform of scientific and technological innovation system. Meanwhile, the fundamentals of the world economy maintains a restorative growth, and China's strong economic resilience and long-term improvement have not changed. The country has accelerated the construction of a new development layout, promoted high-quality development, deeply implemented the major strategies such as powerful transportation and manufacturing countries, coordinated and promoted the reform of state-owned enterprises to realize the benefits of reform. In general, CRRC's development is still in an important period of strategic opportunities.

In the “14th Five-Year Plan for National Economic and Social Development of the People’s Republic of China and the Outline of Long-term Objectives for 2035” published in March 2021, it was proposed to accelerate the construction of a powerful manufacturing country with strength in product quality, promote the deep integration of advanced manufacturing industry and modern service industry, strengthen the supporting and leading role of infrastructure, and build a modern industrial system with coordinated development of real economy, scientific and technological innovation, modern finance and human resources; consolidate and improve the competitiveness of the whole industrial chain in areas like high-speed rail based on the advantages of industrial scale, supporting advantages and first mover advantages in some fields, and build a strategic global industrial chain from complete machine products in line with the direction of industrial reform in the future; implement the pilot enterprise cultivation project and cultivate a number of leading enterprises with ecological leadership and core competitiveness; cultivate advanced manufacturing clusters and promote the innovative development of advanced rail transit equipment and other industries. It was also proposed to promote the R&D and application of CR450 high-speed Chinese standard MUs and Chinese genealogy standard subway trains. It was proposed to speed up the construction of a powerful transportation country, build a modern comprehensive transportation system, promote the integrated development of various modes of transportation, and improve the network effect and operation efficiency; improve the comprehensive transportation channels, strengthen the construction of strategic main channels towards Xinjiang and Tibet, the central and western regions, and areas along rivers, coasts and borders, orderly promote the upgrading and expansion of channels with limited capacity, and strengthen the connectivity with neighboring countries; build a fast network and basically connect the “eight vertical and eight horizontal” high-speed railways; improve the mail line network, speed up the construction of ordinary speed railways and the electrification transformation of existing railways, and optimize the railway passenger and freight layout; promote the integration of transportation in city agglomerations and metropolitans, accelerate the construction of intercity railways and municipal (suburban) railways, and orderly promote the development of urban rail transit; improve the traffic accessibility and promote regional railway construction; build a multi-layer integrated comprehensive transportation hub system, optimize the layout of hub stations, promote intensive and comprehensive development, improve the collecting and distribution system, and develop intermodal transportation of passengers and goods.

2. Industry policy

The Outline for Building China's Strength in Transportation (《交通強國建設綱要》) published by the CPC Central Committee and the State Council in September 2019 stated that by 2035, a modern and comprehensive transportation system will have been basically formed, a "national 123 transportation circle" (one-hour commute in urban areas, two-hour travel between the cities of a conurbation, and three-hour reachability of major cities nationwide) and a "global 123 fast movement of goods circle" (one-day domestic delivery, two-day delivery to neighboring countries, and three-day delivery to global major cities) will have been basically established, the transportation technology innovation system will have been basically built with the installation of advanced and safe transportation key equipment, and the international competitiveness and influence of transportation will have been significantly improved. The transportation equipment should be advanced and applicable, sound and controllable. The research and development of new types of vehicles should be strengthened, and major breakthroughs in 30,000-ton heavy-duty trains and high-speed wheel-rail freight trains at a speed of 250 km/hour should be achieved. The Outline also promoted new energy, clean energy, intelligent, lightweight, environmentally friendly transportation equipment and full sets of technical equipment, and widely application of emerging equipment and facilities such as intelligent high-speed railways, etc.

The Planning Outline of the National Comprehensive Three-Dimensional Transportation Network (《國家綜合立體交通網規劃綱要》) published by the CPC Central Committee and the State Council in February 2021 stated that by 2035, a modern and high-quality national comprehensive threedimensional transportation network with the feature of being convenient, smooth, economic, efficient, green, intensive, intelligent, advanced, safe and reliable will have been basically formed, the goal of international and domestic connectivity, three-dimensional accessibility in national major cities, effective coverage of county-level points will have been achieved, and the "national 123 transportation circle" and "global 123 fast movement of goods circle" will have been strongly supported. Through the construction of comprehensive three-dimensional transportation network with the railway as the artery, the highway as the base, and the comparative advantage of waterway and civil aviation being fully played, by 2035, the total physical line length of the national comprehensive three-dimensional transportation network will reach about 700,000 kilometers. Total length of the national railway network will reach about 200,000 kilometers, of which about 70,000 kilometers will be covered by high-speed railways (including part of inter-city railways) and about 130,000 kilometers will be covered by ordinary-speed railway (including part of urban railways); the high-speed railway network with the "eight vertical and eight horizontal lines" high-speed artery railways as the framework, and the regional high-speed railways being connective, and the ordinary-speed railway network with certain vertical and horizontal ordinary-speed artery railways as the framework, and the regional ordinary-speed railways being connective will be built; the intercity railway network in key urban agglomerations including Beijing-Tianjin-Hebei Region, Yangtze River Delta, Guangdong-Hong Kong-Macao Greater Bay Area and two-city economic circle in the Chengdu and Chongqing regions will

be completed first, followed by the gradually building of inter-city railway network in other urban agglomerations; the high-speed maglev railway layout and test line construction among megacities will be researched and advanced. The Company will strengthen the traffic connection of the 4 poles of the Beijing-Tianjin-Hebei, the Yangtze River Delta, the Guangdong-Hong Kong-Macao Greater Bay Area, and the Chengdu-Chongqing region twin-city economic circle, the 8 areas in the middle reaches of the Yangtze River, the Shandong Peninsula, the west coast of the Straits, the Central China, Harbin and Changchun, South Central Liaoning, the Beibu Gulf and the Central Shaanxi Plain, and the 9 clusters including Hohhot, Baotou, Ordos and Yulin, Central Guizhou, Central Yunnan, Central Shanxi, Northern Tianshan Mountain, Western Lanzhou, Ningxia along the Yellow River, Lhasa and Kashgar, to build the main skeleton of the national comprehensive three-dimensional transportation network consisting of 6 main axes, 7 corridors and 8 passages.

In the “14th Five-Year Plan for the Development of Modern Comprehensive Transportation System” issued on 9 December 2021, it was proposed to promote the application of advanced transportation equipment, promote advanced and applicable transportation equipment, carry out the R&D and application of CR450 high-speed Chinese standard MUs and Chinese genealogy standard subway trains, and promote the technical equipment of railway heavy haul transportation; promote the R&D of new equipment such as underwater robots and deep diving equipment; promote the development of intelligent storage and distribution facilities and equipment; consolidate and enhance the competitiveness of the whole industrial chain in high-speed rail and other fields, and create Chinese standards and Chinese brands in the areas of rail transit and other technical equipment. It was proposed to consolidate the foundation for innovation and development, promote the self-reliance and independence of transportation science and technology, strengthen the R&D of key core technologies in the area of transportation, accelerate the R&D of key components such as bearings, basic technology platforms and software and hardware systems, and promote the realization of independent control and industrialization; strengthen forward-looking and strategic technical research reserves in the area of transportation, and carry out research and demonstration of high-speed maglev technology. It was proposed to comprehensively promote the green and low-carbon transformation, adhere to the concept that clean environment is valuable, give priority to ecology, comprehensively promote the green and low-carbon transformation in the whole life cycle of transportation planning, design, construction, operation and maintenance, jointly promote pollution and carbon reduction, form a long-term mechanism for green and low-carbon development, and make transportation more environmental friendly and travel in a more low-carbon manner.

3. Industrial investment planning

According to the Statistical Communique of the People's Republic of China on the 2021 National Economic and Social Development, official websites of National Railway Administration of China and the 2021 Statistical Bulletin of State Railway Group, in 2021, fixed asset investment of railway nationwide amounted to RMB748.9 billion, of which RMB661.6 billion were national railway; 4,208 km of new railway lines has been put into operation, of which 2,168 km were high-speed railway lines. By the end of 2021, the national railway mileage in operation exceeded 150,000 km, of which high-speed rail mileage exceeded 40,000 km. The volume of passenger and freight transportation continued to growth. In 2021, the total number of passengers transported by railways across the country reached 2.61 billion, representing a year-on-year increase of 18.5%; total volume of cargos delivered by railways nationwide was 4.72 billion tons, representing a year-on-year increase of 5.9%. Of which, passenger delivery volumes by State Railway Group reached 2.533 billion, representing a year-on-year increase of 16.9%; cargo delivery volumes by State Railway Group reached 3.726 billion, representing a year-on-year increase of 4.0%. According to the statistical bulletin published by the China Association of Metros in January 2022, as of the end of 2021, there was an aggregate of 50 cities in mainland China (excluding Hong Kong, Macau and Taiwan) commencing the urban rail transit operation lines with a distance of 9,192.62 km. Among them, the length of subway is 7,253.73 kilometers, accounting for 78.9%. In 2021, Luoyang, Jiaxing, Shaoxing, Wenshan Prefecture and Wuhu were newly added as five urban rail transit operation cities. The length of newly added urban rail transit operation lines was 1,222.92 km, 39 new operation lines were added, and 23 extension sections and rear sections of existing lines were newly opened.

In 2022, the country would complete in full the railway investment task, and promote national key projects such as the Sichuan Tibet railway with high quality. New lines to be put into operation would be over 3,300 kilometers (including about 1,900 kilometers of ordinary speed railway). It was estimated that the number of passengers carried by the State Railway Group amounted to 3.038 billion, with a year-on-year increase of 20%, and the number of goods carried was 3.804 billion tons, with a year-on-year increase of 2.1%. In 2021, the NDRC approved a new round of urban rail transit construction planning in Foshan, Qingdao and Wuxi, involving a total length of 314.6 kilometers and a new investment of RMB223.354 billion.

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

(II) Development strategies of the Company

The “14th Five-Year” strategic plan: based on the new development stage, it will implement the new development concept, and build a new development pattern. By taking the promotion of high-quality development as the theme, and with reform and innovation as the fundamental driving force, it will practice the strategy of the construction of China into a powerhouse of science and technology, manufacturing, transportation and quality. It will work to create an innovation-driven “five modernizations” (namely, digitalization, high-end, multi-polarization, internationalization, and coordination) business development system, and efficient and compliant management system of “five forces” (namely, strategic leadership, organizational reform strength, value creativity, brand influence, risk prevention and control), and strong party building and leading system of “five guarantees” (namely, political guarantee, ideological guarantee, organizational guarantee, talent guarantee, discipline guarantee). It will build new CRRC with good development prospects, excellent operating performance, beautiful social image, high happiness index, and strong party building leadership, and become a world-class high-end equipment manufacturer and systematic solution provider with rail transit equipment as its core and global competitiveness.

1. Railway equipment business

While highlighting global competitiveness, innovation, influence and control, the Company works to establish a full-factor market management philosophy, maintain domestic market share, and stabilize the number one place in the global industry scale. It will deepen the follow-up cooperation strategy with major customers such as the State Railway Group, actively adapt to the development trends of high-speed, heavy-load, service-based, intelligent-oriented, and green development, and continue to enhance the market response, product development and quality assurance capabilities of the main railway line, and provide strong support for China's railway transportation safety and equipment innovation and upgrading. It will build a collaborative and integrated after-sales service system, deepen the construction of parts centers, forming an integrated after-sales service solution. It will also carry out in-depth product maintenance and overhaul technology research, vigorously expand the maintenance business, and strengthen and improve the overhaul business. It will enhance product life cycle service capabilities, build a product life cycle technology and cost framework system, build a life cycle management big data platform, and accelerate the transition from manufacturing to "manufacturing + service".

2. Urban rail transit vehicle and urban infrastructure business

The Company will conduct in-depth research and overall planning of the top-level design of eight smart urban rail systems, promote serialized demonstration applications of Chinese standard subway trains, and actively develop new-standard small and medium-sized urban rail equipment such as trams, maglev, monorail, APM, etc., to help the development of new urbanization. It will vigorously develop mainline railways, inter-city railways, urban (suburban) railways, and urban rail transportation equipment that adapt to the integrated development of multi-level, multi-mode, and multi-standard rail transit systems to meet the diverse needs of the development of urban agglomerations and metropolitan areas in China. It will give full play to the Company's overall advantages, strengthen planning and design consulting, mechanical and electrical integration and general contracting, construction project general contracting and consulting, operation services and consulting, investment and financing support, gradually forming the entire industry chain systematic solution capability of the rail transit industry.

3. New industry business

The Company will accelerate the serialization, genealogy, standardization, and modularization of core systems and key components, enhance core competitiveness, and expand the global market, creating individual champions and invisible champions. Through independent innovation, restructuring, and mergers and acquisitions, it will accelerate the completion of shortcomings in the communication signal business. By emphasizing specialization, scale, growth and high-quality development, it will focus on transportation, energy, and industry, and expand and cultivate strategic emerging businesses in accordance with the principles of “resource coordination, high-end positioning, classified management, superior advancement and inferior retreat”. It will strengthen innovation drive, stimulate the vitality of the main body, integrate key resources, promote coordinated development, and form competitive products, and strive to build wind power equipment, new materials businesses into pillar businesses with prominent industry positions, good economic benefits, and obvious supporting roles, which are important business growth driver of the Company. It will strengthen industrial research, integrate innovative elements, build core capabilities, enhance vitality, and cultivate and develop mining vehicles, digitalization, multimodal transportation, cold chain and other businesses, which will become the new business growth point of the Company.

4. Modern service business

The Company will highlight the supporting role, driving role, synergy effect, and risk prevention and control. Based on the principle of overall benefit maximization of CRRC, it will focus on serving the main business industry, innovate business models, optimize the allocation of elements, standardize internal operations, and steadily develop modern service businesses. In accordance with the principles of marketization, standardization and co-construction, sharing and win-win outcome, it will standardize the development of centralized procurement and supply chain services, capital centralized services, information-based construction and asset management, operation and maintenance services, technical research services which are forward-looking, common and basic, and internal support businesses including general engineering contracting. It will insist on moving away from virtuality to reality, promote the integration of industry and finance, promote production with financing, raise production with financing, integrate internal and external resources, prevent major risks, improve professional capabilities, and steadily develop platform businesses such as financial services, financial leasing, and PPP franchising, and comprehensively improve systematic solution capabilities, driving the development of the Company’s rail transit equipment business and strategic emerging business.

5. International business

The Company shall build an organizational structure and control system suitable for the international operation, strengthen the internationalization infrastructure and promote the synergistic sharing of information, marketing and manufacturing resources. In accordance with the principle of “complete machines drive components, manufacturing drives services, rail transportation drives strategic emerging, and turnkey drives the industry chain”, the Company will continue to expand the scale and market share of its overseas operations by leveraging on its advantage as a dominant enterprise as a traction driver. By establishing a sound marketing network and mastering international business rules flexibly, the Group will enrich market development methods, make full use of the resource capacity of overseas organisations, and build up the ability to provide system solutions that meet the needs of the target market, using the host enterprises of rail transportation equipment to drive the supporting enterprises and the whole industry chain to “go global”. The Group will also actively compete in the international market for strategic emerging industries and continues to expand the international market for wind power equipment, new materials and other business areas. The Group will also strengthen product and technology development in target markets, expand business models and standardise the operation of overseas PPP and E&M turnkey businesses.

(III) Operation plans

2021 marked the onset of CRRC’s implementation of the 14th Five-Year Plan development strategies. Based on the new development stages, the Company has comprehensively implemented the new development concept, constructed a new development layout, and adhered to the general direction of seeking progress while maintaining stability. With the theme of high-quality development, we constantly stimulated the two forces of innovation and reform, created the three engines of “strengthening the foundation, empowering and climbing”, accelerated the construction of six mechanisms, and drove deeply the eight key tasks. In the face of extremely severe business environment, the Company took the initiative and made every effort to explore domestic and international markets, strengthened operational control, actively improved quality and increase efficiency, overcame the deepening impact of the pandemic on the industry and the impact of rising raw material prices, and achieved generally stable results.

In 2022, the Company will continue to face a more complex operating situation. The Company will insist on stabilising efficiency and creating value, and implement the “14th Five-Year Plan” development strategy, with the main operating ideas and targets being: to continue to adhere to the general direction of “seeking progress while maintaining stability, completely, accurately and comprehensively implementing the new development concept, serving to build a new development layout, focusing on “seven new breakthroughs” with the theme of high-quality development, grasping “two keys” and stimulating “three driving forces”, pay close attention to the “key works in eight aspects”, maintain stability in operating results, and strive to create a new situation in all aspects of business development.

(IV) Potential risks

1. Strategic risks

Currently, the domestic railway transportation reform continues to deepen. The reform of the corporate system of the State Railway Group and other railway bureaus has been completed. The structural changes in customer demand for railway equipment have accelerated, and the scope and proportion of autonomous maintenance of railway equipment have continued to expand, further standardising the inspection and maintenance procedures of MUs. With the gradual refinement of the division of labor in society and the continuous improvement of the technical standards of rail transit equipment, user demands are changing from a single rolling stock to the integration of full-cycle services; the bidding method has gradually changed from a single rolling stock procurement to a general contracting and PPP model, and the value structure of the rail transportation industry chain has changed: new materials, new technologies and new processes are used for rail transportation equipment, and there is even more urgent need for development in the direction of systematic, light weight, high-speed heavy loading and green intelligence. These changes may lead to a lot of uncertainties in the market environment and room for development, which will bring risks to the Company's strategic and operational goals.

Response measures: Collect information, in a timely manner, of industrial policy or industrial planning which is in relation to the Company's operation; conduct proper studies on policy and trend and positively deal with possible changes in policies and industrial planning; Strengthen the development of new products, develop new business models, and actively create value for customers; strengthen internal management; improve operation and management standards of the Company; reduce operating costs; endeavour to improve operational efficiency and enhance ability to mitigate policy risks.

2. Market risks

For the domestic market, the rail transit equipment market, main line railway construction and railway operation rights have been fully liberalized. The willingness for social capital to invest in the rail transit equipment sector has increased significantly. State-owned, private, and foreign enterprises have entered the rail transportation field one after another, cross-border competition has become the norm, and competition within the industry has become more intense. With the rapid development of new technologies and new business forms, domestic railway passenger and freight transportation is constantly optimized in terms of the market, service and innovation, and market demand may undergo structural adjustment. The COVID-19 pandemic may have periodical impact on the Company's production organization, parts and materials supply, and product delivery cycle. The prices of some bulk raw materials are in a continuous upward trend, and the Company's profit target will continue to be under pressure. For the international market: the global railway transportation industry is undergoing deep integration, the industry giants are accelerating their reshuffle and frequently conducting reorganization and integration, and the market competition is intensifying. The rising international trade protectionism intensifies international competition within the industry, and increases uncertainty and uncontrollable factors in the international market. Demand of the global rail transit industry is expected to continue to decline in 2022. International political and economic factors may lead to the increasing product costs and make it more difficult to obtain orders, and the Company's "internationalization" strategy will face more challenges.

Response measures: Proactively communicate with major clients; collect information relating to domestic economy, politics and the industry timely; conduct proper studies of market trends; by adhering to innovation-driven, extending the industrial chain, and providing systematic service solutions, optimize the industrial structure of the Company and expand new business models. Continue to promote product cost optimisation, strengthen benchmarking management, dig deeper into cost reduction projects, and promote the achievement of cost reduction and efficiency enhancement targets. Make good top-level planning, strengthen the research and practice of worldwide corporate governance structure and multinational management control models, and improve management of cross-border operation; establish business platform, continue to implement the "five-locals model", accelerate the five-in-one international operation, rely on core export companies and platform companies, fully increase the breadth and depth of overseas market development, and improve the global industrial network; strengthen organizational mobilization, commission our emergency response plans, invest in resources to fully respond to the pandemic, perform well in communicating with upstream and downstream customers, to reduce the adverse impact on the Company's operations.

3. Product quality risks

In the railway market, a “trinity” safety guarantee mechanism covering related personnel, materials and technologies has been earnestly constructed by major clients to ensure railway safety, thus posing higher standards for the safety and reliability of rail transportation product quality and brought more challenges for the Company’s constantly improving product lineage and continuous deepening of technological innovation. The Company is a rail transit equipment enterprise, and most of its products are related to the interests of the public. With a large number of MUs put into use, the quality and operational safety of the Company’s products will become the focus of continuous attention of the society, and product quality issues may cause the public to property losses or casualties. Any major safety and quality issues may have an adverse impact on the Company, and even impact the development of the industry within a certain period of time.

Response measures: Make overall plans and strengthen the physical quality control of products. With CRRC’s Q quality standard as the core, we will strengthen the quality and safety precautions in the design process, refine the quality and safety control of the production process, stabilize the quality assurance ability during the product realization process, and ensure the stability of the product quality. We will promote the digital transformation of quality management and enhance the quality and safety of production. We will strengthen supply chain quality risk management to ensure that hidden quality and safety hazards are effectively controlled at the source of product realization. We will continuously carry out the rectification of product source quality problems, promote the implementation of quality and safety responsibility system, improve the emergency guarantee mechanism for safety and quality problems, improve the response speed and coordination level of responding to emergencies and emergency rescue, and reduce the harm and impact caused by the incident.

4. Foreign exchange risks

With the accelerated pace of internationalization of the Company, product exports, overseas investments, mergers and acquisitions and other activities will further increase, which may trigger various risks due to exchange rate fluctuations. For example, in light of fluctuating international financial environment, the movement of exchange rate is difficult to predict, and the Company may suffer exchange losses; and since some overseas product items are settled in non-major currencies, it is difficult to hedge against exchange risks; uncertain foreign exchange collection time makes it more difficult in the adoption of hedging. In 2022, due to the uncertainty of economic development, the possibility of significant exchange rate fluctuation still exists, which will affect the competitiveness of the projects and the benefits of the contracted projects to a certain extent.

Response measures: The Company will pay close attention to the trend of exchange rate movements, establish the concept of exchange rate risk neutral management and strengthen the risk prevention awareness of relevant personnel by establishing a whole process exchange rate risk management mechanism, carrying out internal hedging of foreign exchange risks, and adhering to the principle of hedging and reasonable use of foreign exchange derivatives, so as to strengthen the role of its Hong Kong subsidiary in the settlement of overseas funds, and continuously reduce exchange rate risks.

5. Overseas operating risks

Amid the spread of the COVID-19 overseas, the Company's overseas business is restricted in terms of import and export, which may hinder the planned technical communication and bid clarification, and may cause the owners to postpone or cancel their visit plan. In addition, the negative impacts such as overseas labor shortage, overseas parts supply interruption, shortage of shipping resources, uncontrollable shipping cycle and increased project costs continue, which have an adverse impact on the operation of the Company's existing overseas business.

Response measures: Innovate market development approaches and methods, and make full use of local resources such as overseas subsidiaries and local partners to strengthen the development of target markets. Facing difficulties in departures, we will strengthen contacts with domestic general contractors, design institutes, and trading companies by making effective use of "cloud platform", and drive foreign trade with domestic resources; at the same time, we will continue to improve overseas marketing models and explore expansion in overseas market participation model. We will establish a long-term tracking mechanism for market project information, thereby effectively maintaining relationships with customer, and policy insurance mechanisms such as Sinosure will be used to control the risk of payment collection after the project is implemented.

6. Industrial structure adjustment risks

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

Response measures: The Company has established a special institution to research on the reform plan in the rail transportation sector. According to the principle of adopting different strategies for different sectors and through methods including business restructuring, capacity shrinking, inspire the dynamisms of the Company, gradually build a structure of resource sharing and win-win mutual development, promote deeper integration from "physical changes" to "chemical changes" for enterprises that were restructured and integrated, so that the reform can give full play to its effectiveness, and continue to optimize the deployment of rail transportation resources, thus achieving the maximization of resource efficiency and interests of the Company.

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

Formulation, execution or adjustment of cash dividend policy

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

On 30 March 2021, the Company held the twenty-seventh meeting of the second session of the Board, pursuant to which the 2020 Proposal for Profit Distribution Plan of CRRC was considered and approved to distribute cash dividends to all shareholders based on the total share capital registered on the registration date for dividend distribution. As of 31 December 2020, the total share capital of the Company was 28,698,864,088 shares, base on which and calculating at cash dividend of RMB0.18 (tax inclusive) per share, the Company is proposed to distribute cash dividend of RMB5.166 billion (tax inclusive) in aggregate, and the remaining undistributed profit will be carried forward for next year’s distribution. The Company’s cash dividends for 2020 accounted for 46% of the Company’s net profit attributable to shareholders of listed company in 2020. On 18 June 2021, the resolution was approved at the 2020 annual general meeting of the Company. On 13 August 2021, the profit distribution plan for 2020 was implemented.

On 30 March 2022, the Company held the fourth meeting of the third session of the Board, pursuant to which the 2021 Proposal for Profit Distribution Plan of CRRC was considered and approved to distribute cash dividends to all shareholders based on the total share capital registered on the registration date for dividend distribution (the specific date will be clarified in the announcement on the implementation of dividend distribution). As of 31 December 2021, the total share capital of the Company was 28,698,864,088 shares, based on which and calculating at cash dividend of RMB0.18 (tax inclusive) per share, the Company is proposed to distribute cash dividend of RMB5.166 billion (tax inclusive) in aggregate, and the remaining undistributed profit will be carried forward for next year’s distribution. The Company’s cash dividends for the year accounted for 50% of the Company’s net profit attributable to shareholders of listed company in 2021. In case from the date of disclosure of announcement on profit distribution plan to the registration date for dividend distribution, there are changes in the total share capital of the Company due to the conversion of convertible bonds, repurchase of shares, cancellation of repurchased shares granted under equity incentive schemes, cancellation of repurchased shares due to material asset restructuring, etc., the Company proposes to remain the total distribution amount unchanged, and to adjust the distribution proportion per share accordingly. If the total share capital of the Company changes subsequently, specific adjustments will be announced separately. The profit distribution plan is subject to the consideration and approval at the 2021 annual general meeting of the Company.

If the proposal for profit distribution mentioned above is considered and approved by the general meeting of the Company, it is expected that the Company will pay dividends in cash on or before 12 August 2022. When the specific time is determined for convening the general meeting, the Company will make a separate announcement on further details regarding the closure of the registration of members of the H Shares and the expected cash dividend payment date, if updated, in respect of the relevant dividend distribution.

V. Tax and Tax Relief

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

According to "Notice on Issues Concerning the Collection and Administration of Individual Income Tax After the Repeal of Guo Shui Fa [1993] No. 045" Guo Shui Han [2011] No.348 issued by the State Administration of Taxation, the Company shall withhold and pay individual income tax for dividend payable to individual H shareholders. Individual H shareholders are entitled to the relevant preferential tax treatment pursuant to the provisions in the tax agreements between the countries where they are residents and China or the tax arrangements between mainland China and Hong Kong (Macau). If the individual H shareholders are Hong Kong or Macau residents or residents of the countries having an agreed dividend tax rate of 10% with China, the Company shall withhold and pay the individual income tax at a rate of 10%. Should the individual H shareholders be residents of the countries having an agreed dividend tax rate of less than 10% with China, the Company would apply for entitlement of the relevant agreed preferential tax treatment on their behalf in accordance with the announcement in relation to the administrative measures on preferential treatment entitled by non-residents under tax treaties (Announcement of the State Administration of Taxation [2009] No. 35) 《(關於發佈〈非居民納稅人享受協定待遇管理辦法〉的公告》(國家稅務總局公告[2009]35號)) of the State Administration of Taxation. Should the individual H shareholders be residents of the countries having an agreed dividend tax rate exceeding 10% but lower than 20% with China, the Company shall withhold and pay the individual income tax at the actual agreed rate. In the cases of individual H shareholders who are residents of countries having not entered into any tax agreement with China or otherwise, the Company shall withhold and pay the individual income tax at a rate of 20%.

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

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

VI. Connected Transactions

(I) Non-exempt connected transactions and continuing connected transactions

1. Entering into the Entrustment Agreement and the Creditor's Rights Transfer Agreement, and provision of the performance guarantee and entering into of the Counter Guarantee Agreement

On 18 July 2021, Zhuzhou Locomotive (a wholly-owned subsidiary of the Company) entered into the Entrustment Agreement with CRRC Zhuzhou Electric Locomotive Industrial Management Co., Ltd. (中車株洲電力機車實業管理有限公司) (a wholly-owned subsidiary of CRRC GROUP) ("Zhuzhou Locomotive Industrial") in respect of 100% equity interest of CRRC ZELC SA PTY LTD. (南非中車株機有限公司) (a wholly-owned subsidiary of the Company prior to the effective date of the Entrustment Agreement) (the "Target Company"), and entered into the Creditor's Rights Transfer Agreement with Zhuzhou Locomotive Industrial in respect of the creditor's rights in relation to the account receivables of the Group (excluding the Target Company and/or its subsidiaries (the "Target Group")) accrued from the Target Group in the ordinary course of business. Upon the effective date of the Entrustment Agreement, the Target Company ceased to be consolidated in the consolidated financial statements of the Company and the Target Company ceased to be a subsidiary of the Company. Zhuzhou Locomotive has provided and would continue to provide performance guarantee for the Target Group upon the effective date of the Entrustment Agreement. In this regard, Zhuzhou Locomotive entered into the Counter Guarantee Agreement with CRRC GROUP on 18 July 2021.

On 18 July 2021, Zhuzhou Locomotive entered into the Entrustment Agreement with Zhuzhou Locomotive Industrial, pursuant to which Zhuzhou Locomotive has agreed to entrust Zhuzhou Locomotive Industrial and Zhuzhou Locomotive Industrial has agreed to accept the entrustment for managing 100% equity interest of the Target Company held by Zhuzhou Locomotive, for a long-effective term from the effective date of the Entrustment Agreement. The pricing basis for the entrustment transaction was RMB171,896,821.56, and the final transaction price was RMB185,687,280.92 (adjusted according to the increase in the amount of equity attributable to the owners of the parent company as shown in the financial statements of the Target Company prepared in accordance with the PRC Accounting Standards for Business Enterprises for the period from 31 December 2020 (exclusive) to the effective date of the Entrustment Agreement). Upon the effective date of the Entrustment Agreement, the Target Company ceased to be consolidated in the consolidated financial statements of the Company and the Target Company ceased to be a subsidiary of the Company.

The Target Group is principally engaged in the supply of locomotives and locomotive parts under the Locomotive Supply Contracts and has no intention to engage in further business other than the aforementioned project supply. Considering the changes in the local market and business environment in South Africa, the operation of the Target Group is subject to certain risks and uncertainties. Through the entrustment arrangement, the Group can avoid its exposure to the relevant risks of the Target Group, which is conducive to enhancing the operating benefits of the Group and protecting the interests of the Shareholders of the Company, in particular its minority Shareholders.

On 18 July 2021, Zhuzhou Locomotive and Zhuzhou Locomotive Industrial entered into the Creditor's Rights Transfer Agreement, pursuant to which Zhuzhou Locomotive has agreed to transfer and Zhuzhou Locomotive Industrial has agreed to acquire the Creditor's Rights of the Target Group which were accrued and enjoyed by Zhuzhou Locomotive as at the date of signing of the Creditor's Rights Transfer Agreement in the total amount of RMB3,089,252,581.55.

In order to avoid the possible capital appropriation by related parties arising from the entrustment of 100% equity interest in the Target Company, Zhuzhou Locomotive transferred the Creditor's Rights of the Target Group to Zhuzhou Locomotive Industrial to achieve the early recovery of account receivables.

Prior to the entering of the Entrustment Agreement, in respect of the performance obligations of the Target Group under the Locomotive Supply Contracts, Zhuzhou Locomotive applied to Bank of China Limited and China Construction Bank Corporation respectively for the issuance of advance payment guarantee in favour of the owner under the Locomotive Supply Contracts. The amount of the advance payment guarantee is limited to the relevant amount of advance payment already obtained by the Target Group from the owner, and the amount of guarantee obligation shall be reduced accordingly with the delivery of locomotives by the Target Group. As of 31 December 2021, the outstanding amount of the guarantee under the advance payment guarantee of Bank of China and China Construction Bank was approximately ZAR1.492 billion in total (equivalent to approximately RMB598 million calculated by the exchange rate as at 31 December 2021).

Prior to the entering of the Entrustment Agreement, in respect of the performance obligations of the Target Group under the Locomotive Supply Contracts, Zhuzhou Locomotive had also provided the parent guarantee to the owner. Pursuant to the parent guarantee, if the Target Group fails to perform its obligations under the Locomotive Supply Contracts, Zhuzhou Locomotive shall be jointly and severally liable for the compensation liability of the Target Group under the Locomotive Supply Contracts. The maximum amount of compensation liability borne by Zhuzhou Locomotive was ZAR2.886 billion (equivalent to approximately RMB1.155 billion calculated by the exchange rate as at 31 December 2021).

On 18 July 2021, Zhuzhou Locomotive and CRRC GROUP entered into the Counter Guarantee Agreement, pursuant to which CRRC GROUP shall assume counter guarantee obligations for the guarantee obligations of Zhuzhou Locomotive under the Guarantees with all of its assets, and shall assume joint and several reimbursement obligation for all payments made by Zhuzhou Locomotive for fulfilling its guarantee obligations and all expenses incurred to realize the right of recovery. If Zhuzhou Locomotive has borne the guarantee obligations under the guarantees, Zhuzhou Locomotive is entitled to recover the amount directly from CRRC GROUP. The guarantee period of the counter guarantee is two years from the date of actual performance of the guarantee obligations by Zhuzhou Locomotive.

It is in line with the international commercial practice for Zhuzhou Locomotive, as the shareholder of the Target Company, to provide performance guarantees for the Locomotive Supply Contracts of the Target Group. Pursuant to the Guarantees, on 18 July 2021, the total outstanding amount of the performance guarantees provided by Zhuzhou Locomotive for the Target Group shall be no more than ZAR4.378 billion (equivalent to approximately RMB1.753 billion calculated by the exchange rate as at 31 December 2021). In addition, pursuant to the Counter Guarantee Agreement, CRRC GROUP also provided Counter Guarantee for the guarantee obligations of Zhuzhou Locomotive under the Guarantees to Zhuzhou Locomotive, thus the guarantee obligations of the Group under the Guarantees are capped and are at lower risk.

On 18 July 2021, CRRC GROUP was the controlling shareholder of the Company directly holding 51.35% of the shares of the Company, and was thus a connected person of the Company under the Hong Kong Listing Rules. Zhuzhou Locomotive was a wholly-owned subsidiary of the Company and Zhuzhou Locomotive Industrial was a wholly-owned subsidiary of CRRC GROUP. Accordingly, the entering into of the Entrustment Agreement and the Creditor's Rights Transfer Agreement between Zhuzhou Locomotive and Zhuzhou Locomotive Industrial constituted connected transactions of the Company under Chapter 14A of the Hong Kong Listing Rules.

As the highest applicable percentage ratio in respect of the transaction under the Entrustment Agreement exceeded 0.1% but was less than 5%, such transaction was subject to the reporting and announcement requirements under Chapter 14A of the Hong Kong Listing Rules but was exempt from the independent shareholders' approval requirement. As the highest applicable percentage ratio in respect of the transaction under the Creditor's Rights Transfer Agreement exceeded 0.1% but was less than 5%, such transaction was subject to the reporting and announcement requirements under Chapter 14A of the Hong Kong Listing Rules but was exempt from the independent shareholders' approval requirement.

Upon the effective date of the Entrustment Agreement, the Target Company will become a subsidiary of CRRC GROUP. Therefore, the Target Company will become a connected person of the Company under Chapter 14A of the Hong Kong Listing Rules. The provision of the Performance Guarantee by Zhuzhou Locomotive to the Target Group constitutes the financial assistance provided by the Company to its connected person, therefore, the Guarantees and the transactions thereunder will become continuing connected transactions of the Company. Pursuant to Rule 14A.60 of the Hong Kong Listing Rules, the continuing connected transactions of the Company under the Guarantees are subject to the annual review and disclosure requirements including publishing an announcement and annual reporting under Chapter 14A of the Hong Kong Listing Rules. When renewing or revising the terms of the Guarantees, the Company shall comply with all the requirements for connected transactions under Chapter 14A of the Hong Kong Listing Rules.

The provision of the counter guarantee by CRRC GROUP to Zhuzhou Locomotive under the Counter Guarantee Agreement constitutes the financial assistance provided by a connected person of the Company. As the counter guarantee will be provided on normal commercial terms and will not be secured by the Group's assets, pursuant to Rule 14A.90 of the Hong Kong Listing Rules, the Counter Guarantee is fully exempt from the reporting, annual review, announcement and independent shareholder's approval requirements under Chapter 14A of the Hong Kong Listing Rules.

For details of the above transaction, please refer to the connected transaction announcement dated 18 July 2021 published by the Company on the website of the Stock Exchange.

2. Entering into the Land Arrangement and Compensation Agreement in Relation to CRRC Sifang's Factory Site

On 5 December 2019, CRRC Sifang Co., Ltd.* (中車四方車輛有限公司) ("CRRC Sifang Company") entered into the Land Arrangement and Compensation Agreement in Relation to CRRC Sifang Company's Factory Site ("Land Arrangement and Compensation Agreement") with CRRC Science and Technology Park (Qingdao) Co., Ltd.* (中車科技園(青島)有限公司) ("Science and Technology Park Qingdao Company"). Pursuant to the Land Arrangement and Compensation Agreement, Science and Technology Park Qingdao Company agreed to pay the compensation amount of RMB2,400,004,717 to CRRC Sifang. As of December 31, 2021, the last phase of land has been delivered. By executing this transaction, CRRC Sifang Company aims to revitalise its assets of low and no efficiency, optimise the corporate asset structure, reduce the management cost and financial risks, and respond to the general strategic goal of "Ecology City, Beautiful Qingdao" of Qingdao City. At the same time, by executing this transaction, the Company can receive corresponding cash inflow, which is beneficial to the Company's activities and safeguards the implementation of in-depth reform and high quality development of the Company. On 5 December 2019, CRRCG was a controlling shareholder holding, directly and indirectly, 50.73% of the shares of the Company, thus a connected person of the Company under the Hong Kong Listing Rules. CRRC Sifang Company is a wholly-owned subsidiary of the Company, and Science and Technology Park Qingdao Company is an indirect wholly-owned subsidiary of CRRCG, therefore the entering into of the Land Arrangement and Compensation Agreement by CRRC Sifang Company with Science and Technology Park Qingdao Company constitutes a connected transaction of the Company under Chapter 14A of the Hong Kong Listing Rules. Pursuant to Rule 14A.81 of the Hong Kong Listing Rules, the transaction should be aggregated with the previous transactions. Following the aggregation, as the highest of the applicable percentage ratios in respect of the Land Arrangement and Compensation Agreement calculated pursuant to the Hong Kong Listing Rules exceeds 0.1% but is less than 5%, the transaction is subject to annual reporting and announcement requirements but is exempt from independent shareholders' approval requirement under Chapter 14A of the Hong Kong Listing Rules. For details of the above transaction, please refer to the connected transaction announcement dated 5 December 2019 published by the Company on the website of the Stock Exchange.

(II) Non-exempt continuing connected transactions

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

The Company and CRRCG entered into the Product and Service Mutual Provision Framework Agreement on 26 April 2018, pursuant to which CRRCG and/or its associates will sell raw materials, accessories, components, equipment, packing materials and other products, and provide repairing, training, processing, greening, security, sanitation and business consulting services to the Group. The Group will sell raw materials, accessories, components, equipment, vehicles, energy resource and other products, and provide repairing, installing, training, processing, greening, security, sanitation, project contracting, project operation and business consulting services to CRRCG and/or its associates. The agreement has an effective term from 1 January 2019 to 31 December 2021. Given that the Agreement has expired on 31 December 2021, in order to better regulate such continuing connected transactions, the Company and CRRCG renewed the Product and Service Mutual Provision Framework Agreement on 30 March 2021, for an effective term from 1 January 2022 to 31 December 2024.

Under the Product and Service Mutual Provision Framework Agreement: (i) the annual caps for the amounts paid by CRRCG and/or its associates for provision of products and services by the Group for each of the three years ended 31 December 2021 amounted to RMB5,000 million, RMB7,000 million and RMB7,000 million, respectively; and (ii) the annual caps for the amounts paid by the Group for provision of products and services by CRRCG and/or its associates for each of the three years ended 31 December 2021 amounted to RMB4,000 million, RMB4,500 million and RMB5,000 million, respectively.

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

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

For details of the above non-exempt continuing connected transaction, please refer to the continuing connected transaction announcements dated 26 April 2018 and 30 March 2021 published by the Company on the website of the Stock Exchange.

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

The Company and CRRCG entered into the Property Leasing Framework Agreement on 26 April 2018, pursuant to which CRRCG and/or its associates lease their lawfully owned properties to the Group and the Group leases its lawfully owned properties to CRRCG and/or its associates. The agreement has an effective term from 1 January 2019 to 31 December 2021. Given that the Agreement has expired on 31 December 2021, in order to better regulate such continuing connected transactions, the Company and CRRCG renewed the Property Leasing Framework Agreement on 30 March 2021, for an effective term from 1 January 2022 to 31 December 2024.

Under the Property Leasing Framework Agreement, (i) the annual caps for the amounts paid by the Group for leasing of properties from CRRCG and/or its associates for each of the three years ended 31 December 2021 amounted to RMB500 million, RMB500 million and RMB600 million, respectively; and (ii) the annual caps for the amounts paid by CRRCG and/or its associates for leasing of properties from the Group for the three years ended 31 December 2021 amounted to RMB400 million, RMB400 million and RMB500 million, respectively.

As the properties leased between the Group and CRRCG are complementary in terms of geographical location, the Company considers that it is in the interest of the Group to enter into the aforesaid transactions with CRRCG to ensure the stable provision and usage of the property leasing business of the Company. In addition, CRRCG is familiar with the business needs of the Company and the transactions between the parties, and will therefore minimise the administrative costs of the Group.

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

For details of the above non-exempt continuing connected transaction, please refer to the continuing connected transaction announcements dated 26 April 2018 and 30 March 2021 published by the Company on the website of the Stock Exchange.

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

Finance Company and CRRCG entered into the Financial Services Framework Agreement on 26 April 2018, pursuant to which Finance Company will provide deposit services, credit services and other financial services to CRRCG. The agreement has an effective term from 1 January 2019 to 31 December 2021. Given that the Agreement has expired on 31 December 2021, in order to better regulate such continuing connected transactions, Finance Company and CRRCG renewed the Financial Services Framework Agreement on 30 March 2021, for an effective term from 1 January 2022 to 31 December 2024.

Under the Financial Services Framework Agreement: (i) the maximum daily deposit balance (including accrued interests) in respect of the provision by Finance Company of deposit services to CRRCG and/or its associates for each of the three years ended 31 December 2021 amounted to RMB20,000 million, RMB21,000 million and RMB22,000 million, respectively; (ii) the maximum daily balance of credit (including accrued interests) in respect of the provision of credit services by Finance Company to CRRCG and/or its associates for each of the three years ended 31 December 2021 amounted to RMB8,500 million, RMB12,000 million and RMB15,000 million, respectively; and (iii) the annual caps for the amounts received by Finance Company for provision of miscellaneous financial services to CRRCG and/or its associates for each of the three years ended 31 December 2021 amounted to RMB200 million, RMB300 million and RMB400 million, respectively.

Finance Company is a non-bank financial institution of the Group under the supervision of the relevant regulatory authorities and has a well-functioning internal control and risk management system. Finance Company is also familiar with the operations of CRRCG, which is advantageous for Finance Company in providing CRRCG with custom-made and efficient financial services. The entering into of the Financial Services Framework Agreement is also beneficial for Finance Company to expand its financing channels, enhance its efficiency of fund usage and reduce its financing cost. Furthermore, the interest rates for credit services under the Financial Services Framework Agreement are set pursuant to the normal commercial terms and in the interests of the Company and the shareholders. CRRCG is a large state-owned enterprise under the direct management of the State-owned Assets Supervision and Administration Commission and holds a sound reputation in the financial market. Taking into account the creditworthiness of CRRCG, and on the condition of strict risk control of Finance Company, the Company considers that providing credit services to CRRCG through Finance Company is a low-risk fund investment option and will generate a considerable return for the Group.

Report of Directors

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

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

The provision of loans and other credit services by Finance Company to CRRCG constitutes a financial assistance provided by the Company to its connected person, and therefore constitutes a connected transaction. As the highest applicable percentage ratio in respect of the provision of credit services under the Financial Services Framework Agreement exceeds 5% on an annual basis, the credit services to be provided by Finance Company to CRRCG are therefore subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules. As the highest applicable percentage ratio in respect of the provision of credit services under the Financial Services Framework Agreement exceeds 5% but is less than 25%, the credit services to be provided by Finance Company to CRRCG also constitutes a discloseable transaction of the Company under Chapter 14 of the Hong Kong Listing Rules.

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

For details of the above non-exempt continuing connected transaction, please refer to the continuing connected transaction announcements dated 26 April 2018 and 30 March 2021 and circulars dated 15 May 2018 and 18 May 2021 published by the Company on the website of the Stock Exchange.

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

The Company confirms that the actual transaction amounts of the above non-exempt continuing connected transactions did not exceed the relevant caps in 2021. Please refer to the table below for details.

No.	Category of connected transactions	Unit: million Currency: RMB	
		Annual cap for 2021	Actual transaction amount for 2021
1.	Purchase of products and services by the Group under the Product and Service Mutual Provision Framework Agreement with CRRCG and/or its associates	5,000.00	822.80
2.	Sale of products and provision of services by the Group under the Product and Service Mutual Provision Framework Agreement with CRRCG and/or its associates	7,000.00	5,154.19
3.	Rental payment by the Group under the Property Leasing Framework Agreement with CRRCG and/or its associates	600.00	147.04
4.	Rental received by the Group under the Property Leasing Framework Agreement with CRRCG and/or its associates	500.00	6.24
5.	Maximum daily balance of credit (accrued interest included) in respect of the credit services provided by the Finance Company under the Finance Services Framework Agreement between the Finance Company and CRRCG and/or its associates	15,000.00	14,770.64
6.	Charges for miscellaneous financial services provided by the Finance Company under the Financial Services Framework Agreement between the Finance Company and CRRCG and/or its associates	400.00	0.25

Report of Directors

(III) Annual review of non-exempt continuing connected transactions

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

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

- (1) in the ordinary course of business of the Group;
- (2) conducted on normal commercial terms or more favorable terms; and
- (3) conducted on the terms of the relevant transaction agreements (including but not limited to the pricing policy and mechanism), which are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The independent non-executive Directors ensure that:

- (1) the methods and procedures established by the Company are sufficient to ensure that transactions are conducted on normal commercial terms and not prejudicial to the interests of the Company and its minority shareholders; and
- (2) the Company has appropriate internal control procedures in place and its internal auditing unit will review the above continuing connected transactions.

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

- (1) have not been approved by the listed issuer's board of directors;
- (2) were not, in all material respects, in accordance with the pricing policies of the listed issuer's group if the transactions involve the provision of goods or services by the listed issuer's group;
- (3) were not entered into, in all material respects, in accordance with the relevant agreement governing the transactions; and
- (4) have exceeded the cap.

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

(IV) Related party transactions

Save as to the above, details of the related party transactions of the Company for the year ended 31 December 2021 are set out in Note XII to the consolidated financial statements. Except for the related party transactions between the Company and joint ventures and associates set out in Note XII, all related party transactions are connected transactions of the Company under Chapter 14A of the Hong Kong Listing Rules. The Company confirms that such related party transactions have complied with the applicable disclosure requirements under Chapter 14A of the Hong Kong Listing Rules.

(V) Non-competition agreements and undertakings

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

VII. Other Discloseable Matters

(I) Principal businesses

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

Report of Directors

(II) Major customers and suppliers

For details of the major customers and suppliers of the Company, please refer to the section headed "Report of Directors – B. Management Discussion and Analysis – II. Major operation results during the reporting period" of this annual report.

(III) Reserves

Details of changes in the reserves of the Company are set out in the Consolidated Statement of Changes in Equity of this annual report prepared under the China Accounting Standards for Business Enterprises.

(IV) Reserves available for distribution to shareholders

As at 31 December 2021, the reserves of the Company available for distribution to shareholders amounted to RMB5,867,159 thousand.

(V) Share capital

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

(VI) Bank loans and other loans

Details of the bank loans and other loans of the Company as at 31 December 2021 are set out in Notes 27 and 38 to the financial report.

(VII) Property, plant and equipment

Details of changes in the property, plant and equipment of the Company in 2021 are set out in Note 19 to the financial statements of this annual report prepared under the China Accounting Standards for Business Enterprises.

(VIII) Donations

The total charitable and other donations of the Company amounted to approximately RMB15,903 thousand during the reporting period.

(IX) Service contracts of Directors and Supervisors

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

(X) Directors and Supervisors' interests in contracts

The Company did not enter into any contract of significance in which Director(s) or Supervisor(s) of the Company held, either directly or indirectly, any material interests for the year ended 31 December 2021.

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

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

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

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

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

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

(XIV) Management contracts

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

(XV) Pre-emptive rights

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

(XVI) Employee retirement plan

Details of the employee retirement plan of the Company are set out in Note 42 to the financial statements of this annual report prepared under the China Accounting Standards for Business Enterprises.

(XVII) The Company's environmental policies and compliance

CRRC has always fully implemented Xi Jinping's ecological civilization thought, adhered to the concept of green, low-carbon and circular development, strengthened ecological and environmental protection, promoted new progress in high-quality development, and made green development the most distinctive wind vane. In 2021, three subsidiaries of the Company were selected in the list of green factories by the Ministry of Industry and Information Technology, and six subsidiaries were rated as CRRC green factories in accordance with the "Guidelines for the Evaluation of Green Factories in Rail Transit Equipment Manufacturing Industry (Q/CRRC J 78-2020)", which laid a solid foundation for the establishment of green manufacturing system and the realization of the goal of "Dual Carbon". Some subsidiaries of the Company are the key pollutant discharging units published by the national ecological environment protection department. The environmental information of these subsidiaries has been made public in accordance with the relevant regulations and the specific requirements of the local government authorities. For more details, please refer to the websites of the local government(s).

The main waste water pollutant of CRRC is COD, the main waste gas pollutant is sulphur dioxide, and the hazardous wastes are mainly HW08, HW09, HW12 and HW49. Waste water was discharged directly and indirectly upon treatment and reaching standards. The Company recorded annual COD emissions of 459.64 tons. Waste gas pollutant was discharged in an organized way after being effectively treated by the treatment facility and reaching the standard. The Company recorded annual sulphur dioxide emissions of 194.13 tons. The Company recorded annual hazardous waste disposal of 21,524.69 tons, which were disposed by qualified institutions. Main pollutant emission reached the national or local emission standards. The total discharge of pollutants met the requirements of the total discharge indicators.

Report of Directors

The pollution discharge information of the Company's important subsidiaries is as follows:

Name of company	Name of pollutants	Main typical pollutants	Emission concentration	Pollutant emission standards in effect	Total emission (t/a)	Approved		Excessive emission	Emission method	Number of emission outlets	Distribution of emission outlets		
						total	emission (t/a)						
CRRC Changchun	Wastewater	COD	26.51 mg/L	Integrated Wastewater Discharge Standard (GB8978-1996)	500 mg/L	38.57	777.8	No	Continuous and indirect emissions	2	In the factory		
		Ammonia nitrogen	7.30 mg/L	Water quality standards for sewage discharged into urban sewers (GB/T31962-2015)	45 mg/L	11.40	70	No					
	Boiler exhaust	Particulates	Coal-fired boiler	19.46 mg/m ³	Boiler Air Pollutant Emission Standard (GB13271-2014)	Coal-fired boiler	80 mg/m ³	19.19	116.53	No	Organized emission	11	In the factory
			Gas boiler 6.67 mg/m ³	Gas boiler		20 mg/m ³							
		SO ₂	Coal-fired boiler	190.12 mg/m ³		Coal-fired boiler	400 mg/m ³	45.31	465.93	No			
			Gas boiler 5.41 mg/m ³	Gas boiler		50 mg/m ³							
		NO _x	Coal-fired boiler	203.46 mg/m ³		Coal-fired boiler	400 mg/m ³	77.06	676.26	No			
			Gas boiler 80.04 mg/m ³	Gas boiler		150 mg/m ³							
		Process waste gas	VOCs	4.53 mg/m ³	Comprehensive emission standard of air pollutants (GB16297-1996)	120 mg/m ³	26.68	/	No	Organized emission	205	In the factory	
				Particulates		9.09 mg/m ³	120 mg/m ³	56.98	/				No
	Hazardous waste	Hazardous waste	/	/	/	1,529.72	/	No	Entrusted disposal	/	/		
CRRC Sifang	Wastewater	COD	19.5 mg/L	Water quality standards for sewage discharged into urban sewers (GB/T31962-2015)	500 mg/L	12.31	208.35	No	Discontinuous, indirect emissions	1	In the factory		
		Ammonia nitrogen	0.78 mg/L	45 mg/L	0.40	34.725	No						
	Gas exhaust	Total nitrogen	15.34 mg/L	70 mg/L	8.71	97.23	No						
			SO ₂	Not detected	Comprehensive Emission Standard of Regional Air Pollutants (DB37/2376-2019)	50 mg/m ³	0.10	/	No	Organized emission	125	In the factory	
		NO _x	35.69 mg/m ³	100 mg/m ³	1.94	/	No						

Report of Directors

Name of company	Name of pollutants	Main typical pollutants	Emission concentration	Pollutant emission standards in effect	Total emission (t/a)	Approved total emission (t/a)	Excessive emission	Emission method	Number of emission outlets	Distribution of emission outlets	
CRRC Zhuzhou	Process waste gas	VOCs	3.71 mg/m ³	Volatile Organic Compound Emission Standard Part 5 Surface Coating Industry (DB37/2801.5-2018)	70 mg/m ³	16.18	/	No	Organized emission	293	In the factory
		Particulates	2.25 mg/m ³	Comprehensive Emission Standard of Regional Air Pollutants (DB37/2376-2019)	10 mg/m ³	16.25	/	No			
	Hazardous waste	Hazardous waste	/	/	/	1238.41	/	No	Entrusted disposal	/	/
	Industrial wastewater	COD	31.25 mg/L	Integrated Wastewater Discharge Standard (GB8978-1996)	100 mg/L	2.34	12	No	Discontinuous, indirect emissions	1	In the factory
		Ammonia nitrogen	2.7 mg/L	15 mg/L	0.20	1.8	No				
	Gas Boiler Exhaust	Particulates	5.83 mg/m ³	Boiler Air Pollutant Emission Standard (GB13271-2014)	20 mg/m ³	0.043	/	No	Organized emission	3	In the factory
		SO ₂	3m g/m ³		50 mg/m ³	0.023	1.62	No			
	Process waste gas	NO _x	88.25 mg/m ³		150 mg/m ³	0.65	/	No			
		VOCs	16.51 mg/m ³	Emission standard of volatile organic compounds and nickel for surface coating (DB43/1356-2017)	80 mg/m ³	46.52	/	No	Organized emission	182	In the factory
			Particulates	9.72 mg/m ³	Comprehensive emission standard of air pollutants (GB16297-1996)	120 mg/m ³	43.29	/	No		
	Hazardous waste	Hazardous waste	/	/	/	680.32	/	No	Entrusted disposal	/	/

CRRC has continued to consolidate the fruitful achievements in pollution prevention and control, implemented environmental protection technological transformation projects, promoted the continuous improvement of pollution prevention and control capacity, and effectively operated pollution treatment facilities. All subsidiaries have built sewage treatment facilities, which reached the national or local emission standards. According to the existing plan, coal-fired boilers were phased out and outsourced steam or social heating was adopted; corresponding enterprises implemented coal-to-gas or coal-to-electricity initiatives, and air pollutant emissions met the national or local emission requirements. Starting from the source, the Company actively promoted the use of water-based coatings, and all or some of railway freight wagons, railway locomotives, railway passenger cars, urban rail metro vehicles adopted water-based coatings. Hazardous wastes were collected and stored strictly in accordance with regulations, and were managed in a standardised manner, and qualified units were entrusted to implement innocuous and safe disposal in accordance with the law.

CRRC strictly implemented our environmental protection system of “Three Simultaneity” and pollutant discharge permission system of construction projects. When construction projects were carried out, more thorough review were made on technology plans, environmental protection investment, and governance technologies of construction projects. EIA approvals were obtained from local government(s) for all construction projects of the subsidiaries before construction, ecological protection and pollution prevention measures were implemented, and environmental acceptance works were carried out in accordance with the laws and regulations for all completed construction projects. At the same time, the Company took the implementation of the pollutant discharge permission system as an opportunity to strengthen the main responsibility consciousness of environmental protection of enterprises and consolidate the foundation of ecological and environmental protection.

CRRC deepened the emergency management of environmental emergencies and strictly controlled the environmental emergencies. The subsidiaries have formulated and filed the environmental emergency plan of the enterprise according to the requirements, formulated special emergency disposal plans for significant environmental risks of the enterprise, conducted environmental emergency drills regularly, evaluated the operability of the plans, and effectively improved emergency capabilities.

CRRC continued to strengthen environmental protection supervision and environmental monitoring of its subsidiaries, carried out environmental risk assessment, environmental protection inspection and evaluation and environmental monitoring of its subsidiaries in a planned manner. We fully grasped the environmental risk status and environmental management status of the subsidiaries. Some of the subsidiaries have installed waste water and exhaust gas online monitoring systems in accordance with local government requirements, realized networking with environmental protection departments for real-time monitoring of pollutant emission data. The subsidiaries have formulated and implemented environmental self-monitoring plans, and disclosed environmental monitoring information to the public in a timely manner.

Report of Directors

The subsidiaries of CRRC have disclosed relevant environmental information on the websites of the local environmental protection departments or its own company website pursuant to the requirements of the local environmental protection departments.

Enterprises other than the key pollutant discharge units of CRRC disclosed truthfully the pollutant discharge information in accordance with the provisions of the pollutant discharge license. They have also disclosed other relevant environmental information according to the requirements of local environmental protection departments, and actively disclosed information such as clean production audit results and certification results of third-party system certification bodies.

Enterprises other than each of the key pollutant discharge units of CRRC disclosed the information related to the environmental impact assessment of construction projects in accordance with the requirements of the Environmental Impact Assessment Law (《環境影響評價法》), paid continuous attention to the project construction and the relevant changes, and, in a timely manner, changed and disclosed the environmental impact assessment of construction projects with more significant changes, so as to ensure the timely and effective disclosure of the environmental impact assessment information of construction projects.

CRRC has always demonstrated its political responsibility, industrial status and social responsibility in the construction of ecological civilization, actively developed new energy and environmental protection industries, developed environmental protection products, improved the utilization efficiency of energy resources, continuously promoted pollution reduction, carbon reduction, coordination and efficiency, promoted comprehensive green transformation, and achieved a good start for the 14th Five-Year Plan.

CRRC has released the "dual carbon action plan", which plans the timetable and road map of CRRC's carbon neutralization. By focusing on business structure optimization, energy efficiency improvement, low-carbon product design, green energy supply, low-carbon solutions and low-carbon industrial chain construction, we have promoted the implementation of dual carbon works in an orderly manner, and strived to become a leader in green manufacturing, a creator of green life and a pioneer in green development, and we are committed to becoming a leading enterprise in China's carbon neutralization and contributing CRRC's strength to China's dual carbon goal.

(XVIII) Relationship with employees, customers and suppliers

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

(XIX) Compliance with laws, regulations and rules

The Company is aware of the importance of complying with legal and regulatory requirements. The Company has established a relatively sophisticated system to ensure persistent compliance with applicable laws, regulations and rules. More specifically, the legal department of the Company and other relevant departments are primarily responsible for reviewing whether the Group's operations have complied with the relevant laws and regulations. The Company has also deployed corresponding departments and sufficient manpower and resources to monitor the compliance situation at the subsidiary level. For the year ended 31 December 2021, to the best of our knowledge, the Company has complied with the laws and regulations of the relevant areas in all material respects, including but not limited to laws and regulations such as the Railway Law of the People's Republic of China (《中華人民共和國鐵路法》), the Law of the People's Republic of China on Work Safety (《中國人民共和國安全生產法》), the Environmental Protection Law of the People's Republic of China (《中華人民共和國環境保護法》) and Regulation on the Administration of Railway Safety (《鐵路安全管理條例》), which have great significance or impact on the operation of the Company in aspects such as rail transit equipment production, safety and environmental protection. The Company is listed on the SSE and the Stock Exchange. For the year ended 31 December 2021, the Company complied with the listing rules and all applicable laws and regulations of its places of listing.

Directors, Supervisors, Senior Management and Staff

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

Sun Yongcai
Chairman, Executive Director

Lou Qiliang
Executive Director, President

Wang An
Executive Director

Jiang Renfeng
Non-executive Director

Shi Jianzhong
Independent non-executive Director

Weng Yiran
Independent non-executive Director

Ngai Ming Tak
Independent non-executive Director

Directors, Supervisors, Senior Management and Staff

I. Shareholding Changes and Remuneration

(I) Shareholding changes and remuneration of current and retired Directors, Supervisors and Senior Management during the reporting period

Name	Position (Note)	Gender	Age	Commencement of term of office	Expiration of term of office	Number of shares held at the beginning of the year	Number of shares held at the end of the year	Changes in number of shares for the year	Reason of the change	Remuneration	Welfare	Total	Whether receiving remuneration from related parties of the Company
										received from the Company during the reporting period	expenses including basic pension insurance	remuneration before tax received from the Company during the reporting period	
										(RMB'0,000)	(RMB'0,000)	(RMB'0,000)	
Sun Yongcai	Executive Director, Chairman	Male	57	22 December 2021	21 December 2024	111,650	111,650	0	-	84.85	13.02	97.87	No
Lou Qiliang	Executive Director, President	Male	58	22 December 2021	21 December 2024	0	0	0	-	76.37	13.02	89.39	No
Wang An ^{Note1}	Executive Director	Male	51	22 December 2021	21 December 2024	0	0	0	-	-	-	-	Yes
Jiang Renfeng	Non-executive Director	Male	58	22 December 2021	21 December 2024	0	0	0	-	-	-	-	No
Shi Jianzhong	Independent non-executive Director	Male	64	22 December 2021	21 December 2024	0	0	0	-	7.67	-	7.67	No
Weng Yiran	Independent non-executive Director	Male	67	22 December 2021	21 December 2024	0	0	0	-	0.50	-	0.50	No
Ngai Ming Tak	Independent non-executive Director	Male	54	22 December 2021	21 December 2024	0	0	0	-	2.13	-	2.13	No
Zhao Hu	Employee Representative Supervisor	Male	54	17 November 2021	21 December 2024	0	0	0	-	81.77	13.02	94.79	No
	Chairman of Supervisory Committee			22 December 2021	21 December 2024								
Chen Zhenhan	Supervisor	Male	47	22 December 2021	21 December 2024	0	0	0	-	66.12	13.02	79.14	No
Chen Xiaoyi	Supervisor	Male	58	22 December 2021	21 December 2024	0	0	0	-	66.21	13.02	79.23	No
Wang Jun	Vice President	Male	58	23 December 2021	21 December 2024	0	0	0	-	75.83	13.02	88.85	No
Wei Yan	Vice President	Male	58	23 December 2021	21 December 2024	0	0	0	-	75.83	13.02	88.85	No
Yu Weiping	Vice President	Male	55	23 December 2021	21 December 2024	0	0	0	-	74.99	13.02	88.01	No
Li Zheng	Chief Financial Officer	Female	49	23 December 2021	21 December 2024	0	0	0	-	74.99	13.02	88.01	No
Ma Yunshuang	Vice President	Male	50	23 December 2021	21 December 2024	0	0	0	-	97.92	13.02	110.94	No
Wang Gongcheng	Vice President	Male	49	23 December 2021	21 December 2024	0	0	0	-	97.92	13.02	110.94	No
Wang Jian	Secretary to the Board	Male	49	23 December 2021	21 December 2024	0	0	0	-	77.09	13.02	90.11	No
Liu Hualong ^{Note2}	Executive Director, Chairman	Male	59	31 May 2018	22 March 2021	50,000	50,000	0	-	-	-	-	Yes

Directors, Supervisors, Senior Management and Staff

Name	Position (Note)	Gender	Age	Commencement of term of office	Expiration of term of office	Number of shares held at the beginning of the year	Number of shares held at the end of the year	Changes in number of shares for the year	Reason of the change	Remuneration	Welfare	Total	Whether receiving remuneration from related parties of the Company
										received from the Company during the reporting period	expenses including basic pension insurance	remuneration before tax received from the Company during the reporting period	
										(RMB'0,000)	(RMB'0,000)	(RMB'0,000)	
Li Guo'an	Independent Non-Executive Director	Male	69	31 May 2018	21 December 2021	0	0	0	-	10.00	-	10.00	No
Sun Patrick	Independent Non-Executive Director	Male	63	31 May 2018	21 December 2021	0	0	0	-	15.00	-	15.00	No
Zhu Yuanchao	Independent Non-Executive Director	Male	65	18 June 2020	21 December 2021	0	0	0	-	7.67	-	7.67	No
Xie Jilong ^{Notes}	Secretary to the Board	Male	55	1 June 2018	11 August 2021	73,288	73,288	0	-	66.51	8.63	75.14	No
Total	/	/	/	/	/	234,938	234,938	0	/	1059.37	164.87	1,224.24	/

Notes:

1. The remuneration of Wang An was expensed by CRRCG;
2. The remuneration of Liu Hualong from January to March was expensed by CRRCG.
3. The remuneration of Xie Jilong from January to August was expensed by the Company.

Directors, Supervisors, Senior Management and Staff

(II) Major work experiences of the current Directors, Supervisors and Senior Management for the recent five years

Directors

Mr. Sun Yongcai, born in 1964, a Chinese national with no right of abode overseas, is a holder of doctoral degree and is a professorate senior engineer. He serves as the Party Secretary of the Party Committee, the chairman and an executive Director of the Company, and also serves as the Party Secretary of the Party Committee and the chairman of CRRCG. Mr. Sun once served as a director and deputy general manager, the Party secretary, vice chairman and deputy general manager of Dalian Railway Transportation Equipment Company Limited and the chief engineer of CNR, as well as a standing member of the Party Committee of CRRG. From December 2010 to May 2015, he served as a vice president and standing member of the Party Committee of CNR. He has served as a standing member of the Party Committee of the Company since May 2015, a Vice President of the Company from June 2015 to June 2017, an executive Director of the Company since June 2017, the President of the Company from September 2017 to August 2021, the deputy secretary of the Party Committee of the Company from September 2017 to March 2021. He has served as the secretary of the Party Committee of the Company since March 2021. Mr. Sun is entitled to special government allowance granted by the State Council, was awarded the First Prize for State Scientific Technology Advancement (國家科學技術進步一等獎), the National Innovation Award (全國創新爭先獎) and the special prize and the first prize from China Railway Society. He has been awarded the title of "Reform Pioneer" of the 40th Anniversary of Reform and Opening Up by the Central Committee of the Communist Party of China and the State Council and awarded as the host of the research and development of "Fuxing" high-speed train in 2018, and has been awarded the title of "most beautiful struggler" of the 70th Anniversary of the Founding of the People's Republic of China by nine departments such as the Publicity Department and the Organization Department of the Communist Party of China in 2019.

Mr. Lou Qiliang, alias Lou Suidong, born in 1963, a Chinese national with no right of abode overseas, is a holder of bachelor's degree and a professorate senior engineer. He serves as a deputy secretary of the Party Committee, an Executive Director and the President of the Company, and as a deputy secretary of the Party Committee, a director and the general manager of CRRC Group. Mr. Lou once served as the deputy head, head and deputy secretary of the Party Committee of CSR Group Nanjing Puzhen Rolling Stock Factory (中國南車集團南京浦鎮車輛廠), as well as the executive director, general manager and deputy secretary of the Party Committee of Puzhen Rolling Stock Co., Ltd. (浦鎮車輛有限公司), and a standing member of the Party Committee of CSRG. From October 2012 to May 2015, he served as a vice president and a standing member of the Party Committee of CSR. He has served as a standing member of the Party Committee of the Company since May 2015. From June 2015 to October 2019, he served as a vice president of the Company. He has been serving as a deputy secretary of the Party Committee of the Company since October 2019, an executive director of the Company since December 2019 and the President of the Company since August 2021.

Directors, Supervisors, Senior Management and Staff

Mr. Wang An, born in 1970, a Chinese national with no right of abode overseas, is a holder of doctoral degree and a senior engineer. He currently serves as a deputy secretary of the Party committee and an executive Director of the Company, as well as a deputy secretary of the Party committee and an employee representative director of CRRC GROUP. Mr. Wang used to be a deputy department director of the Office of the State Economic and Trade Commission (國家經貿委辦公廳), a deputy director of the secretary office and a researcher of the Office of the SASAC (國資委辦公廳) (the Party Committee office), a Party Committee secretary at the division chief level and a secretary at the deputy director general level of the SASAC. He has served as the deputy head of the First Bureau of Management of Enterprise Leaders of the SASAC (國資委企業領導人員管理一局) (during which he was appointed as the deputy secretary of the Party committee of Daqing Oilfield Limited Company (大慶油田有限公司) for one year), and a secretary of the disciplinary committee of CRRC GROUP. He is a standing member of the Party committee of the Company since December 2018, and a secretary of the disciplinary committee of the Company from December 2018 to September 2021. He has been serving as a deputy secretary of the Party committee of the Company since September 2021, and an executive director of the Company since December 2021.

Mr. Jiang Renfeng, born in 1963, a Chinese national with no right of abode overseas, is a holder of master's degree, a research fellow, and a senior accountant. He currently serves as a non-executive director of the Company as well as an external director of China Datang Corporation (中國大唐集團有限公司) and an external director of China Logistics Group Limited (中國物流集團有限公司). Mr. Jiang successively served as a deputy director, director, assistant to the dean and the deputy dean of the scientific research department of Beijing Ship Industry Management College (北京船舶工業幹部管理學院). He served as a deputy general manager of Jiangnan Heavy Industry Co., Ltd. (江南重工股份有限公司), a general manager of China Shipbuilding IT Corporation Ltd. (中船信息科技公司) and an executive deputy general manager of Beijing Joincheer Software Co., Ltd. (北京久其軟件股份有限公司). He served as a deputy director (director level) of the planning and development department, deputy director (director level) and a director of the asset department, member of the Party group and the deputy general manager of China Shipbuilding Industry Corporation (中國船舶重工集團公司). He also served as a member of the Party group and the deputy general manager of China State Shipbuilding Corporation Limited (中國船舶集團有限公司). He has been a non-executive director of the Company since December 2021.

Mr. Shi Jianzhong, born in 1957, a Chinese national with no right of abode overseas, is a holder of doctorate degree and a senior engineer (researcher level). He serves as an independent non-executive Director of the Company, an external director of China Electronics Technology Group Corporation Limited (中國電子科技集團有限公司), and a director of Aero Engine Corporation of China (中國航空發動機集團有限公司). Mr. Shi was a deputy general manager of Nanchang Hongdu Aviation Industry Group Company (南昌洪都航空工業集團公司), a deputy chief engineer of China Aviation Industry Corporation II (中國航空工業第二集團公司), a deputy general manager and a member of the Party Group of China Aviation Industry Corporation II, the assistant to the governor of Guizhou Province (temporary position for one year), a deputy general manager and a member of the Party Committee of Commercial Aircraft Corporation of China, Ltd. (中國商用飛機有限責任公司), and a vice chairman of China-Russia Commercial Aircraft International Co., Ltd. (中俄國際商用飛機有限責任公司). Since June 2020, he has served as an independent non-executive Director of the Company.

Directors, Supervisors, Senior Management and Staff

Mr. Weng Yiran, born in 1954, a Chinese national with no right of abode overseas, is a holder of bachelor's degree, a senior accountant (researcher level), senior auditor and certified accountant. He currently serves as a non-executive director of the Company as well as an external director of China First Heavy Industries Group Co., Ltd. (中國一重集團有限公司). Mr. Weng was a deputy head of the Audit Division in the Commercial Grain Trade Commission of the Audit Commission (審計署商糧外貿局經貿審計處), the head of the second division of the Audit Bureau in the Commercial Grain Trade Commission (商糧外貿審計局二處), an assistant to the commissioner of the Shanghai Resident Office (上海特派辦), an assistant to the commissioner and the office manager, a deputy head of the Department of Trade and Economic Audit (商貿審計司), a deputy head of the Industrial Transport Auditing Bureau (工業交通審計司), a deputy head of the Building Materials Auditing Bureau (建設建材審計局), the head of the Transportation Audit Office (交通運輸審計局), the head of the first division of the Economic Audit Bureau (經濟審計一局), a Party secretary and a commissioner of the Nanjing Office (南京特派辦), the chief auditor of Aviation Industry Corporation of China, Ltd. (中國航空工業集團公司) and an independent non-executive director of China First Heavy Industries Co., Ltd. (中國第一重型機械股份公司). He has been an independent non-executive director of the Company since December 2021.

Mr. Ngai Ming Tak, born in 1967, a Hong Kong Chinese national, is a holder of master's degree. He currently serves as a non-executive director of the Company as well as the chairman of The Red Group Investment Limited (安德資本有限公司), the chairman of Asia GreenTech Fund (亞洲綠色科技基金), the president of Green Economy Development Limited (綠色經濟發展有限公司), a standing member of the 13th CPPCC National Committee, an independent non-executive director of China Longyuan Power Group Corporation Limited (龍源電力集團股份有限公司), an independent non-executive director of Starlight Culture Entertainment Group Limited (星光文化娛樂集團有限公司), and an independent non-executive director of True Partner Capital Holding Limited. He was the managing director of UBS Investment Bank (瑞士銀行). Mr. Ngai is also the chairman of Hong Kong Financial Development Association (香港金融發展協會), the chairman of the China and Hong Kong Trade and Investment Promotion Association Limited (香港與內地投資商務促進會), a Fellow Commoner and Development Advisory Council Member of Clare Hall, University of Cambridge (英國劍橋大學克萊爾學堂院士同桌人及發展顧問會議), and a Council Member of Hong Kong University of Science and Technology. He has been an independent non-executive director of the Company since December 2021.

Directors, Supervisors, Senior Management and Staff

Supervisors

Mr. Zhao Hu, born in 1967, a Chinese national with no right of abode overseas, is a holder of bachelor's degree, MBA degree and a senior political officer. He is currently the employee representative supervisor, the chairman of the Supervisory Committee and the chairman of the labor union of the Company. He also serves as the chairman of the labor union of CRRCG. Mr. Zhao once served as the deputy director of general office (office of the Party Committee) of CNRG and the director of the board office and the deputy director of office of the Party Committee of CNR. He was originally the deputy secretary of the Party Committee as well as secretary to the disciplinary committee, and then served as the director, deputy secretary of the Party Committee, secretary to the disciplinary committee as well as the chairman of the labor union of Tangshan Railway Vehicle Co., Ltd., the director of general office (office of the Party Committee) of CNRG and CNR, the chief economist assistant of CNR. From June 2015 to May 2020, he successively served as the deputy chief economist and the director of president's office of the Company, the director of office of the Party Committee and the head of the organization department of the Party Committee of the Company and CRRCG. He has served as the employee representative supervisor and the chairman of the labor union since October 2019. He has served as the chairman of the Supervisory Committee since December 2019.

Mr. Chen Zhenhan, born in 1974, a Chinese national with no right of abode overseas, is a holder of bachelor's degree and a master degree. He is a professorate senior accountant and is currently the supervisor, director of the Audit Risk and Legal Center of the Company. Mr. Chen was the deputy director of the audit second division of the audit department, the deputy director, director of the audit division of the audit and risk department of CSR, the deputy director of the audit and risk department and director of the internal control division of CRRC, and the vice general manager and chief financial officer of CRRC Environmental & Technology Co., Ltd. From October 2018 to May 2020, he has served as the head of the audit and risk department of the Company. He has been serving as the supervisor since June 2019 and the director of the Audit Risk and Legal Center of the Company since May 2020.

Mr. Chen Xiaoyi, born in 1963, a Chinese national with no right of abode overseas, is a holder of bachelor's degree and is a senior engineer, the supervisor, senior consultant of the Audit Risk and Legal Center of the Company. Mr. Chen also serves as the employee representative supervisor of CRRCG. He used to serve as the deputy director and director of the forging department, head of the business planning office and the planning management office of Beijing Erqi Locomotive Factory (北京二七機車廠), senior engineer of the integrated management department and senior engineer and head assistant of the enterprise management department of CNRG, deputy head and head of the legal affairs department of CNR. From June 2015 to May 2020, he has successively served as the head of the legal affairs department of the Company, deputy head (minister level) of the legal affairs department and head of the legal affairs department of the Company. He has served as the supervisor of the Company since December 2019, the deputy director (minister level) of the Audit Risk and Legal Center of the Company from May 2020 to December 2021 and a senior consultant of the Audit Risk and Legal Center of the Company since December 2021.

Directors, Supervisors, Senior Management and Staff

Senior Management

Mr. Lou Qiliang, whose major work experience is the same as what stated above.

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

Mr. Wei Yan, born in 1963, a Chinese national with no right of abode overseas, is a holder of postgraduate degree and is a professorate senior engineer. He serves as a standing member of the Party Committee and the Vice President of the Company. He also serves as a standing member of the Party Committee of CRRCG. Mr. Wei served as the deputy general manager of CNRG Qiqihar Railway Vehicle (Group) Co., Ltd. (北車集團齊齊哈爾鐵路車輛(集團)有限責任公司), the chairman, general manager and deputy party secretary of Qiqihar Railway Vehicle (Group) Co., Ltd., the chairman, general manager and deputy party secretary of Qiqihar Railway Vehicle (Group) Co., Ltd. and the chairman and general manager of Qiqihar Railway Rolling Stock Co., Ltd. (齊齊哈爾軌道交通裝備有限責任公司), the assistant to president and general manager of the freight wagon business division of CNR, the chairman and party secretary of Qiqihar Railway Rolling Stock Co., Ltd., the assistant to president of CNR and the chairman, general manager and deputy party secretary of Qiqihar Railway Rolling Stock Co., Ltd., the standing member of the Party Committee of CNRG, the standing member of the Party Committee and the vice president of CNR, and the deputy general manager of CRRCG. He has served as the standing member of the Party Committee and the Vice President of the Company since August 2020.

Mr. Yu Weiping, born in 1966, a Chinese national with no right of abode overseas, is a holder of doctoral degree and a professorate senior engineer. He serves as a Vice President of the Company. Mr. Yu once served as a deputy general manager of Changchun Railway Vehicle Co., Ltd., and the chairman and the Party secretary, the chairman and general manager and deputy Party secretary, the chairman and deputy Party secretary of Tangshan Railway Vehicle Co., Ltd., as well as a standing member of the Party Committee of CNRG. From November 2013 to May 2015, he served as a vice president and a standing member of the Party Committee of CNR. From May 2015 to September 2020, he served as a standing member of the Party Committee of the Company. He has served as a Vice President of the Company since June 2015.

Directors, Supervisors, Senior Management and Staff

Ms. Li Zheng, born in 1972, a Chinese national with no right of abode overseas, is a holder of bachelor's degree, Master of Accounting, professorate Senior Accountant, a member of the standing committee of the Company's Party Committee and Chief Financial Officer (Chief Accountant) of the Company. She also acts as the member of the standing committee of the Party Committee of CRRCG. Ms. Li previously served as the deputy general manager of China Engineering and Agriculture Machinery Import and Export Co., Ltd. (中國工程與農業機械進出口有限公司), deputy chief accountant and assistant general manager of Sinohydro International Engineering Co., Ltd. (中國水電建設集團國際工程有限公司), chief accountant, chairman of the labor union of Sinohydro Overseas Investment Co., Ltd. (中國水電海外投資有限公司), deputy general manager, chief accountant of Powerchina Resources Limited (中國電建集團海外投資有限公司). Since October 2019, she has served as a member of the standing committee of the Party Committee and Chief Financial Officer (Chief Accountant) of the Company.

Mr. Ma Yunshuang, born in 1971, a Chinese national with no right of abode overseas, is a holder of doctoral degree, professorate senior engineer, a member of the standing committee of the Party Committee and Vice President of the Company. He also serves as a standing member of the Party Committee of CRRCG. Mr. Ma previously served as the deputy general manager, vice chairman, general manager and deputy secretary of the Party Committee of Sifang Stock, the director, general manager, deputy secretary of the Party Committee of CRRC Qingdao Sifang Co., Ltd. Since October 2019, he has served as a member of the standing committee of the Party Committee and Vice President of the Company.

Mr. Wang Gongcheng, born in 1972, a Chinese national with no right of abode overseas, is a holder of bachelor's degree, senior engineer, a member of the standing committee of the Party Committee and Vice President of the Company. He also serves as a standing member of the Party Committee of CRRCG. Mr. Wang previously served as the deputy general manager of CSR Zhuzhou Electric Locomotive Co., Ltd., director of office (Party Committee Office) of CSR Group, deputy chief economist, director of the board office and director of the Propaganda Department of the Party Committee (Corporate Culture Department) of CSR, executive director, general manager and deputy secretary of the Party Committee of CSR Luoyang Locomotive Co., Ltd., director of Safety Production of CSR, assistant general manager of CSRG, assistant general manager of CRRCG and chairman, general manager and deputy secretary of the Party Committee, and chairman, secretary of the Party Committee and secretary of the Disciplinary Committee, chairman and Party secretary and director of CRRC Industrial Investment Co., Ltd. Since October 2019, he has served as a member of the standing committee of the Party Committee and Vice President of the Company.

Directors, Supervisors, Senior Management and Staff

Mr. Wang Jian, born in 1972, a Chinese national with no right of abode overseas, is a holder of master's degree and a master's degree in business administration, and is a senior accountant. He currently serves as the secretary to the Board, the Joint Company Secretary and the director of the finance and capital operation center of the Company. Previously, Mr. Wang Jian served as the deputy director of the accounting office of the finance department and the deputy head of the finance department of CNRG, the deputy head and the director of funding division in the finance department, the head of the finance department, the assistant to chief accountant and the head of the finance department of CNR. From June 2015 to May 2020, he has served as the deputy chief accountant and the head of the finance department, and the head of the finance department of the Company. He has served as the director of the finance and capital operation center of the Company since May 2020, the Joint Company Secretary of the Company since August 2021, and the Secretary to the Board of the Company since October 2021.

(III) Share incentive scheme granted to Directors, Supervisors and Senior Management during the reporting period

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

II. Positions Held by Current and Retired Directors, Supervisors and Senior Management During the Reporting Period

(I) Positions held in shareholder's entity

Employee's name	Name of the shareholder's entity	Position held in the shareholder's entity	Commencement of term of office	Expiration of term of office
Sun Yongcai	CRRCG	Chairman	March 2021	-
		Director, general manager	September 2017	August 2021
Lou Qiliang	CRRCG	Director, general manager	August 2021	-
		Employee director	October 2019	August 2021
Wang An	CRRCG	Employee director	November 2021	-
Chen Xiaoyi	CRRCG	Employee representative supervisor	December 2017	-
Liu Hualong	CRRCG	Former Chairman	November 2016	March 2021

Directors, Supervisors, Senior Management and Staff

(II) Positions held in other entities

Employee's name	Name of other entities	Position held in other entities	Commencement of term of office	Expiration of term of office
Jiang Renfeng	China Datang Corporation Ltd.	External director	November 2021	-
	China Logistics Group Limited	External director	December 2021	-
Shi Jianzhong	China Electronics Technology Group Corporation Limited	External director	March 2020	-
	China-Russia Commercial Aircraft International Co., Ltd.	Vice chairman	May 2017	May 2020
	Aero Engine Corporation of China	Director	July 2016	-
Weng Yiran Ngai Ming Tak	China First Heavy Industries Red Group	External director	September 2018	-
	Asia GreenTech Fund	Chairman	December 2013	-
	Green Economy Development Limited	Chairman	February 2020	-
	China Longyuan Power Group Corporation Limited	President	August 2021	-
	Starlight Culture Entertainment Group Limited	Independent non- executive director	November 2021	-
	Starlight Culture Entertainment Group Limited	Independent non- executive director	May 2017	-
	True Partner Capital Holding Limited	Independent non- executive director	October 2020	-
Li Guo'an	China Baowu Steel Group Corporation Limited	External director	October 2016	-
Sun Patrick	China Railway Construction Corporation Limited	Independent non-executive director	October 2014	December 2021
	Trinity Limited	Independent non- executive director	October 2008	November 2020
	Sihuan Pharmaceutical Holdings Group Ltd.	Independent non- executive director	October 2010	-
	Kunlun Energy Company Limited	Independent non- executive director	February 2016	-
Zhu Yuanchao	China Huaneng Group Co., Ltd.	External director	January 2018	-
	China First Heavy Industries Co., Ltd.	Independent director	June 2019	-
Xie Jilong	China United Insurance Holding Corporation	Director	September 2016	-

Directors, Supervisors, Senior Management and Staff

Notes:

- (1) China Longyuan Power Group Corporation Limited is a company listed on the Main Board of the Stock Exchange (stock code: 916).
- (2) Starlight Culture Entertainment Group Limited is a company listed on the Main Board of the Stock Exchange (stock code: 1159).
- (3) True Partner Capital Holding Limited is a company listed on the GEM board of the Stock Exchange (stock code: 8657).
- (4) China Railway Construction Corporation Limited is a company listed on the SSE (stock code: 601186) and the Main Board of the Stock Exchange (stock code: 1186).
- (5) Trinity Limited is a company listed on the Main Board of the Stock Exchange (stock code: 891).
- (6) Sihuan Pharmaceutical Holdings Group Ltd. is a company listed on the Main Board of the Stock Exchange (stock code: 460).
- (7) Kunlun Energy Company Limited is a company listed on the Main Board of the Stock Exchange (stock code: 135).
- (8) China First Heavy Industries Co., Ltd. is a company listed on the SSE (stock code: 601106).

III. Remuneration of Directors, Supervisors and Senior Management

Decision-making procedures of the remuneration of Directors, Supervisors and Senior Management

The Remuneration and Evaluation Committee of the Board submits proposals to the Board in respect of the remuneration for Directors and members of the Senior Management. The Board decides the remuneration, incentives and punishment matters for members of the management. The general meeting of the Company decides matters relating to the remuneration for the relevant Directors and Supervisors.

Determination basis of the remuneration of Directors, Supervisors and Senior Management

The Company determined the remuneration of Directors, Supervisors and Senior Management with reference to the Articles of Association and relevant requirements.

Directors, Supervisors, Senior Management and Staff

Actual payment of the remuneration of Directors, Supervisors and Senior Management	The Company, pursuant to relevant provisions, paid remunerations to the Directors, Supervisors and Senior Management, except for Jiang Renfeng, a non-executive Director, who is concurrently a professional external director of SASAC and does not receive remuneration from the Company pursuant to the requirement of SASAC; Shi Jianzhong and Weng Yiran, independent Directors, who received remuneration pursuant to the standard approved at the general meeting in accordance with the requirement of SASAC.
Total actual remuneration of all the Directors, Supervisors and Senior Management at the end of the reporting period	RMB12,242,400 in aggregate.

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

IV. Changes in Directors, Supervisors and Senior Management of the Company

On 22 March 2021, Mr. Liu Hualong resigned as the Chairman, an executive Director, the chairman and a member of Strategy Committee of the Board, and a member of the Nomination Committee of the Board of the Company due to work adjustment.

On 30 March 2021, the Company held the 27th meeting of the second session of the Board to elect Mr. Sun Yongcai as the Chairman of the Board of the Company. According to the Articles of Association and the rules and regulations, Mr. Sun Yongcai will also serve as the legal representative of the Company and the chairman of the Strategy Committee of the Board of the Company.

On 11 August 2021, Mr. Xie Jilong resigned as the Secretary to the Board and Joint Company Secretary due to work adjustment. On the same day, the Company held the 31st meeting of the second session of the Board to elect Mr. Wang Jian as the Joint Company Secretary of the Company.

On 27 August 2021, Mr. Sun Yongcai resigned as the President of the Company and the authorized representative of the Company under Rule 3.05 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited due to work adjustment. He remained as the Chairman and executive Director of the Company upon resignation. On 27 August 2021, the Company held the 32nd meeting of the second session of the Board to elect Mr. Lou Qiliang as the President of the Company and the authorized representative of the Company under Rule 3.05 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

On 15 October 2021, the Company held the 34th meeting of the second session of the Board to elect Mr. Wang Jian as the Secretary to the Board of the Company.

Directors, Supervisors, Senior Management and Staff

During the reporting period, the terms of the second session of the Board and Supervisory Committee have expired. Mr. Li Guo'an, Mr. Sun Patrick and Mr. Zhu Yuanchao ceased to serve as the independent non-executive Directors of the Company.

On 22 December 2021, the Company held the 2021 first extraordinary general meeting to elect Mr. Sun Yongcai, Mr. Lou Qiliang and Mr. Wang An as executive Directors of the third session of the Board of the Company, Mr. Jiang Renfeng as a non-executive Director, and Mr. Shi Jianzhong, Mr. Weng Yiran and Mr. Ngai Ming Tak as independent non-executive Directors; Mr. Chen Zhenhan and Mr. Chen Xiaoyi as shareholder representative Supervisors of the third session of the Supervisory Committee of the Company to constitute the third session of the Supervisory Committee of the Company with Mr. Zhao Hu, the employee representative Supervisor.

On 22 December 2021, the Company held the first meeting of the third session of the Board to elect Mr. Sun Yongcai as the Chairman of the third session of the Board of the Company; Mr. Sun Yongcai, Mr. Jiang Renfeng, Mr. Lou Qiliang, Mr. Wang An and Mr. Shi Jianzhong as members of the Strategy Committee with Mr. Sun Yongcai and Mr. Jiang Renfeng as the chairman and vice-chairman of the committee respectively; Mr. Ngai Ming Tak, Mr. Sun Yongcai, Mr. Lou Qiliang, Mr. Shi Jianzhong and Mr. Weng Yiran as members of the Nomination Committee with Mr. Ngai Ming Tak as the chairman of the committee; Mr. Shi Jianzhong, Mr. Jiang Renfeng and Mr. Weng Yiran as members of the Remuneration and Evaluation Committee with Mr. Shi Jianzhong as the chairman of the committee; Mr. Weng Yiran, Mr. Jiang Renfeng and Mr. Ngai Ming Tak as members of the Audit and Risk Management Committee with Mr. Weng Yiran as the chairman of the committee.

On 22 December 2021, the Company held the first meeting of the third session of the Supervisory Committee to elect Mr. Zhao Hu as the Chairman of the third session of the Supervisory Committee of the Company.

On 22 December 2021, the Company held the second meeting of the third session of the Board to appoint Mr. Lou Qiliang as the President of the Company.

On 23 December 2021, the Company held the third meeting of the third session of the Board to appoint Mr. Wang Jun, Mr. Wei Yan, Mr. Yu Weiping, Mr. Ma Yunshuang and Mr. Wang Gongcheng as the Vice-Presidents of the Company, Ms. Li Zheng as the Chief Financial Officer (Chief Accountant), and Mr. Wang Jian as the Secretary to the Board of the Company.

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

Directors, Supervisors, Senior Management and Staff

V. Staff of the Parent Company and Principal Subsidiaries

(I) Staff information

Total number of staff with the parent company	176
Total number of staff with principal subsidiaries	160,480
Total number of staff	160,656
Number of employees whose retirement expenses are borne by the parent company and principal subsidiaries	127,074

By profession

Category of profession	Number of each profession
Production personnel	88,226
Technical personnel	35,083
Management personnel	32,331
Other personnel	5,016
Total	160,656

By education

Education level	Number (person)
Doctors	522
Masters	13,741
University graduates	53,950
Tertiary college graduates	37,622
Secondary school and below	54,821
Total	160,656

(II) Remuneration policies

In 2021, the Company further improved the salary management system. Firstly, we formulated the "Guidelines of CRRC on Strengthening Talent Incentive" (《中國中車關於加強人才激勵的指導意見》). Based on the relevant national talent incentive policies and closely focusing on the strategy of "strengthening the enterprise with talents", we aim to systematically build a talent incentive system in eight aspects of strengthening the positive incentive of talents, improving the talent incentive system, improving the total salary management, deeply promoting the medium and long-term incentive, optimizing the internal distribution management, improving welfare securities, strengthening spiritual incentive and coordinating and creating talent securities, as well as strengthen the evaluation management, and effectively implement the incentive effect. Secondly, we formulated the "Administrative Procedures of CRRC for Supporting the Separate

Directors, Supervisors, Senior Management and Staff

Presentation of Total Wages of Scientific, Technological and Innovation Talents” (《中國中車支持科技創新實施工資總額單列管理辦法》), which has realized two changes in the separate presentation and management of wages: first, the change from “no rules” to “rules”: it defines matters regarding separate presentation of wages like personnel scope, project scope, management mode, report and review, so that there are rules and laws to follow in the separate presentation of wages; second, the change from “managing the result” to “managing the process”. On the basis of the advantages of the policy of “expenses presented with actual payment”, a separate wage determination mechanism has been established, which not only unifies the accounting rules, but also gives the enterprise full autonomy. It not only forms an effective income guarantee for scientific and technological talents, but also links their incomes with the projects they participate in. It takes into account both incentive and restraint, which further improves the scientific aspect and effectiveness of separate wage presentation.

(III) Personnel training

The Company prepared the “14th Five-Year Plan” human resources strategic plan, the “2021 Main Points of Human Resources of CRRC” (《中國中車2021年人力資源工作要點》) and the annual training plan, and organized, planned and arranged the project of talent training and development of the Company in 2021. It connected the talent team construction objectives and annual key talent tasks, continued to strengthen the construction of training management system, training course system, trainer system and e-learning platform, further strengthened the innovation, foresight, pertinence and effectiveness of talent training, connected the Company’s industrial digitization and digital industry development needs, and speeded up the construction of the teams of leadership series, digital talents, international talents and core talents (management, technology and skills). We have overcome the impact of epidemic and other factors, actively implemented the annual talent training plan, systematically designed special training projects, carefully planned the project plans, and organized offline and online training with the support of domestic key tertiary institutions, benchmark enterprises and online course resources.

In 2021, a total of 98 company level online and offline key training projects were planned and held, with a total of more than 6,800 people trained. The training projects of excellent leadership, outstanding leadership and digital talents, international talents, core talents and headquarter departments and offices were organized and implemented. In 2021, 289,000 people have participated in subsidiary level and branch workshop level training held by affiliated enterprises, with approximately 39,000 management personnel, approximately 52,000 professional and technical personnel, and 198,000 skilled personnel participated, providing a solid human resource base for the Company’s high-quality development and accelerating the construction of a respected world-class CRRC.

Corporate Governance Report

I. Explanation of Related Circumstance of Corporate Governance

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

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

Code provision C.2.1 of the Corporate Governance Code stipulates that the roles of chairman and chief executive officer should be separated and should not be performed by the same individual. According to the announcement of the Company dated 22 March 2021, Mr. Liu Hualong resigned as the chairman, an executive Director, the chairman and a member of Strategy Committee of the Board, and a member of the Nomination Committee of the Board of the Company due to work adjustment. According to the announcement of the Company dated 30 March 2021, Mr. Sun Yongcai, an executive Director and President of the Company, was elected as the chairman of the Company and also served as the legal representative of the Company and the chairman of the Strategy Committee. Accordingly, the Company has deviated from Code Provision C.2.1 of the Corporate Governance Code. Notwithstanding the above, the Board believes that the balance of power and authority is adequately ensured by the operation of the Board, which comprises experienced talents with a sufficient number of independent non-executive Directors, and therefore, the performance of the roles of the chairman of the Board and the president of the Company concurrently by Mr. Sun Yongcai will not impair the balance of power and authority between the Board and the management of the Company and the deviation from Code Provision C.2.1 of the Corporate Governance Code is appropriate in such circumstance. In addition, the Company has elected Mr. Lou Qiliang, a Director of the Company, as the president of the Company on 27 August 2021, and Mr. Sun Yongcai resigned from the position of president of the Company on the same day. Therefore, the Company has met the requirements set out in Code Provision C.2.1 of the Corporate Governance Code.

II. Shareholders and General Meetings

(I) Shareholders and general meetings

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

(II) Relationship between the controlling shareholder and the Company

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

III. Directors and the Board

(I) Directors and the Board

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

Corporate Governance Report

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

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

In 2021, the Company purchased liability insurance for Directors, Supervisors and Senior Management of the Company to provide security for the compensation liabilities that may rise during the performance of their duties in accordance with laws.

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

Meeting session	Convention date	Meeting resolution
26th meeting of the second session of the Board	16 March 2021	"Resolution on the Capital Increase of China Motor Finance & Leasing Company Limited by way of Open Market Transaction" was considered and approved at the meeting
27th meeting of the second session of the Board	30 March 2021	"Resolution on the Annual Report 2020 of CRRC Corporation Limited" and 27 other resolutions were considered and approved at the meeting
28th meeting of the second session of the Board	29 April 2021	"Resolution on the 2021 First Quarterly Report of CRRC Corporation Limited" and 1 other resolution were considered and approved at the meeting
29th meeting of the second session of the Board	18 June 2021	"Resolution on Amending the Management System for Disclosure of Information on Non-financial Enterprise Debt Financing Instruments of CRRC Corporation Limited" and 1 other resolution were considered and approved at the meeting
30th meeting of the second session of the Board	18 July 2021	"Resolution on Matters Relating to Entrusted Management of Assets and Connected Transactions" was considered and approved at the meeting

Corporate Governance Report

Meeting session	Convention date	Meeting resolution
31st meeting of the second session of the Board	11 August 2021	"Resolution on the Appointment of Joint Company Secretary of CRRC Corporation Limited and Confirmation of Authorized Person for Electronic Submission System" was considered and approved at the meeting
32nd meeting of the second session of the Board	27 August 2021	"Resolution on the 2021 Interim Report of CRRC Corporation Limited" and 3 other resolutions were considered and approved at the meeting
33rd meeting of the second session of the Board	26 September 2021	"Resolution of the acquisition of 32.5% equity interest in CRRC Nanjing Puzhen Rail Transport Co., Ltd. by CRRC Nanjing Puzhen Rolling Stock Co., Ltd." was considered and approved at the meeting
34th meeting of the second session of the Board	15 October 2021	"Resolution on the Appointment of Secretary to the Board of Directors of CRRC Corporation Limited" was considered and approved at the meeting
35th meeting of the second session of the Board	29 October 2021	"Resolution on the 2021 Third Quarterly Report of CRRC Corporation Limited" and 1 other resolution were considered and approved at the meeting
36th meeting of the second session of the Board	25 November 2021	"Resolution on the Nomination of Candidates for Non-Independent Directors for the Third Session of the Board of Directors of CRRC Corporation Limited" and 3 other resolutions were considered and approved at the meeting
1st meeting of the third session of the Board	22 December 2021	"Resolution on the Appointment of Chairman of the Third Session of the Board of Directors of CRRC Corporation Limited" and 1 other resolution were considered and approved at the meeting
2nd meeting of the third session of the Board	22 December 2021	"Resolution on the Appointment of President of CRRC Corporation Limited" was considered and approved at the meeting
3rd meeting of the third session of the Board	23 December 2021	"Resolution on the Appointment of Vice President and Chief Financial Officer of CRRC Corporation Limited" and 4 other resolutions were considered and approved at the meeting

Corporate Governance Report

During the Reporting Period, the Company convened 14 Board meetings, of 4 meetings were held by communication method and 10 meetings were held on site combined with communication method.

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

Name of Directors	Independent Director or not	Required attendance during the year	Attendance at the Board meetings				Attendance at the general meetings	
			Attendance in person	Attendance by communication	Attendance by proxy	Absent	Absent from two consecutive meetings or not	Number of attendance at the general meetings
Sun Yongcai	No	14	14	4	0	0	No	2
Lou Qiliang	No	14	13	4	1	0	No	1
Wang An	No	3	3	0	0	0	No	0
Jiang Renfeng	No	3	3	0	0	0	No	0
Shi Jianzhong	Yes	14	13	6	1	0	No	2
Weng Yiran	Yes	3	3	0	0	0	No	0
Ngai Ming Tak	Yes	3	3	3	0	0	No	0
Liu Hualong	No	1	1	0	0	0	No	0
Li Guo'an	Yes	11	11	0	0	0	No	2
Sun Patrick	Yes	11	10	10	1	0	No	0
Zhu Yuanchao	Yes	11	11	6	0	0	No	2

Note:

- On 22 December 2021, the third session of the Board was elected at the 2021 first extraordinary general meeting of the Company, the members of the Board are: executive Directors Mr. Sun Yongcai, Mr. Lou Qiliang and Mr. Wang An, non-executive Director Mr. Jiang Renfeng, and independent non-executive Directors Mr. Shi Jianzhong, Mr. Weng Yiran and Mr. Ngai Ming Tak. The above Directors shall hold office for three years.
- Mr. Liu Hualong resigned from the positions of executive Director and the chairman on 22 March 2021.
- On 22 December 2021, the Company held an election of the Board. Mr. Li Guo'an, Mr. Sun Patrick and Mr. Zhu Yuanchao ceased to serve as the independent non-executive Directors of the Company.

Corporate Governance Report

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

The Board Office provided comprehensive services and sufficient information for the Directors, so that the Directors can understand the conditions of the Company in a timely manner. The Board Office delivered to Directors the latest information and bulletins related to the business changes and development of the Company and the latest laws, rules and regulations in relation to their positions and responsibilities. The Board Office also arranged themed trainings and seminars for Directors. In 2021, pursuant to the requirements under code provision C.1.4 of the Code, Directors of the Company all participated in continuous professional development activities in relation to their positions and responsibilities, to develop and refresh their knowledge and skills, so as to ensure that their contribution to the Board remains informed and relevant. Based on the trainings arranged for the Directors by the Company and the records of learning and trainings submitted by the Directors personally, the trainings received by each Director in 2021 are as follows:

Name of Director	Trainings ^{Note 1}
Executive Directors	
Sun Yongcai	ABC
Lou Qiliang	ABC
Wang An	BC
Liu Hualong ^{Note 2}	ABC
Non-executive Director	
Jiang Renfeng	ABC
Independent Non-executive Directors	
Shi Jianzhong	ABC
Weng Yiran	ABC
Ngai Ming Tak	ABC
Sun Patrick ^{Note 3}	ABC
Li Guo'an ^{Note 3}	ABC
Zhu Yuanchao ^{Note 3}	ABC

Note:

1. A, B and C in the above table represent trainings of the following types respectively:
 - A. Attending trainings on corporate governance organized by regulatory institutes
 - B. Attending seminar trainings in aspects such as legal regulation, corporate governance and financial control organized by professional institutes
 - C. Studying and reading relevant laws and regulations (revised and amended) such as the Hong Kong Listing Rules

2. Mr. Liu Hualong resigned from the positions of executive Director and the chairman on 22 March 2021.
3. On 22 December 2021, the Company held an election of the Board. Mr. Li Guo'an, Mr. Sun Patrick and Mr. Zhu Yuanchao ceased to be the independent non-executive Directors of the Company.

(V) Independent non-executive Directors and their independence

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

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

(VI) Responsibilities of the Board

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

Corporate Governance Report

(VII) Board committees

1. Strategy Committee

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

During the reporting period, the Strategy Committee of the Board of the Company held one meeting in total.

Convention date	Content of the meeting	Important comments and suggestions	Other performance of duties
29 March	"Proposal on the 2021 Annual Investment Plan of CRRC Corporation Limited" and 3 other resolutions were considered	The Strategy Committee carried out its work in strict accordance with the relevant laws, administrative regulations and departmental rules and regulations, exercised due diligence and made relevant comments based on the actual situation of the Company. After thorough discussions, it considered and passed all the resolutions and agreed to submit them to the Board of the Company for consideration.	None

Corporate Governance Report

The attendance of each member is as follows:

Name of Directors	Number of attendance/ Number of meeting	Attendance rate
Sun Yongcai	1/1	100%
Lou Qiliang	1/1	100%
Wang An	0/0	-
Jiang Renfeng	0/0	-
Shi Jianzhong	1/1	100%
Liu Hualong	0/0	-
Li Guo'an	1/1	100%

Note: Mr. Liu Hualong resigned from his positions as the chairman and member of the Strategy Committee on 22 March 2021. On 30 March 2021, the 27th meeting of the second session of the Board of the Company considered and approved to appoint Mr. Sun Yongcai as the chairman of the Strategy Committee. Mr. Li Guo'an ceased to serve as a member of the Strategy Committee on 22 December 2021. On 22 December 2021, the first meeting of the third session of the Board of the Company considered and approved to appoint Mr. Wang An and Mr. Jiang Renfeng as members of the Strategy Committee.

2. Nomination Committee

During the reporting period, the Nomination Committee of the Board, in strict compliance with requirements of the Working Rules for Nomination Committee of the Board, performed its duties in an independent and objective manner. The Nomination Committee of the Board of the Company now comprises Mr. Ngai Ming Tak, Mr. Shi Jianzhong and Mr. Weng Yiran, the independent non-executive Directors, and Mr. Sun Yongcai and Mr. Lou Qiliang, the executive Directors. Mr. Ngai Ming Tak serves as the chairman of the committee. The Nomination Committee is held accountable to the Board and its primary responsibilities are to formulate the nomination procedures and selection standards of the Directors and Senior Management and to preliminarily review the eligibility and other qualifications of the candidates for the Directors and Senior Management. The standards for recommendation on the nomination of the Directors include suitable professional knowledge and industry experience, personal conduct, integrity and skills and commitment to devote sufficient time; and to monitor the implementation of the Board Diversity Policy and to review and amend the policy, as appropriate, to ensure its effectiveness. During the reporting period, the Nomination Committee successfully accomplished the following work: Reviewing the independence of the independent non-executive Directors and considering each independent non-executive Director being independent; nominating candidates for Directors of the third session of the Board; nominating candidates for Senior Management of the Company.

Corporate Governance Report

During the reporting period, the Nomination Committee adopted the Board Diversity Policy. When reviewing the size and composition of the Board and searching for and recommending candidates for Directors, the Nomination Committee should take into account relevant factors to achieve the diversity of the Board in accordance with the Company's business model and specific needs. The Committee may consider the diversity of the Board from various aspects, including but not limited to, gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service and so forth. Upon consideration of the above factors, the Nomination Committee shall make a final recommendation to the Board based on merit and contribution that the selected candidates will bring to the Board. On 29 March 2022, the Company held the third meeting of the Nomination Committee of the third session of the Board. The Nomination Committee discussed from the perspective of gender diversity of the Board and recommended the election of a female Director at the fourth session of the Board of the Company in view of the fact that the third session of the Board comprised all male members.

During the reporting period, the Nomination Committee of the Board of the Company held seven meetings in total.

Convention date	Content of the meeting	Important comments and suggestions	Other performance of duties
29 March	"Resolution on Accessing the Independence of Independent Non-executive Directors" and 1 other resolution were considered	The Nomination Committee carried out its work in strict accordance with the relevant laws, administrative regulations and departmental rules and regulations, exercised due diligence and made relevant comments based on the actual situation of the Company. After thorough discussions, it considered and passed all the resolutions.	None

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Convention date	Content of the meeting	Important comments and suggestions	Other performance of duties
11 August	"Resolution on the Nomination of a Joint Company Secretary of CRRC Corporation Limited" was considered	The Nomination Committee carried out its work in strict accordance with the relevant laws, administrative regulations and departmental rules and regulations, exercised due diligence and made relevant comments based on the actual situation of the Company. After thorough discussions, it considered and passed all the resolutions.	None
26 August	"Resolution on the Nomination the President of CRRC Corporation Limited" and 1 other resolution were considered	The Nomination Committee carried out its work in strict accordance with the relevant laws, administrative regulations and departmental rules and regulations, exercised due diligence and made relevant comments based on the actual situation of the Company. After thorough discussions, it considered and passed all the resolutions.	None
15 October	"Resolution on the Nomination of Secretary to the Board of Directors of CRRC Corporation Limited" was considered	The Nomination Committee carried out its work in strict accordance with the relevant laws, administrative regulations and departmental rules and regulations, exercised due diligence and made relevant comments based on the actual situation of the Company. After thorough discussions, it considered and passed all the resolutions.	None

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Convention date	Content of the meeting	Important comments and suggestions	Other performance of duties
25 November	"Resolution on the Nomination of Candidates for Non-Independent Directors for the Third Session of the Board of Directors of CRRC Corporation Limited" and 1 other resolution were considered	The Nomination Committee carried out its work in strict accordance with the relevant laws, administrative regulations and departmental rules and regulations, exercised due diligence and made relevant comments based on the actual situation of the Company. After thorough discussions, it considered and passed all the resolutions.	None
22 December	"Resolution on the Nomination of President of CRRC Corporation Limited" was considered	The Nomination Committee carried out its work in strict accordance with the relevant laws, administrative regulations and departmental rules and regulations, exercised due diligence and made relevant comments based on the actual situation of the Company. After thorough discussions, it considered and passed all the resolutions.	None
23 December	"Resolution on the Nomination of Vice President and Chief Financial Officer of CRRC Corporation Limited" and 4 other resolutions were considered	The Nomination Committee carried out its work in strict accordance with the relevant laws, administrative regulations and departmental rules and regulations, exercised due diligence and made relevant comments based on the actual situation of the Company. After thorough discussions, it considered and passed all the resolutions.	None

The attendance of each member is as follows:

Name of Directors	Number of attendance/ Number of meeting	Attendance rate
Ngai Ming Tak	2/2	100%
Sun Yongcai	7/7	100%
Lou Qiliang	2/2	100%
Shi Jianzhong	2/2	100%
Weng Yiran	2/2	100%
Liu Hualong	0/0	-
Li Guo'an	5/5	100%
Sun Patrick	5/5	100%
Zhu Yuanchao	5/5	100%

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Note: Mr. Liu Hualong resigned from his position as the member of the Nomination Committee on 22 March 2021. Mr. Li Guo'an, Mr. Sun Patrick and Mr. Zhu Yuanchao ceased to serve as members of the Nomination Committee on 22 December 2021. On 22 December 2021, the first meeting of the third session of the Board of the Company considered and approved to appoint Mr. Ngai Ming Tak, Mr. Sun Yongcai, Mr. Lou Qiliang, Mr. Shi Jianzhong and Mr. Weng Yiran as members of the Nomination Committee of the third session of the Board of the Company.

3. Remuneration and Evaluation Committee

During the reporting period, the Remuneration and Evaluation Committee of the Board, in strict compliance with requirements of the Working Rules for Remuneration and Evaluation Committee of the Board, performed its duties in an independent and objective manner. The Remuneration and Evaluation Committee of the Board of the Company now comprises Mr. Shi Jianzhong and Mr. Weng Yiran, the independent non-executive Directors and Mr. Jiang Renfeng, the non-executive Director. Mr. Shi Jianzhong serves as the chairman of the committee. The Remuneration and Evaluation Committee shall be held accountable to the Board and its primary responsibilities are to submit proposals to the Board on the Company's remuneration policy and structure for all Directors and Senior Management and on the establishment of a formal and transparent procedure for developing remuneration policy; to review the remuneration policies and schemes for the Directors and Senior Management; to formulate the evaluation criteria for them and to evaluate their performance of duties; to submit proposals to the Board on the formulation of the remuneration packages for certain executive Directors and Senior Management; to review and monitor the continuing professional development of the Directors and Senior Management; and to monitor the implementation of the Company's remuneration system. During the reporting period, the Remuneration and Evaluation Committee successfully accomplished the following work: Determining the remuneration for the Directors and Senior Management for 2021 based on the remuneration policies for the Directors and Senior Management, evaluating the performance of executive Directors and approving the terms of executive Director service contracts, and submitting the proposal to the Board for consideration and approval.

During the reporting period, the Remuneration and Evaluation Committee of the Board of the Company held one meeting in total.

Convention date	Content of the meeting	Important comments and suggestions	Other performance of duties
29 March	"Resolution on Adjustment of Remuneration of Some Independent Directors of CRRC Corporation Limited", the "Resolution on Remuneration to Directors of CRRC Corporation Limited for 2020", and the "Resolution on Remuneration to Senior Management of CRRC Corporation Limited for 2020" were considered	The Remuneration and Evaluation Committee carried out its work in strict accordance with the relevant laws, administrative regulations and departmental rules and regulations, exercised due diligence and made relevant comments based on the actual situation of the Company.	None

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The attendance of each member is as follows:

Name of Directors	Number of attendance/ Number of meeting	Attendance rate
Shi Jianzhong	1/1	100%
Weng Yiran	0/0	-
Jiang Renfeng	0/0	-
Sun Patrick	1/1	100%
Zhu Yuanchao	1/1	100%

Note: Mr. Sun Patrick and Mr. Zhu Yuanchao ceased to serve as members of the Remuneration and Evaluation Committee on 22 December 2021. On 22 December 2021, the first meeting of the third session of the Board of the Company considered and approved to appoint Mr. Weng Yiran and Mr. Jiang Renfeng as members of the Remuneration and Evaluation Committee of the third session of the Board of the Company.

4. Audit and Risk Management Committee

During the reporting period, the Audit and Risk Management Committee of the Board, in strict compliance with requirements of the Working Rules for Audit and Risk Management Committee of the Board and the Annual Report Working Procedures for the Audit and Risk Management Committee of the Board, performed its duties in an independent and objective manner. The Audit and Risk Management Committee of the Board of the Company comprises Mr. Weng Yiran and Mr. Ngai Ming Tak, who are independent non-executive Directors and Mr. Jiang Renfeng, who is the non-executive Director. Mr. Weng Yiran has extensive professional knowledge and experience in accounting and are certified public accountants serving as the chairman of the Audit and Risk Management Committee. The Audit and Risk Management Committee shall be held accountable to the Board and its primary responsibilities are to propose the appointment or replacement of external auditors, to supervise and evaluate the work of external auditors, to review the Company's financial information and its disclosure, to monitor the Company's internal audit system and its implementation, to review the Company's internal control and risk management system as well as communication between internal auditors and external auditors. During the reporting period, the Audit and Risk Management Committee successfully accomplished the following work: (1) Supervising external audit procedures and quality. The Audit and Risk Management Committee communicated with auditors for annual audit plan in respect of the 2020 annual audit arrangement and timetable. Having

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been debriefed special reports from the accounting firms, respectively, the committee determined the audit work arrangement of the Company for 2021. (2) Reviewing the financial information of the Company and the disclosure thereof. The Audit and Risk Management Committee examined and studied the financial information as disclosed in the Company's report and financial statements, and carefully reviewed the resolutions in relation to the financial report of the Company. (3) Providing guidance to the Company's internal audit. The Audit and Risk Management Committee considered the proposals submitted by the audit department and reviewed and approved the internal audit work plan put forward by the Company and gave guidance and lay down requirements for carrying out internal audit. (4) Reviewing the Company's implementation of internal control and risk management. The Audit and Risk Management Committee considered the proposals regarding internal control and risk management submitted by the Company and expressed review opinions on the internal control audit report of the Company for 2020.

During the reporting period, the Audit and Risk Management Committee of the Board of the Company held six meetings in total.

Convention date	Content of the meeting	Important comments and suggestions	Other performance of duties
29 March	"Resolution on the Annual Report 2020 of CRRC Corporation Limited" and 16 other resolutions were considered	The Audit and Risk Management Committee carried out its work in strict accordance with the relevant laws, administrative regulations and departmental rules and regulations, exercised due diligence and made relevant comments based on the actual situation of the Company. After thorough discussions, it considered and passed all the resolutions and agreed to submit the relevant resolutions to the Board of the Company for consideration.	None

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Convention date	Content of the meeting	Important comments and suggestions	Other performance of duties
29 April	"Resolution on the 2021 First Quarterly Report of CRRC Corporation Limited" was considered	The Audit and Risk Management Committee carried out its work in strict accordance with the relevant laws, administrative regulations and departmental rules and regulations, exercised due diligence and made relevant comments based on the actual situation of the Company. After thorough discussions, it considered and passed all the resolutions and agreed to submit the relevant resolutions to the Board of the Company for consideration.	None
18 July	"Resolution on Matters Relating to Entrusted Management of Assets and Connected Transactions" was considered	The Audit and Risk Management Committee carried out its work in strict accordance with the relevant laws, administrative regulations and departmental rules and regulations, exercised due diligence and made relevant comments based on the actual situation of the Company. After thorough discussions, it considered and passed all the resolutions and agreed to submit the relevant resolutions to the Board of the Company for consideration.	None

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Convention date	Content of the meeting	Important comments and suggestions	Other performance of duties
26 August	"Resolution on the 2021 Interim Report of CRRC Corporation Limited" was considered	The Audit and Risk Management Committee carried out its work in strict accordance with the relevant laws, administrative regulations and departmental rules and regulations, exercised due diligence and made relevant comments based on the actual situation of the Company. After thorough discussions, it considered and passed all the resolutions and agreed to submit the relevant resolutions to the Board of the Company for consideration.	None
29 October	"Resolution on the 2021 Third Quarterly Report of CRRC Corporation Limited" was considered	The Audit and Risk Management Committee carried out its work in strict accordance with the relevant laws, administrative regulations and departmental rules and regulations, exercised due diligence and made relevant comments based on the actual situation of the Company. After thorough discussions, it considered and passed all the resolutions and agreed to submit the relevant resolutions to the Board of the Company for consideration.	None

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Convention date	Content of the meeting	Important comments and suggestions	Other performance of duties
23 December	Listened to the auditor's audit plan for the 2021 Annual Report	The Audit and Risk Management Committee carried out its work in strict accordance with the relevant laws, administrative regulations and departmental rules and regulations, exercised due diligence, made relevant comments based on the actual situation of the Company, and approved the audit plan.	None

The attendance of each member is as follows:

Name of Directors	Number of attendance/ Number of meeting	Attendance rate
Weng Yiran	1/1	100%
Jiang Renfeng	1/1	100%
Ngai Ming Tak	1/1	100%
Sun Patrick	5/5	100%
Li Guo'an	5/5	100%
Zhu Yuanchao	5/5	100%

Note: Mr. Sun Patrick, Mr. Li Guo'an and Zhu Yuanchao ceased to serve as members of the Audit and Risk Management Committee on 22 December 2021. On 22 December 2021, the first meeting of the third session of the Board of the Company considered and approved to appoint Mr. Weng Yiran, Mr. Jiang Renfeng and Mr. Ngai Ming Tak as members of the Audit and Risk Management Committee of the third session of the Board of the Company.

IV. Chairman and President

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

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

According to the announcement of the Company dated 22 March 2021, Mr. Liu Hualong resigned as the chairman, an executive Director, the chairman and a member of Strategy Committee of the Board, and a member of the Nomination Committee of the Board of the Company due to work adjustment. According to the announcement of the Company dated 30 March 2021, Mr. Sun Yongcai, an executive Director and president of the Company, was elected as the chairman of the Company and also served as the legal representative of the Company and the chairman of the Strategy Committee. Accordingly, the Company has deviated from Code Provision C.2.1 of the Corporate Governance Code. Notwithstanding the above, the Board believes that the balance of power and authority is adequately ensured by the operation of the Board, which comprises experienced talents with a sufficient number of independent non-executive Directors, and therefore, the performance of the roles of the chairman of the Board and the president of the Company concurrently by Mr. Sun Yongcai will not impair the balance of power and authority between the Board and the management of the Company and the deviation from Code Provision C.2.1 of the Corporate Governance Code is appropriate in such circumstance. In addition, the Company has elected Mr. Lou Qiliang, a Director of the Company, as the president of the Company on 27 August 2021, and Mr. Sun Yongcai resigned from the position of president of the Company on the same day. Therefore, the Company has met the requirements set out in Code Provision C.2.1 of the Corporate Governance Code.

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On 27 August 2021, having been considered and approved at the 32nd meeting of the second session of the Board of the Company, Mr. Lou Qiliang, the general manager of CRRCG (controlling shareholder of the Company), has been appointed as the president of the Company. In December 2021, CRRCG has received the letter on the Waiver of the Senior Management of CRRC GROUP Co., Ltd. from Concurrent Post Limit (letter from Listing Department [2021]No.1211) (《關於同意豁免中國中車集團有限公司高級管理人員兼職限制的函》(上市部函[2021]1211號)), according to which it agreed to waive Mr. Lou Qiliang, the Senior Management, from concurrent post limit.

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

V. Supervisors and the Supervisory Committee

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

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VI. Responsibilities of the Management

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

VII. Shareholders' Rights

(I) Convening of an extraordinary general meeting by shareholders

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

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

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(II) Putting enquiry to the Board by shareholders

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

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

Tel: (8610) 5186 2188

Fax: (8610) 6398 4785

Email: crrc@crrcgc.cc

Postal address: No.16-5, Central West Fourth Ring Road, Haidian District, Beijing, the PRC

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

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

VIII. Significant Change in the Articles of Association During the Reporting Period

There were no material changes to the Articles of Association during the reporting period.

IX. Establishment and Implementation on the Evaluation and Incentive System for the Senior Management During the Reporting Period

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

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X. Directors' Responsibilities in Respect of Financial Statements

The Directors confirm that they are responsible for the preparation of the financial statements of the Company for the year ended 31 December 2021, in order to truly and impartially report the financial conditions and business results of the Company, and undertake relevant responsibilities for preparation of the financial statements of the Company. The Audit and Risk Management Committee of the Company has reviewed the financial statements of the Company for the year ended 31 December 2021.

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

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

XI. Code of Conduct Regarding Securities Transactions by Directors and Supervisors

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

As of 31 December 2021, after making specific inquiries with all Directors and Supervisors, the Company confirmed that all Directors and Supervisors had complied with the relevant codes on securities transactions by Directors and Supervisors as set out in the Model Code and the Management Method Regarding the Shareholding of Directors, Supervisors and Senior Management of the Company.

XII. Auditors

Pursuant to the relevant requirements in the Notice on the Issues Relating to Accounting Firms Undertaking Audit of Final Financial Accounts of Central Enterprises (Cai Kuai [2011] No. 24) (《關於會計師事務所承擔中央企業財務決算審計有關問題的通知》(財會[2011] 24號)) issued by the Ministry of Finance of the PRC and the SASAC, accounting firms that undertake audit of final financial accounts for a central enterprise shall be under consecutive terms of not less than 2 years and not more than 5 years; the audit period for accounting firms that rank among the top 15 of the National Comprehensive Evaluation Ranking of Accounting Firms (全國會計師事務所綜合評價) with excellent audit quality may be extended as appropriate subject to application by relevant enterprises and approval by the SASAC, but the consecutive audit period shall not exceed 8 years. As Deloitte Touche Tohmatsu Certified Public Accountants LLP and Deloitte Touche Tohmatsu have provided audit services for the Company for 6 consecutive years, in order to ensure the independence and objectivity of the audit work of the Company, as well as meet the needs of its business development, the Company proposed to change the accounting firms. Upon approval at the 2019 annual general meeting of the Company convened on 18 June 2020, the Company appointed KPMG Huazhen LLP as the financial report auditors and internal control auditors of the Company for the year 2020. Save as disclosed above, there has been no changes to the auditors in the past three years.

On 18 June 2021, the 2020 annual general meeting of the Company considered and approved the resolution in relation to the appointment of auditors of CRRC Corporation Limited for 2021, and decided to appoint KPMG Huazhen LLP as the financial report auditors and internal control auditors of the Company for the year 2021.

In 2021, the Company had paid the auditors an aggregate fee (tax inclusive) of RMB29.60 million, which included advance payments such as travel expenses and communication costs etc. In particular, the audit fees (tax inclusive) paid in respect of financial statements amounted to RMB27.60 million, audit fees (tax inclusive) paid in respect of internal control amounted to RMB2.00 million.

In accordance with Article 202T of the Hong Kong Financial Reporting Council Ordinance (Cap. 588) (effective from 1 October 2019), KPMG Huazhen LLP, auditor of the Company for the year 2021, is an eligible Mainland audit firm.

XIII. Risk Management and Internal Control

Basing on the Company's core values, the Company has defined a unified risk concept, and through the combination of training and system promotion, the Company has continuously created a risk management culture that strictly implements risk management and internal control processes, and has formed a good working environment and atmosphere for risk internal control. The Company has established a Three Defense Lines for risk management and has established a "classification, layering and centralized management and control" model for major risks. In order to guarantee the standardized development and systematic implementation of risk management and internal control, the Company has continuously established and improved its risk management system. So far, two basic risk management systems have been formulated and 68 internal control guidelines and guidebooks for risk management and internal control have been released.

The Company has established appropriate policies and monitoring procedures to ensure that no assets will be used or disposed of without authorization. The Company maintains reliable financial and accounting records in accordance with relevant accounting standards and regulatory reporting procedures, and properly identifies major risks which may affect the Company's performance and reasonably ensures that the level of risk is within the acceptable scope of the Company. The Company embeds risk management and internal control into daily business management activities and major project decision-making processes, and establishes an all-round risk management and control mechanism, i.e., pre-assessment and control of major risks, dynamic in-process control, post-control response evaluation, and rectification. The Company establishes a relatively complete internal control organization, working system and processes, and uses a closed-loop mechanism of "process streamlining-internal control assessment-defect identification-defect rectification", and internal control self-evaluation and internal control audit work are carried out.

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

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

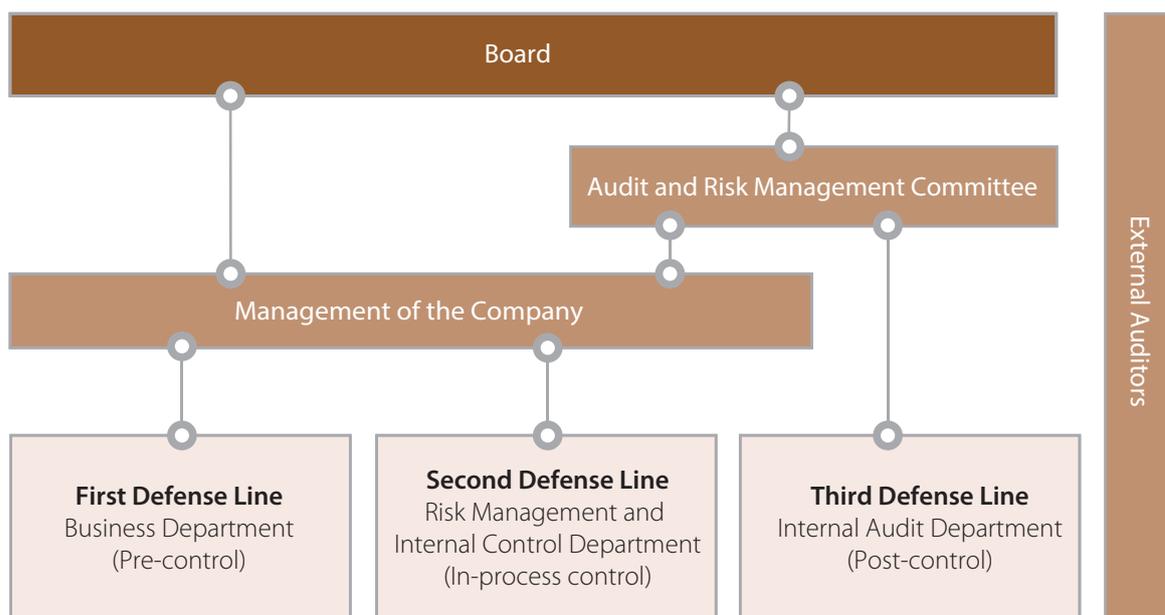
The Company has established a clearly defined organization structure with proper authorization, and has strict rules of procedure and reporting procedures in place. The Audit Risk and Legal Center of the Company assists the Board and the Audit and Risk Management Committee in the ongoing supervision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

Corporate Governance Report

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

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

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



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

Corporate Governance Report

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

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

The Audit Risk and Legal Center of the Company reports the sufficiency and effectiveness of its monitoring to the Board, the Audit and Risk Management Committee, the president and chief finance officer of the Company.

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

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

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

In 2021, the risk management and internal control department of the Company organized various departments and affiliated entities to continuously conduct risk management and internal control activities to improve the effectiveness of risk management and internal control, including but not limited to the following: organized and conducted annual risk assessment and responding management; organized and conducted annual internal control evaluation; carried out risk management and internal control consultation in respect of its affiliated entities in order to improve their risk management and internal control capacities; focused on risk evaluation of significant investment, overseas merger & acquisition, export-related project, new industry expansion, finance and finance-like, and PPP projects. The risk management department submitted the latest report on

Corporate Governance Report

risk management and internal control to the Board and the Audit and Risk Management Committee during the year, and assisted the Directors in reviewing the effectiveness of the risk management and internal control systems of the Company.

In 2021, the internal audit department of the Company carried out special inspection and monitoring on the effectiveness of the risk management and internal control systems of the Company in terms of finance, operation and compliance monitoring and reported the relevant findings to the management and the Board of the Company.

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

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

In 2021, KPMG Huazhen LLP audited the financial statements and the effectiveness of relevant internal control of the Company, and issued an audit report with unqualified opinion. Relevant report has been reviewed and approved by the Audit and Risk Management Committee.

XIV. Dividend Policy

Pursuant to the Articles of Association, the specific policy for dividend distribution of the Company is as follows:

1. When formulating a dividend distribution plan, the Company takes into account the interests of Shareholders and development needs of the Company;
2. The Company maintains a stable dividend level every year, and the cumulative profit distributed during the last three years is not less than 30% of the profits available for distribution in the last three years;
3. The Company prefers to distribute dividends in cash, and only considers non-cash dividends when special and significant investment needs arise.

Relevant Information of Bonds

I. Corporate Bonds and Debt Financing Instruments of Non-Financial Enterprises

(1) Corporate bonds

1. Basic information of corporate bonds

Unit: '000 Currency: RMB

Name of bonds	Short name	code	Issuing date	Interest accrual date	Maturity date	Bond balance	Interest rate (%)	Methods of principal and interest repayment	Trading venue	Arrangement to ensure the suitability of investors (if any)	Trading mechanism	Risk of termination of listing and trading
2013 Ten-year Corporate Bond of CSR Corporation Limited (First Tranche)	13 CSR 02	122252.SH	2013-04-22	2013-04-22	2023-04-22	1,500,000	5.00	The interest shall be paid annually, and the principal amount shall be repaid in a lumpsum payment	Shanghai Stock Exchange	A public issuance to eligible investors	Listed and traded on the centralised bidding system, block trade platform and fixed-income securities integrated electronic platform of the Shanghai Stock Exchange	No
2016 Publicly Issued Corporate Bond of CRRC Corporation Limited (First Tranche)	16 CRRC 01	136671.SH	2016-08-29	2016-08-30	2021-08-30	0	3.40	The interest shall be paid annually, and the principal amount shall be repaid in a lumpsum payment	Shanghai Stock Exchange	A public issuance to eligible investors	Listed and traded on the centralised bidding system, block trade platform and fixed-income securities integrated electronic platform of the Shanghai Stock Exchange	No
2020 Publicly Issued Corporate Bond of CRRC Corporation Limited (First Tranche)	20 CRRC 01	163335.SH	2020-03-27	2020-04-01	2023-04-01	1,000,000	2.95	The interest shall be paid annually, and the principal amount shall be repaid in a lumpsum payment	Shanghai Stock Exchange	A public issuance to eligible investors	Listed and traded on the centralised bidding system, block trade platform and fixed-income securities integrated electronic platform of the Shanghai Stock Exchange	No

Relevant Information of Bonds

2. Repayment of principal and interest during the reporting period

Name of bonds	Status of repayment of principal and interest
13 CSR 02	On 22 April 2021, CRRC Corporation Limited has repaid the interest in full. The interest accrual period during the year commenced on 22 April 2020 and ended on 22 April 2021.
16 CRRC 01	On 30 August 2021, CRRC Corporation Limited has repaid the interest in full and paid the principal for the bond. The interest accrual period during the year commenced on 30 August 2020 and ended on 29 August 2021.
20 CRRC 01	On 1 April 2021, CRRC Corporation Limited has repaid the interest in full. The interest accrual period during the year commenced on 1 April 2020 and ended on 31 March 2021.

3. Use of proceeds as at the end of the reporting period

Unit: '000 Currency: RMB

Name of bonds	Aggregate amount of proceeds	Proceeds used	Balance of proceeds	Operation of specific accounts of proceeds (if any)	Correction of non-compliance use of proceeds (if any)	In line with the use, use plans and other covenants as undertaken in the prospectus
2013 Ten-year Corporate Bond of CSR Corporation Limited (First Tranche)	1,500,000	1,500,000	0	Nil	Nil	Yes
2016 Publicly Issued Corporate Bond of CRRC Corporation Limited (First Tranche)	2,000,000	2,000,000	0	Nil	Nil	Yes
2020 Publicly Issued Corporate Bond of CRRC Corporation Limited (First Tranche)	1,000,000	1,000,000	0	Nil	Nil	Yes

Relevant Information of Bonds

4. Execution, changes and its impacts of guarantees, repayment plans and other guarantee measures for repayment during the reporting period

Current status	Execution	Any changes	Status after changes	Reasons for changes	Changes have been approved by relevant authorities	Impacts of changes on equity of bond investors
The repayment of 13 CSR 02 will be financed mainly by cash flow generated from the Company's daily operations. The Company's good profitability and stable cash flow from operating activities will provide protection for the repayment of the principal and interest of the bonds, which are currently being paid normally	In execution	No	-	-	-	-
The repayment of the bonds of 16 CRRC 01 is mainly financed by the cash flow generated from the daily operation of the Company. The good profitability of the Company and the stable cash flow from operating activities provide protection for the repayment of the principal and interest of the bonds, which have been paid and repaid normally.	Completed	No	-	-	-	-
The repayment of 20 CRRC 01 will be financed mainly by cash flow generated from the Company's daily operations. The Company's good profitability and stable cash flow from operating activities will provide protection for the repayment of the principal and interest of the bonds, which are currently being paid normally	In execution	No	-	-	-	-

Relevant Information of Bonds

(2) Debt Financing Instruments of Non-financial Enterprises in the Inter-bank Bond Market

1. Basic information of debt financing instruments of non-financial enterprises

Unit: '000 Currency: RMB

Name of bonds	Short name	code	Issuing date	Interest accrual date	Maturity date	Bond balance	Interest rate (%)	Methods of principal and interest repayment	Trading venue	Arrangement to ensure the suitability of investors (if any)	Trading mechanism	Risk of termination of listing and trading
CRRC Corporation Limited's Peer No. 1 Phase VI Asset-back senior commercial note in 2021	21 Peer No. 1 ABN006 Senior	082101393.IB	2021-12-08	2021-12-13	2022-02-11	5,036,900	2.4	One-off repayment of principal and interest on maturity	Interbank bond market	Institutional investors in the national interbank bond market	Enquiry and one-click-order	No
CRRC Corporation Limited's Peer No. 1 Phase VI Asset-back subordinated commercial note in 2021	21 Peer No. 1 ABN006 Subordinated	082101392.IB	2021-12-08	2021-12-13	2023-12-21	107,090	-	One-off repayment of principal and interest on maturity	Interbank bond market	Institutional investors in the national interbank bond market	Enquiry and one-click-order	No
CRRC Corporation Limited's Peer No. 1 Phase II Asset-back subordinated commercial note in 2021	21 Peer No. 1 ABN002 Subordinated	082100129.IB	2021-03-02	2021-03-05	2023-12-21	510	-	One-off repayment of principal and interest on maturity	Interbank bond market	Institutional investors in the national interbank bond market	Enquiry and one-click-order	No
CRRC Corporation Limited's Peer No. 1 Phase I Asset-back subordinated commercial note in 2021	21 Peer No. 1 ABN001 Subordinated	082100036.IB	2021-01-14	2021-01-20	2023-12-21	4,500	-	One-off repayment of principal and interest on maturity	Interbank bond market	Institutional investors in the national interbank bond market	Enquiry and one-click-order	No
CRRC Corporation Limited's Peer No. 1 Phase I Asset-back subordinated commercial note in 2020	20 Peer No. 1 ABN001 Subordinated	082001051.IB	2020-12-18	2020-12-21	2023-12-21	153,000	-	One-off repayment of principal and interest on maturity	Interbank bond market	Institutional investors in the national interbank bond market	Enquiry and one-click-order	No
CRRC Corporation Limited's Phase XXII Super short-term financing bills in 2021	21 CRRC SCP022	012105112.IB	2021-11-22	2021-11-23	2021-12-23	0.00	2.07	One-off repayment of principal and interest on maturity	Interbank bond market	Institutional investors in the national interbank bond market	Enquiry and one-click-order	No
CRRC Corporation Limited's Phase XXI Super short-term financing bills in 2021	21 CRRC SCP021	012104079.IB	2021-11-09	2021-11-10	2021-12-24	0.00	2.03	One-off repayment of principal and interest on maturity	Interbank bond market	Institutional investors in the national interbank bond market	Enquiry and one-click-order	No

Relevant Information of Bonds

Name of bonds	Short name	code	Issuing date	Interest accrual date	Maturity date	Bond balance	Interest rate (%)	Methods of principal and interest repayment	Trading venue	Arrangement to ensure the suitability of investors (if any)	Trading mechanism	Risk of termination of listing and trading
CRRC Corporation Limited's Peer No. 1 Phase V Asset-supported senior commercial note in 2021	21 Peer No.1	082101071.IB	2021-10-22	2021-10-27	2021-12-13	0.00	2.30	One-off repayment of principal and interest on maturity	Interbank bond market	Institutional investors in the national interbank bond market	Enquiry and one-click-order	No
CRRC Corporation Limited's Phase XX Super short-term financing bills in 2021	21 CRRC SCP020	012103752.IB	2021-10-15	2021-10-18	2021-12-17	0.00	2.28	One-off repayment of principal and interest on maturity	Interbank bond market	Institutional investors in the national interbank bond market	Enquiry and one-click-order	No
CRRC Corporation Limited's Phase XIX Super short-term financing bills in 2021	21 CRRC SCP019	012103610.IB	2021-09-28	2021-09-29	2021-11-26	0.00	2.52	One-off repayment of principal and interest on maturity	Interbank bond market	Institutional investors in the national interbank bond market	Enquiry and one-click-order	No
CRRC Corporation Limited's Phase XVIII Super short-term financing bills in 2021	21 CRRC SCP018	012103588.IB	2021-09-27	2021-09-28	2021-11-26	0.00	2.52	One-off repayment of principal and interest on maturity	Interbank bond market	Institutional investors in the national interbank bond market	Enquiry and one-click-order	No
CRRC Corporation Limited's Phase XVII Super short-term financing bills in 2021	21 CRRC SCP017	012103398.IB	2021-09-14	2021-09-15	2021-10-15	0.00	2.20	One-off repayment of principal and interest on maturity	Interbank bond market	Institutional investors in the national interbank bond market	Enquiry and one-click-order	No
CRRC Corporation Limited's Phase XVI Super short-term financing bills in 2021	21 CRRC SCP016	012102662.IB	2021-07-21	2021-07-22	2021-09-23	0.00	2.10	One-off repayment of principal and interest on maturity	Interbank bond market	Institutional investors in the national interbank bond market	Enquiry and one-click-order	No
CRRC Corporation Limited's Phase XV Super short-term financing bills in 2021	21 CRRC SCP015	012102560.IB	2021-07-14	2021-07-15	2021-08-18	0.00	2.05	One-off repayment of principal and interest on maturity	Interbank bond market	Institutional investors in the national interbank bond market	Enquiry and one-click-order	No

Relevant Information of Bonds

Name of bonds	Short name	code	Issuing date	Interest accrual date	Maturity date	Bond balance	Interest rate (%)	Methods of principal and interest repayment	Trading venue	Arrangement to ensure the suitability of investors (if any)	Trading mechanism	Risk of termination of listing and trading
CRRC Corporation Limited's Peer No. 1 Phase IV Asset-supported senior commercial note in 2021	21 Peer No.1	082100621.IB	2021-07-02	2021-07-07	2021-10-27	0.00	2.40	One-off repayment of principal and interest on maturity	Interbank bond market	Institutional investors in the national interbank bond market	Enquiry and one-click-order	No
CRRC Corporation Limited's Phase XIV Super short-term financing bills in 2021	21 CRRC SCP014	012102428.IB	2021-07-02	2021-07-05	2021-10-09	0.00	2.29	One-off repayment of principal and interest on maturity	Interbank bond market	Institutional investors in the national interbank bond market	Enquiry and one-click-order	No
CRRC Corporation Limited's Phase XIII Super short-term financing bills in 2021	21 CRRC SCP013	012102368.IB	2021-06-28	2021-06-29	2021-08-31	0.00	2.26	One-off repayment of principal and interest on maturity	Interbank bond market	Institutional investors in the national interbank bond market	Enquiry and one-click-order	No
CRRC Corporation Limited's Phase XII Super short-term financing bills in 2021	21 CRRC SCP012	012102352.IB	2021-06-25	2021-06-28	2021-09-29	0.00	2.35	One-off repayment of principal and interest on maturity	Interbank bond market	Institutional investors in the national interbank bond market	Enquiry and one-click-order	No
CRRC Corporation Limited's Phase XI Super short-term financing bills in 2021	21 CRRC SCP011	012101997.IB	2021-05-27	2021-05-28	2021-08-26	0.00	2.20	One-off repayment of principal and interest on maturity	Interbank bond market	Institutional investors in the national interbank bond market	Enquiry and one-click-order	No
CRRC Corporation Limited's Phase X Super short-term financing bills in 2021	21 CRRC SCP010	012102003.IB	2021-05-27	2021-05-28	2021-06-30	0.00	2.00	One-off repayment of principal and interest on maturity	Interbank bond market	Institutional investors in the national interbank bond market	Enquiry and one-click-order	No
CRRC Corporation Limited's Phase IX Super short-term financing bills in 2021	21 CRRC SCP009	012101656.IB	2021-04-22	2021-04-23	2021-05-25	0.00	2.20	One-off repayment of principal and interest on maturity	Interbank bond market	Institutional investors in the national interbank bond market	Enquiry and one-click-order	No
CRRC Corporation Limited's Phase VIII Super short-term financing bills in 2021	21 CRRC SCP008	012101606.IB	2021-04-21	2021-04-22	2021-07-21	0.00	2.33	One-off repayment of principal and interest on maturity	Interbank bond market	Institutional investors in the national interbank bond market	Enquiry and one-click-order	No

Relevant Information of Bonds

Name of bonds	Short name	code	Issuing date	Interest accrual date	Maturity date	Bond balance	Interest rate (%)	Methods of principal and interest repayment	Trading venue	Arrangement to ensure the suitability of investors (if any)	Trading mechanism	Risk of termination of listing and trading
CRRC Corporation Limited's Peer No. 1 Phase III Asset-supported senior commercial note in 2021	21 Peer No.1	082100265.IB	2021-04-02	2021-04-08	2021-07-07	0.00	2.60	One-off repayment of principal and interest on maturity	Interbank bond market	Institutional investors in the national interbank bond market	Enquiry and one-click-order	No
CRRC Corporation Limited's Phase VII Super short-term financing bills in 2021	21 CRRC SCP007	012101261.IB	2021-03-26	2021-03-29	2021-04-28	0.00	2.37	One-off repayment of principal and interest on maturity	Interbank bond market	Institutional investors in the national interbank bond market	Enquiry and one-click-order	No
CRRC Corporation Limited's Phase VI Super short-term financing bills in 2021	21 CRRC SCP006	012101244.IB	2021-03-25	2021-03-26	2021-07-06	0.00	2.47	One-off repayment of principal and interest on maturity	Interbank bond market	Institutional investors in the national interbank bond market	Enquiry and one-click-order	No
CRRC Corporation Limited's Phase V Super short-term financing bills in 2021	21 CRRC SCP005	012101024.IB	2021-03-16	2021-03-17	2021-04-21	0.00	2.42	One-off repayment of principal and interest on maturity	Interbank bond market	Institutional investors in the national interbank bond market	Enquiry and one-click-order	No
CRRC Corporation Limited's Phase IV Super short-term financing bills in 2021	21 CRRC SCP004	012100811.IB	2021-03-04	2021-03-05	2021-04-09	0.00	2.32	One-off repayment of principal and interest on maturity	Interbank bond market	Institutional investors in the national interbank bond market	Enquiry and one-click-order	No
CRRC Corporation Limited's Peer No. 1 Phase II Asset-supported senior commercial note in 2021	21 Peer No.1	082100128.IB	2021-03-02	2021-03-05	2021-04-08	0.00	2.40	One-off repayment of principal and interest on maturity	Interbank bond market	Institutional investors in the national interbank bond market	Enquiry and one-click-order	No
CRRC Corporation Limited's Phase III Super short-term financing bills in 2021	21 CRRC SCP003	012100695.IB	2021-02-24	2021-02-25	2021-03-30	0.00	2.23	One-off repayment of principal and interest on maturity	Interbank bond market	Institutional investors in the national interbank bond market	Enquiry and one-click-order	No

Relevant Information of Bonds

Name of bonds	Short name	code	Issuing date	Interest accrual date	Maturity date	Bond balance	Interest rate (%)	Methods of principal and interest repayment	Trading venue	Arrangement to ensure the suitability of investors (if any)	Trading mechanism	Risk of termination of listing and trading
CRRC Corporation Limited's Phase II Super short-term financing bills in 2021	21 CRRC SCP002	012100439.IB	2021-01-27	2021-01-28	2021-03-02	0.00	2.39	One-off repayment of principal and interest on maturity	Interbank bond market	Institutional investors in the national interbank bond market	Enquiry and one-click-order	No
CRRC Corporation Limited's Phase I Super short-term financing bills in 2021	21 CRRC SCP001	012100438.IB	2021-01-27	2021-01-28	2021-02-26	0.00	2.39	One-off repayment of principal and interest on maturity	Interbank bond market	Institutional investors in the national interbank bond market	Enquiry and one-click-order	No
CRRC Corporation Limited's Peer No. 1 Phase I Asset-supported senior commercial note in 2021	21 Peer No.1 ABN001 Senior	082100035.IB	2021-01-14	2021-01-20	2021-03-05	0.00	2.40	One-off repayment of principal and interest on maturity	Interbank bond market	Institutional investors in the national interbank bond market	Enquiry and one-click-order	No
CRRC Corporation Limited's Phase I Asset-supported senior commercial note in 2020	20 Peer No.1 ABN001 Senior	082001050.IB	2020-12-18	2020-12-21	2021-01-20	0.00	2.25	One-off repayment of principal and interest on maturity	Interbank bond market	Institutional investors in the national interbank bond market	Enquiry and one-click-order	No
CRRC Corporation Limited's Phase I Asset-supported senior commercial note in 2018	18 CRRC ABN001 Senior	081800260.IB	2018-12-24	2018-12-26	2021-03-26	0.00	4.57	Repayment of principal and interest at the frequency agreed in the prospectus	Interbank bond market	Institutional investors in the national interbank bond market	Enquiry and one-click-order	No
CRRC Corporation Limited's Phase I Asset-supported subordinated commercial note in 2018	18 CRRC ABN001 Subordinated	081800261.IB	2018-12-24	2018-12-26	2021-04-02	0.00	-	One-off distribution of earnings on maturity	Interbank bond market	Institutional investors in the national interbank bond market	Enquiry and one-click-order	No

Relevant Information of Bonds

2. Repayment of principal and interest during the reporting period

Name of bonds	Repayment situation
21 CRRSCP022	Principal and interest repaid in full as scheduled
21 CRRSCP021	Principal and interest repaid in full as scheduled
21 Peer No. 1 ABN005 Senior	Principal and interest repaid in full as scheduled
21 CRRSCP020	Principal and interest repaid in full as scheduled
21 CRRSCP019	Principal and interest repaid in full as scheduled
21 CRRSCP018	Principal and interest repaid in full as scheduled
21 CRRSCP017	Principal and interest repaid in full as scheduled
21 CRRSCP016	Principal and interest repaid in full as scheduled
21 CRRSCP015	Principal and interest repaid in full as scheduled
21 CRRSCP014	Principal and interest repaid in full as scheduled
21 Peer No. 1 ABN004 Senior	Principal and interest repaid in full as scheduled
21 CRRSCP013	Principal and interest repaid in full as scheduled
21 CRRSCP012	Principal and interest repaid in full as scheduled
21 CRRSCP010	Principal and interest repaid in full as scheduled
21 CRRSCP011	Principal and interest repaid in full as scheduled
21 CRRSCP009	Principal and interest repaid in full as scheduled
21 CRRSCP008	Principal and interest repaid in full as scheduled
21 Peer No. 1 ABN003 Senior	Principal and interest repaid in full as scheduled
21 CRRSCP007	Principal and interest repaid in full as scheduled
21 CRRSCP006	Principal and interest repaid in full as scheduled
21 CRRSCP005	Principal and interest repaid in full as scheduled
21 CRRSCP004	Principal and interest repaid in full as scheduled
21 Peer No. 1 ABN002 Senior	Principal and interest repaid in full as scheduled
21 CRRSCP003	Principal and interest repaid in full as scheduled
21 CRRSCP002	Principal and interest repaid in full as scheduled
21 CRRSCP001	Principal and interest repaid in full as scheduled
21 Peer No. 1ABN001 Senior	Principal and interest repaid in full as scheduled
20 Peer No. 1ABN001 Senior	Principal and interest repaid in full as scheduled
18 CRRSCP ABN001 Subordinated	Principal and interest repaid in full as scheduled
18 CRRSCP ABN001 Senior	Principal and interest repaid in full as scheduled

Relevant Information of Bonds

3. Use of proceeds as at the end of the reporting period

Unit: '000 Currency: RMB

Name of bonds	Aggregate amount of proceeds	Proceeds used	Balance of proceeds	Operation of specific accounts of proceeds (if any)	Correction of non-compliance use of proceeds (if any)	In line with the use, use plans and other covenants as undertaken in the prospectus
CRRC Corporation Limited's Peer No. 1 Phase VI Asset-back senior commercial note in 2021	5,036,900	5,036,900	0	Nil	Nil	Yes
CRRC Corporation Limited's Peer No. 1 Phase VI Asset-back subordinated commercial note in 2021	107,090	107,090	0	Nil	Nil	Yes
CRRC Corporation Limited's Peer No. 1 Phase II Asset-back subordinated commercial note in 2021	510	510	0	Nil	Nil	Yes
CRRC Corporation Limited's Peer No. 1 Phase I Asset-back subordinated commercial note in 2021	4,500	4,500	0	Nil	Nil	Yes
CRRC Corporation Limited's Peer No. 1 Phase I Asset-back subordinated commercial note in 2020	153,000	153,000	0	Nil	Nil	Yes
CRRC Corporation Limited's Phase XXII Super short-term financing bills in 2021	3,000,000	3,000,000	0	Nil	Nil	Yes
CRRC Corporation Limited's Phase XXI Super short-term financing bills in 2021	3,000,000	3,000,000	0	Nil	Nil	Yes

Relevant Information of Bonds

Name of bonds	Aggregate amount of proceeds	Proceeds used	Balance of proceeds	Operation of specific accounts of proceeds (if any)	Correction of non-compliance use of proceeds (if any)	In line with the use, use plans and other covenants as undertaken in the prospectus
CRRC Corporation Limited's Peer No.1 Phase V Asset-supported senior commercial note in 2021	2,479,190	2,479,190	0	Nil	Nil	Yes
CRRC Corporation Limited's Phase XX Super short-term financing bills in 2021	3,000,000	3,000,000	0	Nil	Nil	Yes
CRRC Corporation Limited's Phase XIX Super short-term financing bills in 2021	2,000,000	2,000,000	0	Nil	Nil	Yes
CRRC Corporation Limited's Phase XVIII Super short-term financing bills in 2021	1,000,000	1,000,000	0	Nil	Nil	Yes
CRRC Corporation Limited's Phase XVII Super short-term financing bills in 2021	3,000,000	3,000,000	0	Nil	Nil	Yes
CRRC Corporation Limited's Phase XVI Super short-term financing bills in 2021	4,000,000	4,000,000	0	Nil	Nil	Yes
CRRC Corporation Limited's Phase XV Super short-term financing bills in 2021	3,000,000	3,000,000	0	Nil	Nil	Yes
CRRC Corporation Limited's Peer No. 1 Phase IV Asset-supported senior commercial note in 2021	2,917,190	2,917,190	0	Nil	Nil	Yes
CRRC Corporation Limited's Phase XIV Super short-term financing bills in 2021	3,000,000	3,000,000	0	Nil	Nil	Yes
CRRC Corporation Limited's Phase XIII Super short-term financing bills in 2021	1,000,000	1,000,000	0	Nil	Nil	Yes

Relevant Information of Bonds

Name of bonds	Aggregate amount of proceeds	Proceeds used	Balance of proceeds	Operation of specific accounts of proceeds (if any)	Correction of non-compliance use of proceeds (if any)	In line with the use, use plans and other covenants as undertaken in the prospectus
CRRC Corporation Limited's Phase XII Super short-term financing bills in 2021	3,000,000	3,000,000	0	Nil	Nil	Yes
CRRC Corporation Limited's Phase XI Super short-term financing bills in 2021	3,000,000	3,000,000	0	Nil	Nil	Yes
CRRC Corporation Limited's Phase X Super short-term financing bills in 2021	2,000,000	2,000,000	0	Nil	Nil	Yes
CRRC Corporation Limited's Phase IX Super short-term financing bills in 2021	2,000,000	2,000,000	0	Nil	Nil	Yes
CRRC Corporation Limited's Phase VIII Super short-term financing bills in 2021	3,000,000	3,000,000	0	Nil	Nil	Yes
CRRC Corporation Limited's Peer No. 1 Phase III Asset-supported senior commercial note in 2021	2,667,690	2,667,690	0	Nil	Nil	Yes
CRRC Corporation Limited's Phase VII Super short-term financing bills in 2021	2,000,000	2,000,000	0	Nil	Nil	Yes
CRRC Corporation Limited's Phase VI Super short-term financing bills in 2021	3,000,000	3,000,000	0	Nil	Nil	Yes
CRRC Corporation Limited's Phase V Super short-term financing bills in 2021	2,000,000	2,000,000	0	Nil	Nil	Yes
CRRC Corporation Limited's Phase IV Super short-term financing bills in 2021	3,000,000	3,000,000	0	Nil	Nil	Yes

Relevant Information of Bonds

Name of bonds	Aggregate amount of proceeds	Proceeds used	Balance of proceeds	Operation of specific accounts of proceeds (if any)	Correction of non-compliance use of proceeds (if any)	In line with the use, use plans and other covenants as undertaken in the prospectus
CRRC Corporation Limited's Peer No. 1 Phase II Asset-supported senior commercial note in 2021	3,002,190	3,002,190	0	Nil	Nil	Yes
CRRC Corporation Limited's Phase III Super short-term financing bills in 2021	2,000,000	2,000,000	0	Nil	Nil	Yes
CRRC Corporation Limited's Phase II Super short-term financing bills in 2021	2,000,000	2,000,000	0	Nil	Nil	Yes
CRRC Corporation Limited's Phase I Super short-term financing bills in 2021	2,000,000	2,000,000	0	Nil	Nil	Yes
CRRC Corporation Limited's Peer No. 1 Phase I Asset-supported senior commercial note in 2021	2,992,500	2,992,500	0	Nil	Nil	Yes
CRRC Corporation Limited's Peer No. 1 Phase I Asset-supported senior commercial note in 2020	2,907,000	2,907,000	0	Nil	Nil	Yes
CRRC Corporation Limited's Phase I Asset-supported senior commercial note in 2018	2,925,000	2,925,000	0	Nil	Nil	Yes
CRRC Corporation Limited's Phase I Asset-supported subordinated commercial note in 2018	154,000	154,000	0	Nil	Nil	Yes

Relevant Information of Bonds

(3) Description of other matters in relation to corporate bonds and debt financing instruments of non-financial enterprises

For details of the change in the person in charge of the disclosure affairs of the Company, please refer to the "Announcement of CRRC Corporation Limited on the Change in the Person in Charge of Disclosure Affairs" issued by the Company on 12 August 2021 and 15 October 2021 respectively.

For details of the change of the President of the Company, please refer to the "Announcement of CRRC Corporation Limited on the Change of the President of the Company" issued by the Company on 27 August 2021.

Details of the changes in the directors of the Company and the election of the second session of the Board of Directors of the Company are set out in the "Announcement of CRRC Corporation Limited on the Changes in the Directors of the Company" issued by the Company on 22 March 2021 and 22 December 2021 respectively.

(4) Accounting Data and Financial Indicators of the Company for Last Two Years as at the End of the Reporting Period

Unit: '000 Currency: RMB

Major indicator	2021	2020	Change between the period and same period last year (%)
EBITDA	22,687,398	24,502,407	-7.41
Current ratio	1.30	1.27	2.36
Quick ratio	1.01	0.96	5.21
Gearing ratio (%)	57.29	56.89	Increased by 0.40ppt
EBITDA of total debt ratio	9.28	10.98	Decreased by 1.70ppt
Interest coverage multiple	13.27	18.39	-27.84
Cash interest coverage multiple	27.84	0.81	3,337.04
EBITDA interest coverage multiple	20.23	26.64	-24.06
Loan repayment rate (%)	100	100	-
Interest paid coverage (%)	102.75	107.18	Decreased by 4.43ppt

Relevant Information of Bonds

The EBITDA reconciliation is calculated as follows:

Major indicator	The reporting period (January to December)
Profit for the year	13,754,823
Interest expenses	1,121,212
Depreciation of fixed assets	6,155,326
Amortisation of intangible assets	1,019,196
Depreciation of right-of-use assets	503,327
Depreciation of investment properties	50,206
Long-term amortisation of amortisation charges	83,308
EBITDA	22,687,398

II. Information on the H Share convertible bonds

On 5 February 2016, the Company issued H Share convertible bonds in an aggregate principal amount of US\$600,000,000 (the "Convertible Bonds" or "Bonds"), which were due on 5 February 2021. The Convertible Bonds have a par value of US\$250,000 each and are issued at 100% of its par value with zero coupon. The initial conversion price of the Convertible Bonds is HK\$9.65 per H Share, and the adjusted conversion price is HK\$8.77 per H Share as of 5 February 2021. Proceeds from the issuance of the Bonds will be used to satisfy the production and international operation needs of the Company, including but not limited to adjusting its debt structure, increasing the capital contribution to its subsidiaries, replenishing working capital and project investments etc., which may be utilized at sole discretion of the Company both inside and outside of the PRC according to actual circumstances.

On 5 February 2019, as required by the bondholders, the Company redeemed the Convertible Bonds with an aggregate principal amount of US\$240,000,000 pursuant to the terms and conditions of the Convertible Bonds. Upon the completion of abovementioned redemption, the H Share Convertible Bonds of an aggregate principal amount of US\$360,000,000 remained outstanding, representing 60% of the total principal amount of the Bonds originally issued. On 5 February 2021, the Convertible Bonds were due, and no principal amount of the Convertible Bonds have been converted into H Shares of the Company. Pursuant to the terms and conditions of the Convertible Bonds, the Company redeemed all outstanding Convertible Bonds with an aggregate principal amount of US\$360,000,000 on 5 February 2021. Upon the completion of the above redemption, the Company do not have any outstanding Convertible Bonds, and the Company's Convertible Bonds have been cancelled and delisted from the Stock Exchange.

For details of the Convertible Bonds, please refer to the relevant announcements dated 26 January 2016, 5 February 2016, 7 March 2016, 27 June 2016, 29 June 2017, 25 August 2017, 12 June 2018, 8 February 2019, 8 July 2019 and 30 June 2020 published by the Company on the websites of SSE and the Stock Exchange.

Investor Relations

In 2021, we actively carried out works regarding investor relations through various means to further consolidate the smooth communication mechanism, strengthen external exchanges, and maintain interaction and exchanges with investors and potential investors at all times, so as to enable our investors to understand in-depth the Company's business development strategy and keep up with the Company's performance progress. We strive to realise the coordination and unity of maximizing shareholder benefits and enhancing the Company's intrinsic value.

During the reporting period, the Company has organized 2 online roadshows about its results, 1 online group reception day for investors, received 10 batches of visitors (about 60 people) to the Company, held 90 telephone conference and participated in 9 strategic meetings of securities companies.

The Company continued to enhance the daily work of investor relationships. Firstly, the Company organized domestic and foreign financial public relation companies, edited and circulated daily monitoring information from the media, weekly reports on capital market and analyzed the public events to provide the information support for the members of the Board, the Supervisory Committee and senior management in a timely and accurate way. Secondly, it tracked the share price and analyzed the structure of shareholders, the movement of shareholdings of substantial shareholders. Thirdly, it continued to update investors' profiles, established an analyst library of the capital market, especially for more than 10 analysts focusing on the Company for years, conducted daily management and maintenance, and regularly updated the library about investors' concerns. Fourthly, it updated Q&A every quarter to provide information for the investor exchange activities. Fifthly, it timely updated the special column of investor relationships at the website of the Company, enabled the investors to keep up with the company information. Sixthly, it engaged knowledgeable staff to answer the phone from investors, receive their emails, record and answer the questions in a patient and meticulous way. Seventhly, it strengthened communication, arranged interviews and provided report materials for major media such as China Securities Journal to play the role of the media and guide public opinion reasonably. Eighthly, it maintained the SSE e-Interaction platform to enable all investors who have raised enquiries to receive positive response from the Company and optimize actively the exchange between the investors and the Company.

Investor Relations

Besides, the Company communicate with investors and potential investors through various channels like organizing roadshows, general meetings and participating in strategy meetings of securities companies, so as to expand the influence of the Company in the capital market. Firstly, we establish a market value management work mechanism regularly to convene quarterly market value management work meetings to carry out various developments and businesses of the Company in a more purposeful, pertinent, and effective manner, so as to strive to maximize the value of the Company and shareholders as well as to continuously increase the Company's market value. Secondly, we organize and hold annual, interim and third quarter results presentation telephone conferences. Through full communication, institutional investors further deepen their understanding of the Company's value, which plays an important role in promoting the recognition of the Company's value among institutional investors. Thirdly, it organizes and holds annual and interim performance illustration meetings. On 30 March 2021 and 30 August 2021, the Company held the 2020 annual performance illustration meeting and the 2021 interim performance illustration meeting respectively to illustrate the Company's performance to investors, and exchanged and answered questions about business progress, dividend implementation, technology R&D and overseas development as concerned by investors. Fourthly, it participated in the "2021 online group reception day for investors of listed companies in Beijing" to conduct in-depth discussion and exchange with investors on areas like the Company's operation, business plans and development strategies through online communication, so as to enable the investors to have a deeper understanding of the Company's development and operation. Fifthly, it organized and participated in the strategic meetings and forums organized by securities companies, and held many one-to-one and one-to-many exchanges with investors and potential investors. Sixthly, we have optimized crisis management, established a public opinion monitoring system to always pay attention to the changes in the public opinion on the Company, timely understand the development of the industry, and respond quickly to negative public opinion, and provide first-hand information for the planning and deployment of major investor relations activities and stabilize the stock price.

Over the past year, the Company has been recognized by the capital market. The Company was accredited as A class company in the evaluation of information disclosure of the listed company of the year in SSE for the sixth consecutive year. The Company was awarded 10 important awards such as Best Investor Relations Listed Company of 2021 China Securities Golden Bauhinia Awards and 2020 annual report performance illustration meeting "excellent practice case" award.

Effective investor relationship management has promoted the valuable interaction between the Company and investors, established a stable and quality investor base, and promoted the investment concept of maximizing the overall interests of the Company and increasing the wealth of shareholders. In the face of future opportunities and challenges, the Company will continue to pay attention to and improve the management of investor relations, bring reasonable returns to the shareholders and investors who have always been supporting the Company, and realize the win-win situation of CRRC and investors.

Changes in Shares and Particulars of Shareholders

I. Changes in Share Capital

(I) Changes in ordinary shares

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

(II) Changes in shares subject to trading moratorium

During the reporting period, there were no changes in the restricted shares of the Company.

II. Issue and Listing of Securities

(I) Issue of securities during the reporting period

Unit: '000 Currency: RMB

Types of shares and its derivative securities	Date of issue	Issue price (or interest rate)	Number of shares issued	Date of listing	Number of shares permitted to be traded	Trade termination date
Bonds (including corporate bonds, corporate bonds and non-financial corporate debt financing instruments)						
CRRC Corporation Limited's Peer No. 1 Phase I Asset-supported senior commercial note in 2021	2021-01-14	2.40%	2,992,500	2021-1-21	2,992,500	2021-03-05
CRRC Corporation Limited's Peer No. 1 Phase I Asset-supported subordinate commercial note in 2021	2021-01-14	-	4,500	2021-1-21	4,500	2023-12-21
CRRC Corporation Limited's Phase I Super short-term financing bills in 2021	2021-01-27	2.39%	2,000,000	2021-1-29	2,000,000	2021-02-26
CRRC Corporation Limited's Phase II Super short-term financing bills in 2021	2021-01-27	2.39%	2,000,000	2021-1-29	2,000,000	2021-03-02
CRRC Corporation Limited's Phase III Super short-term financing bills in 2021	2021-02-24	2.23%	2,000,000	2021-2-26	2,000,000	2021-03-30
CRRC Corporation Limited's Peer No. 1 Phase II Asset-supported subordinate commercial note in 2021	2021-03-02	-	510	2021-3-8	510	2023-12-21
CRRC Corporation Limited's Peer No. 1 Phase II Asset-supported senior commercial note in 2021	2021-03-02	2.40%	3,002,190	2021-3-8	3,002,190	2021-04-08
CRRC Corporation Limited's Phase IV Super short-term financing bills in 2021	2021-03-04	2.32%	3,000,000	2021-3-8	3,000,000	2021-04-09
CRRC Corporation Limited's Phase V Super short-term financing bills in 2021	2021-03-16	2.42%	2,000,000	2021-3-18	2,000,000	2021-04-21

Changes in Shares and Particulars of Shareholders

Types of shares and its derivative securities	Date of issue	Issue price (or interest rate)	Number of shares issued	Date of listing	Number of shares permitted to be traded	Trade termination date
CRRC Corporation Limited's Phase VI Super short-term financing bills in 2021	2021-03-25	2.47%	3,000,000	2021-3-29	3,000,000	2021-07-06
CRRC Corporation Limited's Phase VII Super short-term financing bills in 2021	2021-03-26	2.37%	2,000,000	2021-3-30	2,000,000	2021-04-28
CRRC Corporation Limited's Peer No. 1 Phase III Asset-supported senior commercial note in 2021	2021-04-02	2.60%	2,667,690	2021-4-9	2,667,690	2021-07-07
CRRC Corporation Limited's Phase VIII Super short-term financing bills in 2021	2021-04-21	2.33%	3,000,000	2021-4-23	3,000,000	2021-07-21
CRRC Corporation Limited's Phase IX Super short-term financing bills in 2021	2021-04-22	2.20%	2,000,000	2021-4-25	2,000,000	2021-05-25
CRRC Corporation Limited's Phase X Super short-term financing bills in 2021	2021-05-27	2.00%	2,000,000	2021-5-31	2,000,000	2021-06-30
CRRC Corporation Limited's Phase XI Super short-term financing bills in 2021	2021-05-27	2.20%	3,000,000	2021-5-31	3,000,000	2021-08-26
CRRC Corporation Limited's Phase XII Super short-term financing bills in 2021	2021-06-25	2.35%	3,000,000	2021-6-29	3,000,000	2021-09-29
CRRC Corporation Limited's Phase XIII Super short-term financing bills in 2021	2021-06-28	2.26%	1,000,000	2021-6-30	1,000,000	2021-08-31
CRRC Corporation Limited's Phase XIV Super short-term financing bills in 2021	2021-07-02	2.29%	3,000,000	2021-7-6	3,000,000	2021-10-09
CRRC Corporation Limited's Peer No. 1 Phase IV Asset-supported senior commercial note in 2021	2021-07-02	2.40%	2,917,190	2021-7-8	2,917,190	2021-10-27
CRRC Corporation Limited's Phase XV Super short-term financing bills in 2021	2021-07-14	2.05%	3,000,000	2021-7-16	3,000,000	2021-08-18
CRRC Corporation Limited's Phase XVI Super short-term financing bills in 2021	2021-07-21	2.10%	4,000,000	2021-7-23	4,000,000	2021-09-23
CRRC Corporation Limited's Phase XVII Super short-term financing bills in 2021	2021-09-14	2.20%	3,000,000	2021-9-16	3,000,000	2021-10-15
CRRC Corporation Limited's Phase XVIII Super short-term financing bills in 2021	2021-09-27	2.52%	1,000,000	2021-9-29	1,000,000	2021-11-26
CRRC Corporation Limited's Phase XIX Super short-term financing bills in 2021	2021-09-28	2.52%	2,000,000	2021-9-30	2,000,000	2021-11-26
CRRC Corporation Limited's Phase XX Super short-term financing bills in 2021	2021-10-15	2.28%	3,000,000	2021-10-19	3,000,000	2021-12-17
CRRC Corporation Limited's Peer No. 1 Phase V Asset-supported senior commercial note in 2021	2021-10-22	2.30%	2,479,190	2021-10-28	2,479,190	2021-12-13
CRRC Corporation Limited's Phase XXI Super short-term financing bills in 2021	2021-11-09	2.03%	3,000,000	2021-11-11	3,000,000	2021-12-24

Changes in Shares and Particulars of Shareholders

Types of shares and its derivative securities	Date of issue	Issue price (or interest rate)	Number of shares issued	Date of listing	Number of shares permitted to be traded	Trade termination date
CRRC Corporation Limited's Phase XXII Super short-term financing bills in 2021	2021-11-22	2.07%	3,000,000	2021-11-24	3,000,000	2021-12-23
CRRC Corporation Limited's Peer No. 1 Phase VI Asset-supported subordinated commercial note in 2021	2021-12-08	-	107,090	2021-12-14	107,090	2023-12-21
CRRC Corporation Limited's Peer No. 1 Phase VI Asset-supported senior commercial note in 2021	2021-12-08	2.40%	5,036,900	2021-12-14	5,036,900	2022-02-11

(II) Existing internal employee shares

The Company has no internal employee shares.

III. Particulars of Shareholders and Ultimate Controller

(I) Total number of shareholders

Total number of shareholders of ordinary shares as of the end of the reporting period (shareholder) ^{Note}	709,612
Total number of shareholders of ordinary shares as at the end of the last month before the disclosure date of the annual report (shareholder)	701,124

Note: As of the end of the reporting period, the Company had 706,926 holders of A Shares and 2,686 holders of H Shares; as of the end of the month prior to the date of the annual report, the Company has 698,437 holders of A Shares and 2,687 holders of H Shares.

Changes in Shares and Particulars of Shareholders

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

Unit: share

Shareholdings of the top ten shareholders

Name of shareholder (full name)	Change during the reporting period	Number of shares held at the end of the reporting period	Percentage (%)	Shares pledged, marked or frozen			Nature of shareholder
				Number of shares subject to trading moratorium held	Pledged, Marked or frozen	Number	
CRRC ^{Note 1}	0	14,558,389,450	50.73	0	Nil	0	State-owned legal person
HKSCC NOMINEES LIMITED ^{Note 2}	-548,143	4,358,468,203	15.19	0	Unknown	-	Overseas legal person
China Securities Finance Corporation Limited (中國證券金融股份有限公司)	-253,294,689	605,663,637	2.11	0	Unknown	-	State-owned legal person
Hong Kong Securities Clearing Company Limited	139,972,842	312,451,375	1.09	0	Unknown	-	Overseas legal person
Central Huijin Asset Management Ltd. (中央匯金資產管理有限責任公司)	-6,437,700	298,064,400	1.04	0	Unknown	-	State-owned legal person
Bosera Funds - Agricultural Bank of China - Bosera China Securities and Financial Assets Management Plan (博時基金-農業銀行-博時中證金融資產管理計劃)	0	234,982,900	0.82	0	Unknown	-	Unknown
E Fund - Agricultural Bank of China - E Fund China Securities and Financial Assets Management Plan (易方達基金-農業銀行-易方達中證金融資產管理計劃)	0	234,982,900	0.82	0	Unknown	-	Unknown
Dacheng Fund - Agricultural Bank of China - Dacheng China Securities and Financial Assets Management Plan (大成基金-農業銀行-大成中證金融資產管理計劃)	0	234,982,900	0.82	0	Unknown	-	Unknown
Harvest Fund - Agricultural Bank of China - Harvest China Securities and Financial Assets Management Plan (嘉實基金-農業銀行-嘉實中證金融資產管理計劃)	0	234,982,900	0.82	0	Unknown	-	Unknown
GF Fund - Agricultural Bank of China - GF China Securities and Financial Assets Management Plan (廣發基金-農業銀行-廣發中證金融資產管理計劃)	0	234,982,900	0.82	0	Unknown	-	Unknown
Zhong'ou Asset - Agricultural Bank of China - Zhong'ou China Securities and Financial Assets Management Plan (中歐基金-農業銀行-中歐中證金融資產管理計劃)	0	234,982,900	0.82	0	Unknown	-	Unknown
China AMC - Agricultural Bank of China - China AMC China Securities and Financial Assets Management Plan (華夏基金-農業銀行-華夏中證金融資產管理計劃)	0	234,982,900	0.82	0	Unknown	-	Unknown
Yinhua Fund - Agricultural Bank of China - Yinhua China Securities and Financial Assets Management Plan (銀華基金-農業銀行-銀華中證金融資產管理計劃)	0	234,982,900	0.82	0	Unknown	-	Unknown

Changes in Shares and Particulars of Shareholders

Shareholdings of the top ten shareholders

Name of shareholder (full name)	Change during the reporting period	Number of shares held at the end of the reporting period	Percentage (%)	Shares pledged, marked or frozen			
				Number of shares subject to trading moratorium held	Pledged, Marked or frozen	Number	Nature of shareholder
China Southern Asset Management - Agricultural Bank of China - China Southern Asset Management China Securities and Financial Assets Management Plan (南方基金-農業銀行-南方中證金融資產管理計劃)	0	234,982,900	0.82	0	Unknown	-	Unknown
ICBCCS Fund - Agricultural Bank of China - ICBCCS China Securities and Financial Assets Management Plan (工銀瑞信基金-農業銀行-工銀瑞信中證金融資產管理計劃)	0	234,982,900	0.82	0	Unknown	-	Unknown

Shareholdings of the top ten shareholders not subject to trading moratorium

Name of shareholders	Number of tradable shares held not subject to trading moratorium	Class and number of shares	
		Class	Number
CRRCG ^{Note 1}	14,558,389,450	Ordinary shares denominated in RMB	14,558,389,450
HKSCC Nominees Limited ^{Note 2}	4,358,468,203	Overseas listed foreign shares	4,358,468,203
China Securities Finance Corporation Limited (中國證券金融股份有限公司)	605,663,637	Ordinary shares denominated in RMB	605,663,637
Hong Kong Securities Clearing Company Limited	312,451,375	Ordinary shares denominated in RMB	312,451,375
Central Huijin Asset Management Ltd. (中央匯金資產管理有限責任公司)	298,064,400	Ordinary shares denominated in RMB	298,064,400
Bosera Funds - Agricultural Bank of China - Bosera China Securities and Financial Assets Management Plan (博時基金-農業銀行-博時中證金融資產管理計劃)	234,982,900	Ordinary shares denominated in RMB	234,982,900
E Fund - Agricultural Bank of China - E Fund China Securities and Financial Assets Management Plan (易方達基金-農業銀行-易方達中證金融資產管理計劃)	234,982,900	Ordinary shares denominated in RMB	234,982,900

Changes in Shares and Particulars of Shareholders

Shareholdings of the top ten shareholders not subject to trading moratorium

Name of shareholders	Number of tradable shares held not subject to trading moratorium	Class and number of shares	
		Class	Number
Dacheng Fund – Agricultural Bank of China – Dacheng China Securities and Financial Assets Management Plan (大成基金－農業銀行－大成中證金融資產管理計劃)	234,982,900	Ordinary shares denominated in RMB	234,982,900
Harvest Fund – Agricultural Bank of China – Harvest China Securities and Financial Assets Management Plan (嘉實基金－農業銀行－嘉實中證金融資產管理計劃)	234,982,900	Ordinary shares denominated in RMB	234,982,900
GF Fund – Agricultural Bank of China – GF China Securities and Financial Assets Management Plan (廣發基金－農業銀行－廣發中證金融資產管理計劃)	234,982,900	Ordinary shares denominated in RMB	234,982,900
Zhong'ou Asset – Agricultural Bank of China – Zhong'ou China Securities and Financial Assets Management Plan (中歐基金－農業銀行－中歐中證金融資產管理計劃)	234,982,900	Ordinary shares denominated in RMB	234,982,900
China AMC – Agricultural Bank of China – China AMC China Securities and Financial Assets Management Plan (華夏基金－農業銀行－華夏中證金融資產管理計劃)	234,982,900	Ordinary shares denominated in RMB	234,982,900
Yinhua Fund – Agricultural Bank of China – Yinhua China Securities and Financial Assets Management Plan (銀華基金－農業銀行－銀華中證金融資產管理計劃)	234,982,900	Ordinary shares denominated in RMB	234,982,900
China Southern Asset Management – Agricultural Bank of China – China Southern Asset Management China Securities and Financial Assets Management Plan (南方基金－農業銀行－南方中證金融資產管理計劃)	234,982,900	Ordinary shares denominated in RMB	234,982,900
ICBCCS Fund – Agricultural Bank of China – ICBCCS China Securities and Financial Assets Management Plan (工銀瑞信基金－農業銀行－工銀瑞信中證金融資產管理計劃)	234,982,900	Ordinary shares denominated in RMB	234,982,900
Explanations of the repurchase of special accounts among the top 10 shareholders		N/A	

Changes in Shares and Particulars of Shareholders

Shareholdings of the top ten shareholders not subject to trading moratorium

Name of shareholders	Number of tradable shares held not subject to trading moratorium	Class and number of shares	
		Class	Number
Explanation of the above-mentioned shareholders' entrusted voting rights, been entrusted voting rights, and waiver of voting rights	N/A		
Details relating to the related relationship of the above shareholders or the parties acting in concert	N/A		
Explanations on the shares and voting rights restored of preferred shareholders	N/A		

Note 1: Within 12 months since 10 November 2020, CRRCG increased its shareholding of H shares in the Company via the Shanghai-Hong Kong Stock Connect trading system when appropriate. For details, please refer to the "Voluntary Announcement in relation to Increase of Shareholding by the Controlling Shareholder" of the Company dated 10 November 2020. As of the end of the reporting period, the increased shareholding of 177,863,000 H shares by CRRCG were registered under the name of HKSCC NOMINEES LIMITED. As of the end of the reporting period, CRRCG in aggregate held 14,736,252,450 shares (including 14,558,389,450 A shares and 177,863,000 H shares) in total, representing approximately 51.35% of the total number of issued shares of the Company.

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

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

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

Changes in Shares and Particulars of Shareholders

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

As at 31 December 2021, the following Director had interests in the A Shares of the Company and relevant details are set out as follows:

Name	Position	Nature of Interest	Class of shares	Number of shares
Sun Yongcai	Chairman, Executive Director	Beneficial owner	A Shares	111,650

Save as disclosed above, as at 31 December 2021, none of the Directors, Supervisors or chief executive of the Company had interests or short positions in the shares or underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were required to be entered in the register maintained by the Company under section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code by the Directors or Supervisors.

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

As at 31 December 2021, the person set out in the table below had interests in the Company's shares as recorded in the register required to be kept under section 336 of the SFO:

Name of Shareholders	Capacity	H Shares or A Shares	Nature of Interest	Number of H shares or A shares held	Percentage of H shares or A shares held in the total issued H shares or total issued A shares (%)	Percentage of total share capital of the Company (%)
CRRC GROUP Co., Ltd.	Beneficial owner	A Shares	Long position	14,558,389,450	59.84	50.73
	Beneficial owner	H Shares	Long position	177,863,000	4.07	0.62

Save as disclosed above, as far as the Directors are aware, as at 31 December 2021, no other person had interests and/or short positions in the shares or underlying shares (as the case may be) of the Company which were required to be recorded in the register pursuant to section 336 of Part XV of the SFO, or was otherwise a substantial shareholder (as defined in the Hong Kong Listing Rules) of the Company.

Changes in Shares and Particulars of Shareholders

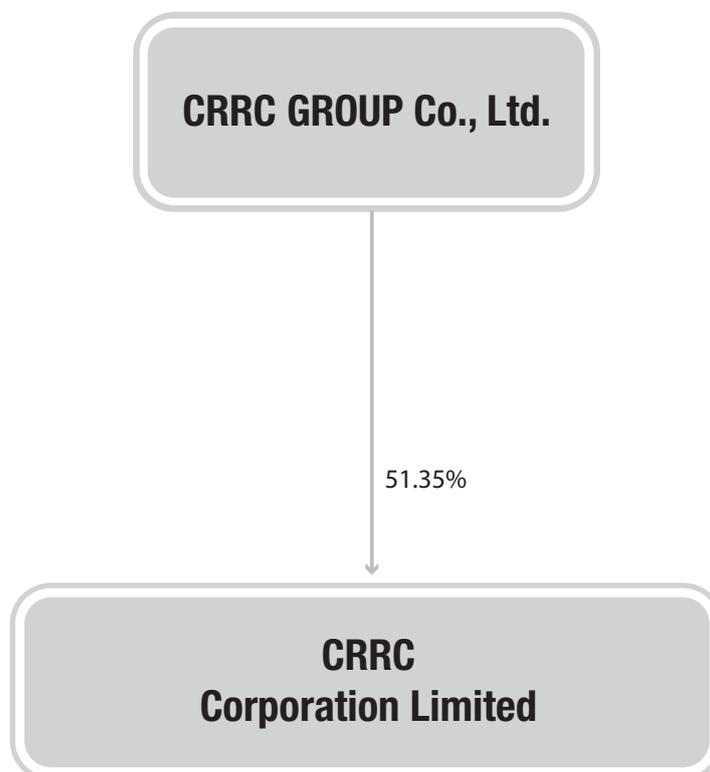
IV. Particulars of Controlling Shareholder and the Ultimate Controller

(I) Controlling shareholder

1. Legal person

Name	CRRC GROUP Co., Ltd.(中國中車集團有限公司)
Responsible personnel or Legal representative	Sun Yongcai
Establishment date	1 July 2002
Principal business	Research and development, manufacturing, sales, refurbishment and leasing of locomotives, passenger carriages, freight wagons, MUs, rapid transit vehicles and key components as well as other businesses that utilize proprietary rolling stock technologies.
Equity interest in other controlling and investee companies listed in the PRC or overseas during the reporting period	As of 31 December 2021, CRRCG directly holds 14,783,251 shares of Guiyang Bank Co., Ltd. (601997). As of 31 December 2021, a subsidiary under CRRCG directly holds 191,864,196 shares of Wharton Technology Co., Ltd. (000920).

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

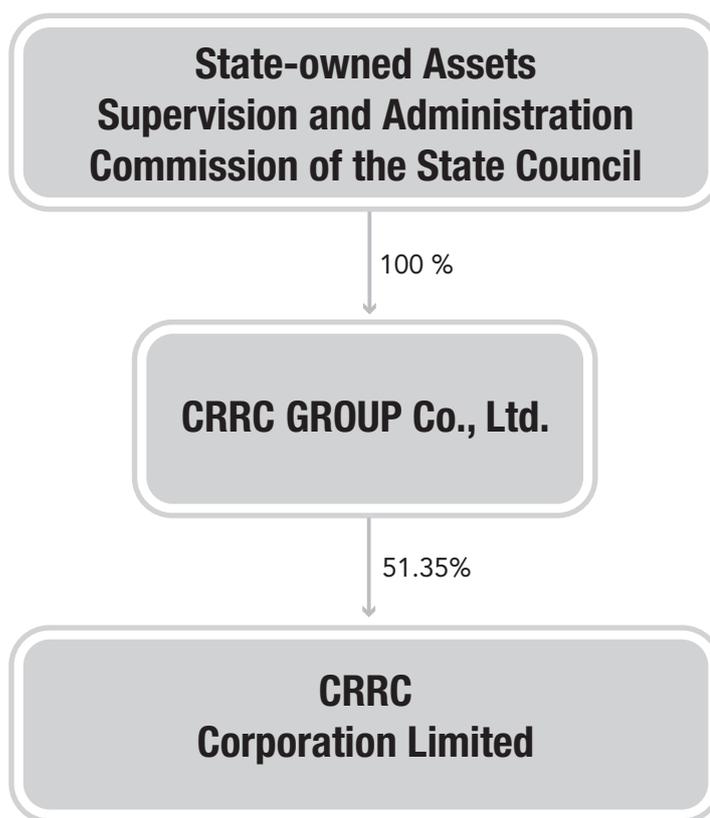


Changes in Shares and Particulars of Shareholders

Note: As of the end of the reporting period, CRRCG in aggregate held 14,736,252,450 shares of the Company, including 14,558,389,450 A shares and 177,863,000 H shares (registered under the name of HKSCC NOMINEES LIMITED) of the Company, representing approximately 51.35% of the total issued shares of the Company.

(II) Ultimate controller

1. The ultimate controller of the Company is the State-owned Assets Supervision and Administration Commission.
2. Framework of ownership and controlling relationship between the Company and the ultimate controller



Note: As of the end of the Reporting Period, CRRCG in aggregate held 14,736,252,450 shares of the Company, including 14,558,389,450 A shares and 177,863,000 H shares (registered under the name of HKSCC NOMINEES LIMITED) of the Company, representing approximately 51.35% of the total issued shares of the Company.

Changes in Shares and Particulars of Shareholders

V. Other Corporate Shareholders with Over 10% Shareholdings

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

VI. Sufficient Public Float

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

VII. Purchase, Sale or Redemption of Securities of the Company

During the year ended 31 December 2021, the Company or any of its subsidiaries did not purchase, sell or redeem any of the listed securities of the Company.

Significant Events

I. Performance of Undertakings

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

Background	Type	Covenantors	Undertakings	Validity period	Whether duration specified	Whether timely and strictly performed	If not performed timely, describe the specific reasons	If not performed timely, describe plans in next steps
Material assets reorganization related commitment	Resolution of same industry competitions	CRRC	Non-competition undertaking with Times New Material: on 5 August 2015, CRRC issued the Letter of Undertaking of Non-competition with Zhuzhou Times New Material Technology Co., Ltd. (《關於避免與株洲時代新材料科技股份有限公司同業競爭的承諾函》) to Times New Material in order to resolve the issue of competition between CRRC and Times New Material after the merger between CSR and CNR. The specific undertakings are as follows: the current operations of CRRC in fields such as air springs for rail vehicles and rubber-metal parts for rail vehicles compete with the operations of Times New Material, which is indirectly controlled by the Company. In order to resolve such competition with Times New Material, in accordance with relevant laws and regulations, the Company undertook that it will resolve such issue with Times New Material within five years from the date of this letter of undertaking in the manner approved by the regulatory authorities (including but not limited to asset restructuring, business integration etc.). The term of the undertakings is 5 years commencing from the date of the letter of undertaking. On 9 July 2020, the term has been extended to 31 December 2022.	31 December 2022.	Yes	Yes	-	-

Significant Events

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

Significant Events

Background	Type	Covenants	Undertakings	Validity period	Whether duration specified	Whether timely and strictly performed	If not performed timely, describe the specific reasons	If not performed timely, describe plans in next steps
	Resolution of same industry competitions	CRRCG	Non-competition undertaking with CRRC: CNRG issued the Letter of Undertaking of Non-competition with CRRC Corporation Limited (《關於避免與中國中車股份有限公司同業競爭的承諾函》) on 5 August 2015 in order to avoid competition between CNRG (has completed restructuring and renamed as CRRCG) and CRRC after completion of merger of CNRG with CSR. Pursuant to the Letter of Undertaking: (1) CRRCG undertook that CRRCG itself will not engage, and will, through legal procedures, procure its wholly owned and non-wholly owned subsidiaries to not engage in any businesses which might directly compete with the current operating businesses of CRRC; (2) subject to the aforesaid undertaking (1), if CRRCG (including its wholly owned subsidiaries and non-wholly owned subsidiaries or other related entities) provide any products or services that might be in competition with the principal products or services of CRRC in the future, CRRCG will agree to grant CRRC pre-emptive right to acquire the assets or its entire equity interests in such subsidiaries related to such products or services from CRRCG; (3) subject to the aforesaid undertaking (1), CRRCG may develop advanced and lucrative projects in the future which fall within the business scope of CRRC, but it should preferentially transfer any achievement on such projects to CRRC for its own operation on equal terms of transfer; and (4) CRRCG should compensate CRRC for its actual losses arising from any failure to comply with the aforesaid undertakings.	Undertakings dated 5 August 2015, during the course of performance	No	Yes	-	-

Significant Events

Background	Type	Covenants	Undertakings	Validity period	Whether duration specified	Whether timely and strictly performed	If not performed timely, describe the specific reasons	If not performed timely, describe plans in next steps
	Others	CRRCG	Undertaking to maintain the independence of CRRC. CNRG issued the Letter of Undertaking to Maintain the Independence of CRRC Corporation Limited (《關於保持中國中車股份有限公司獨立性的承諾函》) on 5 August 2015 in order to ensure that CNRG (has completed restructuring and renamed as CRRCG) will not interfere with the independence of CRRC after completion of the merger of CNRG with CSRG. Pursuant to the Letter of Undertaking, CRRCG undertook to be separate from CRRC in respect of areas such as assets, personnel, finance, organization and business and will, in strict compliance with the relevant requirements on the independence of a listed company imposed by the CSRC, not to use its position as the controlling shareholder to violate the standardized operation procedures of a listed company to intervene in the operating decisions of CRRC and to damage the legitimate interests of CRRC and other shareholders. CRRCG and other companies under its control undertook not to, by any means, use the funds of CRRC and companies under its control.	Undertakings dated 5 August 2015, during the course of performance	No	Yes	-	-
	Resolution of related-party transactions	CRRCG	Undertaking for regulating related-party transactions with CRRC: in order to regulate related-party transaction entered into between CNRG (which have completed the restructuring and renamed as CRRCG) and CRRC after the merger between CNRG and CSRG, CNRG issued the Letter of Undertaking to Regulate the Related-party Transactions with CRRC Corporation Limited (《關於規範與中國中車股份有限公司關聯交易的承諾函》) on 5 August 2015, pursuant to which CRRCG and other companies controlled by CRRCG will endeavor not to enter into or reduce the related-party transactions with CRRC and other companies in which it holds a controlling interest. For related-party transactions that are inevitable or reasonable, CRRCG will continue to perform the obligations under the related-party transaction framework agreements entered into between CRRCG and CRRC, and will comply with the approval procedures and information disclosure obligations in accordance with the relevant laws and regulations as well as the provisions under the Articles of Association of CRRC. Prices of the related-party transactions will be determined based on prices of the same or comparable transactions conducted with other independent third parties.	Undertakings dated 5 August 2015, during the course of performance	No	Yes	-	-

Significant Events

Background	Type	Covenants	Undertakings	Validity period	Whether duration specified	Whether timely and strictly performed	If not performed timely, describe the specific reasons	If not performed timely, describe plans in next steps
Undertakings in relation to the initial public issuance	Others	CRRCG	Undertakings on property ownership issues: CSR (has completed restructuring and renamed as CRRC) disclosed in its prospectus that CSR has not yet obtained proper property ownership certificates for 326 properties with a total gross floor area of 282,019.03 square meters, representing 7.85% of the total gross floor area of the property in use of CSR. As at 31 December 2021, there are still 4 properties with a total gross floor area of 8,263.80 square meters failed to apply for property ownership certificates due to historical reasons. As for the property which CSR has not yet obtained property ownership certificates, CRRCG has made written undertaking which was inherited by CRRCG after the merger. Pursuant to the undertaking: for properties that could not obtain complete property ownership certificates due to reasons such as incomplete procedures in planning and constructions and, which were included in the asset injection to CRRC by CRRCG, CRRCG undertook that such properties satisfy the usage requirements necessary for the production and operations of CRRC. Moreover, if there is any loss incurred to CRRC due to such properties, CRRCG shall under take all compensation liabilities and all economic losses that CRRC incurred.	Undertakings dated 18 August 2008, during the course of performance	No	Yes	-	-
	Others	CRRCG	Undertakings on the state-owned land use certificate without specifying the land use terms or termination date: CNR (the relevant matters were inherited by CRRC after the merger) disclosed in the prospectus that the land use terms or termination date were not specified in the state-owned land use certificate for part of the authorized lands acquired by CNR. As such, CNRG (has completed restructuring and renamed as CRRCG) has made a written undertaking. Pursuant to the undertaking: CRRCG will compensate the relevant wholly-owned subsidiaries of CRRC for the loss caused as a result of the state-owned land use certificate not specifying the land use terms or termination date for the authorized land.	Undertakings dated 10 December 2009, during the course of performance	No	Yes	-	-

Significant Events

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

Significant Events

II. Explanation of Integrity of the Company and Its Controlling Shareholders and Actual Controllers During the Reporting Period

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

III. Share Option Scheme, Employee Stock Ownership Scheme and Other Staff Incentives of the Company and Their Impacts

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

IV. Significant Contracts and Their Implementation

(I) Entrusting, contracting or leasing

During the reporting period, the Company had no related trusteeship, contracting or leasing.

(II) Guarantees

Unit: '000 Currency: RMB

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

Guarantor	Relationship between the guarantor and the listed company	Guaranteed	Guaranteed amount	Date of guarantee (Date of signing Agreement)	Commencement date	Maturity date	Guarantee type	Whether the guarantee has been fulfilled	Whether the guarantee is overdue or not	Outstanding amount of guarantee overdue	Counter guarantee	Whether the guarantee is provided to a related-party or not	Related relationship
CRRC Corporation Limited, Suzhou CRRC Construction Engineering Co., Ltd. (蘇州中車建設工程有限公司), a wholly-owned subsidiary of the Company, and CRRC China Merchants (Tianjin) Equity Investment Fund Management Co., Ltd.* (中車招銀(天津)股權投資基金管理有限公司), a non wholly-owned subsidiary of the Company	CRRC Corporation Limited, its wholly-owned subsidiary and non wholly-owned subsidiary	Wuhu Yunda Rail Transport Construction and Operation Limited (無湖市運通軌道交通建設運營有限公司)	1,973,149	27 April 2017	20 June 2017	20 June 2047	Joint and several liability guarantee	No	No	-	No	No	-
CRRC Zhuzhou Electric Locomotive Co.	Wholly-owned subsidiary	CRRC E-LOCO SUPPLY (PTY) LTD	1,155,445	21 March 2014	17 March 2014	Date of completion of project execution	Performance Guarantee	No	No	-	No	Yes	Subsidiary of a controlling shareholder of a listed company
			398,291	24 March 2014	24 March 2014								
			199,145	21 April 2015	21 April 2015								

Significant Events

Total guarantee amount provided during the reporting period (excluding guarantees provided by the Company in favour of its subsidiaries)	1,752,881
Total guarantee balance at the end of the reporting period (A) (excluding guarantees provided by the Company in favour of its subsidiaries)	3,726,030
Guarantees provided by the Company and its subsidiaries in favour of its subsidiaries	
Total guarantee amount provided to the Company's subsidiaries during the reporting period	10,049,580
Total guarantee balance provided to the Company's subsidiaries at the end of the reporting period (B)	49,513,487
Aggregate guarantee amount provided by the Company (including guarantees provided by the Company in favour of its subsidiaries)	
Total guarantee amount (A+B)	53,239,517
Percentage of total guarantee amount to net assets of the Company (%)	35.83
In which:	
Provision of guarantee to shareholders, ultimate controller and their respective related persons (C)	1,752,881
Amount of guarantees directly or indirectly provided in favour of parties with gearing ratio over 70% (D)	20,653,443
The total amount of guarantees provided which exceeds 50% of the net asset (E)	-
Total amount of the three above-stated guarantees (C+D+E)	22,406,324
Explanation on guarantees undue that might be involved in any joint and several liability	/
Explanation on guarantees	

Total guarantees as a percentage of the company's net assets = amount of guarantees/owner's equity attributable to the parent company. The balance of guarantee as of 31 December 2021 was RMB53,240 billion, accounting for 35.83% of net assets, of which.

The balance of guarantee for wholly-owned subsidiaries is RMB23,698 billion; the balance of guarantee for holding subsidiaries is RMB25,816 billion, the balance of guarantee for Wuhu Yunda Rail Transit Construction and Operation Company Limited is RMB1,973 billion, and the balance of guarantee for CRRCC E-LOCO SUPPLY (PTY) LTD is RMB1,753 billion.

By type of guarantee: RMB3,822 billion for bank acceptance bills, RMB4,542 billion for loans and medium-term notes, and RMB44,876 billion for letters of guarantee, letters of credit and credit facilities.

There were guarantees provided by the Company for the controlling shareholder, the actual controller and their connected persons, as detailed in the connected transaction announcement dated 18 July 2021 published by the Company on the website of the Stock Exchange. As at the end of the period, the guarantees provided by the Company for its wholly-owned and controlled subsidiaries with debt ratios exceeding 70% have all been approved by the Board of Directors and the shareholders' meeting in accordance with the Articles of Association.

(III) Entrusted Cash Assets Management

Status of entrusted wealth management

Unit: '000 Currency: RMB

Type	Capital source	Amounts	Outstanding balance	Amounts overdue but not yet recovered
Other types	Self-owned fund	7,520,000	-	-

Significant Events

(IV) Other material contracts

During the Reporting Period, the Company signed a number of sales contracts. For details, please refer to announcements dated 4 January 2021, 31 March 2021, 28 June 2021, 4 November 2021 and 30 December 2021 published by the Company on the websites of the SSE and the Stock Exchange.

V. Fulfilment of Social Responsibility

For details of the fulfilment of social responsibility by the Group during the reporting period, please see the 2021 Social Responsibility Report of CRRC Corporation Limited disclosed by the Company on the websites of the SSE and the Stock Exchange at the same date.

VI. Analysis of the reasons for and effects of changes in accounting policies and accounting estimates of the Company

See “V. 31. Changes in Significant Accounting Policies and Accounting Estimates” in the “Financial Report”.

VII. Other Subsequent Significant Events

Profit Distribution of Ordinary Shares

On 30 March 2022, the Company held the fourth meeting of the third session of the Board, at which the “2021 Proposal for Profit Distribution Plan of CRRC Corporation Limited” was considered and approved, pursuant to which the Company would distribute cash dividends to all shareholders based on the total share capital registered on the registration date for dividend distribution (the specific date will be clarified in the announcement on the implementation of dividend distribution). As of 31 December 2021, the total share capital of the Company was 28,698,864,088 shares, base on which and calculating at cash dividend of RMB0.18 (tax inclusive) per share, the Company is proposed to distribute cash dividend of RMB5.166 billion (tax inclusive) in aggregate, and the remaining undistributed profit will be carried forward for next year’s distribution. The Company’s cash dividends for the year accounted for 50% of the Company’s net profit attributable to shareholders of listed company in 2021. In case from the date of disclosure of announcement on profit distribution plan to the date of registration date for dividend distribution, there are changes in the total share capital of the Company due to the conversion of convertible bonds, repurchase of shares, cancellation of repurchased shares granted under equity incentive schemes, cancellation of repurchased shares due to material asset restructuring, etc., the Company proposes to remain the total distribution amount unchanged, and to adjust the distribution proportion per share accordingly. If the total share capital of the Company changes subsequently, specific adjustments will be announced separately. The profit distribution plan is subject to the consideration and approval at the 2021 annual general meeting of the Company.

I. AUDITOR'S REPORT

KPMG Huazhen ShenZi No. 2203921

The Shareholders of CRRC Corporation Limited:

I. OPINION

We have audited the accompanying financial statements of CRRC Corporation Limited ("CRRC"), which comprise the consolidated and company balance sheets as at 31 December 2021, the consolidated and company income statements, the consolidated and company cash flow statements, the consolidated and company statements of changes in shareholders' equity for the year then ended, and 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 as at 31 December 2021, and the consolidated and company financial performance and cash flows of CRRC for the year then ended in accordance with Accounting Standards for Business Enterprises issued by the Ministry of Finance of the People's Republic of China.

II. BASIS FOR OPINION

We conducted our audit in accordance with China Standards on Auditing for Certified Public Accountants ("CSAs"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of CRRC in accordance with the China Code of Ethics for Certified Public 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.

III. KEY AUDIT MATTERS

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

Revenue recognition

Please refer to the accounting policy described in Note 24 under "V. Significant Accounting Policies and Accounting Estimates", as well as Note "52. Revenue and operating costs" under "VII. Notes of Consolidated Financial Statements" and Note "4. Revenue and operating costs" under "XVI. Notes to the Key Items in the Company's Financial Statements" to the financial statements.
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Financial Report

I. AUDITOR'S REPORT *(Continued)*

KPMG Huazhen ShenZi No. 2203921

The Key Audit Matter	How the matter was addressed in our audit
<p>For the year ended 31 December 2021, CRRC Corporation Limited and its subsidiaries (hereinafter referred to as "CRRC" or the "Group") generated revenue totalling RMB225,731,755 thousand, mainly arising from the railway equipment business, urban rail transit vehicles and urban infrastructure business, new industry business and modern service business. The Group's customers mainly include China State Railway Group Co., Ltd. (hereinafter referred to as "State Railway Group") and its subsidiaries and investees, as well as urban rail transit groups within China and abroad.</p> <p>For rail transit equipment and its extended products, the Group recognises revenue when the customer obtains control of the goods, i.e. at the time of acceptance and delivery of the goods. For rail transit equipment and its extended services, the Group recognises revenue over a certain period of time according to the progress of the performance as the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs.</p> <p>We identified the cut-off risk arising from revenue recognition as a key audit matter, because revenue is one of the Group's key performance indicators (KPIs) and there may be cases of early or delayed revenue recognition by the management to achieve specific objectives or expectations.</p>	<p>Our audit procedures to evaluate revenue recognition included the following:</p> <ol style="list-style-type: none"> (1) Understanding and evaluating the design and operating effectiveness of key internal controls over financial reporting related to revenue recognition; (2) Selecting sales contracts to identify clauses related to the transfer of control of goods, and evaluating whether CRRC's revenue recognition policy meets the relevant requirements of the Accounting Standards for Business Enterprises; (3) Selecting revenue from sales of rail transit equipment and its extended products recorded during the year and agreeing it to the supporting documents such as sales contracts, acceptance certificates, acceptance and delivery notes and invoices, in order to evaluate whether the relevant revenue was recognised in accordance with CRRC's revenue recognition policy; (4) Selecting revenue from rail transit equipment and its extended services recorded during the year, obtaining an understanding of the performance of service contracts during the year, and inspecting and agreeing to the relevant contracts, third-party supervision reports, customers' bills, records of receipt of goods, or records of labour hours, in order to evaluate the reasonableness of the progress of performance determined by the management;

I. AUDITOR'S REPORT *(Continued)*

KPMG Huazhen ShenZi No. 2203921

The Key Audit Matter	How the matter was addressed in our audit
	<p>(5) Selecting revenue transactions recorded before and after the balance sheet date, inspecting supporting documents related to revenue recognition, and evaluating whether the relevant revenue was recorded in the appropriate accounting period;</p> <p>(6) Reviewing revenue accounting entries recorded after the balance sheet date to identify whether there was any significant sales return; if any, checking against the relevant supporting documents to evaluate whether the relevant revenue was recorded in the appropriate accounting period;</p> <p>(7) Selecting revenue accounting entries that meet specific risk criteria during the year and reviewing the relevant supporting documents.</p>

IV. OTHER INFORMATION

CRRC's management is responsible for the other information. The other information comprises all the information included in 2021 annual report of CRRC, other than the financial statements and our auditor's report thereon.

Our opinion on the 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 financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the 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.

Financial Report

I. AUDITOR'S REPORT *(Continued)*

KPMG Huazhen ShenZi No. 2203921

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Accounting Standards for Business Enterprises, and for the design, implementation and maintenance of such internal control necessary to enable that the financial statements are free from material misstatement, whether due to fraud or error.

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

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

VI. AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with CSAs 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 financial statements.

As part of an audit in accordance with CSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

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

I. AUDITOR'S REPORT *(Continued)*

KPMG Huazhen ShenZi No. 2203921

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of 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 CRRC's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause CRRC to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within CRRC to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

Financial Report

I. AUDITOR'S REPORT *(Continued)*

KPMG Huazhen ShenZi No. 2203921

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

KPMG Huazhen LLP

Beijing, China

Certified Public Accountants
Registered in the People's
Republic of China

Lei Jiang (Engagement Partner)

Lin Ying

30 March 2022

Consolidated Balance Sheet

31 December 2021

II. FINANCIAL STATEMENTS

The accompanying financial statements are English translations of the financial statements prepared under accounting principles and practices generally accepted in the People's Republic of China. These financial statements are not intended to present the balance sheet and results of operations and cash flows in accordance with accounting principles and practices generally accepted in other countries and jurisdictions. In case the English version does not conform to the Chinese version, the Chinese version prevails.

Prepared by: CRRC Corporation Limited

RMB'000

ITEM	Note VII	31 December 2021	31 December 2020
Current assets			
Cash and bank balances	1	48,585,115	33,492,359
Held-for-trading financial assets	2	10,694,693	5,799,390
Bills receivable	3	23,022,568	12,779,393
Accounts receivable	4	72,985,213	71,969,626
Receivables at fair value through other comprehensive income	5	10,552,051	8,164,214
Prepayments	6	6,851,842	8,481,942
Other receivables	7	4,360,569	4,711,395
Inventories	8	61,420,021	62,966,123
Contract assets	9	19,696,717	18,885,381
Assets classified as held for sale		126,275	9,877
Non-current assets due within one year	10	15,821,211	17,124,785
Other current assets	11	5,766,355	5,342,740
Total current assets		279,882,630	249,727,225
Non-current assets			
Loans and advances to customers	12	-	-
Debt investments	13	2,002,484	1,169,010
Long-term receivables	14	10,774,956	13,248,792
Long-term equity investments	15	17,203,832	16,119,503
Investments in other equity instruments	16	2,997,338	2,662,850
Other non-current financial assets	17	370,460	578,293
Investment properties	18	835,306	1,065,399
Fixed assets	19	58,919,951	57,970,551
Construction in progress	20	6,310,367	8,675,163
Right-of-use assets	21	1,493,734	1,449,416
Intangible assets	22	16,691,006	16,024,380
Development expenditures	23	521,506	444,024
Goodwill	24	272,806	328,749
Long-term deferred expenses		201,034	225,532
Deferred tax assets	25	3,731,804	3,631,981
Other non-current assets	26	24,617,285	19,059,500
Total non-current assets		146,943,869	142,653,143
Total assets		426,826,499	392,380,368

Consolidated Balance Sheet

31 December 2021

ITEM	Note VII	31 December 2021	31 December 2020
Current liabilities			
Short-term borrowings	27	15,815,647	10,128,677
Borrowings from the central bank		997,186	-
Bills payable	28	22,830,192	22,291,992
Accounts payable	29	122,106,841	106,572,210
Receipts in advance	30	22,911	212,951
Contract liabilities	31	25,397,986	27,841,813
Deposits from banks and other financial institutions	32	4,601,620	4,122,366
Employee benefits payable	33	2,036,436	1,972,045
Tax payable	34	2,358,706	2,318,069
Other payables	35	12,139,894	11,603,674
Non-current liabilities due within one year	36	4,612,838	7,569,139
Other current liabilities	37	2,636,060	2,859,975
Total current liabilities		215,556,317	197,492,911
Non-current liabilities			
Long-term borrowings	38	7,454,276	4,202,602
Bonds payable	39	2,500,000	2,500,000
Lease liabilities	40	1,225,507	1,292,313
Long-term payables	41	24,725	64,758
Long-term employee benefits payable	42	3,228,528	3,480,229
Provisions	43	7,551,653	7,205,296
Deferred income	44	6,658,989	6,751,075
Deferred tax liabilities	25	263,506	163,231
Other non-current liabilities	45	71,492	86,389
Total non-current liabilities		28,978,676	25,745,893
Total liabilities		244,534,993	223,238,804
Shareholders' equity			
Share capital	46	28,698,864	28,698,864
Capital reserve	47	41,887,193	40,957,401
Other comprehensive income	48	(1,277,255)	(1,292,910)
Special reserve	49	49,957	49,957
Surplus reserve	50	4,844,204	4,308,789
General risk reserve		654,226	562,411
Retained earnings	51	73,717,157	69,736,835
Total equity attributable to shareholders of the Company		148,574,346	143,021,347
Non-controlling interests		33,717,160	26,120,217
TOTAL SHAREHOLDERS' EQUITY		182,291,506	169,141,564
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		426,826,499	392,380,368

Legal representative:
Sun Yongcai

Chief Accountant:
Li Zheng

Person in charge of the accounting
department:
Wang Jian

The Company's Balance Sheet

31 December 2021

Prepared by: CRRC Corporation Limited

RMB'000

ITEM	Note XVI	31 December 2021	31 December 2020
Current assets			
Cash and bank balances	1	11,155,317	965,176
Accounts receivable		3,150	51,844
Other receivables	2	16,833,924	18,878,404
Non-current assets due within one year		596,654	614,200
Other current assets		-	91
Total current assets		28,589,045	20,509,715
Non-current assets			
Long-term receivables		9,250,115	5,733,313
Long-term equity investments	3	107,122,625	105,409,452
Investments in other equity instruments		175,000	75,000
Fixed assets		20,450	14,110
Construction in progress		73,553	96,824
Right-of-use assets		45,437	33,406
Intangible assets		122,282	93,021
Other non-current assets		778,730	132,280
Total non-current assets		117,588,192	111,587,406
Total assets		146,177,237	132,097,121
Current liabilities:			
Short-term borrowings		494,274	1,484,196
Accounts payable		258	52,969
Contract liabilities		-	11,180
Employee benefits payable		68,244	66,197
Tax payable		4,541	1,651
Other payables		36,789,527	21,486,593
Non-current liabilities due within one year		82,659	3,021,602
Total current liabilities		37,439,503	26,124,388
Non-current liabilities:			
Long-term borrowings		4,003,056	1,451,108
Bonds payable		2,500,000	2,500,000
Lease liabilities		36,214	27,181
Long-term payables		-	240
Long-term employee benefits payable		-	180
Total non-current liabilities		6,539,270	3,978,709
Total liabilities		43,978,773	30,103,097

The Company's Balance Sheet

31 December 2021

ITEM	Note XVI	31 December 2021	31 December 2020
Shareholders' equity:			
Share capital		28,698,864	28,698,864
Capital reserve		62,809,651	62,808,801
Other comprehensive income		(21,414)	(36,654)
Surplus reserve		4,844,204	4,308,789
Retained earnings		5,867,159	6,214,224
TOTAL SHAREHOLDERS' EQUITY		102,198,464	101,994,024
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		146,177,237	132,097,121

Legal representative:
Sun Yongcai

Chief Accountant:
Li Zheng

Person in charge of the accounting
department:
Wang Jian

Consolidated income statement

From January to December 2021

Prepared by: CRRC Corporation Limited

RMB'000

ITEM	Note VII	2021	2020
I. Total operating income	52	225,731,755	227,656,041
II. Total operating costs		215,200,819	215,346,420
Including: Operating costs	52	179,303,892	176,954,601
Taxes and surcharges	53	1,685,931	1,756,246
Selling expenses	54	7,264,149	8,683,345
Administrative expenses	55	13,481,469	13,773,241
Research and development expenses	56	13,085,219	13,349,896
Financial expenses	57	380,159	829,091
Including: Interest expenses		1,121,212	919,640
Interest income		822,488	749,795
Add: Other income	58	1,658,697	2,253,502
Investment income	59	242,491	739,658
Including: Gains from investments in associates and joint ventures		103,330	(93,873)
Loss arising from derecognition of financial assets measured at amortised cost		(332,673)	(353,995)
Gains from changes in fair value	60	309,908	77,121
Impairment losses under expected credit loss model	61	(41,615)	(390,040)
Assets impairment losses	62	(885,548)	(864,794)
Gains on disposal of assets	63	1,016,195	1,193,045
III. Operating profit		12,831,064	15,318,113
Add: Non-operating income	64	1,468,980	1,304,009
Less: Non-operating expenses	65	545,221	631,032
IV. Total profit		13,754,823	15,991,090
Less: Income tax expenses	66	1,337,277	2,168,030
V. Net profit		12,417,546	13,823,060
(I) Net profit classified by operating continuity			
1. Net profit from continuing operations		12,417,546	13,823,060
(II) Net profit classified by ownership			
1. Net profit attributable to shareholders of the Company		10,302,605	11,331,053
2. Net profit attributable to non-controlling interests		2,114,941	2,492,007

Consolidated income statement

From January to December 2021

ITEM	Note VII	2021	2020
VI. Other comprehensive income, net of income tax	48	(37,797)	(120,550)
(I) Other comprehensive income attributable to shareholders of the Company, net of income tax		28,372	(108,085)
1. Items that will not be reclassified to profit or loss		162,135	70,689
(1) Remeasurement of the changes in net liabilities or net assets of defined benefit plan		8,399	51,364
(2) Changes in fair value of investments in other equity instruments		153,736	19,325
2. Items that may be reclassified to profit or loss		(133,763)	(178,774)
(1) Other comprehensive income that may be reclassified to profit or loss under equity method		2,805	(18,695)
(2) Changes in fair value of other debt investments		(63,401)	71,833
(3) Provision for credit impairments of other debt investments		(3,391)	119
(4) Translation differences arising from translation of foreign currency financial statements		(69,776)	(232,031)
(II) Other comprehensive income attributable to non-controlling interests, net of income tax		(66,169)	(12,465)
VII. Total comprehensive income		12,379,749	13,702,510
(I) Total comprehensive income attributable to shareholders of the Company		10,330,977	11,222,968
(II) Total comprehensive income attributable to non-controlling interests		2,048,772	2,479,542
VIII. Earnings per share:			
(I) Basic earnings per share (RMB/per share)		0.36	0.39
(II) Diluted earnings per share (RMB/per share)		0.36	0.38

Legal representative:
Sun Yongcai

Chief Accountant:
Li Zheng

Person in charge of the accounting
department:
Wang Jian

The Company's income statement

From January to December 2021

Prepared by: CRRC Corporation Limited

RMB'000

ITEM	Note XVI	2021	2020
I. Operation income	4	383,387	428,085
Less: Operating costs	4	5,512	11,127
Taxes and surcharges		2,224	2,807
Selling expenses		19,418	16,320
Administrative expenses		238,099	246,810
Research and development expenses		332,075	276,234
Financial expenses		28,603	(47,608)
Including: Interest expenses		854,546	837,904
Interest income		888,498	899,439
Add: Other income		858	-
Investment income	5	5,574,526	5,004,078
Including: Income from investment in associates and joint ventures		58,416	165,879
Impairment losses under expected credit loss model		(16,670)	(1,281)
Gains on disposal of assets		4	-
Gains from changes in fair value		-	5,439
II. Operating profit		5,316,174	4,930,631
Add: Non-operating income		37,999	3,961
Less: Non-operating expenses		27	-
III. Total profit		5,354,146	4,934,592
Less: Income tax expenses		-	-
IV. Net profit		5,354,146	4,934,592
(I) Net profit from continuing operations		5,354,146	4,934,592
V. Other comprehensive income, net of income tax		15,240	(26,617)
(I) Items that will not be reclassified to profit or loss		-	970
1. Remeasurement of defined benefit plan		-	970
(II) Items that may be reclassified to profit or loss		15,240	(27,587)
1. Other comprehensive income recognised under equity method		15,240	(27,587)
VI. Total comprehensive income for the year		5,369,386	4,907,975

Legal representative:
Sun Yongcai

Chief Accountant:
Li Zheng

Person in charge of the accounting
department:
Wang Jian

Consolidated cash flow statement

From January to December 2021

Prepared by: CRRC Corporation Limited

RMB'000

ITEM	Note VII	2021	2020
I. Cash flows from operating activities:			
Cash receipts from sale of goods and rendering of services		226,015,807	242,379,468
Net increase in deposits from banks and other financial institutions		479,254	-
Net increase in borrowings from the central bank		997,186	-
Net decrease in placements with banks and other financial institutions		-	139,524
Receipt of tax refunds		1,125,068	973,703
Other cash receipts relating to operating activities	67	3,413,269	4,480,394
Sub-total of cash inflows from operating activities		232,030,584	247,973,089
Cash payments for goods purchased and services received		153,577,472	188,444,202
Net decrease in deposits from banks and other financial institutions		-	1,454,903
Cash payments to and on behalf of employees		33,266,971	30,858,156
Payment of various taxes		11,483,479	12,206,794
Other cash payments relating to operating activities	67	13,109,962	17,041,427
Sub-total of cash outflows from operating activities		211,437,884	250,005,482
Net cash flow from/(used in) operating activities	68	20,592,700	(2,032,393)
II. Cash flows from investing activities:			
Cash receipts from recovery of investments		48,932,930	66,837,677
Cash receipts from investment income		718,832	686,995
Net cash receipts from disposals of fixed assets, intangible assets and other long-term assets		1,365,947	1,206,900
Net cash receipts from disposal of subsidiaries and other business units		146,651	332,748
Other cash received in connection with investing activities		6,316	-
Sub-total of cash inflows from investing activities		51,170,676	69,064,320
Cash payments to acquire or construct fixed assets, intangible assets and other long-term assets		5,906,780	7,775,493
Cash payments to acquire investments		58,949,260	60,800,183
Net cash paid for acquisition of subsidiaries not under common control		-	175,865
Sub-total of cash outflows from investing activities		64,856,040	68,751,541
Net cash flow (used in)/from investing activities		(13,685,364)	312,779

Consolidated cash flow statement

From January to December 2021

ITEM	Note VII	2021	2020
III. Cash flows from financing activities:			
Cash receipts from capital contributions		8,230,349	313,301
Including: Cash receipts from capital contributions by non-controlling interests of subsidiaries		8,230,349	313,301
Cash receipts from borrowings		49,905,802	60,552,618
Cash received from bonds issuing		55,200,000	70,200,000
Cash receipts from other financing activities		1,140,500	-
Sub-total of cash inflows from financing activities		114,476,651	131,065,919
Cash repayments of borrowings		98,830,576	128,349,914
Cash payment for distribution of dividends or profits or settlement of interest expense		7,043,142	6,015,131
Including: Payments for distribution of dividends or profit to non-controlling interests of subsidiaries		1,080,263	670,852
Other cash payments relating to financing activities		1,491,978	653,726
Sub-total of cash outflows from financing activities		107,365,696	135,018,771
Net cash flow from/(used in) financing activities		7,110,955	(3,952,852)
IV. Effect of foreign exchange rate changes on cash and cash equivalents		(580,675)	(306,742)
V. Net increase/(decrease) in cash and cash equivalents	68	13,437,616	(5,979,208)
Add: Opening balance of cash and cash equivalents	68	29,840,378	35,819,586
VI. Closing balance of cash and cash equivalents	68	43,277,994	29,840,378

Legal representative:
Sun Yongcai

Chief Accountant:
Li Zheng

Person in charge of the accounting
department:
Wang Jian

The Company's cash flow statement

From January to December 2021

Prepared by: CRRC Corporation Limited

RMB'000

ITEM	Note XVI	2021	2020
I. Cash flows from operating activities:			
Cash receipts from sale of goods and rendering of services		393,291	631,867
Receipt of tax refunds		2,264	19,297
Other cash receipts relating to operating activities		11,946,418	11,919,853
Sub-total of cash inflows from operating activities		12,341,973	12,571,017
Cash payments for goods purchased and services received		47,849	212,342
Cash payments to and on behalf of employees		156,299	144,908
Payment of various taxes		77,569	12,984
Other cash payments relating to operating activities		10,135,839	10,581,739
Sub-total of cash outflows from operating activities		10,417,556	10,951,973
Net cash flow from operating activities	6	1,924,417	1,619,044
II. Cash flows from investing activities:			
Cash receipts from recovery of investments		36,235,800	38,535,347
Cash receipts from investment income		6,088,463	5,474,683
Net Cash receipts from disposal of fixed assets, intangible assets and other long-term assets		7	-
Cash receipts from other investing activities		-	242,660
Sub-total of cash inflows from investing activities		42,324,270	44,252,690
Cash payments to acquire or construct fixed assets, intangible assets and other long-term assets		38,563	40,219
Payment for acquisition of investments		43,051,750	44,498,399
Sub-total of cash outflows from investing activities		43,090,313	44,538,618
Net cash flow used in investing activities		(766,043)	(285,928)
III. Cash flows from financing activities:			
Cash receipts from bonds issuing		55,000,000	68,000,000
Cash receipts from borrowings		23,920,000	122,347,000
Cash receipts from other financing activities		95,610,437	134,155,549
Sub-total of cash inflows from financing activities		174,530,437	324,502,549
Cash repayments of borrowings		79,308,684	192,394,944
Cash payments for distribution of dividends or profits or settlement of interest expense		6,008,891	5,048,372
Other cash payments relating to financing activities		81,157,233	139,300,804
Sub-total of cash outflows from financing activities		166,474,808	336,744,120
Net cash flow from/(used in) financing activities		8,055,629	(12,241,571)
IV. Effect of foreign exchange rate changes on cash and cash equivalents		(24,196)	2,531
V. Net increase/(decrease) in cash and cash equivalents	6	9,189,807	(10,905,924)
Add: Opening balance of cash and cash equivalents	6	463,875	11,369,799
VI. Closing balance of cash and cash equivalents at the end of the period	6	9,653,682	463,875

Legal representative:
Sun Yongcai

Chief Accountant:
Li Zheng

Person in charge of the accounting
department:
Wang Jian

Consolidated statement of changes in owners' equity

From January to December 2021

Prepared by: CRRC Corporation Limited

RMB'000

ITEM	For the year ended 31 December 2021										
	Attributable to shareholders of the Company									Non-controlling interests	Total
	Share capital	Capital reserve	Other comprehensive income	Special reserve	Surplus reserve	General risk reserve	Retained earnings	Sub-total			
I. Balance at the end of the previous year	28,698,864	40,957,401	(1,292,910)	49,957	4,308,789	562,411	69,736,835	143,021,347	26,120,217	169,141,564	
II. Balance at the beginning of the current year	28,698,864	40,957,401	(1,292,910)	49,957	4,308,789	562,411	69,736,835	143,021,347	26,120,217	169,141,564	
III. Changes for the year	-	929,792	15,655	-	535,415	91,815	3,980,322	5,552,999	7,596,943	13,149,942	
(I) Total comprehensive income	-	-	28,372	-	-	-	10,302,605	10,330,977	2,048,772	12,379,749	
(II) Owners' contributions and decrease of capital	-	929,792	-	-	-	-	(540,284)	389,508	6,764,734	7,154,242	
1. Contribution by ordinary shareholders	-	1,197,175	-	-	-	-	-	1,197,175	7,033,174	8,230,349	
2. Others	-	(267,383)	-	-	-	-	(540,284)	(807,667)	(268,440)	(1,076,107)	
(III) Profit distribution	-	-	-	-	535,415	91,815	(5,793,026)	(5,165,796)	(1,216,563)	(6,382,359)	
1. Distributions to shareholders	-	-	-	-	-	-	(5,165,796)	(5,165,796)	(1,204,845)	(6,370,641)	
2. Appropriation for surplus reserve	-	-	-	-	535,415	-	(535,415)	-	-	-	
3. Appropriation to general risk reserve	-	-	-	-	-	91,815	(91,815)	-	-	-	
4. Others	-	-	-	-	-	-	-	-	(11,718)	(11,718)	
(IV) Transfers within shareholders' equity	-	-	(12,717)	-	-	-	12,717	-	-	-	
1. Other comprehensive income carried forward to retained earnings	-	-	(12,717)	-	-	-	12,717	-	-	-	
(V) Special reserve	-	-	-	-	-	-	-	-	-	-	
1. Appropriation of special reserve	-	-	-	686,962	-	-	-	686,962	81,841	768,803	
2. Amount utilised in the year	-	-	-	(686,962)	-	-	-	(686,962)	(81,841)	(768,803)	
(VI) Others	-	-	-	-	-	-	(1,690)	(1,690)	-	(1,690)	
IV. Balance at the end of the current year	28,698,864	41,887,193	(1,277,255)	49,957	4,844,204	654,226	73,717,157	148,574,346	33,717,160	182,291,506	

Consolidated statement of changes in owners' equity

From January to December 2021

Prepared by: CRRC Corporation Limited

RMB'000

ITEM	For the year ended 31 December 2020										
	Attributable to shareholders' of the Company									Non-controlling interests	Total
	Share capital	Capital reserve	Other comprehensive income	Special reserve	Surplus reserve	General risk reserve	Retained earnings	Sub-total			
I. Balance at the end of the previous year	28,698,864	40,747,823	(1,084,770)	49,957	3,815,330	551,265	63,115,162	135,893,631	22,934,851	158,828,482	
II. Balance at the beginning of the current year	28,698,864	40,747,823	(1,084,770)	49,957	3,815,330	551,265	63,115,162	135,893,631	22,934,851	158,828,482	
III. Changes of the year	-	209,578	(208,140)	-	493,459	11,146	6,621,673	7,127,716	3,185,366	10,313,082	
(I) Total comprehensive income	-	-	(108,085)	-	-	-	11,331,053	11,222,968	2,479,542	13,702,510	
(II) Shareholders' contributions and decrease of capital	-	209,578	-	-	-	-	-	209,578	1,385,333	1,594,911	
1. Contribution by ordinary shareholders	-	-	-	-	-	-	-	-	1,440,948	1,440,948	
2. Others	-	209,578	-	-	-	-	-	209,578	(55,615)	153,963	
(III) Profit distribution	-	-	-	-	493,459	11,146	(4,809,435)	(4,304,830)	(679,509)	(4,984,339)	
1. Appropriation for surplus reserve	-	-	-	-	493,459	-	(493,459)	-	-	-	
2. Appropriation to general risk reserve	-	-	-	-	-	11,146	(11,146)	-	-	-	
3. Distributions to shareholders	-	-	-	-	-	-	(4,304,830)	(4,304,830)	(679,509)	(4,984,339)	
(IV) Transfers within shareholders' equity	-	-	(100,055)	-	-	-	100,055	-	-	-	
Other comprehensive income carried forward to retained earnings	-	-	(100,055)	-	-	-	100,055	-	-	-	
(V) Special reserve	-	-	-	-	-	-	-	-	-	-	
1. Appropriation of special reserve	-	-	-	662,331	-	-	-	662,331	97,785	760,116	
2. Amount utilised in the year	-	-	-	(662,331)	-	-	-	(662,331)	(97,785)	(760,116)	
IV. Balance at the end of the current year	28,698,864	40,957,401	(1,292,910)	49,957	4,308,789	562,411	69,736,835	143,021,347	26,120,217	169,141,564	

Legal representative:
Sun Yongcai

Chief Accountant:
Li Zheng

Person in charge of the accounting
department:
Wang Jian

The Company's statement of changes in owners' equity

From January to December 2021

Prepared by: CRRC Corporation Limited

RMB'000

ITEM	For the year ended 31 December 2021					Total
	Share capital	Capital reserve	Other comprehensive income	Surplus reserve	Retained earnings	
I. Balance at the end of the previous year	28,698,864	62,808,801	(36,654)	4,308,789	6,214,224	101,994,024
II. Balance at the beginning of the current year	28,698,864	62,808,801	(36,654)	4,308,789	6,214,224	101,994,024
III. Changes for the year	-	850	15,240	535,415	(347,065)	204,440
(I) Total comprehensive income	-	-	15,240	-	5,354,146	5,369,386
(II) Shareholders' contributions and decrease of capital	-	850	-	-	-	850
1. Others	-	850	-	-	-	850
(III) Profit distribution	-	-	-	535,415	(5,701,211)	(5,165,796)
1. Appropriation for surplus reserve	-	-	-	535,415	(535,415)	-
2. Distributions to shareholders	-	-	-	-	(5,165,796)	(5,165,796)
IV. Balance at the end of the current year	28,698,864	62,809,651	(21,414)	4,844,204	5,867,159	102,198,464

Prepared by: CRRC Corporation Limited

RMB'000

ITEM	For the year ended 31 December 2020					Total
	Share capital	Capital reserve	Other comprehensive income	Surplus reserve	Retained earnings	
I. Balance at the end of the previous year	28,698,864	62,803,844	(10,037)	3,815,330	6,077,921	101,385,922
II. Balance at the beginning of the current year	28,698,864	62,803,844	(10,037)	3,815,330	6,077,921	101,385,922
III. Changes for the year	-	4,957	(26,617)	493,459	136,303	608,102
(I) Total comprehensive income	-	-	(26,617)	-	4,934,592	4,907,975
(II) Shareholders' contributions and decrease of capital	-	4,957	-	-	-	4,957
1. Others	-	4,957	-	-	-	4,957
(III) Profit distribution	-	-	-	493,459	(4,798,289)	(4,304,830)
1. Appropriation for surplus reserve	-	-	-	493,459	(493,459)	-
2. Distributions to shareholders	-	-	-	-	(4,304,830)	(4,304,830)
IV. Balance at the end of the current year	28,698,864	62,808,801	(36,654)	4,308,789	6,214,224	101,994,024

Legal representative:
Sun Yongcai

Chief Accountant:
Li Zheng

Person in charge of the accounting
department:
Wang Jian

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

III. BASIC INFORMATION ABOUT THE COMPANY

1. General information

CSR Corporation Limited ("CSR") was incorporated in the PRC on 28 December 2007 as a joint stock company with limited liability under the Company Law of the PRC. CSR's A shares were listed on the Shanghai Stock Exchange (the "SSE") on 18 August 2008 and CSR's H shares were listed on the main board of The Stock Exchange of Hong Kong Limited on 21 August 2008. CSR non-public issued A-share ordinary shares in 2012, and the ordinary shares increased to 13,803,000,000 shares after the non-public issuing.

China CNR Corporation Limited ("CNR") was incorporated in the PRC on 26 June 2008 as a joint stock company with limited liability under the Company Law of the PRC. CNR made an initial public offering of A shares which were listed on the SSE on 29 December 2009. H shares of CNR were listed on the Main Board of the HKSE on 22 May 2014. As at 31 December 2014, CNR has issued total shares of 12,259,780,303.

CSR and CNR published a joint announcement on 30 December 2014, announcing that the two companies entered into a merger agreement with respect to a merger proposal ("2015 Business Combination"). CSR and CNR would merge by CSR issuing, on the basis of a single exchange ratio, CSR A shares and CSR H shares to holders of CNR A shares and CNR H shares respectively in exchange for all of the issued shares of CNR. The exchange proportion was 1:1.10, meaning that each CNR A share should be exchanged for 1.10 CSR A shares to be issued by CSR and that each CNR H share should be exchanged for 1.10 CSR H shares to be issued by CSR. As all of the conditions of the above agreement as specified in the merger agreement had been satisfied, the merger agreement became effective on 28 May 2015. CSR issued 2,347,066,040 H shares and 11,138,692,293 A shares on 26 May 2015 and 28 May 2015 respectively. CNR A shares were deregistered from the SSE and CNR H shares were deregistered from the Main Board of HKSE. After the completion of the merger, CSR assumed all the assets, liabilities and business of CNR and CNR was deregistered according to law. On 1 June 2015, the name of CSR was changed from "CSR Corporation Limited" to "CRRC Corporation Limited" ("CRRC" or the "Company").

On 5 August 2015, the respective holding companies of the Company, namely CSR Group (formerly China South Locomotive and Rolling Stock Industry (Group) Corporation) and China Northern Locomotive & Rolling Stock Industry (Group) Corporation ("CNR Group") concluded the Merger Agreement by which CNR Group merged CSR Group with the latter deregistered and then was renamed to CRRC Group (later renamed to CRRC Group Co., Ltd., "CRRCG"). All assets, liabilities, business, employees, contracts, qualifications and other rights and obligations of CSR Group shall be inherited by CRRCG after the merger.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

III. BASIC INFORMATION ABOUT THE COMPANY *(continued)*

1. General information *(continued)*

As proposed and approved in the Company's 2015 annual general meeting of shareholders as well as approved by the China Securities Regulatory Commission ("CSRC") on Reply on the Approval of Non-public Issuance of Stocks by CRRC Corporation Limited (Zheng Jian Xu Ke [2016] No. 3203), the Company completed the non-public offering 1,410,105,755 A shares with par value RMB1.00 each to specific investors in January 2017. The number of share capital has increased to 28,698,864,088, and CRRC Group remains the controlling shareholder of the Company.

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

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

2. Scope of consolidated financial statements

Company name	Principal place of business	Registered place	Type of legal entity	Legal representative	Business scope/Nature of business	Unified social credit code	Paid-in capital (RMB'000)	Shareholding proportion (%)	Voting proportion (%)
CRRC Changchun Railway Vehicles Co. Ltd. ("CRRC Changchun")	China	Changchun	Limited company	Wang Feng	Manufacturing	91220000735902224D	5,807,947	93.54	93.54
CRRC Zhuzhou Institute Co., Ltd. ("CRRC Zhuzhou Institute")	China	Zhuzhou	Limited liability company	Li Donglin	Manufacturing	9143020044517525X1	8,446,840	100.00	100.00
CRRC Zhuzhou Locomotive Co., Ltd. ("CRRC Zhuzhou Locomotive")	China	Zhuzhou	Limited liability company	Zhou Qinghe	Manufacturing	914302007790310965	5,455,090	100.00	100.00
CRRC Qingdao Sifang Co., Ltd. ("CRRC Qingdao Sifang")	China	Qingdao	Limited company	Tian Xuehua	Manufacturing	91370200740365750X	4,509,795	97.81	97.81
CRRC Tangshan Co., Ltd. ("CRRC Tangshan")	China	Tangshan	Limited liability company	Zhou Junnian	Manufacturing	911302216636887669	3,990,000	100.00	100.00
CRRC Dalian Co., Ltd. ("CRRC Dalian")	China	Dalian Branch	Limited liability company	Lin Cunzeng	Manufacturing	91210200241283929E	4,328,530	100.00	100.00
CRRC Qiqihar Group Co., Ltd. ("CRRC Qiqihar Group")	China	Qiqihar	Limited liability company	Gu Chunyang	Manufacturing	91230200057435769W	7,000,000	100.00	100.00
CRRC Yangtze River Transportation Equipment Group Co., Ltd. ("CRRC Yangtze River Group")	China	Wuhan	Limited liability company	Hu Haiping	Manufacturing	91420115MA4KYAEH3B	5,674,459	100.00	100.00

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

III. BASIC INFORMATION ABOUT THE COMPANY (continued)

2. Scope of consolidated financial statements (continued)

Company name	Principal place of business	Registered place	Type of legal entity	Legal representative	Business scope/Nature of business	Unified social credit code	Paid-in capital (RMB'000)	Shareholding proportion (%)	Voting proportion (%)
CRRC Investment & Leasing Co., Ltd. ('CRRC Investment & Leasing') (Note 1)	China	Beijing	Limited liability company	Yang Ruixin	Trading and financing lease	911100007109247853	2,909,285	100.00	100.00
CRRC Qishuyan Co., Ltd. ('CRRC Qishuyan')	China	Changzhou	Limited liability company	Xu Shibao	Manufacturing	913204006638182170	2,298,020	100.00	100.00
CRRC Qishuyan Locomotive & Rolling Stock Technology Research Institute Co., Ltd. ('CRRC Qishuyan Institute')	China	Changzhou	Limited liability company	Wang Wenhui	Manufacturing	91320400137168058A	2,139,200	100.00	100.00
CRRC Capital Management Co., Ltd. ('CRRC Capital Management')	China	Beijing	Limited liability company	Lu Jianzhou	Finance	91110108MA0031464L	2,500,000	100.00	100.00
CRRC Nanjing Puzhen Co., Ltd. ('CRRC Nanjing Puzhen')	China	Nanjing	Limited liability company	Yang Qi	Manufacturing	91320191663764650N	5,005,630	100.00	100.00
CRRC Hong Kong Capital Management Co., Ltd. ('CRRC Hong Kong Capital Management')	China	Hong Kong	Limited liability company	Li Jin	Investment and capital operation	Not applicable	3,503,568	100.00	100.00
CRRC Construction Engineering Co., Ltd. ('CRRC Construction Engineering')	China	Beijing	Limited liability company	Wang Hongwei	Housing industry	91110106590663663T	1,500,000	50.00	50.00
CRRC Yongji Electric Co., Ltd. ('CRRC Yongji Electric')	China	Yongji	Limited liability company	Xiao Anhua	Manufacturing	91140881664458751J	1,290,000	100.00	100.00
CRRC Qingdao Sifang Institute Co., Ltd. ('CRRC Sifang Institute')	China	Qingdao	Limited liability company	Kong Jun	Manufacturing	91370200264582788W	1,703,960	100.00	100.00
CRRC Finance Co., Ltd. ('CRRC Finance')	China	Beijing	Limited liability company	Dong Xuzhang	Financing	911100000573064301	2,200,000	91.36	91.36
CRRC Zhuzhou Electric Co., Ltd. ('CRRC Zhuzhou Electric')	China	Zhuzhou	Limited liability company	Nie Ziqiang	Manufacturing	9143020076071871X7	1,342,200	100.00	100.00
CRRC Ziyang Co., Ltd. ('CRRC Ziyang')	China	Ziyang	Limited liability company	Chen Zhixin	Manufacturing	91512000786693055N	2,028,889	99.60	99.60
CRRC Beijing Nankou Co., Ltd. ('CRRC Beijing Nankou')	China	Beijing	Limited liability company	Sun Kai	Manufacturing	91110000664625580F	805,000	100.00	100.00
CRRC Datong Electric Locomotive Co., Ltd. ('CRRC Datong')	China	Datong	Limited liability company	Huang Qichao	Manufacturing	91140200602161186E	656,000	100.00	100.00
CRRC Dalian Institute Co., Ltd. ('CRRC Dalian Institute')	China	Dalian	Limited liability company	Jiang Dong	Manufacturing	91210200243024402A	450,000	100.00	100.00

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

III. BASIC INFORMATION ABOUT THE COMPANY (continued)

2. Scope of consolidated financial statements (continued)

Company name	Principal place of business	Registered place	Type of legal entity	Legal representative	Business scope/Nature of business	Unified social credit code	Paid-in capital (RMB'000)	Shareholding proportion (%)	Voting proportion (%)
CRRC Sifang Co., Ltd. ("CRRC Sifang")	China	Qingdao	Limited liability company	Ma Lijun	Manufacturing	9137020016357624X1	43,095	100.00	100.00
Qingdao CRRC Sifang Vehicles Co., Ltd. ("Qingdao CRRC Sifang") (Note 2)	China	Qingdao	company	Lan Yuzhen	Manufacturing	91370200MA94DTH3X2	300,000	100.00	100.00
CRRC Logistics Co., Ltd. ("CRRC Logistics")	China	Beijing	Limited liability company	Liu Zhenqing	Logistics and trade	91110108737682982M	760,000	100.00	100.00
CRRC Industrial Institute Co., Ltd. ("CRRC Industrial Institute")	China	Beijing	Limited liability company	Gong Ming	Research and development	911101063066897448	228,000	100.00	100.00
CRRC International Co., Ltd. ("CRRC International")	China	Beijing	Limited liability company	Wu Yan	Trading	911101067109217367	700,000	100.00	100.00
CRRC Information Technology Co., Ltd. ("CRRC Information Technology")	China	Beijing	Limited liability company	Tang Xiankang	Software development	91110108700035941C	136,120	100.00	100.00
CRRC SA (PTY) LTD	South Africa	South Africa	Limited liability company	Han Xiaobo	Manufacturing	Not applicable	ZAR 1,000	66.00	66.00
CRRC Financial Leasing Co., Ltd. ("CRRC Financial Leasing")	China	Tianjin	Limited liability company	Xu Weifeng	Financial services	91120118MA06J91H6K	3,000,000	81.00	81.00
Zhuzhou CRRC Times Electric Co., Ltd. (Times Electric") (Note 3)	China	Zhuzhou	Limited company	Li Donglin	Manufacturing	914300007808508659	1,416,237	44.14	44.14
Zhuzhou Times New Material Technology Co., Ltd. (Times New Material") (Note 4)	China	Zhuzhou	Limited company	Peng Wenhua	Manufacturing	91430200712106524U	802,798	39.55	51.02

Note 1: During the year, the Company transferred its 51% equity interest in Beijing CNR CR Transportation Equipment Co., Ltd. (Beijing CNR CR Transportation Equipment) to CRRC Investment & Leasing Co., Ltd. (CRRC Investment & Leasing), a wholly-owned subsidiary of the Company, and upon completion of the transfer, Beijing CNR CR Transportation Equipment became a subsidiary of CRRC Investment & Leasing.

Note 2: During the year, CRRC Sifang Co., Ltd., a subsidiary of the Company, was reorganised and separated, and Qingdao CRRC Sifang Vehicles Co., Ltd. was newly established by way of split-off, and the said separation was completed on 1 July 2021, and therefore, Qingdao CRRC Sifang Vehicles Co., Ltd. became a wholly-owned subsidiary of the Company.

Note 3: Times Electric is a subsidiary of CRRC Zhuzhou Institute. As at 31 December 2020, the Group's shareholding in Times Electric was 53.19%. On 7 September 2021, Times Electric was listed on the STAR Market of the Shanghai Stock Exchange (stock code: 688187), with the number of shares issued being 240,760,275. Therefore, the equity interest held by the Group in Times Electric was passively diluted, with the percentage of shareholding reducing from 53.19% to 44.14% and the percentage of voting rights reducing from 53.19% to 44.14%, but the Group is still able to control Times Electric.

Note 4: Times New Material is a subsidiary of CRRC Zhuzhou Institute. The equity interests of Times New Material held by the Group was 39.55%. Since CRRCG held 11.47% equity interest of Times new material and has authorised the Company to exercise its voting rights, the voting rights of Times New Material held by the Group became 51.02%.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

IV. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

1. Basis of preparation

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

The Group has adopted the Accounting Standards for Business Enterprises and relative regulations (“ASBE”) issued by the Ministry of Finance (the “MOF”).

According to Acceptance of Mainland Accounting and Auditing Standards and Mainland Audit Firms for Mainland Incorporated Companies Listed in Hong Kong and other relevant Security Listing Rules Amendments issued by the Hong Kong Stock Exchange (Hong Kong Listing Rules) in December 2010, also referring to the relevant provisions issued by the MoF and the China Securities Regulatory Commission (“CSRC”), and approved by the 10th meeting of the second board of directors of the Company and the General Meeting of the Company, from 2019 fiscal year, the Company no longer provides the financial statements prepared in accordance with the ASBE and the International Financial Reporting Standards (the “IFRS”) separately to stockholders of A shares and H shares. Instead, the Company provides the financial statements prepared in accordance with the ASBE to all stockholders, taking the relevant disclosure standards of Hong Kong Companies Ordinance and Hong Kong Listing Rules into consideration.

The financial data in this report are prepared based on ASBE.

In addition, the Company also discloses relevant financial information in accordance with Information Disclosure and Preparation Rules for Companies Offering Securities to the Public No. 15 – General Provisions on Financial Reporting (revised by CSRC in 2014).

2. Going concern

The Group evaluated the going concern capability for the next twelve months from 31 December 2021 and found no matters or circumstances that could raise serious doubts about the going concern capability. These financial statements have been prepared on a going concern basis.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

1. Statement of compliance with the ASBE

These financial statements are in compliance with the ASBE to truly and completely reflect consolidated and the Company's financial position as at 31 December 2021, and consolidated and the Company's operating results, changes in shareholders' equity and cash flows for the 12-month period then ended.

2. Accounting period

The Company has adopted the calendar year as its accounting year, i.e. from 1 January to 31 December.

3. Business cycle

Business cycle refers to the period since purchasing assets for production till the realisation of cash or cash equivalents. The Company's business cycle is 12 months in general.

4. Reporting currency

The functional currency of the Company is RMB and is adopted to prepare the financial statements. Except for particular explanations, all items are presented in RMB'000. The functional currency of the Company's subsidiaries, joint ventures and associates is selected based on economic environment where they operate.

5. Basis of accounting and principle of measurement

The Group has adopted the accrual basis of accounting. Except for certain financial instruments which are measured at fair value, the Group adopts the historical cost as the principle of measurement. When assets are impaired, impairment provisions for assets are recognised in accordance with relevant requirements.

The historical cost of an asset when it is acquired or created is the value of the costs incurred in acquiring or creating the asset, comprising the fair value of consideration paid to acquire or create the asset. The historical cost of a liability when it is incurred or taken on is the value of the consideration received to incur or take on the liability, or the contractual amount for taken current obligations, or the amount of cash and cash equivalents expected to be paid to settle the liabilities in normal course of business.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

5. Basis of accounting and principle of measurement *(continued)*

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using valuation technique. Fair value measurement and disclosure in the financial statements are determined according to the above basis.

Fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety:

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

Level 2 inputs are inputs, other than inputs within Level 1, that are either directly or indirectly observable for underlying assets and liabilities;

Level 3 inputs are unobservable inputs for the asset or liability.

6. The accounting treatment of business combinations involving enterprises under common control and business combinations not involving enterprises under common control

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

A transaction constitutes a business combination when the Group obtains control of one or more entities (or a group of assets or net assets). Business combination is classified as either business combinations involving enterprises under common control or business combinations not involving enterprises under common control.

For a transaction not involving enterprises under common control, the acquirer determines whether acquired set of assets constitute a business. The Group may elect to apply the simplified assessment method, the concentration test, to determine whether an acquired set of assets is not a business. If the concentration test is met, the set of assets is determined not to be a business. If the concentration test is not met, the Group shall perform the assessment according to the guidance on the determination of a business.

When the set of assets the group acquired does not constitute a business, acquisition costs should be allocated to each identifiable assets and liabilities at their acquisition date fair values. It is not required to apply the accounting of business combination described as below.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

6. The accounting treatment of business combinations involving enterprises under common control and business combinations not involving enterprises under common control *(continued)*

(1) 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, on the combination date, the party that obtains control of another entity in the combination is the acquirer, while the other entity is the acquiree. The combination date is the date on which the acquirer obtains control of the acquiree.

Assets and liabilities obtained shall be measured at their respective carrying amounts as recorded by the combining entities at the date of the combination. 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 par value of the shares issued as consideration) is adjusted to share premium under capital reserve. If the capital reserve is not sufficient to absorb the difference, any excess shall be adjusted against retained earnings.

Costs that are directly attributable to the combination are charged to profit or loss in the period in which they are incurred.

(2) Business combinations not involving enterprises under common control and goodwill

A business combination involving entities not 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 business combination.

The cost of combination is the aggregate of fair values of the assets given, liabilities incurred or assumed, and equity instruments issued by the acquirer in exchange for control of the acquiree. The intermediary expenses incurred by the acquirer in respect of auditing, legal services, valuation and consultancy services, etc. and other associated administrative expenses attributable to the business combination are recognised in profit or loss when they are incurred.

The acquiree's identifiable assets, liabilities and contingent liabilities acquired by the acquirer in a business combination not involving enterprises under common control shall be measured at fair value at the date of acquisition.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

6. The accounting treatment of business combinations involving enterprises under common control and business combinations not involving enterprises under common control *(continued)*

(2) Business combinations not involving enterprises under common control and goodwill *(continued)*

Where the cost of combination exceeds the acquirer's interest in the fair value of the acquiree's identifiable net assets, the difference is treated as an asset and recognised as goodwill, which is measured at cost on initial recognition. Where the cost of combination is less than the acquirer's interest in the fair value of the acquiree's identifiable net assets, the acquirer firstly reassesses the measurement of the fair values of the acquiree's identifiable assets, liabilities and contingent liabilities and measurement of the cost of combination. If after that reassessment, the cost of combination is still less than the acquirer's interest in the fair value of the acquiree's identifiable net assets, the acquirer recognises the remaining difference immediately in profit or loss for the current year.

The goodwill arising on a business combination should be separately disclosed in the consolidated financial statement and measured by the amount of costs deducted by the accumulative provision for impairment.

7. Basis for preparation of consolidated financial statements

The scope of consolidation in the consolidated financial statements is determined on the basis of control. Control is achieved when the company has power over the investee; is exposed or has rights to variable returns from its involvement with the investee, and has the ability to use its power to affect its returns. A subsidiary is an enterprise that is controlled by the Company. The financial positions, operating results, and cash flow of subsidiaries are included in consolidated financial statement from acquisition date to termination date of control.

For subsidiaries acquired through a business combination involving enterprises under common control, they will be fully consolidated into consolidated financial statements from the date on which subsidiary was ultimately under common control by the same party or parties. Their operating results and cash flows from the beginning of the earliest reporting period are included in the consolidated income statement and consolidated statement of cash flows appropriately.

For a subsidiary acquired through a business combination not involving enterprises under common control, the acquired subsidiaries are consolidated in consolidated financial statement on the basis of fair value of identifiable assets and liabilities recognised on the date of acquisition.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

7. Basis for preparation of consolidated financial statements *(continued)*

The significant accounting policies and accounting periods adopted by the subsidiaries are determined based on the uniform accounting policies and accounting periods set out by the Company.

All significant intra-group balances and transactions are eliminated on consolidation.

The portion of subsidiaries' equity, profits or losses and comprehensive income that is attribute to their non-controlling shareholders is separately presented under "shareholders' equity" in the consolidated balance sheet, and "net profit" and "total comprehensive income" in the consolidated income statement.

When the amount of loss for the period attributable to the non-controlling shareholders of a subsidiary exceeds the non-controlling shareholders' portion of the opening balance of shareholders' equity of the subsidiary, the excess amount is still allocated against non-controlling interests.

Acquisition of non-controlling interests or disposal of interest in a subsidiary that does not result in the loss of control over the subsidiary is accounted for as equity transactions. The carrying amounts of the Company's interests and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. The difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is adjusted to capital reserve under shareholders' equity. If the capital reserve is not sufficient to absorb the difference, the excess is adjusted against retained earnings.

When the Group loses control over a subsidiary due to disposal of certain equity interest or other reasons, any retained interest is re-measured at its fair value at the date when control is lost. The difference between (i) the aggregate of the consideration received on disposal and the fair value of any retained interest and (ii) the share of the former subsidiary's net assets cumulatively calculated from the acquisition date according to the original proportion of ownership interest is recognised as investment income in the period in which control is lost, and offset goodwill simultaneously. Other comprehensive income associated with investment in the former subsidiary is reclassified to investment income in the period in which control is lost.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

8. Classification of joint arrangements and accounting methods for joint management

The joint arrangement includes joint operations and joint ventures. The classification is determined by considering the structure, legal form and contract terms of the arrangement according to the rights and obligations of the joint party in the joint arrangement. Joint operation refers to 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 joint venture arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement.

The Group's joint arrangements are joint ventures, which are accounted for using the equity method, and are set out in Note V, 14.

9. Recognition criteria of cash and cash equivalent

Cash equivalents are the Group's short-term (it generally expires within three months from the date of purchase), highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

10. Translation of transactions and financial statements denominated in foreign currencies

For foreign currency transactions, the Group translate the amount of foreign currency into RMB.

Foreign currency transactions are initially recorded using the functional currency spot exchange rate at the date of the transactions. At the balance sheet date, foreign currency monetary items are translated into RMB using the spot exchange rate at the balance sheet date. Exchange differences arising from the differences between the spot exchange rates prevailing at the balance sheet date and those on initial recognition or at the previous balance sheet date are recognised in profit or loss for the period, except that (i) exchange differences related to a specific-purpose borrowing denominated in foreign currency that qualify for capitalisation are capitalised as part of the cost of the qualifying asset during the capitalisation period; (ii) exchange differences arising from changes in the carrying amounts (other than the amortised cost) of monetary items measured at fair value through other comprehensive income are recognised as other comprehensive income.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

10. Translation of transactions and financial statements denominated in foreign currencies *(continued)*

Foreign currency non-monetary items measured at historical cost are translated into the amounts in functional currencies at the spot exchange rates at the transaction dates. Foreign currency non-monetary items measured at fair value are re-translated at the spot exchange rate on the date the fair value is determined. Difference between the re-translated functional currency amount and the original functional currency amount is treated as changes in fair value (including changes of exchange rate) and is recognised in profit and loss or as other comprehensive income.

For the purpose of preparing the consolidated financial statements, financial statements of a foreign operation are translated from the foreign currency into RMB using the following method: all the assets and liability items in the balance sheet are translated using the spot exchange rates at the balance sheet date, shareholders' equity items except of "retained earnings" are translated at the spot exchange rates at the date on which such items arose; income and expense items in the income statement are translated at the average exchange rates during the period in which the transaction occurs. Translation differences of financial statements denominated in foreign currencies arising hereby are recognised as other comprehensive income. When a foreign operation is disposed of, other comprehensive income associated with such foreign operation is transferred to profit or loss for the period in which it is disposed of. In case of a disposal or other reason that leads to the reduction of the proportion of foreign operation interests held but does not result in the Group losing control of a foreign operation, the proportionate share of accumulated exchange differences arising on translation of financial statements are re-attributed to non-controlling interests and are not recognised in profit and loss. For partial disposals of equity interests in foreign operations which are associates or joint ventures, the proportionate share of the accumulated exchange differences arising on translation of financial statements of foreign operations is reclassified to profit or loss.

Foreign currency cash flows and the cash flows of foreign subsidiaries are translated using the average exchange rate for the year during which the cash flows occur. The effect of exchange rate changes on cash and cash equivalents is regarded as a reconciling item and presented separately in the cash flow statement as effect of foreign exchange rate changes on cash and cash equivalents.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

11. Financial instruments

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are measured initially at fair value. For financial assets and financial liabilities at fair value through profit or loss, transaction costs are immediately recognised in profit or loss. For other financial assets and financial liabilities, transaction costs are included in their initial recognised amounts. When the Group recognises the accounts receivable excluding significant financing components or does not consider the financing components in the contracts within one year in accordance with the Accounting Standards for Business Enterprises No. 14 – Revenue (“Revenue Standards”), the initial recognition is measured at transaction price defined in Revenue Standards.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over each accounting period.

The effective interest rate is the rate that exactly discounts estimated future cash flows through the expected life of the financial asset or financial liability, or where appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Group estimates future cash flows considering all contractual terms of the financial asset or financial liability (i.e. pre-repayment, extension, call option or other similar options, etc.) without considering future impairment losses under expected credit loss model.

The amortised cost of a financial asset or a financial liability is an accumulatively amortised amount arising from the initially recognised amount of the financial asset or the financial liability deducting repaid principals plus or less amortisation of balances between the initially recognised amount on initial recognition and the amount on maturity date using the effective interest method, and then deducting accumulated provisions for losses (only applicable to financial assets).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

11. Financial instruments *(continued)*

(1) Classification and measurement of financial assets

Subsequent to initial recognition, the Group's various financial assets are subsequently measured at amortised cost, fair value through other comprehensive income and fair value through profit or loss.

If contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, and the financial asset is held within a business model whose objective is achieved by collecting contractual cash flows, the Group classify the financial asset into financial asset measured at amortised cost. Such financial assets include cash and bank balances, bills and accounts receivable, other receivables, placements with banks and other financial institutions, some non-current assets due within one year, loans and advances to customers, debt investments and long-term receivables.

If the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, and the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets, the Group classify the financial asset into the financial assets at fair value through other comprehensive income ("FVTOCI"). Accounts receivable and bills receivable that are classified at fair value through other comprehensive income at the time of acquisition are presented in the receivables at fair value through other comprehensive income; the remaining items are presented in other current assets if they are within one year (inclusive) at the time of acquisition.

Financial assets at fair value through profit and loss ("FVTPL") include financial assets classified at fair value through profit and loss and those designated as at fair value through profit or loss.

- Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI are recognised into FVTPL.
- Upon initial recognition, to eliminate or significantly reduce accounting mismatches, the Group may irrevocably designate financial assets as measured at FVTPL.

Financial assets at fair value through profit and loss are presented under held-for-trading financial assets. Financial assets due over one year since the balance sheet date or without a fixed expiring date are presented under other noncurrent financial assets.

Upon initial recognition, the Group may irrevocably designate non-tradable equity instrument investment as financial assets measured at FVTOCI, except for contingent considerations recognised in the business combination not under the common control. Such type of financial assets shall be presented as investments in other equity instruments.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

11. Financial instruments *(continued)*

(1) Classification and measurement of financial assets *(continued)*

Financial assets meeting one of the following requirements indicate that the financial assets held by the Group are for trading:

- The purpose of obtaining relevant financial assets is mainly for sale or buy-back in the near future;
- Relevant financial assets are part of the identifiable financial instrument combination under centralised management upon initial recognition and there is objective evidence indicating that exists recently a short-term profit model;
- Relevant financial assets are derivatives, except for derivatives meet the definition of financial guarantee contracts as well as derivatives designated as effective hedging instruments.

(a) *Financial assets measured at amortised cost*

Financial assets are subsequently measured at amortised cost using the effective interest method. Gain or loss arising from impairment or derecognition is recognised in profit or loss.

For financial assets measured at amortised cost the Group recognises interest income using the effective interest method. The Group calculates and recognises interest income through book value of financial assets multiplying effective interest, except for the following circumstances:

- For the purchased or originated credit loss occurred financial assets, the Group calculates and recognises their interest income based on amortised cost and credit-adjusted effective interest rate of such financial assets since initial recognition;
- For the purchased or originated financial assets without credit-impairment but subsequently incurred credit-impairment, the Group calculates and recognises their interest income based on amortised costs and effective interest rate of such financial assets. If the credit impairment risk is reduced during the subsequent periods and credit impairment does not exist and the improvement is relevant to an event incurred subsequent to the application of above provisions, the Group recognises interest income based on book value of financial assets multiplying effective interest rate.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

11. Financial instruments *(continued)*

(1) Classification and measurement of financial assets *(continued)*

(b) Financial assets measured at FVTOCI

Impairment losses or gains related to financial assets categorised into FVTOCI, interest income measured using effective interest method and exchange gains or losses are recognised into profit or loss for the current period. Except for the above circumstances, changes in fair value of the financial assets are included in other comprehensive income. The amount included in profit or loss of certain financial assets is equal to the amount that the financial assets is recognised at amortised cost over each period. When the financial asset is derecognised, the cumulative gains or losses previously recognised in other comprehensive income shall be removed from other comprehensive income and recognised in profit or loss.

(c) Financial assets designated as FVTOCI

The Group designated non-tradable equity investments as FVTOCI, changes in fair value of certain financial assets should be recognised in other comprehensive income, when the financial assets are derecognised, the accumulative gains or losses previously recognised in other comprehensive income shall be removed from other comprehensive income and recognised in retained earnings. During the period that the Group holds these non-tradable equity instrument, the Group has established the right of collecting dividends, whose economic benefit is probably flow into the Group, and the amount of the dividends can be reliably measured, then the Group will recognise dividends in profit or loss.

(d) Financial assets measured at FVTPL

The Group subsequently measured financial assets at FVTPL at fair value, gains or losses arising from changes in the fair value and dividend and interest income related to these financial assets shall be recognised into profit or loss for the period.

(2) Impairment of financial assets and other items

The Group recognises impairment losses for expected credit losses on financial instruments measured at amortised cost, categorised into FVTOCI, lease receivables, contract assets, loan commitments and financial guarantee contracts.

The Group measures loss allowance for contract assets and receivables arising from transactions regulated by Revenue Standard, and lease receivables arising from transactions regulated by the Accounting Standards for Business Enterprises No. 21 – Leases based on the amount of lifetime ECL.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

11. Financial instruments *(continued)*

(2) Impairment of financial assets and other items *(continued)*

For other financial instruments, except for the purchased or originated to be impaired, the Group re-evaluate changes in credit risk of relevant financial instruments since initial recognition at each balance sheet date. If the credit risk of the above financial instruments has increased significantly since initial recognition, the Group measures loss allowance based on the amount of full lifetime; if credit risk of the financial instrument does not increase significantly since initial recognition, the Group recognises loss allowance based on 12-month expected credit loss of the financial instrument. Increase or reversal of credit loss allowance is included in profit or loss as loss/gain on impairment. Except for the financial assets classified as FVTOCI, financial guarantee contract and loan commitment, credit loss allowance offsets the carrying amount of financial assets. For the financial assets classified as FVTOCI, the Group recognises credit loss allowance in other comprehensive income, which does not decrease the carrying amount of such financial assets in the balance sheet.

The Group has measured loss allowance at the amount of lifetime ECL of the financial instruments in the prior accounting period. However, at the balance sheet date, the credit risk on a financial instrument has not increased significantly since initial recognition; the Group will measure the loss allowance for that financial instrument at an amount in the future 12-month expected credit losses. Reversed amount of loss allowance arising from such circumstances shall be included in profit or loss as impairment gains.

(a) Significant increases in credit risk

The Group will make use of reasonable and supportable forward-looking information that is available to determine whether credit risk has increased significantly since initial recognition through comparing the risk of a default occurring on the financial instruments as at the reporting date with the risk of a default occurring on the financial instruments as at the date of initial recognition. For financial guarantee contracts, when applying the provision of impairment of financial instruments, the Group shall take the date when it becomes the party making an irrevocable undertaking as the initial recognition date.

The Group will take the following factors into consideration when assessing whether credit risk has increased significantly:

- Significant changes in internal price indicators as a result of a change in credit risk;
- Other changes in the rates or terms of an existing financial instrument that would be significantly different if the instrument was newly originated or issued at the balance sheet date (such as more stringent covenants, increased amounts of collateral or guarantees, or higher income coverage);

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

11. Financial instruments *(continued)*

(2) Impairment of financial assets and other items *(continued)*

(a) Significant increases in credit risk (continued)

- Significant changes in external market indicators of credit risk for a particular financial instrument or similar financial instruments with the same expected life;
- An actual or expected significant change in the financial instrument's external credit rating;
- Existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant change in the debtor's ability to meet its debt obligations;
- An actual or expected significant change in the operating results of the debtor;
- Significant increases in credit risk on other financial instruments of the same debtor;
- An actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor;
- Significant changes in the value of the collateral supporting the obligation or in the quality of third-party guarantees or credit enhancements;
- Significant changes in the expected performance and behaviour of the debtor;
- Changes in the Group's credit management approach related to the financial instrument.

At the balance sheet date, if the Group judges that the financial instruments solely are exposed to lower credit risk, the Group will assume that the credit risk of the financial instruments has not been significantly increased since initial recognition. If the risk of default on financial instruments is low, the borrower's ability to meet its contractual cash flow obligations in the short term is strong, and even if the economic situation and operating environment are adversely changed over a long period of time, it may not necessarily reduce the borrower's ability to fulfil its contractual cash flow obligations, the financial instrument is considered to have a lower credit risk.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

11. Financial instruments *(continued)*

(2) Impairment of financial assets and other items *(continued)*

(b) Credit-impaired financial assets

When the Group expected occurrence of one or more events which may cause adverse impact on future cash flows of a financial asset, the financial asset will become a credit-impaired financial asset. Objective evidence that a financial asset is impaired includes the following observable events:

- Significant financial difficulty of the issuer or the borrower;
- A breach of contract by the debtor, such as a default or delinquency in interest or principal payments;
- The creditor, for economic or legal reasons relating to the debtor's financial difficulty, granting a concession to the debtor;
- It is becoming probable that the debtor will enter bankruptcy or other financial reorganisation;
- The disappearance of an active market for that financial asset because of financial difficulties; or
- The purchase or origination of a financial asset with a large scale of discount, which reflects the facts of credit losses incurred.

(c) Recognition of expected credit losses

Except that the Group recognises credit loss for financial assets, contract assets, lease receivables, loan commitment and financial guarantee contracts that are individually significant or credit impaired on an individual asset/contract basis, the Group recognises credit loss of relevant financial instruments on a collectively basis using a provision matrix. The Group classifies financial instruments into different groups based on common risk characteristics. Shared credit risk characteristics include type of financial instruments, credit risk rating, type of collateral, remaining contractual maturity, industry of debtors, geographical location of debtors and the value of collateral relative to financial assets, etc.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

11. Financial instruments *(continued)*

(2) Impairment of financial assets and other items *(continued)*

(c) Recognition of expected credit losses (continued)

The Group determines expected credit losses of relevant financial instruments using the following methods:

- For a financial asset, credit loss is the present value of difference between the contractual cash flows that are due to the Group under the contract and the cash flows that the Group expects to receive;
- For a lease receivable, credit loss is the present value of difference between the contractual cash flows that are due to the Group under the contract and the cash flows that the Group expects to receive;
- For undrawn loan commitments, the credit loss is the present value of the difference between the contract cash flow to be received by the Group and the expected cash flow, under the condition that the loan commitment holder withdraws the corresponding loans. The Group's estimate of the expected credit loss on the loan commitment is consistent with the expected withdrawal of the loan commitment;
- For a financial guarantee contract, credit loss is the present value of difference between the expected payments to reimburse the holder for a credit loss that it incurs less any amounts that the Group expects to receive from the holder, the debtor or any other party;
- For credit-impaired financial assets other than the purchased or originated credit-impaired financial assets at the balance sheet date, credit loss is difference between the carrying amount of financial assets and the present value of expected future cash flows discounted at original effective interest rate.

The factors reflected in methods of measurement of expected credit losses include an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes; time value of money; reasonable and supportable information about past events, current conditions and forecasts on future economic status at the balance sheet date without unnecessary additional costs or efforts.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

11. Financial instruments *(continued)*

(2) Impairment of financial assets and other items *(continued)*

(d) Write-off of financial assets

The Group shall directly write down the carrying amount of a financial asset when the Group has no longer reasonably expect that the contractual cash flows of financial assets can be collected in aggregate or in part, which constitutes derecognition of relevant financial assets.

(3) Transfer of financial assets

The Group derecognises a financial asset if one of the following conditions is satisfied: (i) the contractual rights to the cash flows from the financial asset expire; or (ii) the financial asset has been transferred and substantially all the risks and rewards of ownership of the financial asset is transferred to the transferee; or (iii) although the financial asset has been transferred, the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset but has not retained control of the financial asset.

If the Group neither transfers nor retains substantially all the risks and rewards of ownership of a financial asset, and it retains control of the financial asset, the Group will recognise the financial asset to the extent of its continuing involvement in the transferred financial asset and recognises an associated liability. Relevant liabilities are measured using the following methods:

- For transferred financial assets recognised at amortised cost, the carrying amount of relevant liabilities is the carrying amount of financial assets transferred with continuing involvement deducted amortised cost of the Group's retained rights (if the Group retains relevant rights due to transfer of financial assets) with addition of amortised cost of obligations undertaken by the Group (if the Group undertakes relevant obligations upon transfer of financial assets). Relevant liabilities shall not be designated as financial liabilities at fair value through profit or loss.
- For transferred financial assets recognised at fair value, the carrying amount of relevant financial liabilities is the carrying amount of financial assets transferred with continuing involvement deducted fair value of the Group's retained rights (if the Group retains relevant rights upon transfer of financial assets) with addition of fair value of obligations undertaken by the Group (if the Group undertakes relevant obligations upon transfer of financial assets). Accordingly, the fair value of relevant rights and obligations shall be measured on an individual basis.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

11. Financial instruments *(continued)*

(3) Transfer of financial assets *(continued)*

For a transfer of a financial asset in its entirety that satisfies the derecognition criteria, for financial asset categorised into those measured at amortised cost and FVTOCI, the difference between the carrying amount of the financial asset transferred and the sum of the consideration received from the transfer and any cumulative gain or loss that has been recognised in other comprehensive income, is recognised in profit or loss. For non-trading equity instruments designated as financial assets at FVTOCI, cumulative gains or losses previously recognised in other comprehensive income should be removed from other comprehensive income and be recognised in retained earnings.

For a part of transfer of a financial asset that satisfies the derecognition criteria, the carrying amount of the transferred financial asset is allocated between the part that is derecognised and the part that is continuously involved, based on the respective fair values of those parts on transfer date. The difference between (1) the sum of the consideration received for the part derecognised and any cumulative gain or loss allocated to the part derecognised which has been previously recognised in other comprehensive income; and (2) the carrying amount allocated to the part derecognised on derecognition date; is recognised in profit or loss or retained earnings.

For a transfer of a financial asset in its entirety that does not satisfy the derecognition criteria, the Group continues to recognise the transferred financial asset in its entirety. The consideration received should be recognised as a financial liability.

(4) Classification of liabilities and equity

Financial instruments issued by the Group are classified into financial liabilities or equity instruments on the basis of the substance of the contractual arrangements and the economic nature not only its legal form, together with the definition of financial liability and equity instruments on initial recognition.

(a) *Classification and measurement of financial liabilities*

On initial recognition, financial liabilities are classified into financial liabilities at fair value through profit or loss and other financial liabilities.

(i) *Financial liabilities at fair value through profit or loss*

Financial liabilities at FVTPL consist of financial liabilities held for trading (including derivative instruments classified as financial liabilities) and those designated as at FVTPL. Financial liabilities at FVTPL are presented as held-for-trading financial liabilities/ other non-current liabilities based on its liquidity.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

11. Financial instruments *(continued)*

(4) Classification of liabilities and equity *(continued)*

(a) Classification and measurement of financial liabilities *(continued)*

(i) Financial liabilities at fair value through profit or loss *(continued)*

It is indicated that the Group's purpose of undertaking the financial liabilities is for trading if the financial liabilities meet one of the following conditions:

- The purpose for undertaking relevant financial liabilities is mainly for recent repurchase;
- The relevant financial liabilities are part of the centrally managed identifiable financial instrument portfolio at initial recognition, and there is objective evidence that there is a short-term profits presence in the near future;
- Related financial liabilities are derivatives, except for derivatives that meet the definition of a financial guarantee contract and that are designated as effective hedging instruments.

Financial liabilities at FVTPL are subsequently measured at fair value. Any gains or losses arising from changes in the fair value or any dividend or interest expenses paid related to the financial liabilities are recognised in profit or loss.

(ii) Other financial liabilities

Other financial liabilities, except for financial guarantee contracts, are classified as financial liabilities measured at amortised cost, which is subsequently measured at amortised cost, any gains or losses arising from derecognition or amortisation are recognised in profit or loss for the year.

If the Group amends or renegotiates a contract with the counterparty which does not result in derecognition of financial liabilities subsequently measured at amortised cost but results in changes in the contractual cash flow, the Group shall recalculate the carrying amount of the financial liabilities and account for the relevant profit or loss as current profit or loss. The Group determines the recalculated carrying amount of the financial liabilities based on the present value of the contractual cash flow to be renegotiated or modified according to the discounted original effective interest rate of financial liabilities. For all the costs or expenses arising from an amended or renegotiated contract, the Group shall adjust the book value of the financial liabilities and amortise them for the remaining life of the financial liabilities.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

11. Financial instruments *(continued)*

(4) Classification of liabilities and equity *(continued)*

(a) *Classification and measurement of financial liabilities (continued)*

(ii) *Other financial liabilities (continued)*

A financial guarantee contract is a contract by which the issuer is required to compensate specific amount to the contract holder who suffers from losses when the specific debtor cannot repay the debts in accordance with the initial or revised debt instrument terms upon maturity of debts. Financial guarantee contracts that are not designated as financial liabilities at FVTPL are measured at the higher of: (i) the loss provision after initial recognition, and (ii) balance of amount recognised initially deducting the accumulated amortisation amount determined on the basis of relevant revenue standards.

(b) *Derecognition of Financial Liabilities*

The Group derecognises a financial liability (or part of it) only when the underlying present obligation (or part of it) is discharged. An agreement between the Group (an existing debtor) and an existing lender to replace the original financial liability with a new financial liability with substantially different terms is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

When the Group derecognises a financial liability or a part of it, it recognises the difference between the carrying amount of the financial liability (or part of the financial liability) derecognised and the consideration paid (including any non-cash assets transferred or new financial liabilities assumed) in profit or loss.

(c) *Equity instruments*

An equity instrument is a contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The Group's issuance (including refinancing), repurchase, sales or cancellation of an equity instrument shall be accounted for as a change to equity. The Group does not recognise changes in the fair value of an equity instrument. Transaction costs of an equity transaction are accounted for as a deduction from equity.

The Group recognises the distribution to holders of the equity instruments as distribution of profits, and dividends paid do not affect total amount of shareholders' equity.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

11. Financial instruments *(continued)*

(5) Derivatives and embedded derivatives

Derivatives are initially measured at fair value at the date when the derivative contracts are entered into and are subsequently re-measured at fair value.

For hybrid contract constituted by embedded derivatives and host contract, if the host contract is a financial asset, the embedded derivative shall not be separated from the hybrid contract, and the hybrid contract shall be taken as a whole to apply to the accounting standards for the classification of financial assets.

If the host contract included in the hybrid contract is not a financial asset and satisfies all the following criteria, the embedded derivative shall be separated from the hybrid contract and treated as an individual derivative.

- The economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract;
- The individual instrument has the same terms as the embedded derivative conforms to the definition of a derivative;
- The hybrid instrument is not designated as a financial asset or financial liability at FVTPL.

If the embedded derivative is separated from the hybrid contract, the host contract shall be accounted for in accordance with the appropriate accounting standards.

Changes in fair value of derivative financial instruments are included in profit or loss for the period.

(6) Convertible Bonds

Convertible bonds issued by the Group that contain both debt and multiple embedded derivatives (including conversion option that will be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Group's own equity instruments, redemption options and repurchase options) are classified separately into respective items on initial recognition. Multiple embedded derivatives are generally treated as a single compound embedded derivative unless those derivatives relate to different risk exposures and are readily separable and independent of each other. At the date of issue, both the debt and the derivative components are recognised at fair value.

In subsequent periods, the debt component of the convertible bonds is carried at amortised cost using the effective interest method. The derivative component is measured at fair value with changes in fair value recognised in profit or loss.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

11. Financial instruments *(continued)*

(6) Convertible Bonds *(continued)*

Transaction costs that relate to the issue of the convertible bonds are allocated to the debt and derivative components in proportion to their relative fair values. Transaction costs relating to the derivative component is charged to profit or loss immediately. Transaction costs relating to the debt component are included in the carrying amount of the debt portion and amortised over the period of the convertible bonds using the effective interest method.

(7) Offsetting financial assets and financial liabilities

Where the Group has a legal right that is currently enforceable to set off the recognised financial assets and financial liabilities, and intends either to settle on a net basis, or to realise the financial asset and settle the financial liability simultaneously, a financial asset and a financial liability shall be offset and the net amount is presented in the balance sheet. Except for the above circumstances, financial assets and financial liabilities shall be presented separately in the balance sheet and shall not be offset.

12. Inventories

Inventories include raw materials, work in progress, finished goods, commissioned processing materials and turnover materials, etc.

Inventories are initially measured at cost. Cost of inventories include purchase costs, processing cost and other costs. The actual costs of inventories are determined on specific identification, first-in, first-out, or weighted average methods depending on business types. Reusable materials include low cost and short-lived consumables, packaging materials, etc., which are amortised using either one-off amortisation method or multiple-stage amortisation method.

The perpetual inventory system is maintained for stock 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, the estimated costs necessary to make the sale and relevant taxes. Net realisable value is determined on the basis of clear evidence obtained, and takes into consideration the purposes of holding inventories and effect of post balance sheet events.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

12. Inventories *(continued)*

For inventories that relate to a product series that is produced and marketed in the same geographical area, have the same or similar 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. Provision for decline in value of other inventories is made based on the excess of cost of inventory over its net realisable value on an item-by-item basis.

13. Assets held for sale and discontinued operations

(1) Assets held for sale

Non-current assets and disposal groups are classified as held for sale category when the Group recovers the carrying amount through a sale (including an exchange of nonmonetary assets that has commercial substance) rather than continuing use.

Non-current assets or disposal groups classified as held for sale are required to satisfy both of the following conditions: (1) the asset or disposal group is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such asset or disposal group; (2) the sale is highly probable, i.e. the Group has made a resolution about selling plan and obtained a confirmed purchase commitment and the sale is expected to be completed within one year.

The Group measures the non-current assets or disposal groups classified as held for sale at the lower of their carrying amount and fair value less costs to sell. Where the carrying amount is higher than the net amount of fair value less costs to sell, carrying amount should be reduced to the net amount of fair value less costs to sell, and such reduction is recognised in impairment loss of assets and included in profit or loss for the period. Meanwhile, provision for impairment of held-for-sale assets are made. When there is increase in the net amount of fair value of assets classified as held for sale less costs to sell at the balance sheet date, the original deduction should be reversed in impairment loss of assets recognised after the classification of held-for-sale category, and the reverse amount is included in profit or loss for the period.

Non-current assets classified as held-for-sale or disposal groups are not depreciated or amortised, interest and other costs of liabilities of disposal group classified as held for sale continue to be recognised.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

13. Assets held for sale and discontinued operations *(continued)*

(2) Discontinued operations

The Group classifies a separate component as a discontinued operation either upon disposal of the operation or when the operation meets the criteria to be classified as held for sale if it is separately identifiable and satisfies one of the following conditions:

- It represents a separate major line of business or a separate geographical area of operations;
- It is part of a single co-ordinated plan to dispose of a separate major line of business or a separate geographical area of operations;
- It is a subsidiary acquired exclusively with a view to resale.

Where an operation is classified as discontinued in the current period, profit or loss from continuing operations and profit or loss from discontinued operations are separately presented in the income statement for the current period. Profit or loss from continuing operation in the comparative income statement is re-presented as if the operation had been discontinued from the start of the comparative year.

14. Long-term equity investments

(1) Judgement criteria for joint control and significant influence

Control is achieved when the investor has power over the investee; is exposed, or has rights, to variable returns from its involvement with the investee; and has the ability to use its power to affect its returns. Joint control is the contractually agreed sharing of control over an economic activity, and exists only when the strategic financial and operating policy decisions relating to the activity 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 over those policies. When determining whether an investing enterprise is able to exercise control or significant influence over an investee, the effect of potential voting rights of the investee (for example, warrants and convertible debts) held by the investing enterprises or other parties that are currently exercisable or convertible shall be considered.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

14. Long-term equity investments *(continued)*

(2) Determination of investment cost

For a long-term equity investment acquired through a business combination involving enterprises under common control, the investment cost of the long-term equity investment is the share of the carrying amount of the shareholders' equity of the acquiree attributable to the ultimate controlling party at the date of combination. For a long-term equity investment acquired through business combination not involving enterprises under common control, the investment cost of the long-term equity investment is the cost of acquisition. For a business combination not involving enterprises 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. Except for long-term equity investment acquired through a business combination, other equity investment is initially measured at cost.

The expenses incurred by the acquirer in respect of auditing, legal services, valuation and consultancy services and other related administrative expenses attributable to the business combination are charged in profit or loss in the period in which they are incurred.

(3) Subsequent measurement and recognition of profit or loss

(a) Long-term equity investment measured under the cost method

The Company's financial statements measured the long-term equity investments of subsidiaries under the cost method. A subsidiary is the investee controlled by the Group.

Under the cost method, a long-term equity investment initial recognised at cost. Except for cash dividends or profits already declared but not yet paid that are included in the price or consideration actually paid upon acquisition of the long-term equity investment, investment income is recognised in the period in accordance with the attributable share of cash dividends or profit distributions declared by the investee.

(b) Long-term equity investment measured under the equity method

The Group measured investments in associates and joint ventures under the equity method. An associate is an entity over which the Group has significant influence, and a joint venture is an entity over which the Group has joint control along with other investors.

Under the equity method, where the initial investment cost of a long-term equity investment exceeds the Group's share of the fair value of the investee's identifiable net assets at the time of acquisition, no adjustment is made to the initial investment cost. Where the initial investment cost is less than the Group's share of the fair value of the investee's identifiable net assets at the time of acquisition, the difference is recognised in profit or loss for the period, and the cost of the long-term equity investment is adjusted accordingly.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

14. Long-term equity investments *(continued)*

(3) Subsequent measurement and recognition of profit or loss *(continued)*

(b) Long-term equity investment measured under the equity method (continued)

Under the equity method, the Group recognises its share of the net profit or loss and other comprehensive income of the investee for the period as investment income or loss and other comprehensive income for the period. The Group recognises its share of the investee's net profit or loss based on the fair value of the investee's individual separately identifiable assets, etc. at the acquisition date after making appropriate adjustments to be confirmed with the Group's accounting policies and accounting period. Unrealised profits or losses resulting from the Group's transactions with its associates and joint ventures shall be eliminated when recognised investment income or loss to the extent that those attributable to the Group's equity interest. However, unrealised profits or losses resulting from the Group's transactions with its associates and joint ventures are recognised as investment income or loss to the extent that those attributable to the Group's equity interest are eliminated if the trading assets do not form a business. Unrealised losses are resulted from the Group's transactions with its associates and joint ventures, the impairment losses on the transferred assets are not eliminated. Changes in other equity of the investee other than net profit or loss, other comprehensive income and profit distribution shall be included in capital reserve, with the carrying amount of long-term equity investment correspondingly adjusted.

The Group discontinues recognising its share of net losses of the investee after the carrying amount of the long-term equity investment together with any long-term interests that in substance form part of its net investment in the investee is reduced to zero. If the Group has incurred obligations to assume additional losses of the investee, a provision is recognised according to the expected obligation, and recorded as investment loss for the period. Where net profits are subsequently realised by the investee, the Group resumes recognising its share of those profits only after its share of the profits exceeds the share of losses previously not recognised.

(c) Disposal of long-term equity investments

On disposal of a long-term equity investment, the difference between the proceeds actually received and receivable and the carrying amount is recognised in profit or loss for the period. For long-term equity investment measured under the equity method, the portion of other comprehensive income recognised before the Group had controlled over the investee under equity method or the financial assets recognition and measurement standard should be treated referring to the same fundamental of disposing related assets and liabilities.

(d) Methods of impairment assessment approach and provision for impairment are set out in Note V, 20.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

15. Investment properties

The properties held by the Group for the purpose of earning rentals or for capital appreciation or for both purposes are categorised to investment property. The Group measures investment property under cost model, namely, investment properties are presented in balance sheet by cost deducting accumulated depreciation, amortisation and impairment loss. The investment properties are depreciated over its useful life by straight-line method after deducting estimated net residual value. The useful life, residual value rate and annual depreciation rate for various investment properties are as follows:

Item	Useful life (years)	Residual value rate (%)	Annual depreciation rate (%)
Buildings	20-50	3-5	1.90-4.85
Land use rights	50	-	2.00

If the Group has conclusive evidence that the purpose for holding properties has changed and if one of the following conditions is met, the investment properties shall be converted into other assets, or other assets shall be converted into investment properties:

- The purpose for holding the property is changed to self-use;
- The self-use land use rights are stopped self-using, and changed to held for earning rentals or capital appreciation;
- Self-use buildings stopped self-using, and changed to for renting.

Under the cost model, the carrying amounts of the buildings remain unchanged before and after the purpose change.

Methods of impairment assessment and provision for impairment are set out in Note V, 20.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

16. Fixed assets

(1) Recognition criteria

Fixed assets are tangible assets that are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes, and have useful lives of more than one accounting year.

The initial cost of purchased fixed assets includes purchase cost, relevant taxes and expenses attributable to the asset incurred before it reaches ready-to-use condition. The initial cost of self-constructed fixed assets is recognised in accordance with Note V, 17. The components of fixed assets, which have various useful life or contribute economic benefits to the Group in different ways, or at different depreciation rate or via different depreciation methods, will be recognised as individual fixed assets by the Group. The subsequent expenditure of fixed assets (including amount paid for replacing certain component of fixed assets), is recognised into cost of fixed assets if it qualifies recognition criteria. Meanwhile, the carrying amount of replaced component is deducted. The expense relating to routine maintenance of fixed assets is included in profit or loss when it is incurred. Fixed assets are presented on the balance sheet at cost less accumulated depreciation and impairment losses.

(2) Depreciation method

Except for land use right owned by the Group, fixed asset is depreciated using the straight-line method. The useful life, estimated net residual value rate and annual depreciation rate of each category of fixed assets are as follows:

Category	Depreciation method	Depreciation period (year)	Residual value rate (%)	Annual depreciation rate (%)
Buildings	Straight-line method	10-50	3-5	1.90-9.70
Machinery and equipment	Straight-line method	3-28	3-5	3.39-32.33
Office equipment and other equipment	Straight-line method	5-12	3-5	7.92-19.40
Transportation vehicles	Straight-line method	5-15	3-5	6.33-19.40

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

16. Fixed assets *(continued)*

(2) Depreciation method *(continued)*

If a fixed asset is upon disposal or no future economic benefits are expected to be generated from its use or disposal, the fixed asset is derecognised. When a fixed asset is sold, transferred, retired or damaged, the amount of any proceeds on disposal of the asset net of the carrying amount and related taxes is recognised in profit or loss for the period. The Group reviews the useful life and estimated net residual value of a fixed asset and the depreciation method applied at least once at the end of each fiscal year, and makes adjustments when necessary. The Group does not make depreciation for overseas land ownership, which has no residual value.

(3) Methods of impairment assessment and provision for impairment are set out in Note V, 20.

17. Construction in progress

Construction in progress is measured at its actual costs. The actual costs include various construction expenditures during the construction period, borrowing costs capitalised before it is ready for intended use and other relevant costs.

Construction in progress is transferred to a fixed asset when it is ready for intended use.

Methods of impairment assessment and provision for impairment are set out in Note V, 20.

18. 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 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 that necessarily take a substantial period of time for construction or production to get ready for their intended use or sale.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

18. Borrowing costs *(continued)*

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

- Expenditures for the asset have incurred;
- Borrowing costs are being incurred; and
- Activities relating to the construction or production of the asset that are necessary to prepare the asset for its intended use or sale have commenced.

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

- Where funds are borrowed under a specific-purpose borrowing, 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;
- Where funds are borrowed under general-purpose borrowings, the amount of interest to be capitalised on such borrowings by applying a capitalisation rate to the weighted average of the excess of cumulative expenditures on the asset over the amounts of specific-purpose borrowings. The capitalisation rate is the weighted average of the interest rates applicable to the general-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.

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 incurred subsequently are recognised as an expense in the period in which they are incurred.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

19. Intangible assets

(1) Valuation method, useful life and impairment test

A purchased intangible asset is measured initially at cost. An intangible asset acquired in the combination not involving enterprises under common control, it shall be separately recognised as an intangible asset at its fair value on the acquisition date.

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 period over which the asset is expected to generate economic benefits for the Group.

The useful lives of the intangible assets are as follows:

Item	Useful life
Land use rights	50-70 years
Proprietary technology, franchise and technical know-how	3-25 years
Software use rights	2-10 years
Customer relationship	7-15 years
Backlogs and technical service preferential orders	The period in which the services are rendered agreed in the contract

Land use rights acquired by the Group during the service period specified in the contract 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 the end of each fiscal year and makes adjustment if necessary.

An intangible asset with an indefinite useful life is not amortised and its useful life is reviewed in each accounting period. If there is an 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

19. Intangible assets *(continued)*

(2) Accounting policies for internal research and development expenditure

The Group classifies the expenditure on an internal research and development project into research expenditures and development expenditures.

Research expenditure is recognised as an expense in the period in which it is incurred.

Development expenditures which meet the criteria set out below shall capitalised, that is, it is technically feasible to complete the intangible asset so that it will be available for use or sale; the Group has the intention to complete the intangible asset and use or sell it; the Group can demonstrate the ways in which the intangible asset will generate economic benefits, including the evidence of 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 need to be proved; the availability of adequate technical, financial and other resources to complete the development and the ability to use or sell the intangible asset; and the expenditure attributable to the intangible asset during its development phase can be reliably measured. 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. Research expenditure is recognised as an expense in the period in which it is incurred.

If the expenditures cannot be distinguished between the research phase and development phase, the Group recognises all of them in profit or loss for the period.

Methods of impairment assessment and provision for impairment are set out in Note V, 20.

20. Impairment of long-term assets

The Group assesses at each balance sheet date whether there is any indication that long-term equity investment, fixed assets and construction in progress, investment properties, development expenditure, long-term deferred expenses and some other non-current assets under cost method, right-of-use assets and intangible assets with a finite useful life may be impaired. If there is any indication that such assets may be impaired, recoverable amounts are estimated for such assets. Intangible assets with indefinite useful life and intangible assets not yet available for use are tested for impairment annually, irrespective of whether there is any indication that the assets may be impaired.

Recoverable amount is estimated on the basis of individual asset. If it is not practical to estimate the recoverable amount of an individual asset, the recoverable amount of the asset group to which the asset belongs will be estimated. The recoverable amount of an asset is the higher of its fair value less disposal costs and the present value of the future cash flows expected to be derived from the asset.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

20. Impairment of long-term assets *(continued)*

If the recoverable amount of an asset or an asset group is less than its carrying amount, the deficit is accounted for as an impairment loss and is recognised in profit or loss for the period.

Goodwill is tested for impairment at least at each year end. When conduct impairment test for goodwill, it should be considered together with the related assets group(s), i.e., goodwill is reasonably allocated to the related assets group(s) or each of assets group(s) expected to benefit from the synergies of the combination. An impairment loss is recognised if the recoverable amount of the assets group or sets of assets groups (including goodwill) is less than its carrying amount. The impairment loss is firstly allocated to reduce the carrying amount of any goodwill allocated to such assets group or sets of assets groups, and then to the other assets of the group pro-rata on the basis of the carrying amount of each asset (other than goodwill) in the group.

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

21. Long-term deferred expenses

Long-term deferred expenses are expenses incurred that should be amortised over the current and subsequent periods (amortisation period of more than one year). Long-term deferred expenses are amortised using the straight-line method over the expected periods in which benefits are derived.

22. Employee benefits

Employee benefits are all forms of remuneration and compensation given by an entity in exchange for services rendered by employees or for the termination of employment and other remunerations. Employee benefits include short-term benefit, Retirement benefits, termination benefits and other long-term employee benefits. The benefits the Group provided to employees' spouse, children, dependent, and families of deceased employees and other beneficiaries also belong to employee benefits.

(1) Accounting for short-term employee benefits

During the accounting period in which the employees provide services, the Group's actual short-term remuneration is recognised as liabilities and included in the profits or losses of the current year or recognised as respective assets costs.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

22. Employee benefits *(continued)*

(1) Accounting for short-term employee benefits *(continued)*

Regarding to the health insurance, industrial injury insurance, maternity insurance and other social insurances, housing fund and labour union expenditure and personnel education that the Group paid for employees, the Group should recognise corresponding employees benefits payable and include these expenses in the profits or losses of the current year or recognised as respective assets costs.

(2) Accounting for retirement benefits

Retirement benefits are classified into defined contribution plans and defined benefit plans.

In an accounting period in which an employee has rendered service to the Group, the amount payable calculated in accordance with the defined contribution plan is recognised as a liability and charged to profit or loss in the period, or included in cost of related assets.

For defined benefit plans, the independent actuary makes actuarial estimation to determine cost of benefits offered and attributable period by using projected unit credit method. Defined benefit costs are categorised as follows:

- (i) Service costs include current service cost, past service cost, as well as gains and losses on and settlements. Current service cost refers to the increase amount of present value of defined benefit obligation arising from service rendered in current year; past service cost refers to the change of present value of defined benefit obligation arising from modification of defined benefit plans;
- (ii) Net interest expense or income net of liabilities or assets (including interest income of planned assets, interest expenses of defined benefit plan liabilities and effect of asset ceiling;
- (iii) Changes arising from remeasurement of net liabilities or net assets of defined benefit plans (including actuarial gains and losses).

Unless benefits costs recognised in the cost of assets are required or permitted by other standards, the Group presents the above (i) and (ii) in profit or loss while (iii) in other comprehensive income, which will not be reversed to the profit or loss during the subsequent accounting period.

The defined benefit plans provided by the Group are set out in Note VII, 42.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

22. Employee benefits *(continued)*

(3) Accounting for termination benefits

When the Group terminates the employment relationship with employees before the end of the employment contracts or provides compensation as an offer to encourage employees to accept voluntary redundancy, a provision shall be recognised for the compensation arising from termination of employment relationship with employees, with a corresponding charge to the profit or loss for the current year, at the earlier of when:

- (i) The Group cannot unilaterally withdraw from the termination plan or the redundancy offer; or
- (ii) The Group recognises costs relating to termination benefits payment in respect of restructuring.

23. Provisions

Except for contingent consideration arising and contingent liabilities undertaken in business combinations, the Group recognises an obligation related to a contingency as a provision when all of the following conditions are satisfied: (i) the obligation is a present obligation of the Group; (ii) it is probable that an outflow of economic benefits will be required to settle the obligation; and; (iii) 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 each 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.

Provisions are recognised when the Group has a present obligation related to a contingency such as warranty provisions/onerous contract/outstanding litigations, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the obligation can be measured reliably. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into consideration of the factors pertaining to a contingency such as the risks, uncertainties and time value of money. Where the effect of the time value of money is material, the amount of the provision is determined by discounting the related future cash outflows.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

24. Revenue

(1) Accounting policy for the recognition and measurement of revenue from contracts with customers

The revenue of the Group is mainly generated from business types as follows:

- (i) Revenue from selling of goods;
- (ii) Revenue from rendering of services

The Group shall recognise revenue when the Group satisfies a performance obligation in the Contract, namely, when the customer obtains control over relevant goods or services, which is based on the transaction price allocated to the performance obligation. A performance obligation represents the commitment that a good and service that is distinct shall be transferred by the Group to the customer. Transaction price refers to the consideration that the Group is expected to receive due to the transfer of goods or services to the customer, but it does not include payments received on behalf of third parties and amounts that the Group expects to return to the customer.

Revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following conditions is met: (i) the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs; (ii) the customer is able to control goods in the progress during the Group's performance; (iii) the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date. Otherwise, revenue is recognised at a point of time when the customer obtains control over the relevant goods or services.

For performance obligations performed over time, the Group adopts input method to determine the appropriate progress of performance, that is, the progress of the performance is determined according to the Group's input for fulfilling its performance obligations. Where the progress cannot be determined reasonably, the revenue is recognised based on the amount of cost that is expected to be compensated based on the cost already incurred, until the progress of performance is reasonably determined.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

24. Revenue *(continued)*

(1) Accounting policy for the recognition and measurement of revenue from contracts with customers *(continued)*

If the contract includes two or more performance obligations, at contract inception, the Group allocates the transaction price to single performance obligation according to relative proportion of the stand-alone selling prices of the goods or services promised by single performance obligation. However, where there is conclusive evidence that the contract discount or variable consideration is only related to one or more (not all) performance obligations in the contract, the Group shall allocate the contract discount or variable consideration to relevant one or more performance obligations. The stand-alone selling price is the price at which the Group would sell a promised good or service separately to a customer. If a stand-alone selling price is not directly observable, the Group shall consider all information that is reasonably available to the Group and maximise the use of observable inputs and apply estimation methods consistently in similar circumstances.

If the contract includes consideration payable to a customer (for example, supplier nomination fee, etc.), the Group shall account for consideration payable to a customer as a reduction of the transaction price unless the payment to the customer is in exchange for a distinct good or service, and recognised the reduction of revenue when (or as) the later of either of the following events occurs: 1) the Group recognises revenue for the transfer of the related goods or services to the customer; and 2) the Group pays or promises to pay the consideration.

For sales with quality assurance terms, if the quality assurance provides a separate service to the customer other than ensuring that the goods or services sold meet the established standards, the quality assurance constitutes a single performance obligation. Otherwise, the Group will account for the quality assurance responsibility in accordance with the Accounting Standards for Business Enterprises No. 13 – Contingencies.

If the contract contains a significant financing component, the Group determines the transaction price based on the amount payable under the assumption that the customer pays that amount payable in cash when “control” of the goods or services is obtained by the customer. The difference between the transaction price and the contract consideration shall be amortised within the contract period using effective interest rate. If the Group expects, at contract inception, that the period between when the Group transfers a promised good or service to a customer and when the customer pays for that good or service will be one year or less, the Group needs not to consider the significant financing component.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

24. Revenue *(continued)*

(1) Accounting policy for the recognition and measurement of revenue from contracts with customers *(continued)*

The Group determines whether it is a principal or an agent at the time of the transaction based on whether it owns the “control” of the goods or services before the transfer of such goods or services to the customer. The Group is a principal if it controls the specified good or service before that good or service is transferred to a customer, and the revenue shall be recognised based on the total consideration received or receivable; otherwise, the Group is an agent, and the revenue shall be recognised based on the amount of commission or handling fee that is expected to be charged, and such amount is determined based on the net amount of the total consideration received or receivable after deducting the prices payable to other related parties or according to the established commission amount or proportion.

For a change in the scope or price of a contract that is approved by the parties to the contract, the Group accounts for the contract modification according to the following situations:

- (i) The addition of promised goods or services are distinct and the price of the contract increases by an amount of consideration reflects stand-alone selling prices of the additional promised goods or services, the Group shall account for a contract modification as a separate contract;
- (ii) If the above criteria are not met, and the remaining goods or services are distinct from the goods or services transferred on the date of the contract modification, the Group accounts for the contract modification as if it were a termination of the existing contract and the creation of a new contract;
- (iii) If the above criteria are not met, and the remaining goods or services are not distinct from the goods or services transferred on the date of the contract modification, the Group accounts for the contract modification as if it were a part of the existing contract. The effect that the contract modification has on the revenue is recognised as an adjustment to revenue in the reporting period.

When the Group collects amounts of sold goods or services in advance from the customer, the Group will firstly recognise the amounts as a liability and then transfer to revenue until satisfying relevant performance obligations.

Contract asset refers to the Group’s right to consideration in exchange for goods or services that the Group has transferred to a customer when that right is conditioned on something other than the passage of time. Accounting policies relating to the impairment of contract asset are specified in Note V, 11. The Group’s unconditional (i.e., depending on the passage of time only) right to receive consideration from the customer is separately presented as receivables.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

24. Revenue *(continued)*

(1) Accounting policy for the recognition and measurement of revenue from contracts with customers *(continued)*

Contract liabilities refer to the Group's obligation to transfer goods or services to a customer for which the Group has received consideration from the customer.

Contract assets and contract liabilities under the same contract are presented at net amount.

Except for the income arising from contracts with customers, income of the Group includes interest income and lease income from daily operating activities. Relevant accounting policies are detailed in Note V, 11 and 28.

25. Contract costs

Contract costs are either the incremental costs of obtaining a contract with a customer or the costs to fulfil a contract with a customer.

Incremental costs of obtaining a contract are those costs that the Group incurs to obtain a contract that it would not have incurred if the contract had not been obtained, e.g. an incremental sales commission. The Group recognises as an asset the incremental costs of obtaining a contract with a customer if it expects to recover those costs. Other costs of obtaining a contract are expensed when incurred.

If the costs to fulfil a contract with a customer are not within the scope of inventories or other accounting standards, the Group recognises an asset from the costs incurred to fulfil a contract only if those costs meet all of the following criteria:

- (i) the costs relate directly to an existing contract or to a specifically identifiable anticipated contract, including direct labour, direct materials, allocations of overheads (or similar costs), costs that are explicitly chargeable to the customer and other costs that are incurred only because the Group entered into the contract;
- (ii) the costs generate or enhance resources of the Group that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and
- (iii) the costs are expected to be recovered.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

25. Contract costs *(continued)*

Assets recognised for the incremental costs of obtaining a contract and assets recognised for the costs to fulfil a contract (the "assets related to contract costs") are amortised on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the assets relate and recognised in profit or loss for the current period.

The Group recognises an impairment loss in profit or loss to the extent that the carrying amount of an asset related to contract costs exceeds:

- (i) remaining amount of consideration that the Group expects to receive in exchange for the goods or services to which the asset relates; less
- (ii) the costs that relate directly to providing those goods or services that have not yet been recognised as expenses.

26. Government grants

Government grants are transfer of monetary assets and non-monetary assets from the government to the Group at no consideration. A government grant is recognised only when the Group can comply with the conditions attaching to the grant and the Group will receive the grant.

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 non-monetary asset, it is measured at fair value. If the fair value cannot be reliably determined, it is measured at a nominal amount. A government grant measured at a nominal amount is recognised immediately in profit or loss for the period.

(1) Judgement basis and accounting treatments for government grants related to assets

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.

A government grant related to an asset is recognised as deferred income and included in profit or loss over the useful life of the related asset. Where the relevant asset is sold, transferred, scrapped or damaged prior to the end of its useful life, the related undistributed deferred income is transferred to the profit or loss of the disposal period.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

26. Government grants *(continued)*

(2) Judgement basis and accounting treatments for government grants related to income

Government grants other than government grants related to assets are government grants related to income.

For a government grant related to income, 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 or losses are recognised; If the grant is a compensation for related expenses or losses already incurred, the grant is recognised immediately in profit or loss for the period. The Group classifies government grants that are difficult to be distinguished as government grants related to income aggregately.

A government grant related to the Group's daily activities is recognised in other income based on the substance of economic activities; a government grant not related to the Group's daily activities is recognised in non-operating income and expenses.

Discount interest on preferential loans obtained by the Group is directly allocated to the Group, with the corresponding interest discounts offsetting related borrowing costs.

27. Deferred tax assets/Deferred tax liabilities

The income tax expenses include current income tax and deferred tax. Except for that (1) goodwill arising from the business combination or (2) the current income tax and deferred income tax related to transactions or events recognised in other comprehensive income or shareholders' equity are included in other comprehensive income or shareholders' equity, other current income tax and deferred income tax expenses or gains are included in profit or loss for the period.

(1) Current income tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered or paid according to the taxation laws and regulations.

(2) Deferred tax assets/deferred tax liabilities

For temporary differences between the carrying amounts of certain assets or liabilities and their tax base, or between the nil carrying amount of those items that are not recognised as assets or liabilities and their tax base that can be determined according to tax laws, deferred tax assets and liabilities are recognised using the balance sheet liability method.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

27. Deferred tax assets/Deferred tax liabilities *(continued)*

(2) Deferred tax assets/deferred tax liabilities *(continued)*

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

- Where taxable temporary differences arise from the initial recognition of goodwill; or the initial recognition of an asset or liability in a transaction that is not a business combination, and at the time of the transaction, it affects neither accounting profit nor taxable profit or loss;
- For taxable temporary differences associated with investments in subsidiaries, joint ventures and associates, where the timing of the reversal of the temporary differences can be controlled by the Group and it is probable that the temporary differences will not reverse 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 carry-forward of deductible tax losses and tax credits can be utilised, except:

- Where the deferred tax asset arises from a transaction that is not a business combination and, at the time of the transaction, neither affects the accounting profit nor taxable profit or loss;
- Deductible temporary differences associated with investments in subsidiaries, joint ventures and associates, a deferred tax asset is only recognised to the extent that it is probable that the temporary differences will reverse 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 income tax assets and liabilities are measured, subject the tax laws, at the applicable rate in the period in which deferred tax assets or liabilities are expected to be realised or settled, and the tax effects arising from the expected reversal of assets or liabilities are reflected at the balance sheet date.

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.

When the Group has a legal right to settle on a net basis and intends either to settle on a net basis or to realise the assets and settle the liabilities simultaneously, current tax assets and current tax liabilities are offset and presented on a net basis.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

27. Deferred tax assets/Deferred tax liabilities *(continued)*

(2) Deferred tax assets/deferred tax liabilities *(continued)*

Deferred tax assets and deferred tax liabilities are offset and presented on a net basis if the Group has a legal right to set off the current tax assets against current tax liabilities on a net basis and the deferred taxes relate to the same taxable entity and the same taxation authority.

28. Leases

(1) Recognition and accounting of leases under new lease standard

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into on the date of initial application, the Group assesses whether a contract is or contains a lease at commencement date. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

(1) *As a lessee*

(a) *Allocation*

For a contract that contains one or more lease component and non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

28. Leases *(continued)*

(1) Recognition and accounting of leases under new lease standard *(continued)*

(1) *As a lessee (continued)*

(b) *Right-of-use assets*

Except for short-term leases and leases of low value assets, the Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). The right-of-use asset is initially measured at cost. This cost includes:

- The initial measurement amount of the lease liabilities;
- Any lease payments made at or before the commencement date, less any lease incentives received;
- Any initial direct costs incurred by the Group; and
- An estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, excluding the costs that are incurred to produce inventories.

After the commencement date of the lease, the carrying amount of right-of-use assets shall be adjusted when lease liability is remeasured.

The Group makes depreciation for the right-of-use assets in accordance with the relevant depreciation regulations under the Accounting Standards for Business Enterprises No. 4 – Fixed Assets. Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term is depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated over the shorter of its estimated useful life and the lease term.

For the method of testing the impairment of the right-of-use asset and the method of determining impairment provision, please refer to Note V,20 for details.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

28. Leases *(continued)*

(1) Recognition and accounting of leases under new lease standard *(continued)*

(1) *As a lessee (continued)*

(c) *Lease liabilities*

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

Lease payment refers to the amount paid by the Group to the lessor relating to the right to use an underlying asset during the lease term, including:

- Fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- Variable lease payments depending on the index or ratio;
- The exercise price of a purchase option reasonably certain to be exercised by the Group;
- Payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate; and
- Amounts expected to be paid under residual value guarantees.

The variable lease payments, depending on the index or ratio, are determined at the initial measurement based on the index or proportion at the beginning of the lease term. The variable lease payments that are not included in the measurement of the lease liability are recognised in profit or loss or related asset costs when incurred.

After the commencement date of the lease term, the Group calculates the interest expense of the lease liabilities for each period of the lease term based on a fixed periodic interest rate, and includes it in profit and loss or related asset costs.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

28. Leases *(continued)*

(1) Recognition and accounting of leases under new lease standard *(continued)*

(1) As a lessee (continued)

(c) Lease liabilities (continued)

After the commencement date of the lease term, the Group re-measures the lease liabilities and adjusts the corresponding right-of-use asset in the following circumstances. If the book value of the right-of-use asset has been reduced to zero, while the lease liabilities still need to be further reduced, the difference shall be included in the profit and loss:

- The Group re-measures the lease liabilities based on the present value of the post-change lease payments and the revised discount rate as a result of changes in the lease term or changes in the purchase option;
- The Group re-measures the lease liabilities based on the present value of the changed lease payments and the original discount rate, based on the amount of the amount payable or the index or proportion used to determine the lease payments. If the change in lease payments comes from changes in floating interest rates, the revised discount rate shall be adopted to calculate the present value.

(d) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to short-term leases of housing and buildings, machinery and equipment, motor vehicles, office equipment and other equipment and leases of low-value assets. Short-term leases are leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. A lease of low value asset refers to a single lease asset, when new, is of low value.

Lease payments on short-term leases and leases of low-value assets are recognised in profit or loss or the cost of underlying assets on a straight-line basis over the lease term.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

28. Leases *(continued)*

(1) Recognition and accounting of leases under new lease standard *(continued)*

(1) *As a lessee (continued)*

(e) *Lease modifications*

The Group accounts for a lease modification as a separate lease if there is a lease modification and both of the following apply:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

If the scope of the lease is narrowed or the lease term is shortened as a result of the lease modification, the Group reduces the carrying amount of the right-of-use assets accordingly, and record the relevant gains or losses of partial or complete termination of the lease into the current profit and loss. In case of remeasurement of lease liabilities due to other lease modifications, the Group adjusts the carrying amount of the right-of-use assets accordingly.

(2) *As a lessor*

(a) *Allocation*

Where the contract includes both the lease and non-lease components, the Group apportions the contract consideration according to the provisions of Note V,24 on the transaction price sharing. The basis of the apportionment is the individual selling price of the leased part and the non-lease part.

(b) *Classification of lease*

A lease that has substantially transferred almost all the risks and rewards related to the ownership of the leased asset is a financial lease. Leases other than finance leases are operating leases.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

28. Leases *(continued)*

(1) Recognition and accounting of leases under new lease standard *(continued)*

(2) *As a lessor (continued)*

(b) *Classification of lease (continued)*

(i) The Group records the operating lease business as a lessor

During each period of the lease term, the Group uses the straight-line method to recognise the lease payments from operating leases as rental income. The initial direct costs incurred by the Group in relation to the operating leases are capitalised at the time of the acquisition, and are recognised in profit or loss.

(ii) The Group records the finance leasing business as a lessor

The net investment in the lease is measured at the aggregate of the unguaranteed residual value and the present value of the lease receivable that are not received at the commencement date, discounted using the interest rate implicit in the lease.

The amount of the lease receivable refers to the amount that the Group should collect from the lessee for the purpose of transferring the leased assets during the lease term, including:

- The fixed payment amount and the substantial fixed payment amount to be paid by the lessee, if there is a lease incentive, the amount related to the lease incentive is deducted;
- Variable lease payments depending on the index or ratio;
- The exercise price of the purchase option, provided that it is reasonably determined that the lessee will exercise the option;
- The lessee exercises the amount to be paid for the termination of the lease option, provided that the lease period reflects the lessee's exercise of the option to terminate the lease;
- The residual value of the guarantee provided by the lessee, the party concerned with the lessee and the independent third party with the financial ability to perform the guarantee obligation.

The Group calculates and recognises interest income for each period of the lease term based on a fixed periodic interest rate.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

28. Leases *(continued)*

(1) Recognition and accounting of leases under new lease standard *(continued)*

(2) *As a lessor (continued)*

(c) *Lease modification*

The Group accounts for a modification to an operating lease as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

If the finance lease changes and meets the following conditions, the Group will account for the change as a separate lease:

- The modification expands the scope of the lease by increasing the right to use one or more leased assets;
- The increased consideration is equal to the individual price of the expanded portion of the lease, as adjusted by the contractual situation.

If the modification of the finance lease is not treated as a separate lease, the Group will deal with the lease modification in the following cases:

- If the lease is classified as an operating lease when the change becomes effective on the lease start date, the Group begins accounting as a new lease from the effective date of the lease change and uses the net lease investment before the effective date of the lease change as the book value of the leased asset;
- If the change is effective on the lease start date and the lease is classified as a finance lease, the Group performs accounting treatment in accordance with the "Accounting Standards for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments" provisions for the modification or re-arrangement of contracts.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

28. Leases *(continued)*

(1) Recognition and accounting of leases under new lease standard *(continued)*

(3) *Sales and leaseback*

(a) *The Group acts as the seller and lessee*

The Group determines whether the asset transfer in the sale and leaseback transaction is a sale in accordance with Note V,24. If the transfer of assets is not a sale, the Group continues to recognise the transferred assets and recognises a financial liability equal to the transfer income, and accounts for the financial liabilities in accordance with Note V,11. Where the transfer of assets belongs to sales, the Group measures the right-of-use assets formed by the sale and leaseback based on the portion of the original asset's book value that is related to the use rights obtained from the leaseback, and only recognises the relevant gains or loss of the rights to transfer to the lessor.

(b) *The Group acts as the buyer and lessor*

If the asset transfer in the sale and leaseback transaction is not a sale, the Group does not recognise the transferred asset, but recognises a financial asset equal to the transfer income and performs accounting treatment on the financial asset in accordance with Note V,11. If the asset transfer belongs to sales, the Group will account for the asset purchase according to other applicable accounting standards and conduct accounting treatment for the asset lease.

29. Other significant accounting policies and accounting estimates

(1) Profit distribution

The proposed dividend distribution after balance sheet date will not be included in liabilities on balance sheet date, and will be disclosed individually in notes.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

29. Other significant accounting policies and accounting estimates *(continued)*

(2) Production safety expenses

Production safety expenses accrued based on the aforesaid regulations shall be recorded in the costs of related products or expenses in profit or loss for the current period, and provided as a fund in the special reserve. When the expenditures are utilised as expenses, they should be recognised in the statement of profit or loss and offset against the special reserve; when the expenditures incurred relate to fixed assets, they shall be recognised in the cost of fixed assets, which will be recognised when it is ready for use. The same amount as the expenditure will be offset against the special reserve and recorded as accumulated depreciation equivalent at the same time.

(3) Debt restructuring

Recording debt restructuring obligation as a creditor

When a debt is settled by assets in a debt restructuring, the assets other than the transferred financial assets are initially recognised and measured at cost, including other costs such as the fair value of abandoned creditor's rights and taxes directly attributable to the asset. The difference between the fair value and the carrying amount of the abandoned creditor's right is included in the current profit or loss.

Where debt restructuring is carried out by modifying other terms, the Group recognises and measures the debt restructuring in accordance with the accounting policies described in Note V, 11.

(4) Related parties

If a party has the power to control, jointly control or exercise significant influence over another party, or vice versa, or where two or more parties are subject to common control or joint control from another party, they are considered to be related parties. Related parties may be individuals or enterprises. Enterprises with which the Company is under common control only from the state and that have no other related party relationships are not regarded as related parties.

In addition to the related parties stated above, the Company determines related parties based on the disclosure requirements of Administrative Procedures on the Information Disclosures of Listed Companies issued by the CSRC.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

30. Significant accounting estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions, which will affect the presented amounts of revenue, cost, assets and liabilities and the disclosure of contingent liabilities on balance sheet date. However, the uncertainty of assumptions and estimates may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities in future periods.

The following is key assumption and uncertainty in accounting estimates at the balance sheet date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities in future periods.

(1) Credit loss allowance for receivables and contract assets

Except for that the Group recognises credit loss for receivables and contract assets that are individually significant or have credit impaired on an individually basis, the Group determines the expected credit loss of receivables and contract assets on a collectively basis using a provision matrix. For receivables and contract assets whose credit loss are determined individually, the Group determines the credit loss by estimating the expected cash flows based on reasonable and evidenced information available on the balance sheet date with forward-looking information taken into consideration. For receivables and contract assets other than the above, the Group, based on the historical collection condition, determines the proportion of corresponding loss provision for each type of receivables and contract assets with similar credit risk characteristics on a portfolio basis. The provision matrix is based on the Group's historical credit loss experience and is based on reasonable and evidence-based forward-looking information that is available without undue cost or effort. As at 31 December 2021, the Group has reassessed the historical actual credit loss rate and considered changes in forward-looking information.

(2) Impairment of goodwill

For goodwill arising from business combination, the Group tests it for impairment at the year end. Impairment test requires an estimate of the recoverable amount of the relevant asset group containing goodwill, that is, the higher of its fair value less costs of disposal and the present value of the future cash flows expected to be derived from the asset. In determining the present value of the future cash flows of the relevant asset group or the fair value of such asset group under equity method, the Group needs to properly determine the expected growth rate of future cash flow prediction of related asset group, the gross profit margin, the investment income proportion of long-term assets, average growth rate and reasonable discount rate, etc. When the market conditions change, the recoverable amount of the relevant asset group may differ from the existing estimates, which will affect the profit and loss for the period. Relevant details of impairment of goodwill are set out in Note VII, 24.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

30. Significant accounting estimates and judgements *(continued)*

(3) Depreciation and amortisation of investment properties, fixed assets and intangible assets

Investment properties, fixed assets and intangible assets with a definite life are depreciated and amortised in their useful lives respectively by the Group after considering residual values. The Group reviews useful life of assets periodically so as to determine the amounts for depreciation and amortisation in each reporting period. The useful life of assets is determined on the basis of previous experiences and estimated technology upgrading. If prior estimates change significantly, make adjustment to depreciation and amortisation expenses.

(4) Supplementary pension benefits and other supplementary benefits plan liabilities

The Group has recognised supplementary pension benefits and other supplementary benefits plan as liabilities. The estimated amounts of such benefits expenses and liabilities are calculated on the basis of various assumption conditions, including discount rate, growth rate of related benefits and others. The difference between actual results and actuarial assumption may affect the accuracy of accounting estimations. The changes in above assumptions will affect amount of liabilities for supplementary pension benefits and other supplementary benefits plan liabilities, even though the management considers the assumptions are reasonable.

(5) Provision for impairment of inventories

The Group determines the write-down for obsolescence and slow movement of inventories. These estimates are made with reference to aged inventory analyses, projections of expected future salability of goods and management experience and judgement. Based on this review, write-down of inventories will be made when the carrying amounts of inventories decline below their estimated net realisable values. Due to changes in market conditions, actual salability of goods may be different from estimation and profit or loss could be affected by differences in this estimation.

(6) Deferred tax assets

Besides the exceptions that have been illustrated in the Note V,27, deferred tax assets are recognised for unused tax losses and deductible temporary differences to the extent that it is probable that taxable profit will be available against which the losses and deductible temporary differences can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

30. Significant accounting estimates and judgements *(continued)*

(7) Long-term assets impairment (excluding goodwill)

The Group determines if there is any indication showing impairment in long-term assets other than goodwill on balance sheet date. If there is any indication that it is unlikely to recover the carrying amount, the Group will make impairment assessment. Where the carrying amount of assets or assets group is higher than recoverable amount, namely the higher of net amount of fair value less disposal expense, and the present value of future estimated cash flow, the Group determines that impairment exists. The management must make estimation on future cash flow of such assets or assets group, and select reasonable discount rate to determine the present value of future cash flow.

(8) Warranties for product quality

Based on the recent experience in product maintenance, the Group will estimate the provisions for after-sales quality maintenance commitment provided to customers for the sale, maintenance and transformation of locomotives, vehicles and spare parts. As the recent maintenance experience may not reflect the maintenance situation of the sold products in the future, the management's judgements are required to estimate the provisions. Any increase or decrease in the provision would affect profit or loss in future years.

31. Changes in significant accounting policies and accounting estimates

(1) Changes in significant accounting policies

In 2021, the Group has adopted the following newly revised accounting standards and implementation guidance and illustrative examples issued by the MOF, mainly include:

- ASBE Bulletin No.14 (Caikuai [2021] No.1) ("Bulletin No. 14")
- Notice of Extending the Applicable Period of 'Accounting Treatment of COVID-19 Related Rent Concessions' (Caikuai [2021] No.9)
- Provisions of Bulletin No.15 on Presentation Regarding Centralised Management of Funds (Caikuai [2021] No.35) ("Bulletin No. 15")

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

31. Changes in significant accounting policies and accounting estimates (continued)

(1) Changes in significant accounting policies (continued)

(a) Bulletin No.14

Bulletin No.14 takes effect on 26 January 2021 ("Implementation Date").

(i) "Public-private partnership" (PPP) arrangements

Bulletin No.14, implementation Q&As and illustrative examples clarify the features and conditions of PPP arrangements, sets out the accounting and disclosure requirements of a private entity in PPP arrangements. Item 5 of ASBE Bulletin No.2 (Caikuai [2008] No.11) on "How to account for entities participating in public infrastructure construction businesses under build-operate-transfer arrangement" is repealed accordingly.

PPP arrangements which are commenced before 31 December 2020 and not completed on the implementation date and new PPP arrangements occurred during 1 January 2021 to the implementation date are subject to retrospective adjustments. Cumulative effects are adjusted to the opening retained earnings and other relevant line items in the financial statements for the year 2021. Comparative information is not restated.

The impact of the above accounting policy change on the line items in the consolidated balance sheets on 1 January 2021 are as follows:

	RMB'000		
	The carrying amounts before adjustments	The Group The amounts of adjustments	The carrying amounts after adjustments
Assets:			
Long-term receivables	13,248,792	(2,237,203)	11,011,589
Other non-current assets	19,059,500	2,237,203	21,296,703

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

31. Changes in significant accounting policies and accounting estimates *(continued)*

(1) Changes in significant accounting policies *(continued)*

(a) *Bulletin No.14 (continued)*

(ii) *Benchmark interest rate reform*

Bulletin No.14 introduces the accounting and disclosure requirements for the modification of financial instruments and lease liabilities resulting from the benchmark interest rate reform. Transactions related to the benchmark interest rate reform that occurred before 31 December 2020 and during 1 January 2021 to the implementation date are subject to retrospective adjustments. Cumulative effects are adjusted to the opening retained earnings or other comprehensive income for the year 2021. Comparative information is not restated.

The adoption of Bulletin No.14 does not have significant effect on the financial position and financial performance of the Group.

(b) *Caikuai [2021] No.9*

The Accounting Treatment of COVID-19 Related Rent Concessions (Caikuai [2020] No.10) provides practical expedient under certain conditions for rent concessions occurring as a direct consequence of the COVID-19 pandemic, and combining the requirements of Caikuai [2021] No.9, such practical expedient is only applicable to any reduction in lease payments due before 30 June 2022. Cumulative effects of adopting [2021] No.9 are adjusted to the opening retained earnings or other comprehensive income for the year 2021. Comparative information is not restated.

The adoption of the above regulations does not have significant effect on the financial position and financial performance of the Group.

(c) *Provisions of Bulletin No.15 on "Presentation Regarding Centralised Management of Funds"*

Provisions of Bulletin No.15 on "Presentation Regarding Centralised Management of Funds" "will take effect since 30 December 2021. Subject to the above Provisions, the Group presents the funds under centralised and unified management through the internal settlement centre, finance company, etc. in accordance with relevant laws and regulations, and has applied the above changes in the financial statement data of the comparable periods retrospectively.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

31. Changes in significant accounting policies and accounting estimates *(continued)*

(1) Changes in significant accounting policies *(continued)*

(c) Provisions of Bulletin No.15 on "presentation regarding centralised management of funds" (continued)

The effects on each of the line items in the consolidated balance sheet and company balance sheet as at 31 December 2021 are analysed as follows:

	Increase/(decrease) in the line items as a result of applying new accounting policies	
	The Group	The Company
Liabilities:		
Short-term loans	(1,811,320)	(1,811,320)
Other payables	1,811,320	1,811,320

The impact of the above accounting policy change on the line items in the consolidated and company balance sheets as at 31 December 2020 and 1 January 2020 are as follows:

	31 December 2020	The Group		1 January 2020
		31 December 2020	31 December 2020	
	The carrying amounts before adjustments	The amounts of adjustments	The carrying amounts after adjustments	The carrying amounts after adjustments
Liabilities:				
Short-term loans	11,782,170	(1,653,493)	10,128,677	9,439,741
Other payables	9,950,181	1,653,493	11,603,674	10,267,072

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

31. Changes in significant accounting policies and accounting estimates *(continued)*

(1) Changes in significant accounting policies *(continued)*

(c) Provisions of Bulletin No.15 on "presentation regarding centralised management of funds" (continued)

	31 December 2020	The Company		1 January 2020
	The carrying amounts before adjustments	31 December 2020	31 December 2020	The carrying amounts after adjustments
Liabilities:				
Short-term loans	3,137,689	(1,653,493)	1,484,196	4,500,623
Other payables	19,833,100	1,653,493	21,486,593	28,012,513

(2) Changes in significant accounting estimates

There were no significant changes in accounting estimates during the period.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

VI. TAXES

1. Major categories of taxes and tax rates

Summary of major categories of taxes and tax rates

Category of tax	Basis of tax computation	Tax rate
VAT	Output VAT is calculated by applying applicable rate to the taxable income, less deductible input VAT of the current year.	6-13%
City maintenance and construction tax	Computed by value added tax payable	5-7%
Enterprise income tax	Computed by taxable income	25%

2. Tax incentive

(1) VAT

According to The Notice of the MoF and the State Administration of Taxation on the Policy of Value Added Tax on Software Products (Cai Shui [2011] No. 100), the part of the actual tax burden of VAT exceeding 3% was levied and refunded upon collection, when CRRC Information Technology, CRRC Zhuzhou Institute, CRRC Zhuzhou Locomotive and its holding subsidiaries sell their self-developed and self-produced software products in 2021.

(2) Enterprise income tax

As approved by relevant Provincial Department of Science and Technology, Provincial Department of Finance, Provincial Office of the State Administration of Taxation, and Provincial Local Taxation Bureau, CRRC Industrial Institute obtained high-tech enterprise certificate on 17 December 2021, and is subject to an enterprise income tax at a reduced rate of 15% from 2021 to 2024. CRRC Nanjing Puzhen obtained high-tech enterprise certificate in 2018, and is subject to an enterprise income tax at a reduced rate of 15% from 2018 to 2020. CRRC Nanjing Puzhen was also listed in the filing notice on the third batch of recognised high-tech enterprises of Jiangsu Province in 2021, and thus is still subject to an enterprise income tax at a reduced rate of 15% in 2021.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

VI. TAXES (continued)

2. Tax incentive (continued)

(2) Enterprise income tax (continued)

As approved by relevant Provincial Department of Science and Technology, Provincial Department of Finance, Provincial Office of the State Administration of Taxation, and Provincial Local Taxation Bureau, CRRC Changchun, CRRC Zhuzhou Institute, CRRC Zhuzhou Locomotive, CRRC Tangshan, CRRC Qishuyan, CRRC Qishuyan Institute, CRRC Yongji Moto, CRRC Zhuzhou Moto and CRRC Datong obtained high-tech enterprise certificate in 2020, and are subject to an enterprise income tax at a reduced rate of 15% from 2020 to 2022.

As approved by Beijing Municipal Science & Technology Commission, Beijing Municipal Bureau of Finance, Beijing Municipal Office of the State Administration of Taxation and Beijing Local Taxation Bureau, CRRC Information Technology, obtained high-tech enterprise certificate in 2019, and is subject to an enterprise income tax at a reduced rate of 15% from 2019 to 2021. The Group expected that the above company could still be subject to the reduced rate of 15% in 2022.

As approved by relevant Municipal Department of Science and Technology, Municipal Department of Finance, Municipal Office of the State Administration of Taxation, and Municipal Local Taxation Bureau, CRRC Dalian obtained high-tech enterprise certificate in 2018, and is subject to an enterprise income tax at a reduced rate of 15% from 2018 to 2020. By the end of 2021, CRRC Dalian was listed in the filing notice on the third batch of recognised high-tech enterprises of Dalian City. Thus this company is still subject to an enterprise income tax at a reduced rate of 15% in 2021.

As approved by relevant Municipal Department of Science and Technology, Municipal Department of Finance, Municipal Office of the State Administration of Taxation, and Municipal Local Taxation Bureau, CRRC Qingdao Sifang, CRRC Sifang Institute and CRRC Dalian Institute obtained high-tech enterprise certificate in 2020, and are subject to an enterprise income tax at a reduced rate of 15% from 2020 to 2022.

According to the Notice on Issues Concerning Relevant Tax Policies in Deepening the Implementation of the Western Development Strategy issued by the MoF, the General Administration of Customs and the State Administration of Taxation (Cai Shui [2011] No. 58), for the period from 1 January 2021 to 31 December 2030, the enterprise income tax imposed upon any enterprise established in western regions and included among the encouraged industries shall be collected at the reduced rate of 15%. As approved by the Sichuan Provincial Office of the State Administration of Taxation, CRRC Ziyang is subject to an enterprise income tax at a reduced rate of 15% since its primary business is included among the encouraged industries.

According to the PRC Enterprise Income Tax Law and its implementing regulations, as well as the Notice of the MoF and the State Administration of Taxation on Extending the Period for Carry-over of Losses of High-tech Enterprises and Small and Medium-sized Technological Enterprises (Cai Shui [2018] No.76), the enterprises with the qualification of high-tech enterprises or small and medium-sized technological enterprises (hereinafter referred to as "qualification") in 2018, are allowed to carry forward the losses occurred from 2013 to 2017 that have not yet been covered to subsequent years, regardless of whether they are the enterprises with the qualification from 2013 to 2017. The maximum carry-over period is 10 years. Enterprises that are qualified from the year after 2018 carry forward losses to offset tax on the same basis. A number of companies under the Group, as high-tech enterprises, will carry forward the deductible losses for 10 years since 2018 according to the provisions.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

VI. TAXES (continued)

2. Tax incentive (continued)

(2) Enterprise income tax (continued)

According to the Notice of MoF and SAT on Further Improvements to the Policy of Weighted Pre-tax Deduction for R&D Expenses (Cai Shui [2021] No. 13) and the Notice of MoF and SAT on Increasing the Proportion of Weighted Pre-tax Deduction for R&D Expenses, since 1 January 2021, for some subsidiaries of the Group, the R&D expenses, which do not form intangible assets and are included in the current P/L, can be deducted in accordance with provisions, with 100% of the actual amount deducted before tax additionally. If intangible assets are formed, 200% of R&D expenses can be deducted before tax during the aforementioned period with the aim of motivating R&D activities.

According to the Inland Revenue (Amendment) (No. 2) Ordinance 2016 of the Government of the Hong Kong Special Administrative Region of the PRC ("the Amendment"), CRRC Hong Kong Capital Management is a qualified enterprise treasury center, therefore, the taxable profit from the business types specified in the Amendment (such as certain types of fund lending business, financial asset investment business, etc.) is subject to a preferential tax rate of 8.25%, and the statutory tax rate of 16.5% is still applicable to enterprise business.

VII. NOTES OF CONSOLIDATED FINANCIAL STATEMENTS

1. Cash and bank balances

Item	RMB'000	
	Closing balance	Opening balance
Cash on hand	1,301	1,950
Bank deposits	47,623,259	32,531,417
Other cash and bank balances	960,555	958,992
Total	48,585,115	33,492,359
Including: Total amount deposited overseas	3,572,831	3,907,479

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

VII. NOTES OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

1. Cash and bank balances (continued)

Other descriptions:

Restricted funds of the Group:

Item	Closing balance	Opening balance
Statutory reserve deposited by CRRC Finance at central bank	1,459,755	1,370,913
Guarantee deposits for acceptances	629,878	620,083
Guarantee deposits for letter of credit	20,725	26,991
Guarantee deposits for letter of guarantee	138,022	194,140
Pledge of bank borrowings for the Group	1,797	1,667
Deposits subject to government regulation or special restrictions and others	228,237	120,080
Total	2,478,414	2,333,874

As at 31 December 2021, the term deposits that have not been pledged or restricted for use for three months or over three months is RMB2,828,707,000 (as at 31 December 2020: RMB1,318,107,000).

2. Held-for-trading financial assets

Item	Closing balance	Opening balance
Investments in equity instruments	2,559,873	1,606,487
Derivatives	3,089	2,428
Others (Note)	8,131,731	4,190,475
Total	10,694,693	5,799,390

RMB'000

Other descriptions:

Note: Others are mainly short-term floating income wealth certificate of deposits purchased by the Group.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

VII. NOTES OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. Bills receivable

(1) Category of bills receivable

Item	RMB'000	
	Closing balance	Opening balance
Bank acceptances	6,066,057	4,503,501
Commercial acceptances	16,993,835	8,308,230
Less: Credit loss allowance	(37,324)	(32,338)
Total	23,022,568	12,779,393

(2) Bills receivable pledged at the end of the year

Item	RMB'000	
	Amount pledged as at 31 December 2021	
Bank acceptances	33,131	
Commercial acceptances	22,277	
Total	55,408	

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

VII. NOTES OF CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

3. Bills receivable *(continued)*

(3) Bills receivable endorsed or discounted but not matured at the balance sheet date

Item	RMB'000
	Amount not derecognised as at 31 December 2021
Bank acceptances	1,374,083
Commercial acceptances	6,317,614
Total	7,691,697

(4) Details of provision for credit loss allowance

Credit loss allowance	RMB'000	
	12-month ECL (Non-credit impaired)	Total
Balance at 31 December 2020	32,338	32,338
Provision	37,324	37,324
Reversal	(32,338)	(32,338)
Balance at 31 December 2021	37,324	37,324

Other descriptions:

As at 31 December 2021, bills receivable due from related parties are set out in Note XII, 5.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

VII. NOTES OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

4. Accounts receivable

(1) Aging analysis of accounts receivable

RMB'000

Ageing	Closing book value	Opening book value
Within 1 year	68,249,459	68,444,167
1-2 years	3,832,126	3,328,013
2-3 years	1,620,749	1,379,345
3-4 years	775,989	1,274,251
4-5 years	1,112,453	442,791
Over 5 years	1,708,234	1,802,039
Sub-total	77,299,010	76,670,606
Less: Credit loss allowance	(4,313,797)	(4,700,980)
Total	72,985,213	71,969,626

The aging of accounts receivable of the Group is classified based on the related invoice dates.

(2) Analysis of accounts receivable by categories based on method of provision for credit loss allowance

RMB'000

Category	Closing balance					Opening balance				
	Book value		Credit loss allowance		Carrying amount	Book value		Credit loss allowance		Carrying amount
	Amount	Proportion (%)	Amount	Proportion (%)		Amount	Proportion (%)	Amount	Proportion (%)	
Provision on individual basis	4,694,177	6.1	(2,995,798)	63.8	1,698,379	7,462,031	9.7	(3,286,937)	44.0	4,175,094
Provision on portfolio basis	72,604,833	93.9	(1,317,999)	1.8	71,286,834	69,208,575	90.3	(1,414,043)	2.0	67,794,532
Total	77,299,010	100.0	(4,313,797)	/	72,985,213	76,670,606	100.0	(4,700,980)	/	71,969,626

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

VII. NOTES OF CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

4. Accounts receivable *(continued)*

(2) Analysis of accounts receivable by categories based on method of provision for credit loss allowance *(continued)*

(1) *Analysis of accounts receivable for which credit loss allowance is provided on an individual basis:*

RMB'000

Item	Book value	Closing balance		Reason for provision
		Credit loss allowance	Proportion (%)	
Accounts receivable 1	213,676	(213,676)	100.0	Note
Accounts receivable 2	197,059	(120,768)	61.3	Note
Accounts receivable 3	177,790	(177,790)	100.0	Note
Accounts receivable 4	150,712	(150,712)	100.0	Note
Accounts receivable 5	120,381	(120,381)	100.0	Note
Others	3,834,559	(2,212,471)	57.7	Note
Total	4,694,177	(2,995,798)	63.8	/

Description of accounts receivable for which credit loss allowance is provided on an individual basis:

Note: The Group considered the reasonable and evidenced information (including forward-looking information) available in relation to the counterparty, assessed the expected credit losses and accrued loss allowance.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

VII. NOTES OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

4. Accounts receivable (continued)

(2) Analysis of accounts receivable by categories based on method of provision for credit loss allowance (continued)

(2) Analysis of accounts receivable for which credit loss allowance is provided on a portfolio basis:

Ageing	Expected credit loss rate (%)	Closing balance		Carrying amount at 31 December 2021
		Book value at 31 December 2021	Credit loss allowance	
Within 1 year	0.1-2.0	66,756,619	(438,091)	66,318,528
1-2 years	1.0-10.0	3,745,294	(191,983)	3,553,311
2-3 years	5.0-25.0	1,084,166	(140,731)	943,435
3-4 years	20.0-30.0	294,386	(76,601)	217,785
4-5 years	35.0-50.0	172,723	(83,667)	89,056
Over 5 years	60.0-70.0	551,645	(386,926)	164,719
Total	/	72,604,833	(1,317,999)	71,286,834

RMB'000

(3) Details of provision for credit loss allowance:

Credit loss allowance	Lifetime ECL (Non-credit impaired)	Lifetime ECL (Credit impaired)	Total
At 1 January 2021	1,531,304	3,169,676	4,700,980
Transfer to Phase 2	199,469	(199,469)	-
Transfer to Phase 3	(187,785)	187,785	-
Provision	181,631	61,270	242,901
Reversal	(402,174)	(109,865)	(512,039)
Write-off	-	(110,916)	(110,916)
Other changes	(4,446)	(2,683)	(7,129)
At 31 December 2021	1,317,999	2,995,798	4,313,797

RMB'000

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

VII. NOTES OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

4. Accounts receivable (continued)

(4) Five largest accounts receivable by debtor at the end of the period:

		RMB'000	
Company name	Written off amount	Book value at 31 December 2021	Proportion to total accounts receivable (%)
Top five accounts receivable	Third party	37,856,675	49.0

(5) Accounts receivable derecognised due to transfer of financial assets:

		RMB'000
Item	Ways to transfer accounts receivable	Amount derecognised by December 2021
CRRC Trust Assets-backed Notes	Securitisation	4,382,053
Accounts receivable factoring	Factoring	9,035,330
Total	/	13,417,383

Other descriptions:

As at 31 December 2021, the Group has accounts receivable with carrying amount equivalent to RMB2,292,436,000 (31 December 2020: RMB9,283,000) as pledge for bank loans.

As at 31 December 2021, amounts due from related parties of the Group are set out in Note XII, 5.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

VII. NOTES OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

5. Receivables at FVTOCI

Item	RMB'000	
	Closing balance	Opening balance
Bills receivable	9,210,441	6,693,055
Accounts receivable	1,341,610	1,471,159
Total	10,552,051	8,164,214

(1) Changes in receivables at FVTOCI and fair value movements during the year:

Item	Closing balance
Cost	10,756,377
Fair value	10,552,051
Fair value changes accumulated included in other comprehensive income	(204,326)

(2) Bills receivable pledged at the end of the year:

Item	Amount pledged as at 31 December 2021
Bank acceptances	140,022
Total	140,022

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

VII. NOTES OF CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

5. Receivables at FVTOCI *(continued)*

(3) Bills receivable endorsed or discounted but not matured at the balance sheet date:

Item	Amount derecognised as at 31 December 2021
Bank acceptances	16,180,590
Commercial acceptances	20,000
Total	16,200,590

(4) Credit loss allowance for receivables at fair value through other comprehensive income:

Credit loss allowance	Phase 1 12-month ECL (Non-credit impaired)	Total
At 1 January 2021	7,162	7,162
Provision	98	98
Reversal	(7,162)	(7,162)
At 31 December 2021	98	98

(5) As at 31 December 2021, amounts due from related parties of the Group are set out in Note XII, 5.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

VII. NOTES OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

6. Prepayments

(1) Prepayments presented by aging

RMB'000

Ageing	Closing balance		Opening balance	
	Amount	Proportion (%)	Amount	Proportion (%)
Within 1 year	5,414,367	79.0	6,547,564	77.2
1-2 years	419,022	6.1	628,342	7.4
2-3 years	323,318	4.7	481,048	5.7
Over 3 years	695,135	10.2	824,988	9.7
Total	6,851,842	100.0	8,481,942	100.0

(2) Details of prepayments with Top five closing balance

RMB'000

Company name	Relationship with the Group	Closing balance	Proportion to total prepayments (%)
Top 5 prepayments	Third party	1,062,899	15.51

- (3) As at 31 December 2021, prepayments made to related parties of the Group are set out in Note XII, 5.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

VII. NOTES OF CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

7. Other receivables

Presentation by categories

Item	RMB'000	
	Closing balance	Opening balance
Interest receivable	560	15,946
Dividends receivable	59,525	117,946
Other receivables	4,300,484	4,577,503
Total	4,360,569	4,711,395

Interest receivable

(1) Interest receivable by category

Item	RMB'000	
	Closing balance	Opening balance
Bonds investment	-	14,875
Others	560	1,071
Total	560	15,946

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

VII. NOTES OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

7. Other receivables (continued)

Dividends receivable

(1) Dividends receivable

	RMB'000	
Item (or investee)	Closing balance	Opening balance
Related party	59,300	117,716
Third party	225	230
Total	59,525	117,946

Other receivables

(1) Analysis by aging

	RMB'000	
Ageing	Closing book value	Opening book value
Within 1 year	3,544,131	4,214,115
1-2 years	441,344	270,363
2-3 years	114,717	228,534
3-4 years	455,219	292,816
4-5 years	329,410	27,740
Over 5 years	402,459	339,736
Sub-total	5,287,280	5,373,304
Less: Credit loss allowance	(986,796)	(795,801)
Total	4,300,484	4,577,503

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

VII. NOTES OF CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

7. Other receivables *(continued)*

Other receivables *(continued)*

(2) Categorised by nature

	RMB'000	
Nature	Closing book value	Opening book value
Advances paid for others	923,198	1,173,561
Deposits and securities	551,286	670,641
Land transfer receivables	41,523	51,523
Others	2,784,477	2,681,778
Total	4,300,484	4,577,503

(3) Details of provision for credit loss allowance

	RMB'000			
Credit loss allowance	Phase 1 12-month ECL (Non-credit impaired)	Phase 2 Lifetime ECL (Non-credit impaired)	Phase 3 Lifetime ECL (Credit impaired)	Total
Balance at 1 January 2021	31,315	-	764,486	795,801
- Transfer to Phase 2	-	-	-	-
- Transfer to Phase 3	(416)	-	416	-
Provision	35,069	-	17,076	52,145
Reversal	(2,378)	-	(59,873)	(62,251)
Write-off	-	-	(23,061)	(23,061)
Other changes	35,542	-	188,620	224,162
Balance at 31 December 2021	99,132	-	887,664	986,796

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

VII. NOTES OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

7. Other receivables (continued)

Other receivables (continued)

(4) Details of other receivables from debtors with Top 5 closing balance

		RMB'000	
Company name	Nature	Closing balance	Proportion to total closing balance of other receivables (%)
Top 5 other receivables	Related party/Third party	1,122,322	21.23

(5) As at 31 December 2021, other receivables due from related parties of the Group are set out in Note XII, 5.

8. Inventories

(1) Category of inventories

		RMB'000				
Item	Book value	Closing balance		Book value	Opening balance	
		Provision for impairment of inventories	Carrying amount		Provision for impairment of inventories	Carrying amounts
Raw materials	16,637,282	(905,613)	15,731,669	16,248,833	(816,253)	15,432,580
Work in progress	30,461,240	(1,053,822)	29,407,418	34,059,680	(1,055,595)	33,004,085
Finished goods	16,609,199	(634,754)	15,974,445	14,841,727	(591,879)	14,249,848
Turnover materials	242,715	(18,049)	224,666	228,520	(14,852)	213,668
Commissioned processing materials	81,840	(17)	81,823	66,068	(126)	65,942
Total	64,032,276	(2,612,255)	61,420,021	65,444,828	(2,478,705)	62,966,123

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

VII. NOTES OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

8. Inventories (continued)

(2) Provision for impairment of inventories

							RMB'000
Item	Opening balance	Increases Provision	Others	Reversal	Decreases Write-off	Others	Closing balance
Raw materials	816,253	179,803	37,211	41,601	85,513	540	905,613
Work in progress	1,055,595	189,951	-	31,823	157,612	2,289	1,053,822
Finished goods	591,879	222,532	-	40,555	130,166	8,936	634,754
Turnover materials	14,852	9,851	-	108	6,513	33	18,049
Commissioned processing materials	126	-	-	109	-	-	17
Total	2,478,705	602,137	37,211	114,196	379,804	11,798	2,612,255

9. Contract assets

(1) Details of contract assets:

			RMB'000
Item	Closing balance	Opening balance	
Sale of goods related (Note 1)	34,995,141	29,743,283	
Project contracting related (Note 2)	5,798,407	4,429,120	
Less: Credit loss allowance on contract assets	(384,051)	(332,135)	
Sub-total	40,409,497	33,840,268	
Less: Contract assets presented under other non-current assets (Note VII, 26)	(20,712,780)	(14,954,887)	
Total	19,696,717	18,885,381	

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

VII. NOTES OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

9. Contract assets (continued)

(1) Details of contract assets: (continued)

Note 1: For the sales of goods provided by the Group, it is agreed in the contract that the Group shall pay separately at different stages according to the proportion. The Group recognises revenue at the time of acceptance and delivery of goods, and the right to receive consideration that does not meet the unconditional right to receive payment is recognised as contract assets and presented under contract assets/other non-current assets according to the liquidity.

Note 2: Revenue from project contracting services provided by the Group shall be recognised based on the performance progress, and the contract consideration shall be collected after the customer completes the acceptance check and work settlement. The difference between the revenue recognised based on the performance progress and such consideration shall be recognised as contract assets and presented under contract assets/other non-current assets according to the liquidity.

Warranty provisions from project contracting services provided by the Group and customer settlement, the Group has the unconditional right to collect consideration from customers after the expiration of the warranty period without material quality problems. Therefore, the contract assets formed from this part of the warranty provisions should be recognised as receivable after the end of the quality guarantee period without material quality problems.

As at 31 December 2021, carrying amount of the Group's contract assets in RMB30,302,000 (31 December 2020: Nil) as collateral for the Group to obtain bank loans.

As at 31 December 2021, details of current account balances with related parties included in the balance of contract assets are set out in Note XII.5.

(2) Credit loss allowance on contract assets for the year:

	Lifetime ECL (Non-credit impaired)	Lifetime ECL (Credit impaired)	Total
Credit loss allowance			RMB'000
Balance at 1 January 2021	330,785	1,350	332,135
Provision	66,242	16,134	82,376
Reversal	(27,343)	(43)	(27,386)
Other changes	(964)	(2,110)	(3,074)
Balance at 31 December 2021	368,720	15,331	384,051

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

VII. NOTES OF CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

10. Non-current assets due within one year

Item	RMB'000	
	Closing balance	Opening balance
Long-term receivables due within one year (Note VII, 14)	4,448,059	5,574,780
Loans and advances due within one year (Note VII, 12)	11,246,851	10,820,712
Debt investments due within one year (Note VII, 13)	126,301	721,949
Other non-current assets due within one year (Note VII, 26)	-	7,344
Total	15,821,211	17,124,785

11. Other current assets

Item	RMB'000	
	Closing balance	Opening balance
Withholding VAT	4,870,917	4,734,884
Bonds investment	762,000	567,758
Others	133,438	40,098
Total	5,766,355	5,342,740

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

VII. NOTES OF CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

12. Loans and advances to customers

Item	Closing balance	Opening balance
Loans and advances made by CRRC Finance	11,387,184	10,965,024
Less: Credit loss allowance	(140,333)	(144,312)
Sub-total	11,246,851	10,820,712
Including: Loans and advances due within one year (Note VII, 10)	11,246,851	10,820,712
Loans and advances due after one year	-	-

Credit loss allowance	Phase 1 12-month ECL (Non-credit impaired)	Phase 2 Lifetime ECL (Non-credit impaired)	Phase 3 Lifetime ECL (Credit impaired)	Total
Balance at 1 January 2021	122,349	21,963	-	144,312
Provision	55,807	84,526	-	140,333
Reversal	(122,349)	(21,963)	-	(144,312)
Balance at 31 December 2021	55,807	84,526	-	140,333

As at 31 December 2021, the details of loans and advances (inclusive of the portion due within one year) to related parties are set out in Note XII, 5.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

VII. NOTES OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

13. Debt investments

(1) Details of debt investments

Item	Closing balance			Opening balance		
	Book value	Credit loss allowance	Carrying amount	Book value	Credit loss allowance	Carrying amount
Five-year USD Notes of China Merchants Group	-	-	-	195,746	-	195,746
Five year Medium Term Notes of Minsheng Financial Leasing Co., Ltd.	-	-	-	193,637	-	193,637
Three-year Bonds of Tongfang Co., Ltd.	-	-	-	195,435	-	195,435
Seven-year Medium Term Notes of China Aircraft Leasing Group Holdings Limited	172,874	-	172,874	177,597	-	177,597
Related to "Built-transfer"-Nanjing Qilin Modern Tram Construction Co., Ltd.	82,248	-	82,248	82,248	-	82,248
Five-year Medium Term Notes of China Aircraft Leasing Group Holdings Limited	126,301	-	126,301	130,025	-	130,025
Five-year Bonds of Qingdao City Construction Investment (Group) Co., Ltd.	127,514	-	127,514	130,688	-	130,688
Minsheng Bank Interbank Certificates of Deposit	692,787	-	692,787	-	-	-
CITIC Bank Interbank Certificates of Deposit	791,010	-	791,010	-	-	-
Others	136,051	-	136,051	786,183	(600)	785,583
Sub-total	2,128,785	-	2,128,785	1,891,559	(600)	1,890,959
Less: Debt investment included in non-current assets due within one year (Note VII, 10)	(126,301)	-	(126,301)	(721,949)	-	(721,949)
Total	2,002,484	-	2,002,484	1,169,610	(600)	1,169,010

RMB'000

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

VII. NOTES OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

13. Debt investments (continued)

(2) Provision for credit loss allowance

Credit loss allowance	Phase 3 Lifetime ECL (Credit impaired)	Total
At 1 January 2021	600	600
Reversal	(600)	(600)
At 31 December 2021	-	-

14. Long-term receivables

(1) Details of long-term receivables:

Item	RMB'000						
	Closing balance			Opening balance			Discount rate internal
	Book value	Credit loss allowance	Carrying amount	Book value	Credit loss allowance	Carrying amount	
Financing lease	14,052,414	(2,411,897)	11,640,517	15,323,376	(2,721,918)	12,601,458	4.35%-12.72%
Sales by instalments and others	3,314,647	(579,753)	2,734,894	3,114,890	(622,308)	2,492,582	1%-4.9%
Construction payment and Built- transfer receivables	1,085,814	(238,210)	847,604	3,985,400	(255,868)	3,729,532	1.2%-4.35%
Total	18,452,875	(3,229,860)	15,223,015	22,423,666	(3,600,094)	18,823,572	/
Less: Long-term receivables due within one year (Note VII, 10)	-	-	(4,448,059)	-	-	(5,574,780)	/
Long-term receivables due after one year	-	-	10,774,956	-	-	13,248,792	/

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

VII. NOTES OF CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

14. Long-term receivables *(continued)*

(2) Provision for credit loss allowance:

			RMB'000
Credit loss allowance	Phase 2 Lifetime ECL (Non-credit impaired)	Phase 3 Lifetime ECL (Credit impaired)	Total
At 1 January 2021	535,099	3,064,995	3,600,094
Provision	188,770	257,374	446,144
Reversal	(4,697)	(114,484)	(119,181)
Write-off	(23,398)	(695,827)	(719,225)
Other changes	-	22,028	22,028
At 31 December 2021	695,774	2,534,086	3,229,860

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

VII. NOTES OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

14. Long-term receivables (continued)

(3) Financing lease receivable

Item	Closing balance	Opening balance
The minimum amount of the lease receivable:		
1st year after the balance sheet date	6,562,428	8,635,845
2nd year after the balance sheet date	3,511,254	3,529,382
3rd year after the balance sheet date	2,055,557	2,705,892
4th year after the balance sheet date	1,758,240	1,381,131
5th year after the balance sheet date	721,879	649,459
Years afterwards	1,764,911	943,175
Total of the minimum amount of the lease receivable	16,374,269	17,844,884
Less: Unrealised financing income	(2,321,855)	(2,521,508)
Credit loss allowance	(2,411,897)	(2,721,918)
Financing lease receivable	11,640,517	12,601,458
Including: Financing lease receivable due within one year	3,840,963	5,014,176
Financing lease receivable due after one year	7,799,554	7,587,282

As at 31 December 2021, the Group has long-term receivables with carrying amount equivalent to RMB2,348,132,000 (31 December 2020: RMB1,068,174,000) as pledge for the Group to obtain bank loans.

As at 31 December 2021, long-term receivables (inclusive of the portion due within one year) due from related parties of the Group are set out in Note XII, 5.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

VII. NOTES OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

15. Long-term equity investments

RMB'000

Investee	Opening balance	Increasing investment	Decreasing investment	Changes during the year				Provision for impairment	Others	Closing balance
				Investment gains or losses under equity method	Adjustment of other comprehensive income	Other equity changes (Note 1)	Announcement of cash dividends or profits			
I. Joint ventures										
Wuhu Yunda Rail Transit Construction And Operation Co., Ltd. ("Wuhu Yunda")	506,530	992,420	-	(8,701)	-	-	-	-	-	1,490,249
Dalian Toshiba Locomotive Electric Equipment Co., Ltd.	362,386	-	-	58,812	-	-	(6,713)	-	-	414,485
Changchun Bombardier Railway Vehicles Company Ltd.	300,700	-	-	12,431	-	-	-	-	-	313,131
Zhuzhou Times Mitsubishi Transportation Equipment Co., Ltd.	186,164	-	-	4,826	-	-	(20,000)	-	-	170,990
Zhuzhou CRRC Times High-tech Investment & Trusting Co., Ltd.	217,893	50,000	-	10,500	-	-	(5,000)	-	-	273,393
Qingdao Sifang Faiveley Railway Brake Co., Ltd.	119,188	-	-	24,573	-	-	(45,000)	-	-	98,761
Others	1,100,550	289,021	(6,963)	(52,726)	(3,730)	-	(16,394)	(392)	-	1,309,366
Sub-total	2,793,411	1,331,441	(6,963)	49,715	(3,730)	-	(93,107)	(392)	-	4,070,375
II. Associates										
China United Insurance Holding Company ("China United Insurance")	5,250,627	-	-	55,944	15,240	451	(10,000)	-	-	5,312,262
CRRC Hunan Times Electric Vehicle Co., Ltd.	1,476,771	-	-	(348,717)	-	-	-	-	-	1,128,054
Jinan-Qingdao High-speed Railway Co., Ltd.	1,208,474	-	(2,165)	(25,721)	-	-	-	-	-	1,180,588
Beijing Time New Park Property Management Co., Ltd.	456,903	-	-	(7,375)	-	-	-	-	-	449,528
CRRC Ziyang Electric Technology Co., Ltd.	353,392	-	-	(86,008)	-	-	-	(267,384)	-	-
CRRC Foshan Investment Development Co., Ltd.	317,500	-	-	31,441	-	-	(95,403)	-	-	253,538
Tianjin Electric Locomotive Co., Ltd. ("Tianjin Electric Locomotive")	322,795	-	-	1,323	-	308	-	-	-	324,426
CRRC Tianjin Jinpu Industrial Park Management Co., Ltd.	326,409	-	-	330,347	-	-	-	-	-	656,756
Shanghai Alstom Communications Electric Co. Ltd.	193,419	-	-	63,373	-	-	(32,905)	-	-	223,887
Huaneng Tieling Daxing Wind Power Co., Ltd.	166,541	-	-	23,366	(10,982)	-	(20,592)	-	-	158,333
Others	3,253,261	295,823	(39,560)	15,642	5,251	33,311	(116,052)	-	(1,591)	3,446,085
Sub-total	13,326,092	295,823	(41,725)	53,615	9,509	34,070	(274,952)	(267,384)	(1,591)	13,133,457
Total	16,119,503	1,627,264	(48,688)	103,330	5,779	34,070	(368,059)	(267,776)	(1,591)	17,203,832

Note 1: The main reason for other equity changes is that the share of investment in the investee owned by the Group is increased by the non-proportional capital increase by other investors of the investee.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

VII. NOTES OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

16. Investments in other equity instruments

(1) Details of investment in other equity instruments:

Item	RMB'000	
	Closing balance	Opening balance
Listed equity instrument investments	1,143,978	1,131,167
Unlisted equity instruments investment	1,853,360	1,531,683
Total	2,997,338	2,662,850

(2) Details of non-tradable equity instrument investments

Item	RMB'000					
	Dividend income recognized in this period	Accumulative gains	Accumulative losses	Amount of other comprehensive income transferred to retained earnings	Reason for being designated at FVTOCI	Reason of other comprehensive income transferred to retained earnings
Listed equity instrument investments	1,049	54,070	659,854	-	Note	/
Unlisted equity instrument investments	60,498	152,668	41,796	12,717	Note	/
Total	61,547	206,738	701,650	12,717	/	/

Other descriptions:

Note: The unlisted equity instrument investments of the Group are investments planned to be held for the long term for the strategic purpose of the Group. Therefore, the above investments are designated as financial assets at FVTOCI by the Group.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

VII. NOTES OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

17. Other non-current financial assets

Item	RMB'000	
	Closing balance	Opening balance
Financial assets investments: such as preference shares	370,460	578,293
Total	370,460	578,293

18. INVESTMENT PROPERTIES

Item	RMB'000		
	Buildings	Land use rights	Total
I. COST			
1. Opening balance	1,288,071	110,425	1,398,496
2. Increases	155,843	15,356	171,199
(1) Transfer from fixed assets (Note VII, 19)	85,389	-	85,389
(2) Transfer from construction in progress (Note VII, 20)	3,781	-	3,781
(3) Transfer from intangible assets (Note VII, 22)	-	15,356	15,356
(4) Additions	66,673	-	66,673
3. Decreases	362,684	-	362,684
(1) Transfer to fixed assets (Note VII, 19)	123,588	-	123,588
(2) Sales and retirement	56	-	56
(3) Other decreases	239,040	-	239,040
4. Closing balance	1,081,230	125,781	1,207,011
II. Accumulated depreciation and amortisation			
1. Opening balance	298,527	22,509	321,036
2. Increases	73,305	6,595	79,900
(1) Provision or amortisation	47,799	2,407	50,206
(2) Transfer from fixed assets (Note VII, 19)	25,506	-	25,506
(3) Transfer from intangible assets (Note VII, 22)	-	4,188	4,188
3. Decreases	41,260	-	41,260
(1) Transfer to fixed assets (Note VII, 19)	24,997	-	24,997
(2) Sales and retirement	22	-	22
(3) Other decreases	16,241	-	16,241
4. Closing balance	330,572	29,104	359,676
III. Provision for impairment			
1. Opening balance	12,061	-	12,061
2. Decreases	32	-	32
(1) Sales and retirement	32	-	32
3. Closing balance	12,029	-	12,029
IV. Carrying amount			
1. Carrying amount at the end of the period	738,629	96,677	835,306
2. Carrying amount at the beginning of the period	977,483	87,916	1,065,399

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

VII. NOTES OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

19. Fixed assets

Presented by item

Item	RMB'000	
	Closing balance	Opening balance
Fixed assets	58,895,250	57,946,565
Disposal of fixed assets	24,701	23,986
Total	58,919,951	57,970,551

Fixed assets

(1) Details of fixed assets:

Item	RMB'000					
	Land assets	Buildings	Machinery & equipment	Motor vehicles	Office & other equipment	Total
I. COST						
1. Opening balance	280,525	49,326,261	49,158,264	2,749,612	6,399,330	107,913,992
2. Increases	-	2,312,067	4,950,143	122,475	617,284	8,001,969
(1) Additions	-	74,941	1,002,221	20,628	307,161	1,404,951
(2) Transfer from construction in progress (Note VII, 20)	-	2,113,538	3,947,476	101,212	309,972	6,472,198
(3) Additions due to business combinations involving entities not under common control	-	-	446	635	151	1,232
(4) Transfer from investment properties (Note VII, 18)	-	123,588	-	-	-	123,588
3. Decreases	15,886	667,428	1,456,340	140,462	223,293	2,503,409
(1) Disposal or retirement	-	224,630	1,172,304	133,785	178,463	1,709,182
(2) Disposal of subsidiaries	-	27,609	27,330	3,035	3,162	61,136
(3) Transfer to construction in progress (Note VII, 20)	-	83,418	74,079	2,138	158	159,793
(4) Transfer to investment properties (Note VII, 18)	-	85,389	-	-	-	85,389
(5) Translation differences arising from translation of foreign currency financial statements	15,886	160,756	182,627	1,504	41,510	402,283
(6) Other decreases	-	85,626	-	-	-	85,626
4. Closing balance	264,639	50,970,900	52,652,067	2,731,625	6,793,321	113,412,552
II. Accumulated depreciation						
1. Opening balance	-	14,008,144	29,019,843	1,929,907	4,311,822	49,269,716
2. Increases	-	1,778,214	3,671,633	118,207	612,269	6,180,323
(1) Provision	-	1,753,217	3,671,633	118,207	612,269	6,155,326
(2) Transfer from investment properties (Note VII, 18)	-	24,997	-	-	-	24,997

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

VII. NOTES OF CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

19. Fixed assets *(continued)*

Fixed assets *(continued)*

(1) Details of fixed assets: *(continued)*

Item	Land assets	Buildings	Machinery & equipment	Motor vehicles	Office & other equipment	Total
3. Decreases	-	216,077	1,075,044	69,861	184,111	1,545,093
(1) Disposal or retirement	-	132,756	856,579	60,348	154,390	1,204,073
(2) Disposal of subsidiaries	-	5,351	16,068	2,777	2,112	26,308
(3) Transfer to construction in progress (Note VII, 20)	-	13,513	60,423	5,292	146	79,374
(4) Transfer to investment properties (Note VII, 18)	-	25,506	-	-	-	25,506
(5) Translation differences arising from translation of foreign currency financial statements	-	38,951	141,974	1,444	27,463	209,832
4. Closing balance	-	15,570,281	31,616,432	1,978,253	4,739,980	53,904,946
III. Provision for impairment						
1. Opening balance	-	65,728	570,402	44,567	17,014	697,711
2. Increases	-	-	27,505	-	-	27,505
(1) Provision	-	-	27,505	-	-	27,505
3. Decreases	-	334	111,272	36	1,218	112,860
(1) Disposal or retirement	-	334	107,553	36	138	108,061
(2) Translation differences arising from translation of foreign currency financial statements	-	-	3,719	-	1,080	4,799
4. Closing balance	-	65,394	486,635	44,531	15,796	612,356
IV. Carrying amount						
1. Carrying amount at the end of the period	264,639	35,335,225	20,549,000	708,841	2,037,545	58,895,250
2. Carrying amount at the beginning of the period	280,525	35,252,389	19,568,019	775,138	2,070,494	57,946,565

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

VII. NOTES OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

19. Fixed assets (continued)

Fixed assets (continued)

(2) Details of rent-out fixed assets under operating leases:

Item	RMB'000	
	Carrying amount at the end of the period	
Machinery and equipment	263,802	
Motor vehicles	109,055	
Office and other equipment	248	
Total	373,105	

(3) Details of fixed assets of which property right certificates had not been obtained yet:

Item	RMB'000	
	Carrying amount	Reasons for having not to obtain the property right certificates
Buildings	5,109,111	In process

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

VII. NOTES OF CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

19. Fixed assets *(continued)*

Disposal of fixed assets

Item	RMB'000	
	Closing balance	Opening balance
Buildings	8,644	8,521
Machinery and equipment	12,885	10,998
Transportation vehicles	480	562
Office equipment and other equipment	2,692	3,905
Total	24,701	23,986

Other descriptions:

As at 31 December 2021, the Group has buildings and machinery and equipment with carrying amount equivalent to RMB207,447,000 (31 December 2020: RMB151,556,000) as collateral for the Group to obtain bank loans. Except for the fixed assets used as collateral, there was no other restriction on the ownership of fixed assets as at 31 December 2021.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

VII. NOTES OF CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

20. Construction in progress

Presented by item

Item	RMB'000	
	Closing balance	Opening balance
Construction in progress	6,248,409	8,623,281
Materials for construction of fixed assets	61,958	51,882
Total	6,310,367	8,675,163

Construction in progress

(1) *Details of construction in progress:*

Item	Closing balance			Opening balance		
	Book value	Provision for impairment	Carrying amounts	Book value	Provision for impairment	Carrying amounts
Construction in progress	6,265,502	(17,093)	6,248,409	8,631,837	(8,556)	8,623,281
Total	6,265,502	(17,093)	6,248,409	8,631,837	(8,556)	8,623,281

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

VII. NOTES OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

20. Construction in progress (continued)

Construction in progress (continued)

(2) Changes in significant construction in progress for the period:

RMB'000

Item	Budget	Opening balance	Increases	Transfers to fixed assets during the period	Transfer to intangible assets	Transfer to investment properties	Transfer from fixed assets	Others	Closing balance	Percentage of actual cost to budget (%)	Project progress (%)	Accumulated capitalised interest	Interest capitalised in the current period	Capitalisation rate of interests (%)	Sources of funding
Construction of new plant in Shajingyi Lushun project	1,700,000	1,045,372	261,594	(1,395)	-	-	-	-	1,305,571	85.00	85.00	103,965	40,023	5.40	Borrowings
Automobile component supporting construction project	5,671,380	1,486,826	349,106	(829,569)	(94,745)	-	-	-	911,618	72.35	72.35	20,000	535	3.92	Borrowings
R&D and manufacturing technology transformation project of key parts of AC transmission locomotive with heavy axle load	3,337,700	1,280,595	468,338	(1,207,035)	(4,698)	-	-	-	537,200	87.76	87.76	-	-	-	Self-raised
Overall relocation construction project of Changchun CRRC Railway Vehicles Co., Ltd.	850,000	245,942	107,723	-	-	-	-	-	353,665	78.00	78.00	31,419	4,513	5.25	Borrowings
Project on high-voltage IGBT chip production line transformation and medium and low-voltage module production line expansion	748,407	-	277,734	(744)	-	-	-	-	276,990	37.11	37.11	-	-	-	Self-raised
Yangjiang Project	505,000	256,858	16,431	(149,257)	-	-	-	-	124,032	72.00	72.00	-	-	-	Self-raised
Chencang Base project	149,900	-	124,087	-	-	-	-	-	124,087	82.78	82.78	-	-	-	Self-raised
Construction of 400m high-speed magnetic levitation commissioning line civil works	600,000	-	72,831	-	-	-	-	-	72,831	12.00	12.00	-	-	-	Self-raised
CRH high power electric locomotive maintenance project (phase II)	50,000	44,885	6,892	-	-	-	-	-	51,777	80.00	80.00	-	-	-	Self-raised
Others	170,000	37,496	15,830	(4,349)	-	-	-	-	48,977	31.37	31.37	-	-	-	Self-raised
Total	20,134,726	4,233,863	3,647,030	(4,279,849)	(335,546)	(3,781)	80,419	(883,382)	2,458,754	/	/	105,102	25,248	/	Loan, self-raised
Total	33,917,113	8,631,837	5,347,596	(6,472,198)	(434,989)	(3,781)	80,419	(883,382)	6,265,502	/	/	260,486	70,319	/	/

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

VII. NOTES OF CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

20. Construction in progress *(continued)*

Materials for construction of fixed assets

(1) Details of materials for construction of fixed assets

RMB'000

Item	Closing balance			Opening balance		
	Book value	Provision for impairment	Carrying amount	Book value	Provision for impairment	Carrying amount
Specialised materials	4	-	4	275	-	275
Specialised equipment	61,458	-	61,458	51,000	-	51,000
Others	496	-	496	607	-	607
Total	61,958	-	61,958	51,882	-	51,882

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

VII. NOTES OF CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

21. Right-of-use assets

	RMB'000				
Item	Plant & buildings	Machinery & equipment	Motor vehicles	Office & other equipment	Total
I. COST					
1. Opening balance	1,661,945	366,571	66,303	22,944	2,117,763
2. Increases	569,493	40,065	9,746	5,606	624,910
(1) Newly rented	569,493	40,065	9,746	5,606	624,910
3. Decreases	158,203	227,763	8,669	9,000	403,635
(1) Expiry of lease contract	89,375	204,868	6,722	6,056	307,021
(2) Translation differences arising from translation of foreign currency financial statements	68,828	22,895	1,947	2,944	96,614
4. Closing balance	2,073,235	178,873	67,380	19,550	2,339,038
II. Accumulated depreciation					
1. Opening balance	492,275	123,859	34,523	17,690	668,347
2. Increases	394,213	90,778	10,971	7,365	503,327
(1) Provision	394,213	90,778	10,971	7,365	503,327
3. Decreases	126,569	184,947	7,813	7,041	326,370
(1) Expiry of lease contract	85,808	168,786	5,551	6,056	266,201
(2) Translation differences arising from translation of foreign currency financial statements	40,761	16,161	2,262	985	60,169
4. Closing balance	759,919	29,690	37,681	18,014	845,304
III. Carrying amount					
1. Carrying amount at the end of the period	1,313,316	149,183	29,699	1,536	1,493,734
2. Carrying amount at the beginning of the period	1,169,670	242,712	31,780	5,254	1,449,416

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

VII. NOTES OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

22. Intangible assets

(1) Details of intangible assets

Item						RMB'000
	Land use rights	Proprietary technology, technical know-how & franchise rights	Software licences	Customer relationship	Backlog orders & service contracts	Total
I. COST						
1. Opening balance	16,924,271	4,403,649	3,171,398	355,592	54,371	24,909,281
2. Increases	354,158	931,003	520,582	-	-	1,805,743
(1) Transfer from construction in progress (Note VII, 20)	143,444	4,093	287,452	-	-	434,989
(2) Additions	192,061	804,352	232,287	-	-	1,228,700
(3) Transfer from acquisition of subsidiaries	18,653	3,685	48	-	-	22,386
(4) Transfer from development expenditure (Note VII, 23)	-	118,873	795	-	-	119,668
3. Decreases	165,209	283,849	36,860	13,833	-	499,751
(1) Transfer to investment properties (Note VII, 18)	15,356	-	-	-	-	15,356
(2) Disposal	141,111	233,862	25,627	-	-	400,600
(3) Translation differences arising from translation of foreign currency financial statements	8,742	49,987	11,233	13,833	-	83,795
4. Closing balance	17,113,220	5,050,803	3,655,120	341,759	54,371	26,215,273
II. Accumulated amortisation						
1. Opening balance	3,430,718	2,680,991	2,183,126	220,996	54,371	8,570,202
2. Increases	372,907	294,627	340,263	11,399	-	1,019,196
(1) Provision	372,907	294,627	340,263	11,399	-	1,019,196
3. Decreases	61,851	153,518	22,009	10,607	-	247,985
(1) Disposal	56,175	139,264	18,119	-	-	213,558
(2) Transfer to investment properties (Note VII, 18)	4,188	-	-	-	-	4,188
(3) Translation differences arising from translation of foreign currency financial statements	1,488	14,254	3,890	10,607	-	30,239
4. Closing balance	3,741,774	2,822,100	2,501,380	221,788	54,371	9,341,413
III. Provision for impairment						
1. Opening balance	-	197,883	1,731	115,085	-	314,699

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

VII. NOTES OF CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

22. Intangible assets *(continued)*

(1) Details of intangible assets (continued)

Item	Land use rights	Proprietary technology, technical know-how & franchise rights	Software licences	Customer relationship	Backlog orders & service contracts	Total
2. Increases	-	-	625	-	-	625
(1) Provision	-	-	625	-	-	625
3. Decreases	-	131,970	500	-	-	132,470
(1) Write-off	-	131,970	500	-	-	132,470
4. Closing balance	-	65,913	1,856	115,085	-	182,854
IV. Carrying amount						
1. Carrying amount at the end of the period	13,371,446	2,162,790	1,151,884	4,886	-	16,691,006
2. Carrying amount at the beginning of the period	13,493,553	1,524,775	986,541	19,511	-	16,024,380

(2) Details of land use rights of which property right certificates had not been obtained

Item	Carrying amount	Reasons for having not obtained the property right certificates
Project land	260,391	In progress

Other descriptions:

As at 31 December 2021, carrying amount of the Group's intangible assets is RMB721,497,000 (31 December 2020: Nil) as collateral for the Group to obtain bank loans.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

VII. NOTES OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

23. Development expenditures

RMB'000

Item	Balance at the beginning of the period	Increases		Decreases		Closing balance
		Internal development	Others	Recognised as intangible assets (Note VII, 22)	Transfer to profit or loss	
Development expenditures	444,024	13,276,501	5,868	119,668	13,085,219	521,506

24. Goodwill

(1) Book value of goodwill

RMB'000

Name of investee	Opening balance	Increases	Decreases	Changes in foreign exchange rates	Closing balance
CRRC Zhuzhou Locomotive and its subsidiaries	56,934	-	-	-	56,934
CRRC Tangshan and its subsidiaries	36,379	-	-	-	36,379
CRRC Zhuzhou Institute and its subsidiaries	1,356,481	-	-	(86,918)	1,269,563
Other	21,519	-	-	-	21,519
Total	1,471,313	-	-	(86,918)	1,384,395

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

VII. NOTES OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

24. Goodwill (continued)

(2) Provision for impairment losses of goodwill

Name of investee or events from which goodwill arose	Opening balance	Increases	Changes in foreign exchange rates	RMB'000
				Closing balance
CRRC Zhuzhou Locomotive and its subsidiaries	20,156	-	-	20,156
CRRC Ziyang and its subsidiaries	1,814	-	-	1,814
CRRC Zhuzhou Institute and its subsidiaries	1,120,594	49,879	(80,854)	1,089,619
Total	1,142,564	49,879	(80,854)	1,111,589

As at 31 December 2021, the Group assessed the recoverable amount of the asset group giving rise to SMD goodwill, and identified that SMD goodwill suffered from impairment, the provision amounted to RMB49,879,000 for the current period (provision for impairment for 2020: RMB154,724,000). The major factor for the goodwill suffered from impairment was due to the impact of COVID-19 which led to the decline in the world economic environment and that affected the overall development of SMD's future business. The asset group does not have other assets which are needed for provision for impairment.

The recoverable amount of SMD's goodwill is determined based on the present value of expected future cash flows of the asset group. The management prepares the cash flow forecast for the next five years (budget period) based on the latest financial budget. The pre-tax discount rate used to calculate the recoverable amount is 13.5% (31 December 2020: 13.5%), and the revenue growth rate of the calculation period is 2.0% (31 December 2020: 2.0%).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

VII. NOTES OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

25. Deferred tax assets/deferred tax liabilities

(1) Deferred tax assets before offsetting:

RMB'000

Item	Closing balance		Opening balance	
	Deductible temporary differences	Deferred tax assets	Deductible temporary differences	Deferred tax assets
Expected warranty provisions	7,869,385	1,214,246	7,946,743	1,226,182
Provision for impairment of assets	2,058,622	399,322	2,220,015	411,080
Provision for credit losses	2,997,486	521,442	2,651,945	450,428
Unrealised profit from internal transactions	1,624,039	276,087	1,920,845	326,544
Estimated losses	719,509	110,642	811,256	121,963
Government grants	2,313,343	357,203	2,124,264	328,007
Accrued expenses	1,162,951	210,018	1,519,463	274,401
Unpaid employee salaries	189,880	30,401	251,047	40,194
Deductible tax losses	2,586,343	387,951	1,746,460	260,340
Changes in fair value of investments in other equity instruments	605,514	109,053	604,443	108,860
Changes in fair value of receivables at FVTOCI	178,369	31,270	113,304	19,863
Others	1,264,589	277,325	1,040,006	216,182
Total	23,570,030	3,924,960	22,949,791	3,784,044

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

VII. NOTES OF CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

25. Deferred tax assets/deferred tax liabilities *(continued)*

(2) Deferred tax liabilities before offsetting:

RMB'000

Item	Closing balance		Opening balance	
	Taxable temporary differences	Deferred tax liabilities	Taxable temporary differences	Deferred tax liabilities
Adjustment on fair value of acquisition of subsidiaries	395,045	75,058	389,772	74,056
Depreciation difference due to inconsistency of depreciation period between tax law and accounting	820,522	139,489	779,352	132,490
Changes in fair value of investments in other equity instruments	413,614	72,383	299,238	52,367
Gains on changes in fair value during the holding period of the financial assets at fair value through profit or loss	324,210	81,053	102,636	25,659
Others	521,643	88,679	180,718	30,722
Total	2,475,034	456,662	1,751,716	315,294

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

VII. NOTES OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

25. Deferred tax assets/deferred tax liabilities (continued)

(3) Deferred tax assets/liabilities after offsetting:

Item	RMB'000			
	Amount of offsetting of deferred tax assets and liabilities at the end of the period	Balances of deferred tax assets or liabilities after offsetting at the end of the period	Amount of offsetting of deferred tax assets and liabilities at the beginning of the period	Balances of deferred tax assets or liabilities after offsetting at the beginning of the period
Deferred tax assets	193,156	3,731,804	152,063	3,631,981
Deferred tax liabilities	193,156	263,506	152,063	163,231

(4) Details of unrecognised deferred tax assets:

Item	RMB'000	
	Closing balance	Opening balance
Deductible temporary differences	12,260,793	12,280,955
Deductible tax losses	15,943,474	15,704,460
Total	28,204,267	27,985,415

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

VII. NOTES OF CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

25. Deferred tax assets/deferred tax liabilities *(continued)*

- (5) Deductible tax losses, for which no deferred tax assets were recognised, will expire in the following years:

Year	RMB'000	
	Closing balance	Opening balance
2021	-	1,105,983
2022	813,746	839,092
2023	3,588,163	3,638,770
2024	2,229,329	2,325,563
2025	1,924,267	1,991,045
2026	2,071,555	1,273,432
2027	1,297,733	1,360,831
2028	970,668	1,154,905
2029	1,136,623	1,136,623
2030	869,533	878,216
2031	1,041,857	-
Total	15,943,474	15,704,460

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

VII. NOTES OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

26. Other non-current assets

	RMB'000	
Item	Closing balance	Opening balance
Contract assets (Note VII, 9)	20,712,780	14,954,887
Prepayment of intangible assets	696,622	862,548
Prepayments of engineering equipment	506,476	879,877
Restricted funds (Note)	-	2,070,791
Large deposit certificate	1,540,081	-
Others	1,161,326	298,741
Sub-total	24,617,285	19,066,844
Less: Other non-current assets due within one year	-	7,344
Total	24,617,285	19,059,500

As at 31 December 2021, prepayments made to related parties of the Group in the balance of other non-current assets are set out in Note XII, 5.

Note: From 2017 to 2020, the South African National Reserve Bank and the South African National Revenue Service have frozen a portion of the Group's funds deposited in South Africa on the grounds of possible breaches of South African exchange control regulations and South African tax regulations by the Group's South African subsidiaries. As at 31 December 2020, these frozen funds totalled ZAR4.65 billion, equivalent to approximately RMB2.1 billion, and are shown under other non-current assets. On 18 July 2021, as resolved at the 30th meeting of the 2nd session of the Board of Directors of the Company, CRRC Zhuzhou Locomotive, a subsidiary of the Company, entered into the "Agreement between CRRC Zhuzhou Industrial Management Co., Ltd. and CRRC Zhuzhou Locomotive Co., Ltd. in relation to the custody of 100% equity interest in CRRC ZELC SA PTY LTD.", with Zhuzhou Electric Locomotives Industrial Management Co., Ltd. (hereinafter referred to as "CRRC Zhuzhou Locomotive"), a holding subsidiary of CRRC Group, and signed the "Counter Guarantee Agreement" with CRRC Group. Upon completion of this custody, the above-mentioned CRRC ZELC SA PTY LTD. will no longer be included in the scope of the Company's consolidated financial statements, as detailed in Note XIII, 2. As a result, the Group no longer holds the above-mentioned restricted funds as at 31 December 2021.

As at 31 December 2021, carrying amount of the Group's other non-current assets is RMB352,657,000 as collateral for the Group to obtain bank loans.

27. Short-term borrowings

(1) Category of short-term borrowings:

	RMB'000	
Item	Closing balance	Opening balance
Pledged loans	2,797,613	600,333
Credit loans	13,018,034	9,528,344
Total	15,815,647	10,128,677

Description of short-term borrowings classification:

As at 31 December 2021, the annual interest rate of short-term borrowings ranged from 0.12%-9.57% (31 December 2020: 0.16%-9.00%).

As at 31 December 2021, short-term borrowings from related party of the Group are set out in Note XII, 5.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

VII. NOTES OF CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

28. Bills payable

(1) Details of bills payable:

Item	RMB'000	
	Closing balance	Opening balance
Bank acceptance bills	22,464,626	21,237,395
Commercial acceptance bills	365,566	1,054,597
Total	22,830,192	22,291,992

As at 31 December 2021, details of related party bills payable due to related parties are set out in Note XII, 5.

29. Accounts payable

(1) Details of accounts payable:

Item	RMB'000	
	Closing balance	Opening balance
Related parties	4,368,091	4,423,998
Third parties	117,738,750	102,148,212
Total	122,106,841	106,572,210

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

VII. NOTES OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

29. Accounts payable (continued)

(2) Ageing analysis of accounts payable:

Item	RMB'000	
	Closing balance	Opening balance
Within 1 year	115,070,002	100,193,803
1-2 years	3,549,291	4,043,500
2-3 years	1,635,316	1,051,832
Over 3 years	1,852,232	1,283,075
Total	122,106,841	106,572,210

Other descriptions:

The ageing of accounts payable of the Group is classified based on the invoicing date.

- (3) As at 31 December 2021, details of accounts payable due to related parties are set out in Note XII, 5.

30. Receipts in advance

(1) Details of receipts in advance:

Item	RMB'000	
	Closing balance	Opening balance
Related parties	-	2,000
Third parties	22,911	210,951
Total	22,911	212,951

Other descriptions:

As at 31 December 2021, details of receipts payable due to related parties are set out in Note XII, 5.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

VII. NOTES OF CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

31. Contract liabilities

(1) Details of contract liabilities

Item	RMB'000	
	Closing balance	Opening balance
Sale of goods related (Note 1)	23,496,785	27,566,107
Project contracting services related (Note 2)	1,911,080	296,913
Sub-total	25,407,865	27,863,020
Less: Contract liabilities presented under other non-current liabilities (Note VII, 45)	(9,879)	(21,207)
Total	25,397,986	27,841,813

Note 1: As at 31 December 2021, the acceptance and transfer of certain sales of goods of the Group was later than the customer's payment, generating contract liabilities related to the contract on sales of goods.

Note 2: As at 31 December 2021, the Group's contract liabilities related to the project contracting service contracts represented the excess of the settled amount over revenue recognised based on the progress of construction.

- (2) As at 31 December 2021, details of current account balances with related parties included in the balance of contract liabilities are set out in Note XII, 5.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

VII. NOTES OF CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

32. Deposits from banks and other financial institutions

Item	RMB'000	
	31 December 2021	31 December 2020
Customer deposits of CRRC Finance	4,601,620	4,122,366
Total	4,601,620	4,122,366

As at 31 December 2021, details of related parties deposits are set out in Note XII, 5.

33. Employee benefits payable

(1) Details of employee benefits payable:

Item	RMB'000			
	Opening balance	Increases	Decreases	Closing balance
I. Short-term employee benefits	1,705,262	28,639,982	28,572,459	1,772,785
II. Post-employment benefits-Defined contribution plan	54,712	3,732,204	3,710,400	76,516
III. Labour expenditures	3,371	1,459,282	1,460,354	2,299
IV. Post-employment benefits due within one year-Net liabilities in defined benefit plan (Mainland China)	199,155	163,304	181,937	180,522
V. Post-employment benefits due within one year-Net liabilities in defined benefit plan (other countries and regions)	9,545	17,211	22,442	4,314
Total	1,972,045	34,011,983	33,947,592	2,036,436

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

VII. NOTES OF CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

33. Employee benefits payable *(continued)*

(2) Presentation of short-term benefits

	RMB'000			
Item	Opening balance	Increases	Decreases	Closing balance
I. Salaries, bonuses, allowances and subsidies	499,832	21,435,293	21,557,065	378,060
II. Welfare benefits	390,657	1,485,163	1,482,441	393,379
III. Social insurances	100,491	1,870,274	1,851,597	119,168
Including: Medical insurance	94,518	1,695,187	1,675,017	114,688
Work-related injury insurance	5,885	132,756	133,874	4,767
Maternity insurance	88	42,331	42,706	(287)
IV. Housing funds	36,832	2,065,332	2,064,411	37,753
V. Employee union funds and staff education funds	291,344	705,121	656,562	339,903
VI. Others	386,106	1,078,799	960,383	504,522
Total	1,705,262	28,639,982	28,572,459	1,772,785

(3) Details of defined contribution plan

	RMB'000			
Item	Opening balance	Increases	Decreases	Closing balance
1. Basic pension insurance	26,458	2,743,459	2,726,047	43,870
2. Unemployment insurance	1,687	109,801	109,696	1,792
3. Enterprise annuity	26,567	878,944	874,657	30,854
Total	54,712	3,732,204	3,710,400	76,516

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

VII. NOTES OF CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

33. Employee benefits payable *(continued)*

(3) Details of defined contribution plan *(continued)*

Other descriptions:

Employees of the Group are required to participate in defined contribution schemes which are administered and operated by the local municipal government. The Group contributes funds which are calculated on certain percentage as agreed by the local municipal government to the scheme. The Group's contributions to the defined contribution plan, including the social pension insurance schemes and the annuity plan, are recognised as expenses when incurred. As of 31 December 2021 and 31 December 2020, there are no forfeited contributions that may be used by the Company and its subsidiaries to reduce the existing level of contribution (as of 31 December 2020 and 31 December 2019: nil).

34. Tax payable

Item	RMB'000	
	Closing balance	Opening balance
VAT	1,211,250	1,099,177
Enterprise income tax	565,746	716,497
Individual income tax	278,492	243,931
City maintenance and construction tax	79,111	72,302
Education surcharges	54,007	52,944
Property tax	52,241	37,695
Land use tax	25,681	23,136
Others	92,178	72,387
Total	2,358,706	2,318,069

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

VII. NOTES OF CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

35. Other payables

Presented by item

Item	RMB'000	
	Closing balance	Opening balance
Interest payable	11,276	3,751
Dividends payable	518,336	393,754
Other payables	11,610,282	11,206,169
Total	12,139,894	11,603,674

Interest payable

(1) Presented by category

Item	RMB'000	
	Closing balance	Opening balance
Loan interests	11,276	3,751
Total	11,276	3,751

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

VII. NOTES OF CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

35. Other payables *(continued)*

Dividends payable

(1) Presented by category

	RMB'000	
Item	Closing balance	Opening balance
Related parties	73,870	18,750
Third parties	444,466	375,004
Total	518,336	393,754

Other payables

(1) Details of other payables by nature are as follows:

	RMB'000	
Item	Closing balance	Opening balance
Borrowings from CRRC Group	1,811,320	1,653,493
Collections on behalf other parties	3,299,908	2,649,103
Payments for equipment and projects	1,478,358	1,490,807
Deposits and securities, housing fund, and public facilities maintenance funds	1,405,306	1,499,091
Technology royalties and research expenditures	555,335	561,147
Utilities, repair, and transportation expenses	390,166	407,871
Others	2,669,889	2,944,657
Total	11,610,282	11,206,169

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

VII. NOTES OF CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

35. Other payables *(continued)*

Other payables *(continued)*

(2) Significant other payables aged over one year

Other descriptions:

As at 31 December 2021, details of other payables due to related parties are set out in Note XII, 5.

36. Non-current liabilities due within one year

Item	RMB'000	
	Closing balance	Opening balance
Long-term loans due within one year (Note VII, 38)	1,763,490	1,643,270
Debentures payable due within one year (Note VII, 39)	70,662	3,013,438
Long-term payables due within one year (Note VII, 41)	1,265	3,036
Lease liabilities due within 1 year (Note VII, 40)	395,188	344,668
Provisions due within one year (Note VII, 43)	2,381,071	2,564,727
Other non-current liabilities due within one year (Note VII, 45)	1,162	-
Total	4,612,838	7,569,139

Other descriptions:

As at 31 December 2021, details of current account balances with related parties included in the balance of non-current liabilities due within one year are set out in Note XII, 5.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

VII. NOTES OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

37. Other current liabilities

Details of other current liabilities:

Item	Closing balance	Opening balance
Output VAT tax to be transferred and received VAT in advance	2,636,060	2,859,975
Total	2,636,060	2,859,975

RMB'000

The movements of short-term debentures payable:

Name of bonds	Par value	Issuing date	Maturity period	Issuance amount	Opening balance	Issuance during the period	Accrued interests at par value	Amortisation of premium or discounts	Current period	Closing balance
CRRC's Phase I Super short-term financing bills in 2021	2,000,000	27 January 2021	29	2,000,000	-	2,000,000	3,798	-	(2,003,798)	-
CRRC's Phase II Super short-term financing bills in 2021	2,000,000	27 January 2021	33	2,000,000	-	2,000,000	4,322	-	(2,004,322)	-
CRRC's Phase III Super short-term financing bills in 2021	2,000,000	24 February 2021	33	2,000,000	-	2,000,000	4,032	-	(2,004,032)	-
CRRC's Phase IV Super short-term financing bills in 2021	3,000,000	4 March 2021	35	3,000,000	-	3,000,000	6,674	-	(3,006,674)	-
CRRC's Phase V Super short-term financing bills in 2021	2,000,000	16 March 2021	35	2,000,000	-	2,000,000	4,641	-	(2,004,641)	-
CRRC's Phase VI Super short-term financing bills in 2021	3,000,000	25 March 2021	99	3,000,000	-	3,000,000	19,966	-	(3,019,966)	-
CRRC's Phase VII Super short-term financing bills in 2021	2,000,000	26 March 2021	30	2,000,000	-	2,000,000	3,896	-	(2,003,896)	-
CRRC's Phase VIII Super short-term financing bills in 2021	3,000,000	21 April 2021	90	3,000,000	-	3,000,000	13,592	-	(3,013,592)	-
CRRC's Phase IX Super short-term financing bills in 2021	2,000,000	22 April 2021	32	2,000,000	-	2,000,000	3,856	-	(2,003,856)	-
CRRC's Phase X Super short-term financing bills in 2021	2,000,000	27 May 2021	33	2,000,000	-	2,000,000	3,616	-	(2,003,616)	-
CRRC's Phase XI Super short-term financing bills in 2021	3,000,000	27 May 2021	90	3,000,000	-	3,000,000	6,050	-	(3,006,050)	-
CRRC's Phase XII Super short-term financing bills in 2021	3,000,000	25 June 2021	93	3,000,000	-	3,000,000	587	-	(3,000,587)	-

RMB'000

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

VII. NOTES OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

37. Other current liabilities (continued)

Name of bonds	Par value	Issuing date	Maturity period	Issuance amount	Opening balance	Issuance during the period	Accrued interests at par value	Amortisation of premium or discounts	Current period	Closing balance
CRRC's Phase XIII Super short-term financing bills in 2021	1,000,000	28 June 2021	63	1,000,000	-	1,000,000	126	-	(1,000,126)	-
CRRC's Phase XIV Super short-term financing bills in 2021	3,000,000	2 July 2021	96	3,000,000	-	3,000,000	18,069	-	(3,018,069)	-
CRRC's Phase XV Super short-term financing bills in 2021	3,000,000	14 July 2021	34	3,000,000	-	3,000,000	5,729	-	(3,005,729)	-
CRRC's Phase XVI Super short-term financing bills in 2021	4,000,000	21 July 2021	63	4,000,000	-	4,000,000	14,499	-	(4,014,499)	-
CRRC's Phase XVII Super short-term financing bills in 2021	3,000,000	14 September 2021	30	3,000,000	-	3,000,000	5,425	-	(3,005,425)	-
CRRC's Phase XVIII Super short-term financing bills in 2021	1,000,000	27 September 2021	59	1,000,000	-	1,000,000	4,073	-	(1,004,073)	-
CRRC's Phase XIX Super short-term financing bills in 2021	2,000,000	28 September 2021	58	2,000,000	-	2,000,000	8,009	-	(2,008,009)	-
CRRC's Phase XX Super short-term financing bills in 2021	3,000,000	15 October 2021	60	3,000,000	-	3,000,000	11,244	-	(3,011,244)	-
CRRC's Phase XXI Super short-term financing bills in 2021	3,000,000	9 November 2021	44	3,000,000	-	3,000,000	7,341	-	(3,007,341)	-
CRRC's Phase XXII Super short-term financing bills in 2021	3,000,000	22 November 2021	30	3,000,000	-	3,000,000	5,104	-	(3,005,104)	-
Zhuzhou Times New Material Technology Co., Ltd.'s Phase I Super short-term financing bills in 2021	200,000	7 September 2021	90	200,000	-	200,000	1,430	-	(201,430)	-
Total	/	/	/	55,200,000	-	55,200,000	156,079	-	(55,356,079)	-

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

VII. NOTES OF CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

38. Long-term borrowings

(1) Long-term loans by category

Item	RMB'000	
	Closing balance	Opening balance
Credit loans	6,913,459	4,207,570
Pledged loans	2,123,086	1,511,889
Mortgage loans	181,221	126,413
Guaranteed loans	-	-
Total	9,217,766	5,845,872
Less: Long-term loans due within one year (Note VII, 36)	(1,763,490)	(1,643,270)
Including: Credit loans	(970,822)	(1,281,132)
Pledged loans	(768,140)	(347,438)
Mortgage loans	(24,528)	(14,700)
Guaranteed loans	-	-
Long-term loans due after one year	7,454,276	4,202,602
Including: Credit loans	5,942,637	2,926,438
Pledged loans	1,354,946	1,164,451
Mortgage loans	156,693	111,713
Guaranteed loans	-	-

Other descriptions including range of interest rates:

Analysis of long-term borrowings due after one year is as follows:

Subsequent to the balance sheet date	Closing balance	Opening balance
1-2 years	4,862,785	2,112,063
2-5 years	342,111	590,018
Over 5 years	2,249,380	1,500,521
Total	7,454,276	4,202,602

As at 31 December 2021, the annual interest rate of long-term borrowings ranged from 0.20%-6.27% (31 December 2020: 0.16%-9.00%).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

VII. NOTES OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

39. Debentures payable

(1) Debentures payable

Item	RMB'000	
	Closing balance	Opening balance
2016 Convertible bonds	-	2,344,463
Corporate bonds	2,570,662	3,168,975
Total	2,570,662	5,513,438
Less: Bonds payable due within one year (Note VII, 36)	(70,662)	(3,013,438)
Bonds payable due after one year	2,500,000	2,500,000

(2) Movements of debentures payable:

Name of bonds	Par value	Issuing date	Bond duration	Issuing amount	Opening balance	Issuance during the period	Accrued interests at par value	Amortisation of premium or discounts	Exchange gains and losses	Repayment during the period	Closing balance
											RMB'000
CSR 2013 Corporate Bonds (Phase I) (Ten-year Term)	1,500,000	2013-04-22	10 years	1,500,000	1,549,895	-	73,541	-	-	75,000	1,548,436
CRRC 2016 Phase I Corporate Bonds	2,000,000	2016-08-29	5 years	2,000,000	596,854	-	12,916	-	-	609,770	-
2016 Convertible bonds	3,918,840	2016-02-05	5 years	3,918,840	2,344,463	-	-	4,464	(19,403)	2,329,524	-
CRRC 2020 Phase I Corporate Bonds	1,000,000	2020-04-01	3 years	1,000,000	1,022,226	-	29,500	-	-	29,500	1,022,226
Total	/	/	/	8,418,840	5,513,438	/	115,957	4,464	(19,403)	3,043,794	2,570,662
Less: Bonds payable due within one year (Note VII, 36)	/	/	/	/	(3,013,438)	/	/	/	/	/	(70,662)
Bonds payable due after one year	/	/	/	/	2,500,000	/	/	/	/	/	2,500,000

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

VII. NOTES OF CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

39. Debentures payable *(continued)*

(3) Description of conditions and timing of conversion for convertible bonds

As at 5 February 2016, the Company issued convertible bonds ("2016 Convertible Bonds") amounting to USD600,000,000 in total, the maturity of which is 5 February 2021. Each convertible bond has a face value of USD250,000, issued at 100% of the face value with a coupon rate of nil. Main terms of 2016 Convertible Bonds are as follows:

(i) *Right of conversion*

Holders of 2016 Convertible Bonds have the right to convert convertible bonds under their names into shares at any time during the conversion period at applicable price of conversion. The conversion period for 2016.

Convertible bonds is from 17 March 2016 to 26 January 2021. Bond holders may be requested to repurchase by the Company i) during the conversion period, or ii) prior to the maturity of the bonds, and exercise any right of conversion attached with the bonds at any time until 10 days before the relevant designated redemption date. If holders of the bonds have exercised their rights during the restricted conversion period (the first and the last days inclusive) based on conditions to require the Company to redeem such bonds, they cannot exercise rights of conversion over the bonds.

The initial price of conversion for 2016 Convertible Bonds is HKD9.65 per share. The price of conversion will be adjusted based on the following items: share consolidation, split and reclassification, capitalisation of profit or reserve, profit distribution, share allotment or share option, placing of other securities, issuing of any ordinary shares at prices lower than the prevailing market prices, other issuance at prices lower than the prevailing market prices, modification to rights of conversion, other issuance to shareholders of ordinary shares etc. The number of conversions is determined based on the principal amount of bonds divided by the price of conversion. The fixed exchange rate of USD against HKD is 7.7902. The Company held the general meeting of shareholders on 18 June 2020, which approved the following: 2019 profit distribution scheme; a cash dividend of RMB0.15 (tax inclusive) per share declared to all shareholders; since 1 July 2020, the price of conversion adjusted to HKD8.77 per share from the adjusted price of HKD9.00 per share.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

VII. NOTES OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

39. Debentures payable (continued)

(3) Description of conditions and timing of conversion for convertible bonds (continued)

(ii) Issuer's rights of redemption

Redemption upon maturity

The convertible bonds issued by the Company with zero coupon due 2021 and convertible into H shares of the Company expired on 5 February 2021 and none of the principal amount of the convertible bonds was convertible into H shares of the Company. Pursuant to the terms and conditions of the convertible bonds, the Company redeemed all outstanding convertible bonds in the aggregate principal amount of USD360,000,000 on 5 February 2021.

Upon completion of such redemption, the Company has no outstanding convertible bonds and the Company's convertible bonds have been cancelled and delisted from the HKEX.

40. Lease liabilities

Item	RMB'000	
	Closing balance	Opening balance
Lease liabilities	1,620,695	1,636,981
Less: Lease liabilities included in non-current liabilities due within one year (Note VII, 36)	(395,188)	(344,668)
Lease liabilities due over one year	1,225,507	1,292,313

Other descriptions:

As at 31 December 2021, the lease liability (including the one-year maturity) due to the related parties are set out in Note XII, 5.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

VII. NOTES OF CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

40. Lease liabilities *(continued)*

Analysis of lease liabilities due after one year is as follows:

	RMB'000
	Closing balance
Subsequent to the balance sheet date:	
1-2 years	343,186
2-5 years	566,368
Over 5 years	725,470
Total undiscounted payments	1,635,024
Less: Unrecognised finance charges	(409,517)
Lease liabilities due over one year	1,225,507

41. Long-term payables

Presented by item

	RMB'000	
Item	Closing balance	Opening balance
Long-term payables	24,725	65,448
Special payables	1,265	2,346
Total	25,990	67,794
Less: Presented under non-current liabilities due within one year (Note VII, 36)	(1,265)	(3,036)
Long-term payables due over one year	24,725	64,758

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

VII. NOTES OF CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

41. Long-term payables *(continued)*

Long-term payables

(1) *Details of long-term payables by nature are as follows:*

	RMB'000	
Item	Closing balance	Opening balance
Purchase of fixed assets by instalment	24,725	65,448
Less: long-term payables due within one year	-	(930)
Portion due over one year	24,725	64,518

Special payables

(1) *Details of special payables by nature are as follows:*

	RMB'000			
Item	Opening balance	Increases	Decreases	Closing balance
Research & development of the overall solution and prototype system of embedded system of the rail transit equipment	847	-	233	614
Others	1,499	-	848	651
Total	2,346	-	1,081	1,265
Less: Special payables due within one year	(2,106)	/	/	(1,265)
Special payables due over one year	240	/	/	-

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

VII. NOTES OF CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

42. Long-term employee benefits payable

(1) Table of long-term employee benefits payable

Item	RMB'000	
	Closing balance	Opening balance
I. Post-employment benefits-liabilities in defined benefit plan (Mainland China) (Note 1)	1,443,043	1,647,654
II. Post-employment benefits-liabilities in defined benefit plan (Other countries and regions) (Note 2)	1,146,169	1,303,866
III. Others	639,316	528,709
Total	3,228,528	3,480,229

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

VII. NOTES OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

42. Long-term employee benefits payable (continued)

(2) Changes in defined benefit plan (Mainland China)

Present value of the defined benefit plan obligation:

Item (Note 1)	RMB'000	
	Current period	Prior period
I. Opening balance	1,846,809	2,094,384
II. Defined benefit cost recognised in profit or loss	(36,286)	30,102
1. Net interests	57,722	59,072
2. Cost of service in the current year	(5,976)	-
3. Cost of service in prior years	(9,316)	(28,270)
4. Settlement gains	(78,716)	(700)
III. Defined benefit cost recognised in other comprehensive income	6,567	(72,846)
1. Actuarial losses/(gains)	6,567	(72,846)
IV. Other changes	(193,525)	(204,831)
1. Paid benefits	(193,525)	(204,831)
V. Closing balance	1,623,565	1,846,809
Less: Post-employment benefits due within one year-liabilities in defined benefit plan (Note VII, 33)	(180,522)	(199,155)
VI. Post-employment benefits due after one year-liabilities in defined benefit plan	1,443,043	1,647,654

Note 1: For the Company and other domestic subsidiaries, in addition to the basic pension insurance provided by the local government departments, the Group also provides supplementary pension insurance plans and other comprehensive retirement benefit plans for employees retired before 1 July 2007. These plans include monthly living subsidies for employees after their retirement. The Group no longer provides (pays) any supplementary retirement benefits (including supplementary benefits such as retirement salaries, subsidies, medical care) for employees retired since 1 July 2007.

The Group engaged an independent actuary, Towers Watson (Shenzhen) Consulting Co., Ltd., to estimate the present value of its above retirement benefit plan obligations using the actuarial method based on the expected cumulative welfare unit method. Towers Watson (Shenzhen) Consulting Co., Ltd. is an actuarial institution with professional certification qualifications and a member of the American Academy of Actuaries. The undersigned actuary, Haichuan Wu, is member of the Society of Actuaries and China Association of Actuaries. The plan estimates future cash outflows based on inflation rate and mortality rate assumptions and determines its present value at a discount rate. The discount rate is determined based on the market yield of the national debt that matches the term and currency of the obligations of defined benefit plan on the balance sheet date.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

VII. NOTES OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

42. Long-term employee benefits payable (continued)

(2) Changes in defined benefit plan (Mainland China) (continued)

The defined benefit plan exposes the Group to actuarial risks, including interest rate risk, longevity risk and inflation risk. A decrease in the rate of return of national debt will result in an increase in the present value of the defined benefit plan obligations. The present value of the defined benefit plan obligations is calculated based on the optimal estimate of the mortality rate of the participating employees, and an increase in the life expectancy of the plan members will result in an increase in the liabilities in the plan. In addition, the present value of the defined benefit plan obligation is related to the planned future payment standard, and the payment standard is determined based on the inflation rate. Therefore, the increase in the inflation rate will also result in an increase in the liabilities in the plan.

As at 31 December 2021, the average period of defined benefit plan obligations is 5-8 years. Significant actuarial assumptions (discount rate and average growth rate of medical cost) used in determining present value of defined benefit plan obligations are as follows:

Item	31 December 2021 (%)	31 December 2020 (%)
Discount rate	2.75	3.25
Average growth rate of medical cost	7.00/12.00/8.00	7.00/12.00/8.00

The following sensitivity analysis is based on the reasonably possible changes in the corresponding assumptions at the end of the year (all other assumptions remain unchanged):

Item	(Decrease)/ Increase in liabilities recognised in defined benefit plan	Increase/ (Decrease) in liabilities recognised in defined benefit plan
Discount rate (increases)/decreases by 1%	(110,790)	128,850
Average growth rate of medical cost increases/(decreases) by 1%	21,200	(18,580)

The above sensitivity analysis is an inference based on the impact of key assumptions on the net defined benefit plan when there is a reasonable change on the balance sheet date. Because some of the assumptions may be relevant and one assumption cannot be changed in isolation, the above sensitivity analysis may not necessarily reflect the actual changes in the present value of the defined benefit plan obligations.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

VII. NOTES OF CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

42. Long-term employee benefits payable *(continued)*

(3) Changes in defined benefit plan (Other countries and regions):

Present value of the defined benefit plan obligation:

Item	RMB'000	
	Current period	Prior period
I. Opening balance	1,398,316	1,279,142
II. Defined benefit cost recognised in profit or loss	34,774	20,662
1. Net interests	15,144	16,109
2. Cost of service in the current year	19,414	1,713
3. Cost of service in prior years	216	2,840
III. Defined benefit cost recognised in other comprehensive income	(177,004)	71,847
1. Actuarial (gains)/losses	(42,973)	35,307
2. Translation differences arising from translation of foreign currency financial statements	(134,031)	36,540
IV. Other changes	(22,442)	26,665
1. Paid benefits	(22,442)	(16,632)
2. Net increase in defined benefit plan liabilities from business combinations involving enterprises not under common control	-	43,297
V. Closing balance	1,233,644	1,398,316
Less: Post-employment benefits due within one year-liabilities in defined benefit plan (other countries and regions) (Note VII, 33)	(4,314)	(9,545)
VI. Post-employment benefits due after one year-liabilities in defined benefit plan (other countries and regions)	1,229,330	1,388,771

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

VII. NOTES OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

42. Long-term employee benefits payable (continued)

(3) Changes in defined benefit plan (Other countries and regions): (continued)

Plan assets

Item	Current period	Prior period
I. Opening balance	84,905	81,671
II. Additions during the year	6,776	-
III. Translation differences arising from translation of foreign currency financial statements	(8,520)	3,234
IV. Closing balance	83,161	84,905

Net liabilities of defined benefit plans:

Item (Note 2)	Current period	Prior period
Present value of the defined benefit plan obligations	1,229,330	1,388,771
Less: plan assets	(83,161)	(84,905)
Net liabilities in defined benefit plan	1,146,169	1,303,866

Note 2: Post-employment benefits-net liabilities in defined benefit plan (other countries or regions) are based on the liabilities recognised in the pension plan provided by the Group's subsidiary, German Rubber and Plastics Business ("Germany BOGE") and Blue Engineering Co., Ltd. and its subsidiaries ("Blue Group"), and Vossloh Locomotives GmbH and its subsidiaries ("Vossloh AG") to their employees.

The principal pension plan of Germany BOGE provides a defined benefit plan for all eligible employees in Germany. For Germany BOGE, the actuarial valuation of the present value of the defined benefit plan obligations for the most recent period (i.e. the period ended 31 December 2021) was estimated and determined by the third-party evaluation agency, Mercer Deutschland GmbH, based on the expected cumulative benefit unit method. Mercer Deutschland GmbH is an actuarial institution with professional certification qualifications in Germany and a member of the German Association of Actuaries. As at 31 December 2021, the defined benefit plan is in the net liability position of RMB1.092 billion (31 December 2020: net liability of RMB1.239 billion). According to the Pension Plan 2005 ("Rentenordnung 2005") and the Pension Plan 2004 ("Versorgungszusage 2004"), Germany BOGE provides a traditional German pension plan group, including normal and early retirement benefits and benefits for long-term disabled people and survivors of deceased employees.

Germany BOGE paid 10,580,000 Euros and 938,568 Euros to the third party escrow account in 2019 and 2021, respectively, for the plan asset, which is a restricted asset and its fair value at period-end is approximate to its book value. As at 31 December 2021, fair value of the plan asset of Germany BOGE was RMB 83,160,605 (31 December 2020: RMB 84,904,500).

As at 31 December 2021, obligations under these defined benefit plans of Germany BOGE are 7.08% (31 December 2020: 6.41%) covered by the plan assets.

No material surplus or deficiency was noted for the abovementioned plan assets.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

VII. NOTES OF CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

42. Long-term employee benefits payable *(continued)*

(3) Changes in defined benefit plan (Other countries and regions): *(continued)*

The Blue Group's post-employment benefit plan is a defined benefit plan for all eligible employees in Italy under the Italian Civil Code 2120 (2120 del codice civile italiano). For Blue Group, the actuarial valuation of the present value of the defined benefit plan obligations for the most recent period (i.e. the period ended 31 December 2021) was estimated and determined by the third-party evaluation agency, MANAGERS & PARTNERS-ACTUARIAL SERVICE S.P.A, based on the expected cumulative benefit unit method. MANAGERS & PARTNERS-ACTUARIAL SERVICE S.P.A is an actuarial institution with professional certification qualifications in Italy and a member of the Italian Society of Actuaries.

The principal pension plan of Vossloh Group provides a defined benefit plan for all eligible employees in German, including normal and early retirement benefits and benefits for survivors of deceased employees. For Vossloh Group, the actuarial valuation of the present value of the defined benefit plan obligations for the most recent period (i.e. the period ended 31 December 2021) was estimated and determined by the third-party evaluation agency, Deutsche Pensions Group GmbH, based on the expected cumulative benefit unit method. Deutsche Pensions Group GmbH is an actuarial institution with professional certification qualifications in Germany and a member of the German Association of Actuaries.

As at 31 December 2021, the average period of defined benefit plan obligations is 22 years.

The actuarial valuation of the present value of the defined benefit plan obligations is determined using the expected cumulative benefit unit method. In addition to the assumptions for life expectancy, other significant assumptions are as follows:

Item	31 December 2021 (%)	31 December 2020 (%)
Discount rate	0.98-1.35	0.34-1.17
Expected increase in wages and salaries	0.50-3.00	0.50-3.00
Increase in pension	1.70-2.81	1.30-2.10
Volatility	1.00-6.00	1.00-6.00

The expected increase in wages and salaries depends primarily on factors such as inflation, salary standards and the company's operating conditions.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

VII. NOTES OF CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

43. Provisions

RMB'000

Item	Closing balance	Opening balance	Reason
Warranties for product quality	9,143,215	8,890,193	Agreement on after-sales service
Others	789,509	879,830	Estimated liquidated damages and onerous contracts to be executed etc.
Total	9,932,724	9,770,023	/
Less: Provisions expected to due within one year (Note VII, 36)	(2,381,071)	(2,564,727)	/
Provisions due after one year	7,551,653	7,205,296	/

44. Deferred income

Details of deferred income

RMB'000

Item	Opening balance	Increases	Decreases	Closing balance
Government grants related to assets	5,114,722	315,164	406,071	5,023,815
Government grants related to income	1,636,353	723,427	724,606	1,635,174
Total	6,751,075	1,038,591	1,130,677	6,658,989

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

VII. NOTES OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

44. Deferred income (continued)

Items relating to government grant:

Liability	Opening balance	Additional subsidies in the period	Amount	Amount	Other decreases	Closing balance	Related to assets/Related to income
			recognised in non-operating income during the period	recognised in other income during the period			
Fund of science and technology projects and innovation enterprise awards	2,045,183	652,634	1,102	668,270	16,476	2,011,969	Assets/Income
Compensation for demolition	2,559,246	123,050	161,722	49,868	-	2,470,706	Assets/Income
Land subsidy refund	1,046,710	4,269	15,241	7,280	-	1,028,458	Assets/Income
Infrastructure subsidies	616,642	87,368	36,327	36,566	-	631,117	Assets
Discount on imported products	20,035	240	-	5,320	-	14,955	Income
Others	463,259	171,030	30,067	94,284	8,154	501,784	Assets/Income
Total	6,751,075	1,038,591	244,459	861,588	24,630	6,658,989	/

45. Other non-current liabilities

Item	RMB'000	
	Closing balance	Opening balance
Contract liabilities (Note VII, 31)	9,879	21,207
Others	62,775	65,182
Less: Other non-current liabilities due within one year (Note VII, 36)	(1,162)	-
Total	71,492	86,389

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

VII. NOTES OF CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

46. Share capital

		Changes during the year (+/-)		
	Opening balance	Issuance of new shares	Sub-total	Closing balance
Total shares	28,698,864	-	-	28,698,864
Shares without restrictions for sales				
1.RMB ordinary shares	24,327,798	-	-	24,327,798
2.Overseas listed ordinary shares	4,371,066	-	-	4,371,066

47. Capital reserve

Item	Opening balance	Increases	Decreases	Closing balance
Share premium	40,482,504	-	-	40,482,504
Other capital reserves (Note)	474,897	1,197,175	267,383	1,404,689
Total	40,957,401	1,197,175	267,383	41,887,193

Note: Changes in other capital reserves were mainly due to increases or decreases in capital by non-controlling shareholders of the Company's subsidiaries and the Group's other equity changes in joint ventures and associates.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

VII. NOTES OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

48. Other comprehensive income

RMB'000

Item	Amount before income tax in current period					Less: Previously recognised amount transferred to retained earnings	Closing balance
	Opening balance	Before-tax amount	Less: Income tax expense	Net-of-tax amount attributable to shareholders of the Company	Net-of-tax amount attributable to non-controlling interests		
I. Other comprehensive income that will not be reclassified to profit or loss	(1,034,159)	198,218	19,823	162,135	16,260	12,717	(884,741)
Including: Remeasurement of defined benefit plan	(398,483)	36,406	-	8,399	28,007	-	(390,084)
Changes in fair value of investments in other equity instruments	(635,676)	161,812	19,823	153,736	(11,747)	12,717	(494,657)
II. Items that may be reclassified to profit or loss	(258,751)	(228,604)	(12,412)	(133,763)	(82,429)	-	(392,514)
Including: Other comprehensive income recognised under equity method	(26,957)	5,779	(7)	2,805	2,981	-	(24,152)
Changes in fair value of other debt investments	(86,563)	(96,284)	(11,407)	(63,401)	(21,476)	-	(149,964)
Credit losses of other debt investments	3,789	(7,064)	(998)	(3,391)	(2,675)	-	398
Translation differences arising from translation of foreign currency financial statements	(149,020)	(131,035)	-	(69,776)	(61,259)	-	(218,796)
Total other comprehensive income	(1,292,910)	(30,386)	7,411	28,372	(66,169)	12,717	(1,277,255)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

VII. NOTES OF CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

49. Specific reserve

	RMB'000			
Item	Opening balance	Increases	Decreases	Closing balance
Safety fund	49,957	686,962	686,962	49,957

50. Surplus reserve

	RMB'000			
Item	Opening balance	Increases	Decreases	Closing balance
Statutory surplus reserve	4,308,789	535,415	-	4,844,204
Total	4,308,789	535,415	-	4,844,204

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

VII. NOTES OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

51. Retained earnings

Item	RMB'000	
	Current period	Prior period
Retained earnings at the beginning of the period	69,736,835	63,115,162
Add: Net profits for the period attributable to shareholders of the Company	10,302,605	11,331,053
Less: Appropriation for statutory surplus reserve	(535,415)	(493,459)
Appropriation to general risk reserve	(91,815)	(11,146)
Dividends to ordinary shares (Note 1)	(5,165,796)	(4,304,830)
Transfer of other comprehensive income to retained earnings	12,717	100,055
Others	(541,974)	-
Retained earnings at the end of the period	73,717,157	69,736,835

Adjustments on beginning retained earnings are as follows:

Note 1: The Company's profit distribution plan for 2020 was approved at the 2020 Annual General Meeting of Shareholders held on 18 June 2021. Based on the total Company's share capital of 28,698,864,000 shares as at 31 December 2020, the annual dividends for 2020 were distributed to all shareholders, and a cash dividend of RMB0.18 (including tax) per share was distributed, totalling approximately RMB5,165,796,000.

The Company's profit distribution plan for 2019 was approved at the 2019 Annual General Meeting of Shareholders held on 18 June 2020. Based on the total Company's share capital of 28,698,864,000 shares as at 31 December 2019, the annual dividends for 2019 were distributed to all shareholders, and a cash dividend of RMB0.15 (including tax) per share was distributed, totalling approximately RMB4,304,830,000.

Note 2: As at 31 December 2021, the balance of the Group's retained earnings included the surplus reserve already appropriated by the subsidiaries of RMB17,051,135,000 (31 December 2020: RMB15,940,162,000).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

VII. NOTES OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

52. Revenue and operating costs

(1) Details of revenue and operating costs

RMB'000

Item	Current period		Prior period	
	Income	Cost	Income	Cost
Principal operating activities	221,101,757	176,077,873	223,876,282	174,379,267
Other operating activities	4,629,998	3,226,019	3,779,759	2,575,334
Total	225,731,755	179,303,892	227,656,041	176,954,601

(2) Category of revenue and operating costs by business type

RMB'000

Item	Current period		Prior period	
	Income	Cost	Income	Cost
Sale of goods	178,183,831	141,289,146	184,874,450	142,862,580
Rendering of services	45,798,036	37,590,520	41,240,960	33,604,423
Sub-total	223,981,867	178,879,666	226,115,410	176,467,003
Interest income	459,951	133,278	456,546	115,968
Lease income	1,289,937	290,948	1,084,085	371,630
Total	225,731,755	179,303,892	227,656,041	176,954,601

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

VII. NOTES OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

52. Revenue and operating costs (continued)

(3) Disaggregation of revenue from contracts with customers

	RMB'000	
	Current period	Prior period
Rail transportation products and their extended industries		
Categorised by sales region		
Mainland China	204,056,405	209,119,031
Other countries and regions	19,925,462	16,996,379
Total	223,981,867	226,115,410

(4) Description on performance obligations

(i) Revenue from sales of goods (revenue recognised at a certain time point):

The goods sold by the Group are mainly rail transit equipment and its extension products. The Group recognises revenue when the customer obtains control of the goods, i.e., at the time of acceptance and delivery of the goods.

(ii) Revenue from rendering of services (revenue recognised within a certain period of time):

The Group's revenue from rendering of services is mainly extended services of railway transportation equipment. The Group recognises the revenue within a certain period of time according to the progress of the performance as the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

VII. NOTES OF CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

53. Taxes and surcharges

Item	RMB'000	
	Current period	Prior period
City maintenance and construction tax	460,654	489,750
Education surcharges	326,095	350,324
Property tax	378,138	378,083
Land use tax	266,126	263,989
Vehicle and vessel use tax	1,332	1,379
Stamp duty	178,088	192,120
Others	75,498	80,601
Total	1,685,931	1,756,246

54. Selling expenses

Item	RMB'000	
	Current period	Prior period
Expected warranty provisions	3,088,925	3,868,196
Employee benefits	2,117,734	1,904,771
Travel expenses	255,153	226,652
Others	1,802,337	2,683,726
Total	7,264,149	8,683,345

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

VII. NOTES OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

55. Administrative expenses

Item	RMB'000	
	Current period	Prior period
Employee benefits (excluding employee benefits under the defined benefit plan)	7,950,449	7,202,076
Settlement allowance for employees	430,033	164,751
Depreciation of fixed assets	816,354	879,238
Amortisation of intangible assets	632,394	643,146
Others	3,652,239	4,884,030
Total	13,481,469	13,773,241

For the year ended 2021, the audit expense of RMB29,600,000 (2020: RMB28,000,000) is included in aforementioned administrative expenses.

56. Research and development expenses

Item	RMB'000	
	Current period	Prior period
Employee benefits	5,588,691	5,218,022
Depreciation charge	684,731	617,595
Amortisation of intangible assets	206,855	189,887
Others	6,604,942	7,324,392
Total	13,085,219	13,349,896

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

VII. NOTES OF CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

57. Financial expenses

Item	RMB'000	
	Current period	Prior period
Interest expense	1,052,155	935,668
Less: Capitalisation of interest	(70,319)	(89,714)
Interest expenses from lease liabilities	139,376	73,686
Interest income	(822,488)	(749,795)
Exchange gains and losses	94,207	603,886
Handling charge of financial institutions	204,983	232,024
Actuarial interest adjustment	92,131	95,429
Others	(309,886)	(272,093)
Total	380,159	829,091

58. Other income

Item	RMB'000	
	Current period	Prior period
VAT refund	168,610	210,986
Scientific and technological project funds	765,642	1,100,941
Others	724,445	941,575
Total	1,658,697	2,253,502

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

VII. NOTES OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

59. Investment income

Item	RMB'000	
	Current period	Prior period
Income from long-term equity investment accounted for under equity method (Note VII, 15)	103,330	(93,873)
Investment income from disposal of subsidiaries	-	425,266
Investment losses from disposal of associates and joint ventures	4,130	17,381
Dividend income from other equity instrument investments during the holding period	61,547	44,231
Investment income from holding and disposal of debt investment	103,705	37,406
Investment income from holding and disposal of financial assets held for trading	156,554	229,513
Derecognition loss of financial assets measured at amortized cost	(332,673)	(353,995)
Gains from disposal of residual equity of subsidiaries remeasured at fair value	-	430,902
The equity held by the joint venture company's changed subsidiaries shall be adjusted at fair value	-	(2,352)
Gains from debt restructuring	182,539	-
Others	(36,641)	5,179
Total	242,491	739,658

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

VII. NOTES OF CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

60. Gains from changes in fair value

	RMB'000	
Sources of gains from changes in fair value	Current period	Prior period
Financial assets held for trading	309,908	71,682
Including: Gains/(losses) on fair value changes of derivative financial instruments proceeds	661	(122)
Gains from changes in fair value of investments in equity instruments	214,577	74,445
Gains from changes in fair value of investments in debt instruments	16,334	1,275
Others	78,336	(3,916)
Gains on changes in fair value of 2016 Convertible Bonds-embedded derivative financial instruments	-	5,439
Total	309,908	77,121

61. Impairment losses under expected credit loss model

	RMB'000	
Item	Current period	Prior period
Losses of credit impairment on bills receivable	4,986	(9,539)
Losses of credit impairment on accounts receivable	(269,138)	(362,637)
Losses of credit impairment on other receivables	(10,106)	48,231
Losses of credit impairment on receivables at FVTOCI	(7,064)	108
Losses of credit impairment on long-term receivables	326,963	665,853
Losses of credit impairment on loans and advances	(3,979)	18,539
Losses of credit impairment on part of loan commitments and financial guarantee contracts	147	1,849
Others	(194)	27,636
Total	41,615	390,040

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

VII. NOTES OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

62. Asset impairment losses

Item	RMB'000	
	Current period	Prior period
Impairment losses of inventories	487,941	265,432
Impairment losses of fixed assets	27,505	296,533
Impairment losses of construction in progress	11,201	3,686
Impairment losses of long-term equity investments	267,776	1,602
Impairment losses of intangible assets	625	1,224
Impairment losses of goodwill	49,879	154,724
Impairment losses of contract assets	54,990	99,307
Others	(14,369)	42,286
Total	885,548	864,794

63. Gains from disposal of assets

Item	RMB'000	
	Current period	Prior period
Gains from disposal of fixed assets	450,942	542,414
Gains from disposal of intangible assets	565,253	650,631
Total	1,016,195	1,193,045

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

VII. NOTES OF CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

64. Non-operating income

Details of non-operating income

Item	Current period	Prior period	RMB'000
			Amount recognised in non-recurring profit and loss
Government grants	750,523	684,784	750,523
Liquidated damages, fines and compensation	75,558	205,344	75,558
Unpayable amount	16,652	25,946	16,652
Gains on retirement of assets	16,689	11,394	16,689
Claim income	164,289	203,612	164,289
Others	445,269	172,929	445,269
Total	1,468,980	1,304,009	1,468,980

Government grants included in profit or loss

Item	Current period	Prior period	RMB'000
			Related to assets/ Related to income
Compensation for demolition	337,421	255,291	Assets/Income
Land subsidy refund	15,241	23,418	Assets
Infrastructure subsidies	36,327	30,498	Assets
Resettlement subsidy	11,384	215,356	Income
Subsidy for environmental protection	2,976	3,033	Income
Others	347,174	157,188	Assets/Income
Total	750,523	684,784	/

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

VII. NOTES OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

65. Non-operating expenses

Item	Current period	Prior period	RMB'000
			Amount recognised in non-recurring profit and loss
Liquidated damages and penalty expenses	64,653	63,265	64,653
Relocation expenditure	356,686	198,214	356,686
Losses on retirement of assets	55,665	166,449	55,665
Donation expenses	15,903	31,226	15,903
Flood control fund	17,751	29,527	17,751
Others	34,563	142,351	34,563
Total	545,221	631,032	545,221

66. Income tax expenses

(1) Table of income tax expenses

Item	RMB'000	
	Current period	Prior period
Current income tax expenses	1,345,157	2,395,625
Deferred income tax expenses	(7,880)	(227,595)
Total	1,337,277	2,168,030

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

VII. NOTES OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

66. Income tax expenses (continued)

(2) Reconciliation of accounting profits and income tax expenses

Item	RMB'000	
	Current period	Prior period
Profit before tax	13,754,823	15,991,090
Income tax expenses at statutory tax rate (25%)	3,438,706	3,997,773
Effect of different tax rates applied by subsidiaries	(1,112,150)	(1,291,188)
Adjustments to income tax of previous periods	31,124	19,939
Effect of income free of tax	(15,387)	(7,683)
Effect of joint ventures and associates	(25,833)	23,469
Effect of non-deductible costs, expense and losses	592,340	669,770
Effect of using the deductible losses for which no deferred tax asset was recognised in previous periods	(153,950)	(185,075)
Effect of deductible temporary differences or deductible losses for which no deferred tax asset was recognised this period	459,016	645,469
Other tax incentive (Note)	(1,876,589)	(1,704,444)
Income tax expenses	1,337,277	2,168,030

Other descriptions:

Note: Other tax incentives is mainly weighted deduction performed on technology research and development expenditures.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

VII. NOTES OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

67. Items in the cash flow statement

(1) Other cash receipts relating to operating activities

	RMB'000	
Item	Current year	Prior year
Government grant	2,318,515	2,882,880
Interest income	564,560	545,093
Others	530,194	1,052,421
Total	3,413,269	4,480,394

(2) Other cash payments relating to operating activities

	RMB'000	
Item	Current year	Prior year
Product development, design fees	6,593,568	7,316,935
Net increase in loans issued and advances granted by finance companies	422,160	2,692,607
Expenses for product transportation, packaging and insurance	1,617,116	1,447,633
Marketing expenses	1,128,315	1,044,765
Product quality assurance expenses	603,281	706,691
Administrative office expenses	691,391	633,975
Expenses for water, electricity and kinetic energy, etc.	133,141	139,743
Other	1,920,990	3,059,078
Total	13,109,962	17,041,427

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

VII. NOTES OF CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

68. Supplementary information to the cash flow statement

(1) Supplementary information to the cash flow statement

	RMB'000	
Supplementary Information	Current year	Prior year
1. Reconciliation of net profit to cash flows from operating activities:		
Net profit	12,417,546	13,823,060
Add: Assets impairment losses	885,548	864,794
Credit losses	41,615	390,040
Depreciation of fixed assets and amortization of investment properties	6,205,532	6,103,017
Depreciation of right-of-use assets	503,327	439,870
Amortisation of intangible assets	1,019,196	894,586
Amortisation of long-term deferred expenses	83,308	152,819
Gains on disposal of fixed assets, intangible assets and other long-term assets	(977,219)	(1,037,990)
Gains from changes in fair value	(309,908)	(77,121)
Financial expenses	1,112,900	817,325
Investment income	(242,491)	(739,658)
Change in deferred tax assets and liabilities	(7,880)	(240,970)
Decrease/(increase) in gross inventories	1,115,322	(1,821,594)
Increase in operating receivables	(26,002,303)	(22,866,498)
Increase/(decrease) in operating payables	24,892,747	(2,159,630)
Changes in restricted monetary funds	(144,540)	3,425,557
Net cash inflow/(outflow) from operating activities	20,592,700	(2,032,393)
2. Net changes in cash and cash equivalents:		
Closing balance of cash and cash equivalents	43,277,994	29,840,378
Less: Opening balance of cash and cash equivalents	29,840,378	35,819,586
Net increase/(decrease) in cash and cash equivalents	13,437,616	(5,979,208)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

VII. NOTES OF CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

68. Supplementary information to the cash flow statement *(continued)*

(2) Composition of cash and cash equivalents

	RMB'000	
Item	Closing balance	Opening balance
I. Cash	43,277,994	29,840,378
Including: Cash on hand	1,301	1,950
Bank deposits available on demand	43,276,693	29,838,428
II. Closing balance of cash and cash equivalents	43,277,994	29,840,378

69. Assets with restrictive ownership title or right of use

	RMB'000	
Item	Carrying amount as at the end of the year	Reason for restriction
Cash and bank balances	2,478,414	Note VII.1
Bills receivable	7,747,105	Note VII.3
Accounts receivable	2,292,436	Note VII.4
Receivables at FVTOCI	140,022	Note VII.5
Contract assets	30,302	Note VII.9
Long-term receivables	2,348,132	Note VII.14
Fixed assets	207,447	Note VII.19
Intangible assets	721,497	Note VII.22
Other non-current assets	352,657	Note VII.26
Total	16,318,012	/

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

VII. NOTES OF CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

70. Foreign-currency monetary items

(1) Foreign-currency monetary items

Item	Foreign currency balance as at the end of the year	Exchange rate	Translated RMB balance as at the end of the year
RMB'000			
Cash and bank balances			
Including: USD	504,427	6.3757	3,216,075
EUR	166,799	7.2197	1,204,238
HKD	507,726	0.8176	415,116
AUD	97,900	4.6220	452,495
MXN	549,004	0.3116	171,083
Others	/	/	1,133,466
Held-for-trading financial assets			
Including: USD	37,958	6.3757	242,006
EUR	428	7.2197	3,089
Accounts receivable			
Including: USD	249,191	6.3757	1,588,766
EUR	93,806	7.2197	677,252
HKD	153,847	0.8176	125,785
AUD	86,916	4.6220	401,725
Others	/	/	255,498
Other receivables			
Including: USD	3,114	6.3757	19,857
EUR	6,397	7.2197	46,181
HKD	44,532	0.8176	36,409
AUD	619	4.6220	2,859
MXN	11,145	0.3116	3,473
Others	/	/	174,028
Debt investments (including those due within one year)			
Including: USD	81,354	6.3757	518,686
Long-term receivables (including those due within one year)			
Including: USD	44,044	6.3757	280,814
EUR	1,477	7.2197	10,662
Other non-current financial assets			
Including: USD	31,000	6.3757	197,647

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

VII. NOTES OF CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

70. Foreign-currency monetary items *(continued)*

(1) Foreign-currency monetary items *(continued)*

Item	Foreign currency balance as at the end of the year	Exchange rate	Translated RMB balance as at the end of the year
Short-term loans			
Including: USD	327,598	6.3757	2,088,666
EUR	67,800	7.2197	489,496
AUD	47,577	4.6220	219,903
Others	/	/	285,844
Accounts payable			
Including: USD	151,893	6.3757	968,424
EUR	161,935	7.2197	1,169,123
HKD	313,416	0.8176	256,249
AUD	35,182	4.6220	162,613
MXN	256,174	0.3116	79,830
Others	/	/	430,947
Other payables			
Including: USD	132,156	6.3757	842,585
EUR	17,904	7.2197	129,258
HKD	65,900	0.8176	53,880
AUD	41,047	4.6220	189,721
MXN	7,021	0.3116	2,188
Others	/	/	310,075
Long-term borrowings (including those due within one year)			
Including: USD	2,885	6.3757	18,397
EUR	26,790	7.2197	193,417
Long-term payables (including those due within one year) (except for special accounts payable)			
Including: JPY	9,474	0.0554	525
Lease liabilities (including those due within one year)			
Including: USD	4,852	6.3757	30,938
EUR	34,489	7.2197	248,999
Others	/	/	143,927

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

VII. NOTES OF CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

70. Foreign-currency monetary items *(continued)*

- (2) Notes to overseas business entity including disclosures of significant principal place of business, functional currency and basis for determining the functional currency as well as reasons for changes in functional currency for those significant overseas business entity

Name of overseas business entity	Principal place of business	Functional currency
CSR NEW MATERIAL TECHNOLOGIES GMBH	Germany	EUR
Specialist Machine Developments	Britain	GBP

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

VIII. CHANGE IN CONSOLIDATION SCOPE

1. Disposal of subsidiaries

Whether there is a disposal of investments in subsidiaries through a single transaction resulting in loss of control

RMB' 000

Name of the subsidiary	Consideration	Equity disposal		Date of losing control	Basis for determining date of losing control	Difference between consideration received and the related share of net assets in consolidated financial statements	Proportion of remaining shareholding on the date of losing control (%)	Carrying amount of remaining equity interests on the date of losing control	Fair value of remaining equity interests on the date of losing control	Gain or loss from remeasurement of remaining equity interests to fair value	Method and key assumptions for determining the fair value of remaining equity interests	Investment income or loss transferred from other comprehensive income related to previous equity investments in subsidiaries
		(%)	method									
CRRC ZELC SA PTY LTD.	185,687	100%	Transfer	18 July 2021	CRRC Zhuzhou Locomotives Co., Ltd. signed the entrust agreements with CRRC Zhuzhou Electric Locomotives Industrial Management Co., Ltd. Since the date of signing the entrust agreements, the relevant powers of shareholders' meeting and the board of directors will be transferred, the control will be also transferred.	-	-	-	-	- /	-	-

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

VIII. CHANGE IN CONSOLIDATION SCOPE *(continued)*

1. Disposal of subsidiaries *(continued)*

Other notes:

On 18 July 2021, CRRC Zhuzhou Locomotive, a subsidiary of the Company signed a series of related agreements (such as the equity entrust) with Zhuzhou Locomotive Industrial, a subsidiary of CRRC Group. According to these agreements, the 100% equity of CRRC ZELC SA PTY LTD. – a holding subsidiary of CRRC Zhuzhou Locomotive, was entrusted to Zhuzhou Locomotive Industrial for management, and Zhuzhou Locomotive Industrial was entrusted to exercise all the shareholder rights from the date of signing the equity entrust agreements. On 18 July 2021, the equity entrust agreement was signed and the trust was completed. CRRC Zhuzhou Locomotive – a subsidiary of the Company lost its control over CRRC and no longer consolidated it into the scope of the Group's consolidated financial statements.

	RMB'000
Disposal price	
Including: cash and cash equivalents	185,687
Less: net assets on the disposal date of CRRC ZELC SA PTY LTD. (100%)	185,687
Disposal income	–
Cash and cash equivalents received from disposal of subsidiaries in the current year	185,687
Less: cash and cash equivalents held by subsidiaries	39,036
Net cash received from disposal of subsidiaries	146,651

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

IX. INTERESTS IN OTHER ENTITIES

1. Interests in subsidiaries

(1) Composition of the Group

The details of the Company's subsidiaries are set out in Note III, 2.

(2) Material non-wholly owned subsidiaries

RMB'000

Name of the subsidiary	Proportion of ownership interest held by non-controlling interests	Profit or loss allocated to non-controlling interests during the year	Dividend declared to non-controlling shareholders during the year	Balance of non-controlling interests at the end of the year
CRRC Times Electric	55.86	1,153,825	369,390	18,737,028
Zhuzhou Times New Material	60.45	101,436	60,661	2,923,765
CRRC Changchun Railway Vehicles Co., Ltd.	6.46	187,625	137,491	2,364,669

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

IX. INTERESTS IN OTHER ENTITIES (continued)

1. Interests in subsidiaries (continued)

(3) Key financial information of significant non-wholly owned subsidiaries

RMB'000

Name of the subsidiary	Balance at the end of the year						At the beginning of the year					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
CRRC Times Electric	34,642,982	9,507,763	44,150,745	9,151,242	1,706,858	10,858,100	26,425,482	7,440,239	33,865,721	7,877,341	1,728,790	9,606,131
Zhuzhou Times New Material	11,223,227	5,073,382	16,296,609	8,440,732	2,867,183	11,307,915	10,631,875	5,364,553	15,996,428	8,666,373	2,391,729	11,058,102
CRRC Changchun Railway Vehicles Co., Ltd.	46,654,698	14,044,896	60,699,594	37,007,076	1,559,504	38,566,580	47,401,433	14,185,270	61,586,703	38,428,655	1,662,194	40,090,849

Name of the subsidiary	2021				2020			
	Operating income	Net profit	Total comprehensive income	Cash flows from operating activities	Operating income	Net profit	Total comprehensive income	Cash flows from operating activities
CRRC Times Electric	15,121,167	2,034,607	1,978,350	2,150,255	16,033,899	2,496,557	2,484,676	1,747,348
Zhuzhou Times New Material	14,050,619	217,878	172,175	256,639	15,080,116	321,823	311,888	2,418,190
CRRC Changchun Railway Vehicles Co., Ltd.	30,019,104	2,079,889	2,099,750	2,566,848	38,038,408	2,990,504	2,979,080	(385,624)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

IX. INTERESTS IN OTHER ENTITIES *(continued)*

2. Equity in associates or joint ventures

(1) Material associates or joint ventures

Name of joint venture or associate:	Principal place of business	Registered place	Nature of business	Shareholding percentage (%)		Accounting treatment of investments in joint ventures or associates
				Direct	Indirect	
China United Insurance	Beijing	Beijing	Financial industry	13.0633	-	Equity method

The Group holds 13.0633% voting power of China United Insurance so that the Group has the right to assign one director to the board of directors of China United Insurance, and the Group has substantive power of decision-making participation, therefore has significant influence over China United Insurance.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

IX. INTERESTS IN OTHER ENTITIES *(continued)*

2. Equity in associates or joint ventures *(continued)*

(2) Key financial information of material associates

	RMB'000	
	Balance at 31 December 2021 / Amount for the current year	Balance at 31 December 2020 / Amount for the prior year
China United Insurance		
Total assets	90,471,843	81,029,368
Total liabilities	70,493,972	61,561,810
Non-controlling interests	2,142,427	2,103,937
Equities attributable to shareholders of parent company	17,835,444	17,363,621
Group's share of net assets	2,329,897	2,268,262
– Goodwill	2,982,365	2,982,365
Carrying amount of equity investments in associates	5,312,262	5,250,627
Operating income	56,550,010	54,704,881
Net profit	474,748	1,324,037
Net profit attributable to shareholders of parent company	428,252	1,185,546
Other comprehensive income attributable to shareholders of parent company	116,666	(220,897)
Total comprehensive income attributable to shareholders of parent company	544,918	964,649
Dividends received from associates in the current year	10,000	22,000

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

IX. INTERESTS IN OTHER ENTITIES *(continued)*

2. Equity in associates or joint ventures *(continued)*

(3) Financial information of immaterial joint ventures and associates

	Balance at 31 December 2021/Amount for the current year	RMB'000 Balance at 31 December 2020/Amount for the prior year
Joint ventures:		
Aggregate carrying amount of investments	4,070,375	2,793,411
Total amounts calculated based on shareholding proportions		
– Net profit	49,715	31,041
– Other comprehensive income	(3,730)	(8,091)
– Total comprehensive income	45,985	22,950
Associates:		
Total carrying amount of investment	7,821,195	8,075,465
Total amounts calculated based on shareholding proportions		
– Net profit	(2,329)	(279,785)
– Other comprehensive income	(5,731)	16,707
– Total comprehensive income	(8,060)	(263,078)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

IX. INTERESTS IN OTHER ENTITIES *(continued)*

3. Interests in structured entities that are not included in consolidated financial statements

Other descriptions about interests in structured entities that are not included in consolidated financial statements:

On 31 December 2021, the structured entities that are related with the Group but not included in consolidated financial statements are special-purpose trusts, which are mainly engaged in CRRC trust asset-backed notes and manage, operates and handles the trust property for the benefit of the holder of trust asset-backed notes, and makes payments to the holder of trust asset-backed notes according to the trust contract. The Group, as a special-purpose initiator of the trust and asset service institution, only provides collection service according to the agreement and does not charge service fee. The Group holds no share in the special-purpose trust. At 31 December 2021, the structured entity has total assets of RMB5,285,088,000. The Group didn't provide financial support to the structured entity.

X. RISKS RELATED TO FINANCIAL INSTRUMENTS

The Group's main financial instruments include cash and bank balances, held-for-trading financial assets, bills receivable, accounts receivable, receivables at FVTOCI, a part of other receivables, a part of non-current assets due within one year, a part of other current assets, loans and advances to customers, debt investments, long-term receivables, investments in other equity instruments, other non-current financial assets, other non-current assets, short-term borrowings, borrowings from central bank, deposits from banks and other financial institutions, bills payable, accounts payable, a part of employee benefits payable, other payables, a part of non-current liabilities due within one year, long-term borrowings, bonds payable, lease liabilities, a part of other long-term payables. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure the risks are monitored at a certain level.

The Group adopts sensitivity analysis technique to analyse how the profit and loss for the period and shareholders' equity would have been affected by reasonably possible changes in the relevant risk variables. As it is unlikely that risk variables will change in an isolated manner, and the interdependence among risk variables will have significant effect on the amount ultimately influenced by the changes in a single risk variable, the following are based on the assumption that the change in each risk variable is on a stand-alone basis.

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For the year ended 31 December 2021

X. RISKS RELATED TO FINANCIAL INSTRUMENTS *(continued)*

1. Category of financial instruments

(1) Carrying amount of financial assets

RMB'000

Item	31 December 2021				Total
	At FVTPL	At amortised cost	Classified as at FVTOCI	Designated as at FVTOCI	
Cash and bank balances	-	48,585,115	-	-	48,585,115
Held-for-trading financial assets	10,694,693	-	-	-	10,694,693
Bills receivable	-	23,022,568	-	-	23,022,568
Accounts receivable	-	72,985,213	-	-	72,985,213
Receivables at FVTOCI	-	-	10,552,051	-	10,552,051
Other receivables (except for government grant and advance to staffs)	-	4,223,907	-	-	4,223,907
Other current assets (bond investment)	-	762,000	-	-	762,000
Loans and advances to customers (include due within one year)	-	11,246,851	-	-	11,246,851
Debt investments (include due within one year)	-	2,128,785	-	-	2,128,785
Long-term receivables (include due within one year) (except for finance lease)	-	3,582,498	-	-	3,582,498
Investments in other equity instruments	-	-	-	2,997,338	2,997,338
Other non-current financial assets	370,460	-	-	-	370,460
Other non-current assets	-	1,540,081	-	-	1,540,081
Total	11,065,153	168,077,018	10,552,051	2,997,338	192,691,560

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

X. RISKS RELATED TO FINANCIAL INSTRUMENTS *(continued)*

1. Category of financial instruments *(continued)*

(2) Carrying amount of financial liabilities

RMB'000

Item	31 December 2021		Total
	Financial liabilities at FVTPL	Financial liabilities at carrying amount	
Short-term borrowings	-	15,815,647	15,815,647
Borrowings from the central bank	-	997,186	997,186
Deposits from banks and other financial institutions	-	4,601,620	4,601,620
Bills payable	-	22,830,192	22,830,192
Accounts payable	-	122,106,841	122,106,841
Employee benefits payable (Except for defined benefit plan)	-	1,851,600	1,851,600
Other payables	-	12,139,894	12,139,894
Lease liabilities (include due within one year)	-	1,620,695	1,620,695
Long-term borrowings (including due within one year)	-	9,217,766	9,217,766
Bonds payable (include due within one year)	-	2,570,662	2,570,662
Long-term payables (including due within one year) (except for special accounts payable)	-	24,725	24,725
Total	-	193,776,828	193,776,828

2. Credit risk

Credit risk represents the risk that the failure to perform obligation by one party of the financial instruments will cause financial loss to the other party.

As at 31 December 2021, the Group's maximum exposure to credit risk which will cause losses of financial assets, contract assets and lease accounts receivables to the Group due to failure to discharge an obligation by the counterparties is arising from:

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

X. RISKS RELATED TO FINANCIAL INSTRUMENTS *(continued)*

2. Credit risk *(continued)*

- (i) The carrying amount of the respective recognised financial assets as stated in the consolidated balance sheet. For financial instruments measured at fair value, the carrying amount reflects the exposure to risks but not the maximum exposure to risks. The maximum exposure to risks would vary according to the future changes in fair value.
- (ii) The amount of external guarantees disclosed in Note XIII, 2.

The Group only has transactions with recognised and reputable third parties. According to the Group's policies, for all the customers that require to make transactions on credit, the Group needs to review the credit of the customers and determines the manner of sales on the basis of customers' credit grading, credit line and credit period. For sales on credit, the payment period and the amount on credit need to be specified in the sales contract, with the payment period not exceeding credit period, and the accumulated amount of credit sales shall not exceed the credit line. For cash on delivery, the goods are not shipped until all the collection procedures are completed, so as to ensure the Group will not be exposed to significant credit loss.

The specific method used by the Group to assess whether the credit risk of financial instruments has increased significantly since initial recognition and the basis for determining that the financial assets are impaired, as well as the policies of immediate write-off of financial assets etc. are set out in Note V,11.

The Group's credit risk exposure to any single financial instrument is limited because the bank deposits are deposited with banks with high credit ratings.

China State Railway Group Co., Ltd. is one of the major customers for the Group (including the China State Railway Group Co., Ltd. it belongs to and other subsidiaries, together as "State Railway Group") accounts for a larger proportion of the Group's revenue, accordingly, the accounts receivable from such customer also account for a larger proportion. The Group's management believes that the customer is of reliable and good reputation, therefore the Group has no significant credit risk in respect of the receivables from this customer. Except for this customer, the Group has no other significant concentration of credit risk.

The Group's major operating activities and corresponding concentration of operating risk are located in Mainland China.

As at 31 December 2021, included in the Group's accounts receivable, the accounts receivable from the top one and top five customers respectively account for 43.6% (31 December 2020: 53.4%) and 49.0% (31 December 2020: 60.1%);

As at 31 December 2021, included in the Group's long-term receivables (including those due within one year), the long-term receivables from top one and top five customers account for 4.0% (31 December 2020: 7.0%) and 18.4% (31 December 2020: 23.2%) respectively.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

X. RISKS RELATED TO FINANCIAL INSTRUMENTS *(continued)*

2. Credit risk *(continued)*

(1) The credit risk exposure of the Group's financial assets and other items

RMB'000

Item	Note VII	Balance at 31 December 2021			Total
		12 months ECLs	Lifetime ECL (no credit loss occurred)	Lifetime ECL (credit loss occurred)	
Financial assets measured at amortised cost:					
Cash and bank balances	1	48,585,115	-	-	48,585,115
Bills receivable	3	23,059,892	-	-	23,059,892
Accounts receivable	4	-	72,604,833	4,694,177	77,299,010
Other receivables	7	4,172,019	-	1,115,261	5,287,280
Other current assets (bonds investments)	11	762,000	-	-	762,000
Loans and advances to customers (include those due within one year)	12	10,733,876	653,308	-	11,387,184
Debt investments (including those due within one year)	13	-	-	2,128,785	2,128,785
Long-term receivables (except for finance lease) (including those due within one year)	14	-	2,057,868	2,342,593	4,400,461
Financial assets classified as at FVTOCI:					
Receivables at FVTOCI	5	10,552,051	-	-	10,552,051
Other items:					
Contract assets (include non-current part)	9	-	39,523,928	1,269,620	40,793,548
Long-term receivables-finance lease (include those due within one year)	14	-	8,555,037	5,497,377	14,052,414

Note 1: For accounts receivable and contract assets formed under revenue standards as well as financing lease receivables formed under lease standards, the Group adopts simple method to measure the amount of lifetime ECL.

The movements of loss allowance for the Group's bills receivable, accounts receivable, receivables at FVTOCI, other receivables, contract assets, loans and advances to customers, debt investments and long-term receivables are detailed in Note VII 3, VII 4, VII 5, VII 7, VII 9, VII 12, VII 13 and VII 14.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

X. RISKS RELATED TO FINANCIAL INSTRUMENTS *(continued)*

3. Liquidity risk

Liquidity risk represents the risk that the entity encounters shortage of funds when performing the obligation relating to financial liabilities. The Group's objective is to maintain the balance between the continuity and flexibility of financing by comprehensively using multiple financing measures such as settlement with notes, bank borrowing, short-term financing bonds and corporate bonds etc. and adopting proper combination of long-term and short-term financing as well as the method of optimizing financing structure. The Group has obtained bank credit from several commercial banks to meet its need of working capital and capital expenditures. The management has been monitoring the Group's liquidity so as to ensure the Group has sufficient liquidity to repay all the due debts and get maximum benefits from its financial resources.

(1) Maturity analysis of non-derivative financial liabilities and lease liabilities based on undiscounted contract cash flows

RMB'000

Item	30 June 2021				Total
	Within 1 year (inclusive)	1-2 years (inclusive)	2-5 years (inclusive)	Over 5 years	
Short-term borrowings	15,815,647	-	-	-	15,815,647
Deposits from banks and other financial institutions	4,601,620	-	-	-	4,601,620
Bills payable	22,830,192	-	-	-	22,830,192
Accounts payable	122,106,841	-	-	-	122,106,841
Other payables	12,139,894	-	-	-	12,139,894
Other current liabilities	2,636,060	-	-	-	2,636,060
Long-term borrowings (including due within one year)	1,936,432	5,010,952	732,340	2,711,816	10,391,540
Bonds payable (include due within one year)	36,720	2,622,829	-	-	2,659,549
Long-term payables (include due within one year) (except for special accounts payable)	-	234	29,339	1,234	30,807
Lease liabilities (include due within one year)	395,188	343,186	566,368	725,470	2,030,212
Total	182,498,594	7,977,201	1,382,047	3,438,520	195,242,362

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

X. RISKS RELATED TO FINANCIAL INSTRUMENTS *(continued)*

4. Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to the changes in market price. The market risk mainly includes interest rate risk, currency risk and price risk.

(1) Interest rate risk

Interest risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to the changes in market interest rate. The risk of fluctuations in the fair value of the Group's financial instruments due to changes in market interest rates is primarily related to the Group's fixed-rate borrowings, bonds payable, other current assets, and long-term receivables. The risk of fluctuations in the future cash flows of the Group's financial instruments due to changes in market interest rates is primarily related to the Group's liabilities with floating interest rates.

The following table sets out the sensitivity analysis of interest rate risk, reflecting the effect of reasonably possible changes in interest rate on net profit (via effect on variable-rate borrowings) (with effect of capitalisation of borrowing costs considered) under the assumption that all the other variables held constant.

Item	January-December 2021		January-December 2020	
	Increase in 25 point	Decrease in 25 point	Increase in 25 point	Decrease in 25 point
Rate of variable-rate borrowings				
(Decrease)/increase in net profit (RMB'000)	(22,046)	22,046	(14,287)	14,287

(2) Other price risk

The Group's price risk is mainly arising from held-for-trading equity instrument investments and equity instruments at fair value through other comprehensive income. The Group adopts combination of multiple equity securities to mitigate the price risk of investments in equity securities.

(3) Currency risk

Currency risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in foreign exchange rates. The Group's exposure to the currency risk is primarily associated with its operating activities (settled in foreign currency other than the functional currency).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

X. RISKS RELATED TO FINANCIAL INSTRUMENTS *(continued)*

4. Market risk *(continued)*

(3) Currency risk *(continued)*

The Group's operating activities are mainly located in China and most of the transactions are denominated in RMB, except for certain sales, purchases and borrowings which are settled in foreign currency. The fluctuation of the exchange rate between such foreign currency and RMB will affect the Group's operating performance.

The Group tries to mitigate the currency risk to the minimum extent mainly by closely monitoring the changes in market exchange rate and actively adopting responsive measures. In the export business, the Group's policy is to provide quotation based on the expected changes of exchange rate in respect of the external contracts under negotiation; during the negotiation, it is required to specify the range of exchange rate and the risks on the buyer and seller respectively. In import business, the enterprises are required to seize the moment of foreign exchange settlement for import so as to control the currency risk.

(i) Foreign currency financial assets and financial liabilities

	RMB'000	
Item	31 December 2021	31 December 2020
Foreign currency financial assets:		
Cash and bank balances	6,592,473	6,773,815
Held-for-trading financial assets	245,095	236,598
Accounts receivable	2,421,400	2,487,950
Other receivables	273,823	447,499
Other current assets	-	392,760
Debt investments (including those due within one year)	518,686	1,251,587
Long-term receivables (including those due within one year)	274,081	285,283
Other non-current financial assets	197,647	-
Other non-current assets	-	2,070,791
Total	10,523,205	13,946,283

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

X. RISKS RELATED TO FINANCIAL INSTRUMENTS (continued)

4. Market risk (continued)

(3) Currency risk (continued)

(i) Foreign currency financial assets and financial liabilities (continued)

	RMB'000	
Item	31 December 2021	31 December 2020
Foreign currency financial liabilities:		
Short-term borrowings	3,083,909	2,840,607
Accounts payable	3,067,186	3,758,112
Other payables	1,527,707	3,811,546
Long-term borrowings (including those due within one year)	211,814	220,130
Long-term payables (include those due within one year) (except for special accounts payable)	525	-
Bonds payable (include include those due within one year)	-	2,344,463
Lease liabilities (include include those due within one year)	423,864	-
Total	8,315,005	12,974,858

The following table sets out the sensitivity analysis on currency risk, reflecting the effect of reasonably possible changes in exchange rate of EUR and USD on net profit under the assumption that all the other variables held constant. As the effect changes in exchange rate of other currencies is not significant, related sensitivity analysis is not presented.

EUR	31 December 2021		31 December 2020	
	Increase	Decrease	Increase	Decrease
Against RMB	9.53%	9.53%	7.49%	7.49%
(Decrease)/Increase in net profit (RMB'000)	(32,154)	32,154	(53,193)	53,193
USD	31 December 2021		31 December 2020	
	Increase	Decrease	Increase	Decrease
Against RMB	2.36%	2.36%	8.50%	8.50%
(Increase)/Decrease in net profit (RMB'000)	21,474	(21,474)	87,318	(87,318)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

X. RISKS RELATED TO FINANCIAL INSTRUMENTS *(continued)*

5. Transfer of financial assets

At 31 December 2021, the Group endorsed receivables at FVTOCI of RMB11,324,313,000 (31 December 2020: RMB13,515,648,000) to its suppliers to pay the accounts payable; discounted bills receivable of RMB4,876,277,000 (31 December 2020: RMB3,998,462,000) to bank to obtain currency funds. The Group believes that the risk and rewards of the ownership of such endorsed or discounted bills receivable have been substantially transferred to the supplier or discounting bank, therefore derecognised such endorsed or discounted bills receivable. If the acceptor can't cash such notes, according to relevant laws and regulations of China, the Group is held jointly liable for such bills receivable. The Group believes that as the acceptor is of good reputation, there is minor risk of the acceptor's failure to cash the notes upon maturity. At 31 December 2021, if the acceptor fails to cash such notes upon maturity, i.e. the Group's maximum exposure to loss is equivalent to the amount that the Group should pay the supplier or discounting bank in respect of such endorsed or discounted notes. For all the bills receivable endorsed to suppliers or discounted to bank, the maturity is within 1 year after the end of reporting year.

At 31 December 2021, the Group endorsed bills receivable of RMB7,380,028,000 (31 December 2020: RMB4,353,031,000) to its suppliers to pay the accounts payable; discounted bills receivable of RMB311,669,000 (31 December 2020: RMB111,047,000) to bank to obtain currency funds. The Group believes that it retains substantially all risk and rewards of the ownership of such endorsed or discounted bills receivable (including relevant risk of default), therefore continues to recognise such endorsed or discounted bills receivable as well as the carrying amount of relevant accounts payable that have been repaid. After the endorsement or discounting of bills receivable, the Group does not retain any right to use such endorsed or discounted notes, including selling, transferring or pledging such endorsed or discounted notes to any third party.

At 31 December 2021, the Group transferred accounts receivable of RMB9,035,330,000 (2020: RMB11,169,146,000) to bank to obtain currency funds. The Group believes that it has transferred substantially all the risks and rewards of ownership of such accounts receivable, therefore derecognised such accounts receivable. The Group's losses arising from derecognition of such accounts receivable are included in investment income amounting to RMB268,530,000 (2020: RMB193,987,000).

At 31 December 2021, the Group securitised accounts receivable of RMB4,382,053,000 (2020: RMB5,571,911,000). In this business, the Group, as assets service institution, only provides collection service according to the agreement and does not charge service fee. The Group believes that it has transferred substantially all the risks and rewards of ownership of such accounts receivable, therefore derecognised such accounts receivable. The Group's losses arising from derecognition of such accounts receivable are included in investment income amounting to RMB64,143,000 (2020: RMB160,008,000).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

X. RISKS RELATED TO FINANCIAL INSTRUMENTS *(continued)*

6. Capital management

The major objective of the Group's capital management is to ensure the Group's continuing operation, and provide the shareholders with continuous return by establishing a price of products and service that matches the risk level so as to obtain financing at reasonable cost.

The Group reviews and manages its capital structure on a regular basis, aiming to achieve most ideal capital structure and return to shareholders. The factors that the Group takes into consideration include: the Group's future capital demand, capital efficiency, actual and expected profitability, expected cash flows, expected capital expenditures and etc. If the economic conditions change and affect the Group, the Group will adjust the capital structure.

The Group monitors and manages its capital structure using asset-liability proportion. At 31 December 2021 and 2020, the asset-liability proportion are as follows:

	31 December 2021	31 December 2020
Asset-liability proportion (%)	57.29	56.89

Notes to the Consolidated Financial Statements

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XI. DISCLOSURE OF FAIR VALUE

1. Closing fair value of assets and liabilities measured at fair value

RMB'000

Item	Fair value at 31 December 2021			Total	Valuation technique and inputs	Significant unobservable inputs
	Level 1 Fair value measurement	Level 2 Fair value measurement	Level 3 Fair value measurement			
(I) Held-for-trading financial assets	-	8,134,820	2,559,873	10,694,693		
1. Derivative financial assets	-	3,089	-	3,089	Note 1	/
2. Certificate of deposits	-	8,131,731	-	8,131,731	Note 3	/
3. Unlisted equity instrument investments	-	-	2,559,873	2,559,873	Note 4	Note 4
(II) Receivables at FVTOCI	-	10,552,051	-	10,552,051	Note 3	/
(III) Investments in other equity instruments	1,143,978	-	1,853,360	2,997,338		
1. Listed equity instrument investments	1,143,978	-	-	1,143,978	Note 2	/
2. Unlisted equity instrument investments	-	-	1,853,360	1,853,360	Note 5	Note 5
(IV) Other non-current financial assets	370,460	-	-	370,460		
1. Preferred shares etc. investments	370,460	-	-	370,460	Note 1	/
Total assets measured at fair value on recurring basis	1,514,438	18,686,871	4,413,233	24,614,542		

Note 1: Discounted cash flow method. Future cash flows are based on forward exchange rate (sourced from the forward exchange rate observed at financial statement date) and estimated contractual forward exchange rate, and discounted using the discounting rate reflecting the credit risk of counterparty.

Note 2: Quoted price (unadjusted) in active market.

Note 3: Discounted cash flow method. Future cash flows are estimated based on expected return and discounted using the discounting rate reflecting the credit risk of counterparty.

Note 4: Discounted cash flow method. Unobservable inputs include revenue growth and system risk factor. The revenue growth is based on the estimate of the management of the investee. The system risk factor is based on the system risk factor of historical stock price of comparative companies.

Note 5: Comparative listed company comparing method and dividends discounting model. The unobservable inputs of the comparative listed company comparing method include liquidity discount. The unobservable inputs of dividends discounting model include expected growth rate and discounting rate.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

XI. DISCLOSURE OF FAIR VALUE *(continued)*

2. Reconciliation from the opening balances to the closing balances, and sensitivity analysis on unobservable inputs for items measured at recurring Level 3 fair value measurements

RMB'000

Item	Held-for-trading financial assets (unlisted equity instruments investment)	Investments in other equity instruments (unlisted equity instruments investment)
1 January 2021	1,606,487	1,531,683
Additions	886,437	376,772
Disposals	(148,783)	(153,739)
Profits	222,629	98,644
Included in profit or loss	222,629	-
Included in other comprehensive income	-	98,644
Changes in foreign exchange rates	(6,897)	-
31 December 2021	2,559,873	1,853,360

For the current year, there is no transfer among level 1, level 2 and level 3 fair value measurement of the Group's financial assets.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

XI. DISCLOSURE OF FAIR VALUE *(continued)*

3. Fair value of financial assets and financial liabilities that are not measured at fair value

RMB'000

Item	Carrying amount		Fair value	
	31 December 2021	31 December 2020	31 December 2021	31 December 2020
Fixed-rate debt investments	2,002,484	1,169,010	1,804,422	1,076,366
Fixed-rate long-term receivables	10,774,956	13,248,792	10,550,586	12,328,873
Fixed-rate long-term borrowings	2,334,377	1,757,805	1,646,536	1,277,449
Fixed-rate corporate bonds payable	2,500,000	2,500,000	2,488,016	2,399,174

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

XII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS

1. Parent of the Company

RMB'000					
Company name	Registered place	Nature of business	Registered capital	Proportion of ownership interest held by the parent company (%)	Proportion of voting power held by the parent company (%)
CRRC Group	Beijing	Manufacturing	23,000,000	51.35	51.35

The ultimate controlling party of the Company is State-owned Assets Supervision and Administration Commission of the State Council (the "SASAC").

2. Subsidiaries of the Company

The Company's subsidiaries are detailed in Note III, 2.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

XII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (continued)

3. Joint ventures and associates of the Company

Please see Note IX,2(1) for information of important joint ventures and associates of the Company.

The joint ventures and associates that have transactions with the Group in the current year are as follows:

Name of joint ventures or associates	Relationship with the Company
Dalian Toshiba Locomotive Electric Equipment Co., Ltd.	Joint ventures
Shenyang CRRC Westinghouse Railway Brake Technology Co., Ltd.	Joint ventures
Shentong CNR (Shanghai) Rail Transit Vehicle Maintenance Co., Ltd.	Joint ventures
Changzhou RuiYang Transmission Technology Co., Ltd.	Joint ventures
Guangzhou Sifang Rail Transit Equipment Co., Ltd.	Joint ventures
Xi'an Sifang Rail Traffic Equipment Co., Ltd.	Joint ventures
Shentong CSR (Shanghai) Rail Transit Vehicle Maintenance Co., Ltd.	Joint ventures
Changchun Changke Alstom Rail Vehicle Co., Ltd.	Joint ventures
Zhuzhou Times Mitsubishi Transportation Equipment Co., Ltd.	Joint ventures
Shenyang CRRC Rail Transit Equipment Co., Ltd.	Joint ventures
Shenzhen CRRC Railway Vehicle Co., Ltd.	Joint ventures
Shanxi Jinlong Sifang Railway Vehicle Equipment Co., Ltd.	Joint ventures
Jiangsu Leadrun Manden Casting Co., Ltd.	Joint ventures
Changchun Changke Rail Environmental Protection Equipment Co., Ltd.	Joint ventures
Wenzhou Times Lanp Electrical Equipment Co., Ltd.	Joint ventures
Changshu Zhishui Environmental Protection Water Co., Ltd.	Joint ventures
Shanghai Shentong CRRC Rail Transit Operation Safety Engineering Technology Research Co., Ltd.	Joint ventures
Zhengzhou Times Transport Electrical Equipment Co., Ltd.	Joint ventures
Beijing Sifang Tongchuang Rail Transit Equipment Co., Ltd.	Joint ventures
Qingdao Sifang Kawasaki Vehicle technology Co., Ltd.	Joint ventures
Jinan Sirui Rail Transit Equipment Technology Co., Ltd.	Joint ventures
Zhuzhou CRRC Times Investment Co., Ltd.	Joint ventures
Qingdao Sifang Sri Intellectual Technology Co., Ltd.	Joint ventures
Wuhu Yunda Rail Transit Construction and Operation Co., Ltd.	Joint ventures
Jiangsu CRRC Digital Technology Co., Ltd.	Associates
ABB Datong Traction Transformers Co., Ltd.	Associates
Guangzhou Electric Locomotive Co., Ltd.	Associates
Datong Faiveley Railway Vehicle Equipment Company Limited	Associates
Beijing Nankou SKF Railway Bearing Co., Ltd.	Associates
Tianjin Electric Locomotive Co., Ltd.	Associates
Hunan Coresing Semiconductor Technology Co., Ltd.	Associates

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

XII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS *(continued)*

3. Joint ventures and associates of the Company *(continued)*

Name of joint ventures or associates	Relationship with the Company
Knorr-Bremse Nankou Air Supply Unit (Beijing) Co., Ltd.	Associates
Chengdu Changke Xinzhu Rail Transportation Equipment Co., Ltd.	Associates
Qingdao Metro Rail Transit Intelligent Maintenance Co., Ltd.	Associates
CRRC Datong Semco Railway Traffic Co., Ltd.	Associates
Qingdao Sifang Faiveley Railway Brake Co., Ltd.	Associates
Shanghai Alstom Transport Electrical Equipment Co., Ltd.	Associates
Zhuzhou Luyuan Technology Co., Ltd.	Associates
Wuxi CRRC Hofer Powertrain Co., Ltd.	Associates
Qingdao Alstom Railway Equipment Co., Ltd.	Associates
Xinyang Amsted Tonghe Wheels Co., Ltd.	Associates
Beijing Beijiufang Science and Trade Co., Ltd.	Associates
CRRC Ziyang Transmission Co., Ltd.	Associates
Zhejiang CRRC Shangchi Electric Co., Ltd.	Associates
Xi'an Alstom Yongji Electrical Equipment Co., Ltd.	Associates
Hunan CRRC Westinghouse Rail Transit Technology Co., Ltd.	Associates
Zhuzhou Times Engineering Plastic Products Co., Ltd.	Associates
Guangzhou Junfa Electric Co., Ltd.	Associates
CRRC Zhuzhou Rail Transit Periodical Press Co., Ltd.	Associates
Zhuzhou Times Electric Insulation Co., Ltd.	Associates
Hunan Honghui Technology Co., Ltd.	Associates
Zhuzhou National Innovation Railway Technology Co., Ltd.	Associates
Zhuzhou Siemens Traction Equipment Co., Ltd.	Associates
Inner Mongolia Yiji Group Like Rubber & Plastic Products Co., Ltd.	Associates
Shanghai CRRC Voith Transmission Technology Co., Ltd.	Associates
CRRC Foshan Investment Development Co., Ltd.	Associates
China Railway Shenyang Railway Equipment Co., Ltd.	Associates
Baweitong Technology Co., Ltd.	Associates
Shanghai Nanji Railway Equipment Technology Development Co., Ltd.	Associates
Qiqihar EEE Forging Equipment Co., Ltd.	Associates
Foshan Gaoming Modern Rail Transit Construction Investment Co., Ltd.	Associates
Zhuzhou Time Huaxin New Material Technology Co., Ltd.	Associates
Sichuan Kocel Steel Foundry Co., Ltd.	Associates
CNR Changke Thailand Co., Ltd.	Associates
Hunan Maglev Transportation Development Co., Ltd.	Associates
Sichuan CRRC Tietou Rail Transit Co., Ltd.	Associates
Taizhou Taizhong Rail Transit Co., Ltd.	Associates
Jinan-Qingdao High-speed Railway Co., Ltd.	Associates

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

XII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS *(continued)*

3. Joint ventures and associates of the Company *(continued)*

Name of joint ventures or associates	Relationship with the Company
Chongqing Dongtou Rail Transit Equipment Co., Ltd.	Associates
Hebei CRRC Luxing Locknut Technology Co., Ltd.	Associates
Huaneng Tieling Daxing Wind Power Co., Ltd.	Associates
Dalian Ocean Eagle Railway Equipment Limited	Associates
CRRC CUEC Railway Equipment Co., Ltd.	Associates
HWI National Innovation (Qingdao) Welding Innovation Centre Co., Ltd.	Associates
Vertex Railcar Corporation	Associates
Wuhan Digital Design and Manufacturing Innovation Centre Co., Ltd.	Associates
Hunan Motor Vehicles Security Inspection Technology Co., Ltd.	Associates
Huaneng Panjin Wind Power Co., Ltd.	Associates
Sichuan Zhongxin Composite Material Co., Ltd.	Associates
Jiangxi Shangye Shengyilun Electric Co., Ltd.	Associates
Wuxi times Intelligent Transportation Research Institute Co., Ltd.	Associates
CRRC times Electric Vehicle Co., Ltd	Associates

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

XII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS *(continued)*

4. Related party transactions

(1) Purchases and sales of goods, rendering and receipt of services

Purchase of goods/receipt of service

		RMB'000	
Related party	Content of related party transaction	January-December 2021	January-December 2020
Joint ventures	Purchase of goods	814,599	1,521,022
Associates	Purchase of goods	653,232	700,653
CRRC Group and subsidiaries (Note 1)	Purchase of goods	763,849	519,787
Joint ventures and associates of CRRC Group and subsidiaries (Note 2)	Purchase of goods	34,302	63,678
Joint ventures	Receipt of services	68,689	8,483
Associates	Receipt of services	67,925	3,494
CRRC Group and subsidiaries (Note 1)	Receipt of services	31,593	20,291
Joint ventures and associates of CRRC Group and subsidiaries (Note 2)	Receipt of services	2,132	420
Total	/	2,436,321	2,837,828

Note 1: These related party transactions are continuing connected transactions in accordance with Chapter 14A of the Listing Rules by HKEx.

Note 2: Transaction amounts of RMB27,354,000 constituted the continuing connected transactions in accordance with Chapter 14A of the Listing Rules by HKEx.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

XII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS *(continued)*

4. Related party transactions *(continued)*

(1) Purchases and sales of goods, rendering and receipt of services *(continued)*

Sale of goods/rendering of service

		RMB'000	
Related party	Content of related party transaction	January-December 2021	January-December 2020
Joint ventures	Sale of goods	1,640,283	2,344,401
Associates	Sale of goods	2,149,784	2,142,405
CRRC Group and subsidiaries (Note 1)	Sale of goods	1,537,336	538,135
Joint ventures and associates of CRRC Group and subsidiaries (Note 2)	Sale of goods	53,850	75,872
Joint ventures	Rendering of services	119,244	324,447
Associates	Rendering of services	35,516	155,850
CRRC Group and subsidiaries (Note 1)	Rendering of services	41,298	47,394
Joint ventures and associates of CRRC Group and subsidiaries (Note 2)	Rendering of services	3,573,707	3,037,466
Total	/	9,151,018	8,665,970

Note 1: These related party transactions are continuing connected transactions in accordance with Chapter 14A of the Listing Rules by HKEx.

Note 2: Transaction amounts of RMB3,575,551,000 constituted the continuing connected transactions in accordance with Chapter 14A of the Listing Rules by HKEx.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

XII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (continued)

4. Related party transactions (continued)

(2) Leases with related parties

The Group as the lessor:

		RMB'000	
Name of lessee	Type of assets leased	Lease income recognised in current year	Lease income recognised in prior year
Joint ventures	Fixed assets	856	1,012
Associates	Fixed assets	3,771	3,074
CRRC Group and subsidiaries (Note 1)	Fixed assets	4,370	1,830
Joint ventures and associates of CRRC Group and subsidiaries (Note 2)	Fixed assets	2,778	2,390
Total	/	11,775	8,306

Note 1: These related party transactions are continuing connected transactions in accordance with Chapter 14A of the Listing Rules by HKEx.

Note 2: Transaction amounts of RMB1,873,000 constituted the continuing connected transactions in accordance with Chapter 14A of the Listing Rules by HKEx.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

XII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (continued)

4. Related party transactions (continued)

(2) Leases with related parties (continued)

The Group as the lessee:

		RMB'000	
Name of lessor	Type of assets leased	Lease payment recognised in current year (Note 2)	Lease payment recognised in prior year
CRRC Group and subsidiaries (Note 1)	Fixed assets	147,044	114,150
Total	/	147,044	114,150

Note 1: These related party transactions are continuing connected transactions in accordance with Chapter 14A of the Listing Rules by HKEx.

Note 2: Leasing expenses recognised in 2021 were short-term leases that applied the simplified approach and were charged to current profit or loss.

(3) Guarantees with related parties

The Company as the guarantor

		RMB'000	
The guaranteed company		Closing balance	Opening balance
Wuhu Yunda		1,973,149	3,295,932
CRRC E – LOCO SUPPLY (PTY) LTD.		1,752,881	-
Total		3,726,030	3,295,932

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

XII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (continued)

4. Related party transactions (continued)

(3) Guarantees with related parties (continued)

The Company as the guarantee holder

				RMB'000
Name of guarantor	Content of related party transaction	Closing balance	Opening balance	
CRRC Group	Bond guarantee	1,500,000	1,500,000	
Total	/	1,500,000	1,500,000	

(4) Funding from related party

					RMB'000
Related party	Amount of borrowing/ loan	Inception date	Maturity date	Note	
Funds received					
CRRC Group and its subsidiaries	148,590	29/07/2021	28/07/2022	/	
CRRC Group and its subsidiaries	312,960	19/11/2021	18/11/2022	/	
CRRC Group and its subsidiaries	1,100,000	15/12/2021	14/12/2022	/	
CRRC Group and its subsidiaries	249,770	28/12/2021	27/12/2022	/	
Total	1,811,320				

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

XII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS *(continued)*

4. Related party transactions *(continued)*

(5) Assets transfer/debt restructuring with related parties

			RMB'000		
Related party	Content of related party transaction	January-December 2021	January-December 2020		
Associates	Purchase of fixed assets from related parties	-	386		
CRRC Group and its subsidiaries	Purchase of fixed assets from related parties	-	28,503		
CRRC Group and its subsidiaries	Increase in Right-of-use assets	-	-		
Associates	Purchase of intangible assets from related parties	-	1,091		
CRRC Group and its subsidiaries	Sales of intangible assets from related parties, etc.	429,798	506,632		
Total	/	429,798	536,612		

(6) Remuneration of key management personnel

			RMB'000		
Item		January-December 2021	January-December 2020		
Remuneration of key management personnel		12,242	8,874		

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

XII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS *(continued)*

4. Related party transactions *(continued)*

(6) Remuneration of key management personnel *(continued)*

(i) Directors', supervisors' and chief executive's emoluments

	RMB'000	
	January- December 2021	January- December 2020
Fees	430	302
Other emoluments:		
Salaries	1,415	1,415
Performance-related bonuses (Note 1)	2,339	2,268
Social security contributions (other than pension scheme contributions) (Note 2)	520	250
Pension scheme contributions (Note 3)	130	120
Total	4,834	4,355

Note1: The performance-related bonuses are determined by the remuneration committee in accordance with the relevant remuneration policies of the Company.

Note2: The social security contributions (other than pension scheme contributions) represent the Company's statutory contributions directly to the PRC government, and are determined based on a certain percentage of the salaries of the directors, supervisors and the chief executive.

Note3: The pension scheme contributions represent the Company's statutory contributions to a defined contribution pension scheme organised by the PRC government, and are determined based on a certain percentage of the salaries of the directors, supervisors and the chief executive.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

XII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (continued)

4. Related party transactions (continued)

(6) Remuneration of key management personnel (continued)

(i) Directors', supervisors' and chief executive's emoluments (continued)

As at 31 December 2021, the names of the directors, supervisors and the chief executive and their emoluments are as follows:

RMB'000

	Fees	Salaries	Performance-related bonuses	Social security contributions (other than pension scheme contributions)	Pension scheme contributions	Total
Executive directors:						
Liu Hualong (Note 1)	-	-	-	-	-	-
Sun Yongcai	-	221	628	104	26	979
Lou Qiliang	-	199	565	104	26	894
Wang An (Note 2)	-	-	-	-	-	-
Sub-total	-	420	1,193	208	52	1,873
Non-executive directors:						
Jiang Renfeng	-	-	-	-	-	-
Sub-total	-	-	-	-	-	-
Independent non-executive director:						
Shi Jianzhong (Note 2)	77	-	-	-	-	77
Weng Yiran (Note 3)	5	-	-	-	-	5
Wei Mingde (Note 3)	21	-	-	-	-	21
Li Guo'an (Note 4)	100	-	-	-	-	100
Xin Dinghua (Note 4)	150	-	-	-	-	150
Zhu Yuanchao (Note 4)	77	-	-	-	-	77
Sub-total	430	-	-	-	-	430
Supervisor:						
Zhao Hu	-	389	429	104	26	948
Chen Zhenhan	-	302	359	104	26	791
Chen Xiaoyi	-	304	358	104	26	792
Sub-total	-	995	1,146	312	78	2,531
Total	430	1,415	2,339	520	130	4,834

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

XII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS *(continued)*

4. Related party transactions *(continued)*

(6) Remuneration of key management personnel *(continued)*

(i) *Directors', supervisors' and chief executive's emoluments (continued)*

Note 1: On 22 March 2021, Mr. Liu Hualong resigned from the position of chairman and his original remuneration was expensed by CRRCG.

Note 2: The remuneration of the new executive director Mr. Wang An was expensed by CRRCG.

Note 3: On 22 December 2021, Mr. Shi Jianzhong, Mr. Weng Yiran and Mr. Wei Mingde were nominated as independent non-executive directors. The disclosure period of aforementioned is December 2021.

Note 4: On 21 December 2021, Mr. Li Guo'an, Mr. Xin Dinghua and Mr. Zhu Yuanchao resigned from the position of independent non-executive directors. The disclosure period of aforementioned is from January to December 2021.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

XII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (continued)

4. Related party transactions (continued)

(6) Remuneration of key management personnel (continued)

(i) Directors', supervisors' and chief executive's emoluments (continued)

As at 31 December 2020, the names of the directors, supervisors and the chief executive and their emoluments are as follows:

	RMB'000					
	Fees	Salaries	Performance-related bonuses	Social security contributions (other than pension scheme contributions)	Pension scheme contributions	Total
Executive directors:						
Liu Hualong (Note 1)	-	-	-	-	-	-
Sun Yongcai	-	221	628	50	24	923
Lou Qiliang	-	199	562	50	24	835
Sub-total	-	420	1,190	100	48	1,758
Independent non-executive directors:						
Shi Jianzhong (Note 2)	30	-	-	-	-	30
Zhu Yuanchao (Note 2)	30	-	-	-	-	30
Li Guo'an	60	-	-	-	-	60
Wu Zhuo (Note 3)	30	-	-	-	-	30
Xin Dinghua	152	-	-	-	-	152
Sub-total	302	-	-	-	-	302
Supervisor:						
Zhao Hu	-	389	393	50	24	856
Chen Zhenhan	-	302	358	50	24	734
Chen Xiaoyi	-	304	327	50	24	705
Sub-total	-	995	1,078	150	72	2,295
Total	302	1,415	2,268	250	120	4,355

Note 1: Mr Liu Hualong holds the legal representative and the chairman of CRRCG and his remuneration has been borne by CRRCG.

Note 2: On 18 June 2020, Mr. Shi Jianzhong and Mr. Zhu Yuanchao were added as independent non-executive directors for the second session of the Board and their term of office shall end on the date of expiry of the term of office of the second session of the Board.

Note 3: On 18 June 2020, Mr. Wu Zhuo resigned from the position of independent non-executive directors. The disclosure period of aforementioned is from January to June 2020.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

XII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (continued)

4. Related party transactions (continued)

(6) Remuneration of key management personnel (continued)

(ii) Five highest paid employees

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

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

	RMB'000	
	January- December 2021	January- December 2020
Salaries	1,826	1,780
Performance-related bonuses	9,024	8,682
Social security contributions (other than pension scheme contributions)	436	332
Pension scheme contributions	169	301
Total	11,455	11,095

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

	2021	2020
HKD2,000,001 to HKD2,500,000	-	2
HKD2,500,001 to HKD3,000,000	5	3

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

XII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS *(continued)*

4. Related party transactions *(continued)*

(7) Other related party transactions

		RMB'000	
Related party	Content of related party transaction	January-December 2021	January-December 2020
CRRC Group and subsidiaries (Note 1)	Financial service and interest income	285,026	267,217
Associates	Financial service and interest income	6,764	10,074
Joint ventures	Interest expenses	78	52
Associates	Interest expenses	295	373
CRRC Group and its subsidiaries	Interest expenses	118,729	93,842
Joint ventures and associates of CRRC Group and subsidiaries	Interest expenses	9	125
Total	/	410,901	371,683

Note 1: Transaction amounts of RMB248,000 constituted the continuing connected transactions in accordance with Chapter 14A of the Listing Rules by HKEx.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

XII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (continued)

5. Amounts due from/to related parties

(1) Receivables

		RMB'000			
Item	Related party	Balance at the end of the year		Balance at the beginning of the year	
		Book value	Provisions for bad and doubtful debts	Book value	Provisions for bad and doubtful debts
Bills receivable	Joint ventures	6,071	-	11,821	-
Bills receivable	Associates	58,430	457	199,254	1,285
Bills receivable	CRRC Group and its subsidiaries	14,275	13	50,744	8,206
Accounts receivable	Joint ventures	684,678	84,995	517,110	140,758
Accounts receivable	Associates	416,342	90,278	1,043,864	104,050
Accounts receivable	CRRC Group and its subsidiaries	838,656	26,915	210,337	24,353
Accounts receivable	CRRC Group and the joint ventures and associates of its subsidiaries	391,394	15,035	302,517	11,209
Receivables at FVTOCI	Joint ventures	6,185	6,116	-	-
Receivables at FVTOCI	Associates	57,007	8,313	92,552	525
Receivables at FVTOCI	CRRC Group and its subsidiaries	73,304	1,094	93,246	6
Receivables at FVTOCI	CRRC Group and the joint ventures and associates of its subsidiaries	-	-	4,570	-
Prepayments	Joint ventures	143,374	50	338,861	-
Prepayments	Associates	103,936	-	286,379	84
Prepayments	CRRC Group and its subsidiaries	7,613	229	23,768	158
Prepayments	CRRC Group and the joint ventures and associates of its subsidiaries	-	-	1,871	-
Other receivables	Joint ventures	714	8	432,575	3
Other receivables	Associates	38,540	645	35,309	393
Other receivables	CRRC Group and its subsidiaries	668,464	15,294	1,460,011	7,942
Contract assets	Joint ventures	3,485	25	806,566	14,897
Contract assets	Associates	836,141	13,709	46,069	468
Contract assets	CRRC Group and its subsidiaries	195,346	12,098	27,179	6,552

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

XII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS *(continued)*

5. Amounts due from/to related parties *(continued)*

(1) Receivables *(continued)*

Item	Related party	Balance at the end of the year		Balance at the beginning of the year	
		Book value	Provisions for bad and doubtful debts	Book value	Provisions for bad and doubtful debts
Contract assets	CRRC Group and the joint ventures and associates of its subsidiaries	9,509	-	46,010	393
Non-current assets due within one year	Joint ventures	27,991	975	-	-
Non-current assets due within one year	Associates	-	-	385,834	3,347
Non-current assets due within one year	CRRC Group and its subsidiaries	11,021,754	115,926	10,232,756	122,180
Long-term receivables	Associates	572,353	528,447	584,718	540,812
Long-term receivables	CRRC Group and its subsidiaries	-	-	179,227	179,227
Other non-current assets	Joint ventures	16,553	156	5,385	94
Other non-current assets	Associates	290,047	4,086	287,563	3,646
Other non-current assets	CRRC Group and its subsidiaries	58,793	102	24,484	155
Other non-current assets	CRRC Group and the joint ventures and associates of its subsidiaries	728,712	728	1,269,422	1,269
Total	/	17,269,667	925,694	19,000,002	1,172,012

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

XII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS *(continued)*

5. Amounts due from/to related parties *(continued)*

(2) Payables

			RMB'000	
Item	Related party	Closing book value	Opening book value	
Short-term loans	CRRC Group and its subsidiaries	-	333,940	
Customer deposits and deposits from banks and other financial institutions	Joint ventures	19,949	24,283	
Customer deposits and deposits from banks and other financial institutions	Associates	2,574	49,946	
Customer deposits and deposits from banks and other financial institutions	CRRC Group and its subsidiaries	4,534,516	4,040,655	
Customer deposits and deposits from banks and other financial institutions	CRRC Group and the joint ventures and associates of its subsidiaries	44,580	272	
Bills payable	Joint ventures	199,738	413,678	
Bills payable	Associates	25,017	14,173	
Bills payable	CRRC Group and its subsidiaries	56,350	20,205	
Bills payable	CRRC Group and the joint ventures and associates of its subsidiaries	3,966	8,320	
Accounts payable	Joint ventures	1,263,042	1,554,033	
Accounts payable	Associates	1,266,115	1,486,208	
Accounts payable	CRRC Group and its subsidiaries	1,770,531	1,345,006	
Accounts payable	CRRC Group and the joint ventures and associates of its subsidiaries	68,403	38,751	
Receipts in advance	CRRC Group and its subsidiaries	-	2,000	
Contract liabilities	Joint ventures	2,344	5,799	
Contract liabilities	Associates	78,152	197,711	
Contract liabilities	CRRC Group and its subsidiaries	463,888	540,333	
Contract liabilities	CRRC Group and the joint ventures and associates of its subsidiaries	193,584	405,202	

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

XII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS *(continued)*

5. Amounts due from/to related parties *(continued)*

(2) Payables *(continued)*

Item	Related party	Closing book value	Opening book value
Other payables	Joint ventures	2,137	6,154
Other payables	Associates	37,292	29,619
Other payables	CRRC Group and its subsidiaries	1,952,607	1,758,406
Other payables	CRRC Group and the joint ventures and associates of its subsidiaries	3,596	1,584
Non-current liabilities due within one year	Joint ventures	2	-
Non-current liabilities due within one year	Associates	4,596	-
Non-current liabilities due within one year	CRRC Group and its subsidiaries	56,626	-
Non-current liabilities due within one year	CRRC Group and the joint ventures and associates of its subsidiaries	-	222
Lease liabilities	CRRC Group and its subsidiaries	54,353	67,827
Total	/	12,103,958	12,344,327

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

XII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS *(continued)*

6. Related party commitments

		RMB'000	
Item	Related party	31 December 2021	31 December 2020
Selling goods to related parties	Associates	62,125	22,596
Selling goods to related parties	Joint ventures	5,975	-
Purchasing goods from related parties	Associates	4,488	-
Purchasing goods from related parties	CRRC Group and its subsidiaries	6,091	12,837
Purchasing goods from related parties	Joint ventures and associates of CRRC Group and subsidiaries	33	-
Total	/	78,712	35,433

7. Others

The thirtieth meeting of the second session of the Board of Directors resolved that, on 18 July 2021, CRRC Zhuzhou Locomotive (a wholly-owned subsidiary of the Company) entered into the Entrustment Agreement and Creditor's Rights Transfer Agreement with Zhuzhou Locomotive Industrial (a wholly-owned subsidiary of CRRC Group) in relation to CRRC ZELC SA PTY LTD., a wholly-owned subsidiary of the Company prior to the effective date of the Entrustment Agreement (the "Target Company", the Target Company and/or its subsidiaries (the "Target Group")). CRRC Zhuzhou Locomotive also entered into the Counter Guarantee Agreement with CRRC Group on 18 July 2021.

Under the Entrustment Agreement, CRRC Zhuzhou Locomotive has agreed to entrust Zhuzhou Locomotive Industrial and Zhuzhou Locomotive Industrial has agreed to accept the entrustment for managing 100% equity interest of the Target Company held by CRRC Zhuzhou Locomotive, for a long-effective term from the effective date of the Entrustment Agreement. The pricing basis for the entrustment transaction was RMB171,897 thousand, and the final transaction price was RMB185,687 thousand (adjusted according to the increase in the amount of equity attributable to the shareholders of the parent company as shown in the financial statements of the Target Company prepared in accordance with the PRC Accounting Standards for Business Enterprises for the period from 31 December 2020 (exclusive) to the effective date of the Entrustment Agreement). Upon the effective date of the Entrustment Agreement, the Target Company ceased to be consolidated in the consolidated financial statements of the Company.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

XII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS *(continued)*

7. Others *(continued)*

Under the Creditor's Rights Transfer Agreement, CRRC Zhuzhou Locomotive has agreed to transfer and Zhuzhou Locomotive Industrial has agreed to acquire the Creditor's Rights of the Target Group which were accrued and enjoyed by CRRC Zhuzhou Locomotive as at the date of signing of the Creditor's Rights Transfer Agreement in the total amount of RMB3,089,253 thousand, which was based on the book value of the above Creditor's Rights.

Prior to the entering of the Entrustment Agreement, in respect of the performance obligations of the Target Group under the Locomotive Supply Contracts, CRRC Zhuzhou Locomotive applied to Bank of China Limited and China Construction Bank Corporation respectively for the issuance of advance payment guarantee in favour of the owner under the Locomotive Supply Contracts. As of 31 December 2021, the outstanding amount of the guarantee under the advance payment guarantee of Bank of China and China Construction Bank was approximately ZAR1.492 billion in total (equivalent to approximately RMB598 million calculated by the exchange rate as at 31 December 2021). CRRC Zhuzhou Locomotive had also provided the parent guarantee to the owner. Pursuant to the parent guarantee, if the Target Group fails to perform its obligations under the Locomotive Supply Contracts, Zhuzhou Locomotive shall be jointly and severally liable for the compensation liability of the Target Group under the Locomotive Supply Contracts. The maximum amount of compensation liability borne by CRRC Zhuzhou Locomotive was ZAR2.886 billion (equivalent to approximately RMB1.155 billion calculated by the exchange rate as at 31 December 2021). Pursuant to the above guarantees, on 18 July 2021, the total outstanding amount of the performance guarantees provided by CRRC Zhuzhou Locomotive for the Target Group shall be no more than ZAR4.378 billion (equivalent to approximately RMB1.753 billion calculated by the exchange rate as at 31 December 2021).

On 18 July 2021, CRRC Zhuzhou Locomotive and CRRC Group entered into the Counter Guarantee Agreement, pursuant to which CRRC Group shall assume counter guarantee obligations for the guarantee obligations of CRRC Zhuzhou Locomotive under the Guarantees with all of its assets, and shall assume joint and several reimbursement obligation for all payments made by CRRC Zhuzhou Locomotive for fulfilling its guarantee obligations and all expenses incurred to realize the right of recovery. If CRRC Zhuzhou Locomotive has borne the guarantee obligations under the guarantees, CRRC Zhuzhou Locomotive is entitled to recover the amount directly from CRRC Group. The guarantee period of the counter guarantee is two years from the date of actual performance of the guarantee obligations by CRRC Zhuzhou Locomotive.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

XIII. Commitments and contingencies

1. Significant commitments

ITEM	RMB'000	
	31 December 2021	31 December 2020
Construction in progress, fixed assets and land use rights	2,596,395	2,752,027
Other intangible assets	11,034	29,653
Investment commitments	-	249
Total	2,607,429	2,781,929

2. Contingencies

(1) External guarantee

Related unit	Warranty	Amount of guarantee	Type of guarantee
The Company	Wuhu Yunda	1,973,149	Guarantee for performance, financing and profit or loss
CRRC Zhuzhou Locomotive	CRRC E-LOCO SUPPLY (PTY) LTD.	1,752,881	Guarantee for performance

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

XIII. Commitments and contingencies (*continued*)

2. Contingencies (*continued*)

(2) Others

In 2017, there have been media reports in South Africa of violations of laws related to multiple procurements of locomotives by Transnet. From 2017, Transnet and the relevant state departments in South Africa established special investigation teams to investigate the relevant matters of the procurements of locomotives.

Between 2017 and 2020, South African Reserve Bank has blocked part of the fund deposited in three local bank accounts of the Group's subsidiary in South Africa on the ground that the Group's subsidiary in South Africa is suspected of alleged contraventions of the Exchange Control Regulations in South Africa. On 8 December 2020, the South African Revenue Service ("SARS") lodged a request in the High Court in South Africa to block certain funds deposited in local bank accounts of the Group's subsidiary in South Africa on the ground that the subsidiary is suspected of failing to pay taxes in full in South Africa. As at 31 December 2020, the funds blocked by the South African Reserve Bank and the SARS totalled ZAR4.65 billion (equivalent to RMB2.1 billion), listed under other non-current assets. Disclosures of the restricted bank balances are set out in Notes VII, 26.

The thirtieth meeting of the second session of the Board of Directors held on 18 July 2021 resolved that, CRRC Zhuzhou Locomotive, a wholly-owned subsidiary of the Company, entered into the Entrustment Agreement (the "Entrustment Agreement") and a series of related agreements with Zhuzhou Locomotive Industrial, a wholly-owned subsidiary of CRRC Group, which shall entrust Zhuzhou Locomotive Industrial to manage the 100% equity interest of CRRC ZELC SA PTY LTD ("the Target Company"), and entrust Zhuzhou Locomotive Industrial to exercise all shareholders' rights from the date of the Entrustment Agreement. Based on the Entrustment Agreement, during the Entrustment Period, all operating income or operating losses of the Target Company shall be enjoyed or borne by Zhuzhou Locomotive Industrial, and the rewards and risk of changes in the overall value of the Target Company's interests shall also be enjoyed or borne by Zhuzhou Locomotive Industrial. CRRC Zhuzhou Locomotive shall relinquish all shareholders' rights from the date of the Entrustment Agreement and the Target Company will cease to be consolidated in the consolidated financial statements of the Company and the Target Company will cease to be a subsidiary of the Group. Prior to the Entrustment Agreement, in respect of the performance obligations of the Target Company and its subsidiaries under the Locomotive Supply Contracts, CRRC Zhuzhou Locomotive has provided performance guarantee ("the Guarantee") for the Target Company's subsidiary. Accordingly, CRRC Zhuzhou Locomotive will continue to provide the performance guarantee for the Target Company's subsidiary upon the effective date of the Entrustment Agreement. CRRC Group will provide the Counter Guarantee for the obligations of CRRC Zhuzhou Locomotive under the Guarantee pursuant to the Counter Guarantee Agreement, signed by CRRC Group and CRRC Zhuzhou Locomotive.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

XIV. POST BALANCE SHEET DATE EVENTS

1. Explanation of subsequent events

(1) Profit distribution

On 30 March 2022, the Company held the fourth meeting of the third session of the Board, at which the "2021 Proposal for Profit Distribution Plan of CRRC Corporation Limited" was considered and approved, pursuant to which the Company would distribute cash dividends to all shareholders based on the total share capital registered on the registration date for dividend distribution (the specific date will be clarified in the announcement on the implementation of dividend distribution). As at 31 December 2021, the total share capital of the Company was 28,698,864,088 shares, base on which and calculating at cash dividend of RMB0.18 (tax inclusive) per share, the Company is proposed to distribute cash dividend of RMB5.166 billion (tax inclusive) in aggregate, and the remaining undistributed profit will be carried forward for next year's distribution. The Company's cash dividends for the year accounted for 50% of the Company's net profit attributable to shareholders of listed company in 2021. In case from the date of disclosure of announcement on profit distribution plan to the date of registration date for dividend distribution, there are changes in the total share capital of the Company due to the conversion of convertible bonds, repurchase of shares, cancellation of repurchased shares granted under equity incentive schemes, cancellation of repurchased shares due to material asset restructuring, etc., the Company proposes to remain the total distribution amount unchanged, and to adjust the distribution proportion per share accordingly. If the total share capital of the Company changes subsequently, specific adjustments will be announced separately. The profit distribution plan is subject to the consideration and approval at the 2021 annual general meeting of the Company.

(2) Description of other events after the balance sheet date

Since the outbreak of the novel coronavirus pneumonia pandemic (the "COVID-19 pandemic") in January 2020, the prevention and control work of the COVID-19 pandemic is continuing nationwide. The Group has been paying keen attention to the impact of the development of the COVID-19 pandemic on its business operations and formulated countermeasures. The Group will continue to pay close attention to the development of the COVID-19 pandemic, and evaluate and actively respond to the impact of the epidemic on the Group's financial status, operating results, etc. As at the reporting date of this report, no significant adverse impacts have been found.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

XV. OTHER SIGNIFICANT ITEMS

1. Debt restructuring

As a creditor, the group restructured its debt with the debtor in the following ways from January to December 2021.

Types of debt restructuring	Item	Restructured creditor's rights	
		Book value	Gains/(losses) from debt restructuring
Debt restructuring by transferring assets other than financial assets (Note)	Long term receivables (including those due within one year)/ accounts receivable	55,418	124,231
Debt restructuring by transferring financial assets	Long term receivables (including those due within one year)	28,189	10,956
Modify other terms and terminate the recognition of debt	Other payables	47,352	47,352
Total	/		182,539

Note: In 2021, some debtors of the group repaid the creditor's rights held by the group with houses and buildings. The group initially recognizes the relevant assets according to the fair value of the abandoned relevant creditor's rights and other costs such as taxes attributable to the relevant assets.

2. Segment information

(1) Basis for determining reporting segment and accounting policies

Based on the requirements of operation management, the Group's operating activities are classified in to one separate operating segment, mainly supplying the market with rail transit equipment and extended products and services, therefore the Group has no other operating segment.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

XV. OTHER SIGNIFICANT ITEMS *(continued)*

2. Segment information *(continued)*

(2) Financial information of reporting segment

(i) External revenue

ITEM	RMB'000	
	Accrued during the period	Accrued during the prior period
Products and services information:		
Rail transit equipment and extended products and services	225,731,755	227,656,041
Total	225,731,755	227,656,041
Geographical information:		
Mainland China	205,697,355	210,591,922
Other countries and regions	20,034,400	17,064,119
Total	225,731,755	227,656,041

(ii) Specified non-current assets

ITEM	RMB'000	
	31 December 2021	31 December 2020
Mainland China	119,291,864	110,562,470
Other countries and regions	7,774,963	10,799,747
Total	127,066,827	121,362,217

The non-current assets are attributable to the regions where the assets are located, and exclude financial assets, financing lease receivable and deferred tax assets.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

XV. OTHER SIGNIFICANT ITEMS *(continued)*

2. Segment information *(continued)*

(2) Financial information of reporting segment *(continued)*

(iii) Information about major customers

The Group's operating income from major customer China State Railway Group is RMB80,861,854,000 (January-December 2020: RMB82,849,409,000). The Group has no other single customer from which the revenue accounts for over 10% of the Group's operating income.

3. Net current assets and total assets minus current liabilities

(1) Net current assets:

	RMB'000	
ITEM	31 December 2021	31 December 2020
Current assets	279,882,630	249,727,225
Less: current liabilities	215,556,317	197,492,911
Net current assets	64,326,313	52,234,314

(2) Total assets minus current liabilities:

	RMB'000	
ITEM	31 December 2021	31 December 2020
Total Assets	426,826,499	392,380,368
Less: current liabilities	215,556,317	197,492,911
Total assets less current liabilities	211,270,182	194,887,457

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

XV. OTHER SIGNIFICANT ITEMS *(continued)*

4. Calculation process of basic earnings per share and diluted earnings per share

(1) Basic earnings per share

The basic earnings per share is calculated by dividing the current net profit attributable to the common shareholders of the company by the weighted average number of common shares issued:

ITEM	Accrued during the period	Accrued during the prior period
Net profit of the year attributable to ordinary shareholders (RMB'000)	10,302,605	11,331,053
Number of ordinary shares issued in the current period (thousand shares)	28,698,864	28,698,864
Basic earnings per share (RMB/share)	0.36	0.39

(2) Diluted earnings per share

Diluted earnings per share is calculated by dividing the adjusted current net profit attributable to the owner of the parent company by the adjusted weighted average number of common shares issued in the current period. The Company's diluted potential ordinary shares are 2016 convertible bonds.

ITEM	Accrued during the period	Accrued during the prior period
Net profit of the year attributable to ordinary shareholders (RMB'000)	10,302,605	11,331,053
Plus: impact of convertible bonds (RMB'000)	(14,939)	(106,030)
Net profit used to calculate diluted earnings per share (RMB'000)	10,287,666	11,225,023
Number of ordinary shares issued in the current period (thousand shares)	28,698,864	28,698,864
Plus: impact of convertible bonds (thousand shares)	53,351	315,705
Number of ordinary shares issued in the current period to calculate diluted earnings per share (thousand share)	28,752,215	29,014,569
Diluted earnings per share (RMB/share)	0.36	0.38

Assuming that all the convertible bonds issued by the group are converted into ordinary shares on the issuance date, the earnings per share will be reduced, and the convertible bonds are diluted.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

XVI. NOTES TO THE COMPANY'S FINANCIAL STATEMENTS

1. Cash at bank and on hand

(1) Cash at bank and on hand

	RMB'000	
Ageing	Closing balance	Opening balance
Cash on hand	-	319
Deposits with banks	10,655,270	463,556
Other monetary funds	500,047	501,301
Total	11,155,317	965,176

(2) Cash at bank and on hand with restrictive ownership title or right of use

	RMB'000	
Category	Closing balance	Opening balance
Bank acceptance bills deposit	500,047	501,301
Total	500,047	501,301

As at 31 December 2021, there were RMB1,000,000,000 unsecured and unrestricted time deposits with maturity of three months and above (31 December 2020: Nil).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

XVI. NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (continued)

2. Other receivables

Presented by item:

ITEM	RMB'000	
	Closing balance	Opening balance
Interest receivable	-	-
Dividends receivable	3,172,821	2,873,874
Other receivables	13,661,103	16,004,530
Total	16,833,924	18,878,404

Other receivables

(1) Disclosure by ageing analysis

ITEM	RMB'000	
	Closing balance	Opening balance
Within 1 year	13,134,958	11,964,634
1-2 years	92,765	1,537,178
2-3 years	271,860	2,503,207
Over 3 years	173,390	-
Sub-total	13,672,973	16,005,019
Less: Credit loss allowance	(11,870)	(489)
Total	13,661,103	16,004,530

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

XVI. NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (continued)

2. Other receivables (continued)

Other receivables (continued)

(2) Categories of other receivables by nature

	RMB'000	
Nature of other receivables	Closing balance	Opening balance
Transactions between subsidiaries	13,581,596	14,370,630
Others	79,507	1,633,900
Total	13,661,103	16,004,530

(3) Dividends receivable

	RMB'000	
Item (or investee)	Closing balance	Opening balance
Dividends receivable from subsidiaries	3,172,821	2,873,874
Total	3,172,821	2,873,874

(4) Top five entities with the largest balances of other receivables

	RMB'000		
Name of enterprise	Book value at 31 December 2021	Proportion to total closing balance of other receivables (%)	Balance of loss allowance at 31 December 2021
Top 5 other receivables	8,169,580	59.75%	8,170

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

XVI. NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (continued)

3. Long-term equity investments

RMB'000

ITEM	Closing balance			Opening balance		
	Book value	Provision for impairment	Carrying amount	Book value	Provision for impairment	book value
Investments in subsidiaries	100,872,199	-	100,872,199	99,262,449	-	99,262,449
Investments in joint ventures and associates	6,250,426	-	6,250,426	6,147,003	-	6,147,003
Total	107,122,625	-	107,122,625	105,409,452	-	105,409,452

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

XVI. NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (continued)

3. Long-term equity investments (continued)

(1) Investments in subsidiaries

Investee	RMB'000			
	Opening balance	Additions during the period	Decrease during the period	Closing balance
CRRC Changchun	11,538,846	-	-	11,538,846
CRRC Zhuzhou Institute	11,113,162	109,410	-	11,222,572
CRRC Zhuzhou Locomotive	5,669,546	33,240	-	5,702,786
CRRC Qingdao Sifang	4,895,235	183,130	-	5,078,365
CRRC Tangshan	8,429,399	8,070	-	8,437,469
CRRC Dalian	6,188,301	148,940	-	6,337,241
CRRC Qiqihar Group	7,894,071	-	-	7,894,071
CRRC Yangtze River Group	5,674,459	-	-	5,674,459
CRRC Investment & Leasing	3,214,106	-	-	3,214,106
CRRC Qishuyan	2,411,044	-	-	2,411,044
CRRC Qishuyan Institute	2,165,166	79,130	-	2,244,296
CRRC Capital Management	2,511,188	-	-	2,511,188
CRRC Nanjing Puzhen	4,276,757	808,910	-	5,085,667
CRRC Hong Kong Capital Management	3,180,486	-	-	3,180,486
CRRC Construction Engineering	845,372	-	-	845,372
CRRC Yongji Electric	2,266,438	6,550	-	2,272,988
CRRC Sifang Institute	3,119,677	14,300	-	3,133,977
CRRC Finance	2,434,613	-	-	2,434,613
CRRC Zhuzhou Electric	1,351,727	3,950	-	1,355,677
CRRC Ziyang	1,061,086	-	-	1,061,086
CRRC Beijing Nankou	524,412	-	-	524,412
CRRC Datong	1,313,207	-	-	1,313,207
CRRC Dalian R&D	196,206	-	-	196,206
CRRC Dalian Institute	713,907	100,000	-	813,907
CRRC Logistics	630,196	-	-	630,196
CRRC Industrial Institute	200,000	28,000	-	228,000
CRRC International	682,337	-	-	682,337
CRRC Information Technology	119,175	86,120	-	205,295
CRRC Financial Leasing	2,430,000	-	-	2,430,000
Other subsidiaries	2,212,330	-	-	2,212,330
Total	99,262,449	1,609,750	-	100,872,199

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

XVI. NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (continued)

3. Long-term equity investments (continued)

(2) Investments in joint ventures and associates

RMB'000

Name of investee	Opening balance	Additional investments	Decrease in investments	Changes for the year		Other equity movements	Cash dividend or profits declared	Closing balance
				Investment income or loss under equity-method	Adjustment of other comprehensive income			
I. Joint ventures								
Wuhu Yunda	100,765	39,137	-	(1,198)	-	-	-	138,704
Sub-total	100,765	39,137	-	(1,198)	-	-	-	138,704
II. Associates								
China United Insurance	5,250,627	-	-	55,944	15,240	451	(10,000)	5,312,262
Others	795,611	-	-	3,670	-	399	(220)	799,460
Sub-total	6,046,238	-	-	59,614	15,240	850	(10,220)	6,111,722
Total	6,147,003	39,137	-	58,416	15,240	850	(10,220)	6,250,426

4. Revenue and operating costs

(1) Details of revenue and operating costs

RMB'000

ITEM	Accrued during the period		Accrued during the prior period	
	Income	Cost	Income	Cost
Principal operating activities	-	-	15,399	7,053
Other operating activities	383,387	5,512	412,686	4,074
Total	383,387	5,512	428,085	11,127

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

XVI. NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (continued)

4. Revenue and operating costs (continued)

(2) Details of revenue from contracts

Type of contract	RMB'000	
	Rail transit equipment and extended products and services	Total
By geographical regions		
Mainland China	383,387	383,387
Other countries and regions	-	-
Total	383,387	383,387

5. Investment income

ITEM	RMB'000	
	Accrued during the period	Accrued during the prior period
Income from long-term equity investments accounted for using cost method	5,516,110	5,148,615
Income from long-term equity investments accounted for using equity method	58,416	165,879
Investment income from disposal of long-term equity investments	-	(310,416)
Total	5,574,526	5,004,078

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

XVI. NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (continued)

6. Supplement to cash flow statement

(1) Supplement to cash flow statement

	RMB'000	
Supplementary information	Accrued during the period	Accrued during the prior period
1. Reconciliation of net profit to cash flows from operating activities:		
Net profit	5,354,146	4,934,592
Credit losses	16,670	1,281
Depreciation of fixed assets	5,421	5,857
Depreciation of right-of-use assets	12,491	12,533
Amortisation of intangible assets	20,761	19,323
Income from disposal of fixed assets	(4)	-
Losses from disposal of fixed assets	9	-
Gains on changes in fair value	-	(5,439)
Financial expenses/(income)	14,964	(39,209)
Investment income	(5,574,526)	(5,004,078)
Decrease in operating payables	2,189,867	1,783,057
Decrease in operating payables	(115,382)	(88,873)
Net cash flows generated from operating activities	1,924,417	1,619,044
2. Net changes in cash and cash equivalents:		
Closing balance of cash and cash equivalents	9,653,682	463,875
Less: Opening balance of cash	463,875	11,369,799
Net increase/(decrease) in cash and cash equivalents	9,189,807	(10,905,924)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

XVI. NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (continued)

6. Supplement to cash flow statement (continued)

(2) Composition of cash and cash equivalents

	RMB'000	
ITEM	Closing balance	Opening balance
I. Cash	9,653,682	463,875
Including: Cash on hand	–	319
Bank deposits available on demand	9,653,682	463,556
II. Cash equivalents	–	–
III. Closing balance of cash and cash equivalents	9,653,682	463,875

XVII. SUPPLEMENTARY INFORMATION

1. Breakdown of non-recurring gain or loss

	RMB'000	
ITEM	Amount	Note
Profit or loss on disposal of non-current assets	1,016,195	/
Government grants recognised in profit or loss (other than grants which are closely related to the Company's business and are either in fixed amounts or determined under quantitative methods in accordance with the national standard)	2,229,726	/
Restructuring costs, such as staff compensation cost and integration expenses	(430,033)	/
Gains or losses from debt restructuring	182,539	/
Changes in fair value of financial assets and liabilities held for trading and derivative financial assets and liabilities, and disposal of financial assets and liabilities held for trading, derivative financial assets and liabilities and other debt investments, other than those held for effective hedging related to normal operations	427,177	/
Other profit and loss items that meet the definition of non recurring profit and loss	284,222	/
Other non-operating income and expenses besides items above	173,236	/
Less: Tax effect	(704,710)	/
Effects attributable to minority interests	(396,021)	/
Total	2,782,331	/

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

XVII. SUPPLEMENTARY INFORMATION *(continued)*

1. Breakdown of non-recurring gain or loss *(continued)*

Reason for defining items as non-recurring gain or loss items according to Information Disclosure and Presentation Rules for Companies Making Public Offering of Securities No.1 – Non-recurring Gain or Loss, and reasons for defining non-recurring gain or loss items illustrated in information Disclosure and Presentation Rules for Companies Making Public Offering of Securities No. 1 – Non-recurring Gain or Loss as recurring gain or loss items should be specified.

2. Return on net assets and earnings per share

Profit for the reporting period	Weighted average return on net assets (%)	Earnings per share	
		Basic earnings per share	Diluted earnings per share
Net profit attributable to the Company's ordinary equity shareholders	6.71	0.36	0.36
Net profit excluding extraordinary gain and loss attributable to the Company's ordinary equity shareholders	4.90	0.26	0.26

Chairman of the Board: Sun Youngcai

Reporting date approved by the Board of Directors: 30 March 2022

Definition

Articles of Association	the Articles of Association of the Company
A Share(s)	the Company's domestic share(s) listed on the Shanghai Stock Exchange
Board	the board of directors of the Company, unless the context requires otherwise
China United Insurance	China United Insurance Holding Corporation (中華聯合保險集團股份有限公司)
CNR	former China CNR Corporation Limited (中國北車股份有限公司)
CNRG	former China Northern Locomotive & Rolling Stock Industry (Group) Corporation (中國北方機車車輛工業集團公司)
CRRC Changchun	CRRC Changchun Railway Vehicles Co., Ltd. (中車長春軌道客車股份有限公司)
CRRC Yangtze	CRRC Yangtze Transport Equipment Group Co., Ltd. (中車長江運輸設備集團有限公司)
CRRCG or CRRC GROUP	CRRC GROUP Co., Ltd. (中國中車集團有限公司)
CRRC or Company	CRRC Corporation Limited (中國中車股份有限公司)
CRRC Sifang	CRRC Qingdao Sifang Co., Ltd. (中車青島四方機車車輛股份有限公司)
CRRC Tangshan	CRRC Tangshan Co., Ltd. (中車唐山機車車輛有限公司)
CRRC ZELRI	CRRC Zhuzhou Electric Locomotive Research Institute Co., Ltd. (中車株洲電力機車研究所有限公司)
CRRC Zhuzhou	CRRC Zhuzhou Locomotive Co., Ltd. (中車株洲電力機車有限公司)
CRRC Zhuzhou Electric	CRRC Zhuzhou Electric Co., Ltd. (中車株洲電機有限公司)
CSR	former CSR Corporation Limited (中國南車股份有限公司)
CSR and CNR	CSR and CNR
CSRC	China Securities Regulatory Commission (中國證券監督管理委員會)
CSRG	former CSR Group (中國南車集團公司)
Director(s)	director(s) of the Company, unless the context requires otherwise

Definition

Finance Company	CRRC Finance Co., Ltd. (中車財務有限公司)
Financial Leasing Company	CRRC Financial Leasing Co., Ltd. (中車金融租賃有限公司)
Group	the Company and its subsidiaries
Hong Kong Listing Rules	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
H Share(s)	the Company's foreign share(s) listed on the Stock Exchange
Ministry of Finance	the Ministry of Finance of the People's Republic of China
Model Code	Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Hong Kong Listing Rules
Qiqihar Group	CRRC Qiqihar Group Co., Ltd. (中車齊車集團有限公司)
SASAC	State-owned Asset Supervision and Administration Commission of the State Council (國務院國有資產監督管理委員會)
Senior Management	senior management of the Company, unless the context requires otherwise
SFO	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
SSE	Shanghai Stock Exchange
Stock Exchange	The Stock Exchange of Hong Kong Limited
Supervisor(s)	supervisor(s) of the Company, unless the context requires otherwise
Supervisory Committee	the supervisory committee of the Company, unless the context requires otherwise
Times Electric	Zhuzhou CRRC Times Electric Co., Ltd. (株洲中車時代電氣股份有限公司)
Times New Material	Zhuzhou Times New Material Technology Co., Ltd. (株洲時代新材料科技股份有限公司)

Company Profile

CHINESE NAME	中國中車股份有限公司
ENGLISH NAME	CRRC Corporation Limited
REGISTERED OFFICE	No. 16 Central West Fourth Ring Road, Haidian District, Beijing 100036, the PRC
BUSINESS ADDRESS OF THE HEAD OFFICE	No. 16 Central West Fourth Ring Road, Haidian District, Beijing 100036, the PRC
PRINCIPAL PLACE OF BUSINESS IN HONG KONG	Unit H, 41/F., Office Tower, Convention Plaza, No. 1 Harbour Road, Wanchai, Hong Kong
LEGAL REPRESENTATIVE	Sun Yongcai
EXECUTIVE DIRECTORS	Sun Yongcai Lou Qiliang Wang An
NON-EXECUTIVE DIRECTOR	Jiang Renfeng
INDEPENDENT NON-EXECUTIVE DIRECTORS	Shi Jianzhong Weng Yiran Ngai Ming Tak
AUTHORIZED REPRESENTATIVES	Lou Qiliang Xiao Shaoping
JOINT COMPANY SECRETARIES	Wang Jian Xiao Shaoping
SECRETARY TO THE BOARD	Wang Jian
SECURITIES REPRESENTATIVE	Jin Yonggang
TELEPHONE FOR INFORMATION INQUIRY	(8610) 5186 2188
FAX	(8610) 6398 4785
WEBSITE	http://www.crrcgc.cc/
E-MAIL ADDRESS	crrc@crrcgc.cc
H SHARE REGISTRAR	Computershare Hong Kong Investor Services Limited 17M Floor, Hopewell Centre 183 Queen's Road East Wanchai Hong Kong

Company Profile

PLACES OF LISTING	The Stock Exchange of Hong Kong Limited Shanghai Stock Exchange
STOCK NAME	中國中車(CRRC)
STOCK CODE	1766 (Hong Kong) 601766 (Shanghai)
INDEPENDENT AUDITOR	KPMG Huazhen LLP Certified Public Accountants 8/F, Tower E2, Oriental Plaza 1 East Chang'an Avenue Dongcheng District Beijing, PRC
LEGAL ADVISERS	As to Hong Kong laws: Baker & McKenzie 14th Floor, One Taikoo Place 979 King's Road Quarry Bay Hong Kong As to PRC laws: Jia Yuan Law Firm F408 Ocean Plaza 158 Fuxing Men Nei Avenue Beijing the PRC

