CRRC

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

Driving Value

FOR YOU

Interim Report 2018

IMPORTANT

I. The board of directors (the "Board") and the supervisory committee (the "Supervisory Committee") of the Company and its director(s) (the "Director(s)"), supervisor(s) (the "Supervisor(s)") and senior management (the "Senior Management") hereby warrant the truthfulness, accuracy and completeness of the contents of this interim report and that there is no false representation, misleading statement or material omission in this report, for which they will assume, severally and jointly, legal responsibility.

II. This interim report has been considered and approved by the fourth meeting of the second session of the Board and all the Directors attended the meeting of the Board.

III. The interim report is unaudited.

IV. Mr. Liu Hualong, Chairman of the Company, Ms. Zhan Yanjing, the Chief Financial Officer and Mr. Wang Jian, the head of accounting department (person in charge of accounting affairs), hereby state to guarantee the truthfulness, accuracy and completeness of the financial report in the interim report.

V. The Company does not have any proposal on profit distribution or transfer of capital reserve fund during the reporting period considered and approved by the Board.

VI. Disclaimer for forward-looking statements

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

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

VII. There was no appropriation of funds by the controlling shareholder and its associates for non-operating purposes.

VIII. There was no provision of guarantee by the Company in favour of any external party in violation of the prescribed decision-making procedures.

IX. Major risk reminder

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

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

CONTENTS

COMPANY INFORMATION

1.

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

2.

	Secretary to the Board	Securities Affairs Representative
Name	Xie Jilong	Tan Mu
Contact address	No. 16, Central West Fourth Ring Road, Haidian District, Beijing	No. 16, Central West Fourth Ring Road, Haidian District, Beijing
Telephone	010-51862188	010-51862188
Facsimile	010-63984785	010-63984785
E-mail	crrc@crrcgc.cc	crrc@crrcgc.cc

3.

Registered address of the Company	No. 16, Central West Fourth Ring Road, Haidian District, Beijing
Postal code of registered address of the Company	100036
Business address of the Company	No. 16, Central West Fourth Ring Road, Haidian District, Beijing
Postal code of business address of the Company	100036
Company website	www.crrcgc.cc
E-mail	crrc@crrcgc.cc

4.

Newspapers designated for A-share information disclosure by the Company	China Securities Journal, Shanghai Securities News, Securities Times and Securities Daily
Website designated by the CSRC for publication of A-share interim report	www.sse.com.cn
Website designated by the Stock Exchange for publication of H-share interim report	www.hkex.com.hk
Place where interim report of the Company is available for inspection	the Board Office at No. 16, Central West Fourth Ring Road, Haidian District, Beijing

5.

Type of shares	Place of listing of the shares	Stock abbreviation	Stock code	Stock abbreviation before change
A shares	SSE	中國中車	601766	中國南車
H shares	HKSE	CRRC	1766	CSR

6. During the reporting period, there was no change in the registration details of the Company.

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

RESULTS HIGHLIGHTS

From January to June 2018, the Company achieved revenue of RMB84,600 million, representing a year-on-year decrease of 2.56%, profit after tax of RMB4,940 million, representing a year-on-year increase of 7.40%, profit attributable to the owners of the Company of RMB4,118 million, representing a year-on-year increase of 12.16%, and basic earnings per share of RMB14 cents.

Revenue
(RMB' 000)

From January to June 2018:
84,600,147
From January to June 2017:
86,825,745
-2.56%

Profit after tax
(RMB' 000)

From January to June 2018:
4,940,424
From January to June 2017:
4,600,029
+7.40%

Profit attributable to shareholders of the Company
(RMB' 000)

From January to June 2018:
4,117,547
From January to June 2017:
3,671,143
+12.16%

Basic earnings per share
(RMB/share)

From January to June 2018:
0.14
From January to June 2017:
0.13
+11.67%

Total assets
(RMB' 000)

30 June 2018:
376,033,676
31 December 2017:
375,170,887
+0.23%

Total liabilities
(RMB' 000)

30 June 2018:
234,240,424
31 December 2017:
233,301,484
+0.40%

Total equity
(RMB' 000)

30 June 2018:
141,793,252
31 December 2017:
141,869,403
-0.05%

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

30 June 2018:
120,993,678
31 December 2017:
121,558,591
-0.44%

Shareholders' equity per share
(RMB/share)

30 June 2018:
4.22
31 December 2017:
4.24
-0.47%

A. BUSINESS OVERVIEW

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

(I) Main businesses of the Company

1. Railway equipment businesses

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

With the goal of becoming a world leading provider of systematic solutions for rail transportation equipment in the global market, we will go towards the direction of developing full industry chain, as well as strengthening the innovation in technology, products and services, consolidating the leading position in the industry, and constantly meeting the requirements for developing an advanced and widely-applicable railway system and for intelligent, environment-friendly and safety. "Fuxinghao" high-speed EMUs at a speed of 350km/hour with independent intellectual property rights were put into mass operation, the standard "Fuxinghao" EMU in long formation at a speed of 350 km/hour has been put into operation and positive progress has been made in the R&D of new products, such as "Fuxinghao" high-speed EMUs at a speed of 250km/hour, the automotive high-speed train, the power centralized EMU at a speed of 160 km/hour, the express freight wagon and piggyback train. Facing the deepening reform of railway transport system of railway equipment market, the Company adhered to the supply-side structural reform, continually integrated its internal business, accelerated the structural transformation, developed its advanced refurbishment capacity, promoted its service transformation. The railway equipment business increased stably.

2. Rapid transit vehicles and urban infrastructure businesses

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

Facing the global rail transportation markets, the Company will expedite the innovations in urban rail transportation equipment and technology, speed up the enhancement of core competitive strengths, build a systematic, modular and standardized product structure and technology platform and continue to consolidate and expand domestic and international markets with its high quality products and services. By grasping the development opportunity in urbanization, promoting the strategic cooperation and facilitating the business development, maglev trains at a speed of 160km/hour successfully went off the production line, smart track trams were put into trail run, breakthroughs were made in the market of rail transportation equipment including products such as innovative straddling monorail train and automatic train. The Company actively expanded new business and sped up the innovation of business models, breakthroughs were made in businesses such as general mechanical and electric contracting of urban rail vehicles and general contracting of projects.

3. New industry businesses

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

Adhering to the principles of "relevance and multi-dimensions, high-end positioning and industry-leading position", the Company improved resources allocation and expedited development of new industry. In the general mechanical and electrical business, the Company strived to improve industry chain, strengthened the core technical advantages of rail transportation equipment and promoted upgrade in major product technologies, with the focus on mastering core technologies, breaking through key technologies and increasing system integration capability. As to the new business, the Company focused on strategic emerging businesses including new materials, new energies and environmental protection water treatment equipment, increased its presence in the niche market, enabled the entry of wind power equipment into the market of European Union. With the new progress of the scale in the urban and rural environmental protection waste water treatment business, the Company's new industry business has been growing stronger and further.

4. Modern service businesses

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

By focusing on financial, similar financial and logistics business, the Company enhanced its internal financial services, promoted industry with financing and accelerated the integration of the manufacturing industry and the service industry. Through exploring the "Internet + high-end equipment + manufacturing services" business, the Company steadily conducted the construction of a "digitalized CRRC". In carrying out its modern logistics and trading business steadily, the Company developed the "CRRC Procurement (中車購)" e-commerce platform on the basis of enhancing centralized procurement, thereby promoting the stable growth in its modern service business.

5. International businesses

The Company implemented its international strategy vigorously and enhanced its international operation capability by seizing the development opportunities arising from the "Belt and Road Initiative" and "going global" strategies. The Company vigorously expanded overseas markets, reinforcing the strengths in traditional overseas markets, such as Asia, Africa and Latin America, strengthening the development of high-end overseas markets, such as Europe and America, facilitating the transformation of the export of rail transportation equipment from mid- and low-end to high-end, as well as the change of export markets from traditional overseas markets, such as Asia, Africa and Latin America to high-end overseas markets, such as Europe, America and Australia. CRRC carried out in-depth international capacity cooperation, put more effort in the establishment of overseas manufacturing bases, sped up the innovation of the operation models, deepening the implementation of the localization in production, purchase, labor, maintenance, management, continued to enhance the capability of exporting in a form of product + technology + service portfolio output, reinforced the overseas business risk prevention mechanism and promoted the healthy development in international business.

(II) Operation mode of rolling stock industry

1. **Production model:** as unit costs of manufacturing rolling stock are comparatively high, its production model is to "limit production to market needs", meaning that production is based on purchase order contracts obtained from customers. Not only does this model avoid excess inventory of finished products, it also satisfies the needs of consumers by arranging for production according to the particular order.

2. **Purchasing model:** a combination of centralized procurement and decentralized procurement 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, 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 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. **Selling model:** take advantage of industry technologies to build and improve technology platforms and product platforms for a variety of rail transit equipment, for the purpose of responding to user needs, providing safe, reliable and affordable products and services, actively participate in open tender or negotiated tender of domestic and overseas users, 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.

(III) Industry situation

The state's "Medium to Long-term Railway Network Plan" (《中長期鐵路網規劃》) proposed to improve the ordinary-speed railway network, build high-speed railway network, construct integrated transport hubs, and build a modern comprehensive transportation system. According to the "13th Five-Year Plan for Railway" (《鐵路"十三五"規劃》), by 2020, the railway mileage in operation will reach 150,000 km, of which highspeed rail mileage will reach 30,000 km, China also aims at fully enhancing the modernisation of railway equipment, with a focus on intelligent, green and high-end equipment. "13th Five-Year Plan for the Development of Modern Comprehensive Transportation System", (《「十三五」現代綜合交通運輸體系發展規劃》) proposed to improve the construction of infrastructure network, speed up the integrated construction of transportation services, in order to establish a modern and integrated transportation system which is safe, convenient, efficient and green. By 2020, urban rail mileage in operation shall be nearly doubled as compared to that in 2015, and the support and protection of group policies regarding land, investment, subsidies and other aspects shall be enhanced, in order to give play to the supporting and leading role of transportation to the development of the economy and society. Meanwhile, rail transit equipment has become one of the key development areas encouraged by the policy called "Made in China 2025" (《中國製造2025》), and is one of the China's golden cards in the "going global" of high-end equipment. With the focus of being green, safe, comfortable, speedy, intelligent and environmental-friendly, innovation of technologies and products will be sped up and there will be a huge potential in the market for rail transportation equipment.

As the world's largest and most diverse rolling stock supplier with advanced technology, CRRC actively adapted to the everchanging market environment, captured market opportunities, and accelerated structural reform, as well as transformation and upgrades. The Company made well-targeted efforts in market expansion, international operation, technical innovation and synergic development, etc. Innovations were strengthened in technology, product and business model, so as to maintain CRRC's leading edge in the rail transit equipment industry. While adequately meeting the needs for the domestic railway and urban rail transit, the Company implemented international operation strategy at the front end of the "Belt and Road Initiative" and "going global" of high-end equipment. While maintaining the approach of "going global" in a stable manner in various kinds of rail transportation equipment to foreign countries, new business such as wind power equipment achieved new breakthroughs. The Company continued to explore overseas markets, including high-end markets of Europe and the United States. The international capacity cooperation was strengthened and more offshore presence was established, pushing forward the process of "going global" with a portfolio of product, technology, capital, management and service exported abroad. CRRC is committed to building itself a world-class multinational conglomerate.

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

For details, please refer to the section headed "Report of Directors - B. Discussion and Analysis of the Board on the Operation of the Company during the Reporting Period - I. Discussion and Analysis of Operation - (IV) Analysis of Assets and Liabilities" of this interim report.

III. Analysis of the core competitiveness during the reporting period

As an important member in the global rolling stock industry, aiming at "becoming a leading company group with top multinational operation and rolling stock equipment as its core business", CRRC fully grasped opportunities and new challenges, adhered to innovation-driven operation, strengthened its transformation and upgrades and enhanced its operational management, thus constantly improved its development quality. As a result, CRRC ranked 385th in the Top 500 companies as released by the Fortune Magazine in 2018, with a brand value exceeding RMB100 billion, and was also selected as the most influential innovative companies.

1. **Improving technical innovation ability.** The high-speed EMUs "Fuxinghao" in standard short formation and long formation, at the speed of 350km/hour, has been put into mass operation. The maglev train of 160 km/hour and 3000 horsepower energy-saving and environment-friendly shunting locomotives were successfully gone off the production line. Positive progress has been achieved in national key technology special projects such as high-speed maglev transportation system technology of 600 km/hour, high-speed passenger transportation equipment key technology of 400 km/hour and above, and rail transportation system protection technology. Breakthrough has been achieved in various high-end railway equipment including the high-speed EMUs "Fuxinghao" at the speed of 250km/hour, the express freight wagon at the speed of 160km/hour and piggyback train. The trial operation of smart rail express tram has been commenced. The pace of construction of national high-speed train technological innovation center has been accelerated constantly, chaired the implementation and amendment of IEC international standards, national standards and industry standards, continued to deepen independent, open and coordinated technological innovation system, which further enhanced leading power in rail transportation industry technology.

2. **Distinct industrial resources advantages.** CRRC inherited the 100-years-of-history of the Chinese rail transportation equipment manufacturing industry, optimized resources allocation and has a number of rail transportation equipment manufacturing bases and research bases at an international advanced level. It owns 11 national level industry research and development institutions and as well as 13 overseas research and development centers. It has formed a distinct advantage with a complete nationwide industrial chain with the main machinery company as its core and supporting companies as its backstone. Adhering to supply-side structural reform, accelerating business structural adjustment, organizing and implementing freight wagon business reorganization and integration, establishing and formed two major subsidiary groups, accelerating locomotive industry repairing and manufacturing business integration, promoting businesses such as manufacturing + service, smart manufacturing, intelligent + service, while accelerating withdrawal from high energy-consumption, high pollution, low efficient businesses, enhancing management in enterprises in extreme financial difficulties, as well as promoting to further enhance resources operation efficiency. CRRC has consolidated its position as the world's largest rolling stock supplier by strengthening international capacity cooperation. Accelerating the development in strategic emerging industry and focusing on high-end equipment, which accelerating industry layout and industry development by focusing on new material, new energy, environmental protection sewage treatment equipment and IGBT semi-conductor power component. As for wind power equipment business, CRRC possesses industrial transmission system core technology, mature and completed industry chain and positive brand image, which successfully obtained orders from the European market and offshore wind power market; high-power IGBT component technology predominates the leading position in the PRC, which broke through the foreign monopoly in high-power traction electric power conversion technology; breakthrough has been continued to achieve in scale development of urban environmental protection water treatment business. The International Rail Transit Vehicle Industrial Design Alliance and China IGBT Technology Innovation and Industry Alliance, etc. whose establishments were led by CRRC, guided CRRC's rapid growth in the relevant strategic emerging business.

3. **Continued enhancement of our international operation capability.** Seizing the opportunities arising from establishment of the "Belt and Road Initiative", international capacity operation and "going global", targeting at establishment of a respectful international company, focusing on international operation and accelerating development. Strengthening expansion in foreign market, all kinds of rail transit equipment have been overall exported, which cumulatively exported to six major continents in the world, 104 nations and regions, and covered 83% of nations with railway. Accelerating innovation in operating model, combing with international capacity operation, deeply implementing the five-local model including local manufacturing, local labour, local procurement, local maintenance, local management, so as to constantly enhance "product + technology + capital + service" portfolio output. CRRC's global influence and international awareness have been increased significantly.

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

In the first half of 2018, facing difficult reform tasks and complicated mode of operation, all staff of the Company worked hard in a concerted effort, achieving new progress in production and operation. The Company recorded revenue of RMB84.600 billion and realized net profit attributable to owners of the Company of RMB 4.118 billion.

I. Discussion and analysis of operation

(I) Analysis of main businesses

1. Analysis of changes in relevant items in the financial statements

Unit: '000 Currency: RMB

Item	From January to June 2018 Amount (RMB'000)	From January to June 2017 Amount (RMB'000) (Restated)	Growth rate %
Revenue	84,600,147	86,825,745	-2.56
Cost of sales	65,329,302	68,242,146	-4.27
Selling and distribution expenses	2,512,512	2,815,874	-10.77
Administrative expenses	6,476,289	6,086,660	6.40
Finance cost	822,172	594,915	38.20
Net cash flows from operating activities	-10,541,846	-17,509,782	—
Net cash flows from investment activities	-1,802,801	4,169,351	—
Net cash flows from financing activities	-10,539,470	9,287,831	—
Research and development expenses	4,114,200	4,351,670	-5.46

Reasons for change in revenue: a decrease of 2.56% over the same period of the previous year, because operating income realized during the reporting period decreased affected by reduced scale of logistics trades despite rising revenue from the railway equipment business.

Reasons for change in cost of sales: a decrease of 4.27% over the same period of the previous year, mainly due to corresponding decrease in operating income. The decrease in cost of sales is slightly higher than that of operating income due to difference in product structure.

Reasons for change in selling and distribution expenses: a decrease of 10.77% over the same period of the previous year, mainly due to expected decrease in provision for product quality assurance made during the period.

Reasons for change in administrative expenses: an increase of 6.40% over the same period of the previous year, mainly due to the increase in, among others, employee benefits and insurance premiums.

Reasons for change in finance cost: an increase of 38.20% over the same period of the previous year, mainly due to increase in interest expenses.

Reasons for change in net cash flow from operating activities: net cash flow from operating activities was a net outflow of RMB10,542 million, representing a decrease by RMB6,968 million over the same period of the previous year, mainly due to the net increase in cash inflows which is greater than the net increase in cash outflows during the reporting period.

Reasons for change in net cash flow from investing activities: the net cash flow from investing activities was a net outflow of RMB1,803 million, while the net cash flow from investment activities during the same period last year was a net inflow of RMB4,169 million, mainly due to the increase of cash paid for investment during the reporting period as compared with the same period of the previous year.

Reasons for change in net cash flow from financing activities: net cash flow from financing activities was a net outflow of RMB10,539 million, while net cash flow from financing activities during the same period of the previous year was a net inflow of RMB9,288 million, mainly due to the increase in proceeds from non-public offering of A shares during the reporting period of the previous year and the decrease in cash received from borrowings during the period as compared with the same period of the previous year.

Reasons for change in research and development expenses: a decrease of 5.46% as compared with the same period of the previous year, mainly due to reduced efforts in developing homogenized new products.

2. Others

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

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

1. Main businesses by industry and by business type

Main businesses by industry Unit: '000 Currency: RMB

By industry	Revenue	Cost of sales	Gross profit margin (%)	Increase/ (decrease) in revenue as compared to the corresponding period of the previous year (%)	Increase/ (decrease) in cost of sales as compared to the corresponding period of the previous year (%)	Increase/ (decrease) in gross profit margin as compared to the corresponding period of the previous year
Rolling stock products as well as other businesses that utilise proprietary rolling stock technologies	84,600,147	65,329,302	22.78	-2.56	-4.27	Increased by 1.38 percentage points

Main businesses by business type

Unit: '000 Currency: RMB

By business	Revenue	Cost of sales	Gross profit margin (%)	Increase/ (decrease) in revenue as compared to the corresponding period of the previous year (%)	Increase/ (decrease) in cost of sales as compared to the corresponding period of the previous year (%)	Increase/ (decrease) in gross profit margin as compared to the corresponding period of the previous year
Railway equipment	44,576,435	33,583,318	24.66	5.74	4.07	Increased by 1.21 percentage points
Rapid transit vehicles and urban infrastructure	12,903,159	10,605,704	17.81	-4.29	-5.23	Increased by 0.82 percentage points
New businesses	20,859,993	15,677,390	24.84	0.26	3.78	Decreased 2.56 percentage points
Modern service	6,260,560	5,462,890	12.74	-39.69	-43.55	Increased by 5.95 percentage points
Total	84,600,147	65,329,302	22.78	-2.56	-4.27	Increased by 1.38 percentage points

Revenue from railway equipment business increased by 5.74% as compared to the same period of the previous year, mainly due to the increase in sales of major products such as EMUs during this period. Operating costs increased by 4.07% as compared to the same period of the previous year, mainly due to an increase in the operating costs in line with increased operating revenue.

Revenue from rapid transit vehicles and urban infrastructure business decreased by 4.29% as compared to the same period of the previous year, mainly due to the difference in product types of rapid transit vehicles delivered in the period. Operating costs decreased by 5.23% as compared to the same period of the previous year, mainly due to a decrease in the operating costs in line with the decrease in operating revenue. The decrease in operating costs was slightly higher than the decrease in the operating income as a result of the difference in product structure.

Revenue from the new businesses increased by 0.26% as compared to the same period of the previous year, mainly due to an increase in the number of deliveries of wind power equipment during this period. Operating costs increased by 3.78% as compared to the same period of the previous year, mainly due to the difference in product structure resulting in slightly higher increase in operating costs than the increase in operating revenue.

Revenue from the modern service business decreased by 39.69% as compared to the same period of the previous year, mainly due to a reduction in the business scale of the logistics business during this period as the Company adjusted its business structure. Operating costs decreased by 43.55% as compared to the same period of the previous year, mainly due to a decrease in the operating revenue.

Operating revenue of the Company decreased by 2.56% as compared to the same period of the previous year, and the contributions made by railway equipment business, rapid transit vehicles and urban infrastructure business, new businesses and modern service business accounted for 52.69%, 15.25%, 24.66% and 7.40% of the total revenue respectively. As to the railway equipment business, revenue generated by the electric locomotive business was RMB9.169 billion; revenue generated by the passenger carriage business was RMB2.022 billion; revenue generated by the EMUs business was RMB24.808 billion; revenue generated by the freight wagon business was RMB8.578 billion; and revenue generated by the rapid transit vehicles and metro vehicles of the rapid transit vehicles and urban infrastructure business was RMB12.903 billion.

2. Main businesses by geographical locations

Unit: '000 Currency: RMB

Regions	Revenue (RMB'000)	Increase/(decrease) in revenue as compared to the corresponding period of the previous year (%)
Mainland China	76,472,594	-2.09
Other countries and regions	8,127,553	-6.80

During the reporting period, the operating revenue of the Company in Mainland China decreased by 2.09%, mainly due to reduced scale of logistics trades, and the operating revenue of the Company in other countries and regions decreased by 6.80%, mainly due to the decrease in product deliveries.

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

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

(IV) Analysis of Assets and Liabilities

Unit: '000 Currency: RMB

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 (%)	Amount at the end of the period compared to amount at the end of the previous period (%)
Equity instruments at fair value through other comprehensive income	2,163,999	0.58	–	–	100.00
Financial assets at fair value through profit or loss-non-current portion	581,532	0.15	–	–	100.00
Contract assets – non-current portion	2,179,764	0.58	–	–	100.00
Debt investment at amoutised cost-non-current portion	2,136,847	0.57	–	–	100.00
Inventory	74,219,379	19.74	55,092,104	14.68	34.72
Debt instruments at fair value through other comprehensive income	15,391,896	4.09	–	–	100.00
Contract assets – current portion	14,115,784	3.75	–	–	100.00
Bills receivable	8,243,845	2.19	27,071,265	7.22	-69.55
Financial assets at fair value through profit or loss-current portion	4,443,029	1.18	2,569,294	0.68	72.93
Cash and bank balances	31,071,571	8.26	56,264,129	15.00	-44.78
Debt-investments at amortised cost-current portion	1,776,306	0.47	–	–	100.00

The increase in equity investments at fair value through other comprehensive income was mainly due to the items newly added as a result of change in the standard of financial instrument resulting in equity investments not held for trading being accounted for in this item.

The increase in Financial assets at fair value through profit or loss-non-current portion was mainly due to the items newly added during the period as a result of change in the standard of financial instruments resulting in the preference shares and perpetual bonds previously included in available-for-sale financial assets being accounted for in this item.

The increase in contract assets during the period was due to the items newly added as a result of change in the standard of revenue resulting in right to receive considerations in respect of goods or services transferred to customers within one year being mainly accounted for in this item, which is dependent on other factors other than passage of time, and reclassification of the portion due in more than one year into contract assets-non-current portion.

The increase in debt investment at amortised cost was mainly due to the items newly added as a result of change in the standard of financial instruments resulting in some items previously included in investment held to maturity and other non–current assets being accounted for in this item, and reclassification of the portion due in more than one year into debt investments-non-current portion.

The increase in inventories of 34.72% was mainly due to increase in make-to-order and stocks during the reporting period.

The increase in debt instruments at fair value through other comprehensive income was mainly due to change in the standard of financial instruments resulting in debt investments at fair value through other comprehensive income being accounted for in this item.

The decrease in bills receivable of 69.55% was mainly due to the relatively greater number of acceptance bills than notes received during the period.

The increase in financial assets at fair value through profit or loss-current portion of 72.93% was mainly due to change in the standard of financial instruments resulting in wealth management products that are principal-guaranteed but non-income-guaranteed and wealth management products that are non-principal-guaranteed being accounted for in this item.

The decrease in cash and bank balances of 44.78% was mainly due to centralized purchase during the period resulting in greater net inflows than net outflows of operating cash and more short-term borrowings that become due.

(V) Debt structure, liquidity and cash flow

1. Capital structure

As at 30 June 2018, the gearing ratio of the Company increased to 62.29% from 62.19% at the beginning of the year.

2. Significant capital expenses and capital commitments

(1) Significant capital expenses

From January to June 2018, the significant capital expenses of the Company are set out in the following table:

Item	From January to June 2018 Amount (RMB'000)	From January to June 2017 Amount (RMB'000)
Property, plant and equipment	3,492,232	3,000,274
Prepaid land lease payments	10,360	379,755
Other intangible assets	130,498	64,875
Investment properties	139	—
Total capital expenses	3,633,229	3,444,904

(2) Capital commitments

As at 30 June 2018, the Company had capital commitments of RMB 5,832 million contracted for but not yet incurred, which would be mainly used for property, plant and equipment and prepaid lease payments.

3. Particulars of contingent liabilities of the Company

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

4. Particulars of pledge of assets of the Company

As at the end of the reporting period, the following assets of the Company with a total book value of RMB 7,077 million were pledged to obtain bank loans and other banking facilities. Such assets included cash and cash equivalents of RMB 4,643 million, bills receivable and trade receivables of RMB 2,145 million, other non-current assets of RMB 244 million, property, plant and equipment of RMB 38 million and prepaid land lease payments of RMB 7 million.

5. Borrowings, corporate bonds and notes

As at 30 June 2018, the Company had total borrowings, bonds and notes of approximately RMB39,261 million, as compared to the total amount of RMB 47,629 million as at 31 December 2017.

As at 30 June 2018, out of the total borrowings, bonds and notes of the Company, RMB24,763 million was denominated in Renminbi, RMB 11,743 million was denominated in US dollar, and RMB 1,753 million was denominated in Euro.

The Company's long-term interest-bearing borrowings, bonds and notes and short-term interest-bearing borrowings, bonds and notes as at 30 June 2018 were RMB 7,484 million and RMB 31,777 million, respectively.

As at 30 June 2018, the total bank and other borrowings of the Company with floating interest rates amounted to RMB 9,495 million, as compared to RMB 7,396 million as at 31 December 2017.

The following table sets forth the maturity profile of the borrowings, bonds and notes repayable of the Company as at 31 December 2017 and 30 June 2018:

	30 June 2018 Amount (RMB'000)	31 December 2017 Amount (RMB'000)
Within one year, inclusive	31,777,702	34,043,108
One to two years	2,352,031	5,128,334
Two to five years	4,880,728	3,077,430
Over five years	250,998	5,379,718
Total	39,261,459	47,628,590

As at 30 June 2018, the total borrowings, bonds and notes of the Company amounted to approximately RMB39,261 million, representing a decrease of 17.57% from RMB47,629 million as at 31 December 2017, mainly due to short term and long-term borrowings that have become due.

6. Cash flow

As at 30 June 2018, the Company had cash and cash equivalents of approximately RMB24,682 million, out of which RMB15,280 million was denominated in Renminbi, RMB6,390 million was denominated in US dollar, and RMB1,119 million was denominated in Euro.

(VI) Analysis on investment

1. General analysis of external investment in equity

As at the end of the reporting period, the Company's long-term equity investment was RMB12.540 billion, representing an increase of RMB1.326 billion or 11.83% as compared to the beginning of the year. It was because there were additional investment from joint ventures and associated enterprises of RMB1.090 billion and new investment in joint ventures and associated enterprises of RMB149 million. For details, please refer to Note 14 Interests in associates to the financial statements.

(1) Significant equity investment

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

(2) Significant non-equity investment

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

(3) *Financial assets measured at fair value*

Unit: '000 Currency: RMB

Item	Opening balance (Adjusted under new standards)	Gains (losses) from changes in fair value during the current period	Aggregate changes in fair value included in equity	Provision for impairment during the current period	Other changes (increase/ decrease) during the current period	Closing balance
1. Tradable financial assets	3,046,592	68,398	–	–	1,328,039	4,443,029
Including: derivative financial instruments	2,563	2,931	–	–	–	5,494
Including: corporate wealth management products	2,591,060	85,587	–	–	1,316,769	3,993,416
Including: equity instrument Investment	452,969	-20,120	–	–	11,270	444,119
2. Other equity instrument investment	2,387,370	–	-388,962	–	165,591	2,163,999
Including: listed equity instrument investment	2,168,889	–	-391,810	–	-58,437	1,718,642
Including: non-listed equity instrument investment	218,481	–	2,848	–	224,028	445,357
3. Other current assets	14,477,989	–	-6,885	33,762	920,792	15,391,896
Including: debt investments	14,477,989	–	-6,885	33,762	920,792	15,391,896
4. Other non-current financial assets	605,953	-24,421	–	–	–	581,532
Including: preference share investment and perpetual bond	605,953	-24,421	–	–	–	581,532
Sub-total of financial assets	20,517,904	43,977	-395,847	33,762	2,414,422	22,580,456

2. Use of proceeds

(1) A shares

For details of the use of proceeds raised from A share offering and issuance of the Company during the reporting period, please refer to the interim announcement of Specific Report on Deposit and Actual Use of A Share Proceeds of CRRC Corporation Limited in the First Half of 2018 (《中國中車股份有限公司2018年上半年A股募集資金存放與實際使用情況的專項報告》) dated 24 August 2018 published by the Company on the website of SSE.

(2) H shares

Pursuant to "The Approval on the Issue of Overseas Listed Foreign Shares of China CNR Corporation Limited" (Zheng Jian Xu Ke [2014]No. 404) (《關於核准中國北車股份有限公司發行境外上市外資股的批覆》 (證監許可[2014]404號)) issued by the CSRC, in May 2014, CNR made a public offering of 1,939,724,000 overseas listed foreign shares (H shares) (including over-allotment) and the total proceeds raised were HKD10,028 million. As at 30 June 2018, an accumulated amount of approximately HKD9,050 million out of the H share proceeds has been put into use, while interest from bank deposits accumulating HKD115 million has been received. The Company's unused H share proceeds was HKD1,093 million as at 30 June 2018.

On 5 February 2016, the Company issued H share convertible bonds in an aggregate amount of US$600 million. The net proceeds of such issuance were approximately US$595.80 million. As at 30 June 2018, the Company used approximately US$486.21 million of such proceeds for the following purposes: (1) approximately US$46.90 million for the repayment of bank loans, (2) approximately US$56.00 million for the equity investment, and (3) approximately US$383.31 million for the business operation needs of CRRC Hong Kong Capital Management Co., Limited, a wholly-owned subsidiary of the Company. As at 30 June 2018, the Company received a deposit interest of approximately US$9.22 million in respect of the proceeds from the issuance of the H share convertible bonds and the balance of the proceeds was approximately US$118.81 million.

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

Unit: '000 Currency: RMB

Company name	Product and scope of main business	Registered capital	Total assets at the end of the period	Net assets at the end of the period attributable to the shareholders of the Company	Net profit in January to June of 2018 attributable to the shareholders of the Company	Revenue in January to June of 2018	Operating profit in January to June of 2018
CRRC Sifang	R&D and manufacturing of multiple units, passenger carriages and rapid transit vehicles; and repair services for multiple units and high-end passenger carriages etc.	4,003,794	53,226,331	13,204,628	1,126,141	15,196,958	1,257,822
CRRC Changchun	Design, manufacturing, repair, sale and lease of passenger carriages, multiple units, rapid transit vehicles and the accessories thereof, as well as related technical services and technical consultancy etc.	5,807,947	59,575,174	17,141,713	1,117,962	14,109,799	1,262,544
CRRC Tangshan	Manufacturing of railway transportation equipment; sale and lease of railway vehicles, electric multiple units, diesel multiple units, maglevtrains, special vehicles, test vehicles, rapid transit vehicles and accessories thereof; and technical consulting services etc.	3,990,000	24,812,097	10,356,279	512,909	6,563,487	625,107
CRRC ZELRI	Research on electric drive and control technologies related torailtransit; manufacturing of relevant electrical equipment; and research and development and manufacturing of railway locomotives and accessories thereof etc.	8,340,710	51,153,944	16,259,265	484,682	12,493,422	1,246,812
CRRC Zhuzhou	R&D and locomotive manufacturing of electric locomotives, multiple units and rapid transit vehicles etc.	4,858,336	31,826,274	8,085,670	360,335	7,252,749	376,168

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

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

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

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

II. Other events

Potential risks

1. Policy risks

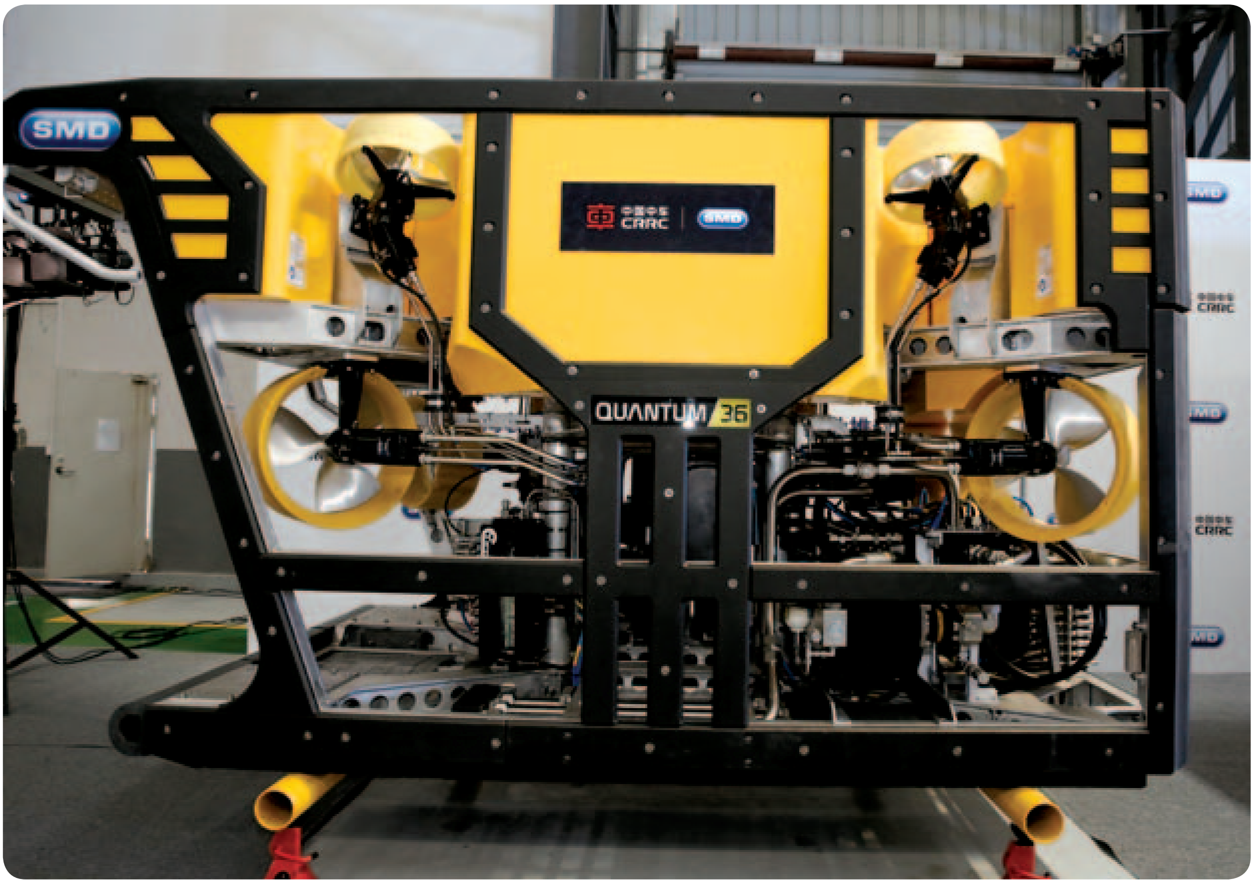
Changes in the market access policies in the rail transportation equipment manufacturing business, urban rail transportation industry policies and industrial policies in emerging industries may lead to a number of uncertainties in the market environment and development space, bringing risks for strategies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

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

2. Market risks

(1) Domestic market risks: with significant change in China's railway market and the railway passenger and freight transportation reform, as well as product structure adjustment and optimization, the demand in market may face structural adjustments.

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



(2) International market risks: the international political and economic situations are extremely complex, with increased restrictions of trade protectionism and slow economic recovery, the international market in different regions and countries will manifest more uncertain factors beyond our control.

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

3. Risks related to product quality

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

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

4. Risks related to industrial structure adjustment

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

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

5. Exchange rate risks

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

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

SIGNIFICANT EVENTS

I. BRIEF INTRODUCTION TO GENERAL MEETINGS

Session of meeting	Convening date	Query index of the designated website where the resolutions were published	Disclosure date of the published resolutions
2017 annual general meeting of CRRC Corporation Limited	31 May 2018	www.sse.com.cn	1 June 2018

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

The Company does not have proposal for distribution and capital increase by way or of capital reserve to share capital transfer proposal during the reporting period.

III. PERFORMANCE OF UNDERTAKINGS

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

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

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
	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 CSRG. Pursuant to the Letter of Undertaking: (1) CRRCG undertook that CRRCG will not and will, through legal procedures, procure its wholly-owned and non-wholly owned subsidiaries to not engage in any businesses which might directly compete with the current operating businesses of CRRC; (2) subject to the aforesaid undertaking (1), if CRRCG (including its wholly-owned subsidiaries and non-wholly owned subsidiaries or other connected entities) provide any products or services that might be in competition with the principal products or services of CRRC in the future, CRRCG will agree to grant CRRC preemptive 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	–	–
	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	–	–

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
	Resolution of connected transactions	CRRCG	Undertaking for regulating connected transactions with CRRC: in order to regulate connected transaction entered into between CNRG (which have completed the transformation and renamed as CRRCG) and CRRC after the merger between CNRG and CSRG, CNRG issued the Letter of Undertaking to Regulate the Connected Transactions of CRRC Corporation Limited (《關於規範與中國中車股份有限公司關聯交易的承諾函》) on 5 August 2015, pursuant to which CRRCG and other companies controlled by CRRCG will endeavor not to enter into or reduce the connected transactions with CRRC and other companies in which it holds a controlling interest. For connected transactions that are inevitable or reasonable, CRRCG will continue to perform the obligations under the connected 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 connected 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	–	–
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 for the property which CSR has not yet obtained property ownership certificates, CSRG 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 CRRC) 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	–	–

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
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 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	–	–

IV. APPOINTMENT AND REMOVAL OF AUDITORS

The Company considered and approved the Resolution in Relation to the Engagement of Audit Firms of CRRC Corporation Limited for 2018 at the 2017 annual general meeting held on 31 May 2018. It was resolved that Deloitte Touche Tohmatsu was appointed as the auditor in respect of the Company's financial reports for the year 2018 prepared in accordance with overseas financial reporting standards; Deloitte Touche Tohmatsu CPA LLP were appointed as the auditors in respect of the Company's financial reports for the year 2018 prepared in accordance with domestic financial reporting standards and the internal control system.

V. BANKRUPTCY AND REORGANIZATION

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

VI. MATERIAL LITIGATION AND ARBITRATION

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

VII. SHARE OPTION SCHEME OF THE COMPANY AND THEIR IMPACTS

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

VIII. SIGNIFICANT CONTRACTS AND THEIR IMPLEMENTATION

(I) Guarantees

Unit: '000 Currency: RMB

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

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	Guarantee overdued	Outstanding amount of guarantee overdue	Counter guarantee	Whether the guarantee is provided to a connected party or not	Connected relationship
Total guarantee amount provided during the reporting period (excluding guarantees provided by the Company in favour of its subsidiaries)													
Total guarantee balance at the end of the reporting period (A) (excluding guarantees provided by the Company in favour of its subsidiaries)													7,441,000
Guarantees provided by the Company in favour of its subsidiaries													
Total guarantee amount provided to the Company's subsidiaries during the reporting period													7,438,630
Total guarantee balance provided to the Company's subsidiaries at the end of the reporting period (B)													46,578,108
Aggregate guarantee amount provided by the Company (including guarantees provided by the Company in favour of its subsidiaries)													
Total guarantee amount (A+B)													54,019,108
Percentage of total guarantee amount to net assets of the Company (%)													44.65
including:													
Provision of guarantee to shareholders, ultimate controller and their respective connected persons (C)													–
Amount of guarantees directly or indirectly provided in favour of parties with gearing ratio over 70% (D)													34,131,425
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)													34,131,425
Explanation on guarantees undue that might be involved in any joint and several liability													–
Explanation on guarantees						Percentage of total guarantee amount to net assets of the Company=Total guarantee amount／equity attributable to owners of the Company. Guarantee amount provided to the Company's subsidiaries during the reporting period amounted to RMB7.439 billion. As at 30 June 2018, total guarantee balance was RMB54.019 billion, representing 44.65% of the Company's net assets. Out of such guarantee balance, RMB21.548 billion and RMB25.030 billion were provided to the Company's wholly-owned subsidiaries and non-wholly-owned subsidiaries respectively. Guarantee balance of RMB7.441 billion was provided to Wuhu Yunda Rail Transport Construction and Operation Limited. As far as guarantee type is concerned, RMB3.576 billion was provided for bank acceptance bills, RMB3.944 billion was provided for loans and medium-term notes, and RMB46.499 billion was provided for letters of guarantee, letters of credit and credit facilities, etc. As at the end of the reporting period, the Company did not provide any guarantees in favour of its controlling shareholders, ultimate controller and their related parties. As at the end of the reporting period, the guarantee balance provided by the Company in favour of its subsidiaries with gearing ratio over 70% was RMB34.131 billion. Approval procedures have been complied with at the Board meetings and the general meetings as required by the Articles of Associations in respect of the guarantees provided by the Company in favour of its wholly-owned and non-wholly-owned subsidiaries with gearing ratio over 70%.							

(II) Other material contracts

During the reporting period, the Company signed several sales contracts. For details, please refer to the announcements dated 3 April 2018 and 5 July 2018 published by the Company on the websites of SSE and the Stock Exchange.

IX. INFORMATION ON THE CONVERTIBLE CORPORATE BONDS

On 5 February 2016, the Company issued H share convertible bonds in an aggregate principal amount of US$600,000,000 (the "**Convertible Bonds**" or "**Bonds**"). The Convertible Bonds are due on 5 February 2021 with a par value of US$250,000 each and are issued at 100% of its par value with zero coupon. The initial conversion price of the Convertible Bonds is HK$9.65 per H share, and the current adjusted conversion price is HK$9.15 per share. Proceeds from the issuance of the Bonds will be used to satisfy the production and international operation needs of the Company, including but not limited to adjusting its debt structure, increasing the capital contribution to its subsidiaries, replenishing working capital and project investments etc., and may be utilized at sole discretion of the Company both inside and outside of the PRC according to actual circumstances.

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

(I) Dilution impact of the Convertible Bonds on shares

As at 30 June 2018, the outstanding principal amount of the Convertible Bonds was US$600,000,000. Based on the adjusted conversion price of HK$9.15 per H share, the maximum number of H shares issuable by the Company upon full conversion of the Convertible Bonds will be 510,832,786 H shares. The following table sets out the shareholding structure of the Company upon full conversion of the Convertible Bonds with reference to the shareholding structure of the Company as at 30 June 2018 and assuming no further issuance of shares by the Company:

Name of shareholders	Numbers of shares	Percentage of issued share capital enlarged by the issuance of conversion shares
CRRCG and its associates *Note*	15,964,633,616 A shares	54.66%
Public shareholders:		
Subscribers of the Bonds	510,832,786 H Shares	1.75%
Other public shareholders	4,371,066,040 H Shares	14.96%
	8,363,164,432 A shares	28.63%
Issued share capital enlarged by the issuance of conversion shares	29,209,696,874 Shares	100%

Note:

(1) As of 30 June 2018, CRRCG directly held 15,491,375,889 A shares of the Company. As at 13 August 2018, CRRCG gratuitously transferred each 373,085,233 A shares of the Company held by it to Beijing Chengtong Financial Control Investment Co., Ltd. (北京誠通金控投資有限公司) and China Reform Investment Co., Ltd. (國新投資有限公司). After the completion of the above transfer, CRRCG directly held 14,745,205,423 A shares of the Company.

(2) As at 30 June 2018, CRRCG then holds 473,257,727 A shares through CRRC Financial and Securities Investment Co., Ltd.

An analysis of the impact on the earnings per share if the Convertible Bonds were fully converted into shares of the Company as at 30 June 2018 is set out in Note 11 to the financial statements of this report.

(II) Principal terms of Convertible Bonds

The principal terms of the Convertible Bonds are as follows:

1. Conversion right

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

The initial conversion price of the Convertible Bonds is HK$9.65 per H share which is adjusted to HK$9.50 per H share since 28 June 2016 as a result of the distribution of 2015 cash dividend, and further adjusted to HK$9.29 per H share since 30 June 2017 as a result of the distribution of 2016 cash dividend. The Company distributed a cash dividend of RMB0.15 per share (tax inclusive) to all shareholders pursuant to the 2017 profit distribution plan considered and approved at the general meeting held on 31 May 2018. The conversion price of the Convertible Bonds was adjusted to HK$9.15 per H share from the 2017 adjusted conversion price of HK$9.29 per H share pursuant to the terms and conditions of the Bonds with effect from 13 June 2018. The number of shares that may be converted is determined by the principal amount of the Bonds divided by the conversion price of the Bonds at the time of conversion. The fixed exchange rate of US dollar against HK dollar is HK$7.7902 to US$1.00.

2. Redemption option of the issuer

(1) Redemption at maturity

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

(2) Conditional redemption

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

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

b. if the aggregate principal of the Convertible Bonds that have not been redeemed or converted is less than 10% of the aggregate principal originally issued prior to the date upon which such notice is given.

(3) Redemption at the option of the bondholders

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

(III) Accounting for the Convertible Bonds

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

(1) Debt component was initially recognized at fair value amounting to approximately RMB3,488,045,000. It was subsequently measured by using effective interest method, and was measured at amortized cost by applying an effective interest rate of 2.53% on master debt contract after considering the effect of the underwriting fees and other issue costs. During the current period, the interest expenses of the debt component of the Convertible Bonds, were recognized as finance cost amounted to RMB44,907,000 by applying an effective interest rate, and the corresponding exchange loss of RMB47,075,000 was changed to current profit or loss.

(2) Derivative component was initially recognized and subsequently measured at fair value, relevant transaction costs were charged to current profit or loss and the gain or loss on fair value change were changed to the current profit or loss.

Underwriting fees and other issue costs relating to the Convertible Bonds were allocated in proportion to the fair values of debt component and derivative component. Underwriting fees and other issue costs amounting to approximately RMB28,745,000 relating to the debt component were included in the initial carrying amount of the debt component and amortized over the remaining period of the bonds using the effective interest method. Underwriting fees and other issue costs amounting to approximately RMB3,550,000 relating to derivative component were charged to current finance costs directly. The loss on fair value change of derivative component of the Convertible Bonds amounted to RMB240,301,000 and the corresponding exchange gain of RMB312,000 were charged to current profit or loss.

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

Unit: '000 Currency: RMB

	Debt component	Derivative component	Total
1 January 2018	3,630,772	511,756	4,142,528
Accrued interest during the period	44,907	—	44,907
Exchange gains or losses	47,075	-312	46,763
Gains or losses on changes in fair value	—	-240,301	-240,301
30 June 2018	3,722,754	271,143	3,993,897

(IV) Others

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

As at 30 June 2018, no conversion right has been exercised, no redemption has been made by the holders of the Convertible Bonds and no redemption right has been exercised by the Company.

X. CORPORATE GOVERNANCE

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

(I) Compliance with the Corporate Governance Code

The Board has reviewed the documents in relation to corporate governance adopted by the Company, and is of the opinion that, during the reporting period, the Company was in compliance with the principles and code provisions in the Corporate Governance Code, and adopted part of the recommended best practices specified therein. In certain aspects, the corporate governance practices adopted by the Company are more stringent than the code provisions set out in the Corporate Governance Code.

(II) Securities transactions by Directors and Supervisors

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

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

The Audit and Risk Management Committee has reviewed the Company's unaudited interim condensed consolidated financial statements and the interim report for the six months ended 30 June 2018, and has agreed on their submission to the Board for consideration and approval.

XI. OTHER SIGNIFICANT EVENTS

(I) Particulars of interbank debt financing instruments

On 25 July 2018, the Company issued 2018 First Tranche of Super and Short-term Financing Bills in a total amount of RMB3 billion, which will be due and settled on 22 November 2018. On 27 July 2018, the Company issued 2018 Second Tranche of Super and Short-term Financing Bills in a total amount of RMB3 billion, which will be due and settled on 25 October 2018. On 20 August 2018, the Company issued 2018 Third Tranche of Super and Short-term Financing Bills in a total amount of RMB3 billion, which will be due and settled on 16 February 2019.

(II) Compared with the previous accounting period, the circumstances, reasons and their impacts of changes in accounting policies, accounting estimates and audit method

According to the relevant provisions of IFRS 9 - Financial Instruments, IFRS 15 - Revenue from Contracts with Customers and the related Amendments and other IFRSs issued by the International Accounting Standards Board, the Company and its subsidiaries have implemented the above-mentioned amendments and interpretations of IFRSs and adjusted the relevant contents of the accounting policies since 1 January 2018. For details, please refer to Note 2 "Principal Accounting Policies" to the interim condensed consolidated financial statements.

(III) The correction on significant accounting errors required to be restated, amended amounts, reasons and impact during the reporting period

During the reporting period, there was no significant accounting errors and corrections that need to be restated.

CHANGE IN SHARES AND PARTICULARS OF SHAREHOLDERS

I. CHANGES IN SHARE CAPITAL

(I) Changes in shares

1. Changes in the shares

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

2. Public float

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

3. Purchase, sale or redemption of securities of the Company

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

(II) Changes in restricted shares

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

II. PARTICULARS OF SHAREHOLDERS

(I) Total number of shareholders:

Total number of shareholders as at the end of the reporting period (shareholder)[Note] 866,984

Note: As at the end of the reporting period, the Company had 864,550 holders of A shares and 2,434 registered holders of H shares.

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

Unit: share

Shareholdings of the top ten shareholders							
					Shares pledged or frozen		
Name of shareholder (full name)	Change during the reporting period	Number of shares held at the end of the reporting period	Percentage (%)	Number of shares subject to trading moratorium held	Pledged or frozen	Number	Nature of shareholder
CRRCG [Note 1]	–	15,491,375,889	53.98	705,052,878	Nil	–	State-owned legal person
HKSCC NOMINEES LIMITED [Note 2]	-1,055,600	4,359,518,808	15.19	–	Unknown	–	Overseas legal person
China Securities Finance Corporation Limited	206,805,247	1,406,215,248	4.90	–	Unknown	–	State-owned legal person
CRRC Financial and Securities Investment Co., Ltd.	–	473,257,727	1.65	–	Nil	–	State-owned legal person
Central Huijin Asset Management Ltd.	–	304,502,100	1.06	–	Unknown	–	State-owned legal person
Shanghai Xinghan Asset - Industrial Bank - China Industrial International Trust Limited	–	235,017,626	0.82	235,017,626	Unknown	–	State-owned legal person
Bosera Funds – Agricultural Bank of China – Bosera China Securities and Financial Assets Management Plan	–	180,171,000	0.63	–	Unknown	–	Unknown
E Fund – Agricultural Bank of China – E Fund China Securities and Financial Assets Management Plan	–	180,171,000	0.63	–	Unknown	–	Unknown
Dacheng Fund — Agricultural Bank of China — Dacheng China Securities and Financial Assets Management Plan	–	180,171,000	0.63	–	Unknown	–	Unknown
Harvest Fund - Agricultural Bank of China - Harvest China Securities and Financial Assets Management Plan	–	180,171,000	0.63	–	Unknown	–	Unknown

Shareholdings of the top ten shareholders							
					Shares pledged or frozen		
Name of shareholder (full name)	Change during the reporting period	Number of shares held at the end of the reporting period	Percentage (%)	Number of shares subject to trading moratorium held	Pledged or frozen	Number	Nature of shareholder
GF Fund – Agricultural Bank of China – GF China Securities and Financial Assets Management Plan	–	180,171,000	0.63	–	Unknown	–	Unknown
Zhong Ou Asset – Agricultural Bank of China – Zhongou China Securities and Financial Assets Management Plan	–	180,171,000	0.63	–	Unknown	–	Unknown
ChinaAMC - Agricultural Bank of China - ChinaAMC China Securities and Financial Assets Management Plan	–	180,171,000	0.63	–	Unknown	–	Unknown
Yinhua Fund – Agricultural Bank of China – Yinhua China Securities and Financial Assets Management Plan	–	180,171,000	0.63	–	Unknown	–	Unknown
China Southern Asset Management – Agricultural Bank of China – China Southern Asset Management China Securities and Financial Assets Management Plan	–	180,171,000	0.63	–	Unknown	–	Unknown
ICBCCS Fund – Agricultural Bank of China – ICBCCS China Securities and Financial Assets Management Plan	–	180,171,000	0.63	–	Unknown	–	Unknown

	Shareholdings of the top ten shareholders not subject to trading moratorium		
		Class and number of shares	
Name of shareholders	Number of tradable shares held not subject to trading moratorium	Class	Number
CRRCG	14,786,323,011	Ordinary shares denominated in RMB	14,786,323,011
HKSCC NOMINEES LIMITED[Note 2]	4,359,518,808	Overseas listed foreign shares	4,359,518,808
China Securities Finance Corporation Limited	1,406,215,248	Ordinary shares denominated in RMB	1,406,215,248
CRRC Financial and Securities Investment Co., Ltd.	473,257,727	Ordinary shares denominated in RMB	473,257,727
Central Huijin Asset Management Ltd.	304,502,100	Ordinary shares denominated in RMB	304,502,100
Bosera Funds – Agricultural Bank of China – Bosera China Securities and Financial Assets Management Plan	180,171,000	Ordinary shares denominated in RMB	180,171,000
E Fund – Agricultural Bank of China – E Fund China Securities and Financial Assets Management Plan	180,171,000	Ordinary shares denominated in RMB	180,171,000
Dacheng Fund – Agricultural Bank of China – Dacheng China Securities and Financial Assets Management Plan	180,171,000	Ordinary shares denominated in RMB	180,171,000
Harvest Fund – Agricultural Bank of China – Harvest China Securities and Financial Assets Management Plan	180,171,000	Ordinary shares denominated in RMB	180,171,000
GF Fund – Agricultural Bank of China – GF China Securities and Financial Assets Management Plan	180,171,000	Ordinary shares denominated in RMB	180,171,000
Zhong Ou Asset – Agricultural Bank of China – Zhongou China Securities and Financial Assets Management Plan	180,171,000	Ordinary shares denominated in RMB	180,171,000
China AMC – Agricultural Bank of China – China AMC China Securities and Financial Assets Management Plan	180,171,000	Ordinary shares denominated in RMB	180,171,000
Yinhua Fund – Agricultural Bank of China – Yinhua China Securities and Financial Assets Management Plan	180,171,000	Ordinary shares denominated in RMB	180,171,000
China Southern Asset Management – Agricultural Bank of China – China Southern Asset Management China Securities and Financial Assets Management Plan	180,171,000	Ordinary shares denominated in RMB	180,171,000
ICBCCS Fund – Agricultural Bank of China – ICBCCS China Securities and Financial Assets Management Plan	180,171,000	Ordinary shares denominated in RMB	180,171,000
Connections or parties acting in concert among the aforesaid shareholders	CRRC Financial and Securities Investment Co., Ltd. is a wholly-owned subsidiary of CRRCG. Save for the above, the Company is not aware of any connections among the other shareholders above, nor aware of any parties acting in concert as defined in the Administrative Measures on Acquisitions by Listed Companies.		

Note 1: With the approval of the SASAC, CRRC GROUP, the controlling shareholder of the Company, transferred each 373,085,233 A shares of the Company held by it to Beijing Chengtong Financial Control Investment Co., Ltd. (北京誠通金控投資有限公司) and China Reform Investment Co., Ltd. (國新投資有限公司) respectively. On 13 August 2018, procedures for transfer of such shares have been completed and transfer of the shares has been completed. For details, please refer to the "Indicative announcement of CRRC Corporation Limited on the Gratuitous Transfer of State-owned Shares (中國中車股份有限公司關於國有股份無償劃轉的提示性公告)" and the "Announcement of CRRC Corporation Limited on Completion of Registration for Gratuitous Transfer of State-owned Shares (中國中車股份有限公司關於國有股份無償劃轉完成過戶登記的公告)" issued by the Company dated 3 July 2018 and 14 August 2018 respectively.

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

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

Unit: share

No.	Name of shareholders subject to trading moratorium	Number of shares held subject to trading moratorium	Trading conditions of the shares subject to trading moratorium: Date of listing and trading	Trading conditions of the shares subject to trading moratorium: Additional listed and tradeable shares	Terms of trading moratorium
1	CRRCG	705,052,878	17 January 2020	705,052,878	36 months after the completion date of the Non-public Issuance
2	Shanghai Xinghan Asset - Industrial Bank - China Industrial International Trust Limited	235,017,626	17 January 2020	235,017,626	36 months after the completion date of the Non-public Issuance
3	China Development Bank Capital Corporation Ltd.	176,263,219	17 January 2020	176,263,219	36 months after the completion date of the Non-public Issuance
4	Shanghai Zhaoyin Equity Investment Fund Management Co., Ltd.	117,508,813	17 January 2020	117,508,813	36 months after the completion date of the Non-public Issuance
5	China Development Bank Jingcheng (Beijing) Investment Fund Co., Ltd.	117,508,813	17 January 2020	117,508,813	36 months after the completion date of the Non-public Issuance
6	China Development Bank Siyuan (Beijing) Investment Fund Co., Ltd.	58,754,406	17 January 2020	58,754,406	36 months after the completion date of the Non-public Issuance
Explanation on the connected or acting in concert relationship of the above shareholders		Both China Development Bank Jingcheng (Beijing) Investment Fund Co., Ltd. and China Development Bank Siyuan (Beijing) Investment Fund Co., Ltd. are corporate PE investment funds and are managed by China Development Bank Investment and Development Fund Management (Beijing) Co., Ltd., which is a wholly-owned subsidiary of China Development Bank Capital Corporation Limited.			

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

As at 30 June 2018, the persons set out in the table below had an interest or short position in the Company's shares as recorded in the register required to be kept under section 336 of the SFO:

Name of shareholders	Capacity	H shares or A shares	Nature of interest	Number of H shares or A shares held	Percentage of H shares or A shares held in the total issued H shares or total issued A shares (%)
CRRCG	Beneficial owner	A shares	Long position	15,491,375,889	63.68
	Interest of corporation controlled by the substantial shareholder	A shares	Long position	473,257,727	1.95
BlackRock, Inc.	Interest of corporation controlled by the substantial shareholder	H shares	Long position	272,642,525	6.24
	Interest of corporation controlled by the substantial shareholder	H shares	Short position	20,165,000	0.46

Note:

(1) As at 30 June 2018, CRRCG directly held 15,491,375,889 A shares of the Company. As at 13 August 2018, CRRCG gratuitously transferred each 373,085,233 A shares of the Company held by it to Beijing Chengtong Financial Control Investment Co., Ltd. (北京誠通金控投資有限公司) and China Reform Investment Co., Ltd. (國新投資有限公司), respectively, after the completion of the above transfer, CRRCG directly held 14,745,205,423 A shares of the Company.

(2) As at 30 June 2018, CRRCG then holds 473,257,727 A shares through CRRC Financial and Securities Investment Co., Ltd.

(3) Except for the 15,964,633,616 A shares of the Company held by CRRCG and the proportion details, other information disclosed hereby is based on the information available on the website of the Stock Exchange at (www.hkex.com.hk).

Save as disclosed above, as far as the Directors are aware, as at 30 June 2018, no other person had interests and/or short positions in the shares or underlying shares (as the case may be) of the Company which were required to be recorded in the register pursuant to section 336 of Part XV of the SFO, or was otherwise a substantial shareholder (as defined in the Hong Kong Listing Rules) of the Company.

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

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

III. CHANGES IN THE CONTROLLING SHAREHOLDER OR THE ULTIMATE CONTROLLER

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

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

I. CHANGES IN SHAREHOLDING

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

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

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

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

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

As at 30 June 2018, the following Directors and Supervisors had interests in the A shares of the Company and relevant details are set out as follows:

Name	Position	Capacity	Type of shares held	Number of shares held
Liu Hualong	Chairman, Executive Director	Beneficial owner	A shares	50,000
Sun Yongcai	President, Executive Director	Beneficial owner	A shares	111,650
Qiu Wei	Employee Representative Supervisor	Beneficial owner	A shares	30,000

Save as disclosed above, as at 30 June 2018, none of the Directors, Supervisors or chief executives of the Company had interests or short positions in the shares or underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were required to be entered in the register maintained by the Company under section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code by the Directors or Supervisors.

II. CHANGES IN DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Name	Position	Change
Chan Ka Keung, Peter	Independent non-executive Director	Resignation

Note:

During the reporting period, upon the expiry of term of the first session of the Board and Supervisory Committee of the Company, Mr. Chan Ka Keung, Peter no longer served as an independent non-executive Director of the Company.

For details, please refer to the related announcements of the Company dated 31 May 2018 and 1 June 2018.

RELEVANT INFORMATION OF CORPORATE BONDS

I. BASIC INFORMATION OF CORPORATE BONDS

The Company holds a 2013 ten-year corporate bond of CSR Corporation Limited (first tranche) (13 CSR 02) and a 2016 corporate bond of CRRC Corporation Limited (first tranche) (16 CRRC 01).

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

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

Interests payment for corporate bonds

The Company disclosed the Announcement in relation to Interest Payment and Delisting of 13 CSR 01 Corporate Bond of CRRC Corporation Limited (《中國中車股份有限公司關於13南車01公司債券的付息兑付和摘牌公告》) dated 16 April 2018 and paid the interest for the period from 22 April 2017 to 21 April 2018 and repaid the principal of 13 CSR 01 corporate bond on 23 April 2018 (as 22 April was not a trading day, therefore it was postponed to the next working day after that date). The Company disclosed the Announcement in relation to Interest Payment of 13 CSR 02 Corporate Bond of CRRC Corporation Limited (《中國中車股份有限公司關於13南車02公司債券的付息公告》) dated 16 April 2018 and paid the interest for the period from 22 April 2017 to 21 April 2018 on 23 April 2018 (as 22 April was not a trading day, therefore it was postponed to the next working day after that date). No interest payment was made for 16 CRRC 01 during the reporting period.

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

On 5 August 2015, with the approval from SASAC, CNRG and CSRG signed the Merger Agreement of China Northern Locomotive & Rolling Stock Industry (Group) Corporation and CSR Group (《中國北方機車車輛工業集團公司與中國南車集團公司之合併協議》). It was agreed that CNRG will merge with CSRG by way of absorption, CSRG will be de-registered, CNRG will be renamed as "CRRC Group" (中國中車集團公司) and all assets, liabilities, businesses, employees, contracts, qualifications and all other rights and obligations of CSRG will be assumed by CRRCG, the post-merger corporation. On 7 September 2015, the trustee, China International Capital Corporation Limited (中國國際金融股份有限公司), convened the second meeting of bondholders of 2013 corporate bond of CSR Corporation Limited (first tranche) in 2015 at meeting room No. 2810 of China International Capital Corporation Limited at 28th Floor, China World Office 2, 1 Jianguomenwai Avenue, Beijing, P.R. China, where the Proposal on CRRC Group' s Assumption of CSR Group's Obligation of Guarantee for this Tranche of Bond (《關於中國中車集團公司承繼中國南車集團公司對本期債券擔保義務的議案》) was considered and approved. On 24 September 2015, CNRG completed the registration of change of name and changed its name to "CRRC Group (中國中車集團公司)". The obligation of CSRG as a guarantor for the 2013 five-year corporate bond of CSR Corporation Limited (first tranche) and the 2013 ten-year corporate bond of CSR Corporation Limited (first tranche) was assumed by CRRCG.

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

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

Major indicator	End of the reporting period	End of last year	Change between the end of the reporting period and the end of last year (%)
Current ratio	1.21	1.26	-3.97
Quick ratio	0.66	0.84	-21.43
Gearing ratio	62.29	62.19	Increased by 0.10 percentage points
Loan repayment rate	100.00	100.00	—

	Reporting period (January to June)	Same period last year	Change between the reporting period and the same period last year (%)
EBITDA interest coverage multiple	11.98	14.23	-15.81
Interest coverage	114.16	133.07	Decreased by 18.91 percentage points

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

The table below sets forth details on the amount of bank credit facilities, the utilized amount and the outstanding credit facilities of the Company as at 30 June 2018:

Unit: '000 Currency: RMB

Name of Bank	Amount of credit facilities	Utilized amount	Outstanding credit facilities
China Minsheng Bank Beijing Branch	20,000,000	4,344,093	15,655,907
CITIC Bank Fuhua Mansion Sub-branch	28,000,000	3,138,031	24,861,969
Beijing Rural Commercial Bank Co., Ltd.	3,500,000	1,400,000	2,100,000
China Construction Bank	11,500,000	3,452,175	8,047,825
Bank of Communications Beijing Branch	10,000,000	—	10,000,000
Agricultural Bank of China	5,500,000	—	5,500,000
Industrial Bank	3,000,000	—	3,000,000
Bank of China	20,000,000	8,314,553	11,685,447
The Export-Import Bank of China	55,700,000	—	55,700,000
China Merchants Bank Beijing Branch	10,000,000	1,919,906	8,080,094
Societe Generale	100,000	39,867	60,133
Bank of Kunlun Co., Ltd.	1,000,000	—	1,000,000
China Development Bank	12,000,000	1,000,000	11,000,000
ICBC	11,000,000	500,000	10,500,000
Everbright Bank	3,500,000	—	3,500,000
China Guangfa Bank	8,000,000	—	8,000,000
Bank of Beijing	7,500,000	—	7,500,000
China Zheshang Bank	5,000,000	—	5,000,000
Total	215,300,000	24,108,625	191,191,375

Unit: '000 Currency: USD

Name of Bank	Amount of credit facilities	Utilized amount	Outstanding credit facilities
Standard Chartered Bank	665,000	665,000	—
Citibank	200,000	200,000	—
DBS	100,000	2,513	97,487
Total	965,000	867,513	97,487

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

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

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

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

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2018

	Notes	Six months ended 30 June 2018 RMB'000	Six months ended 30 June 2017 RMB'000 (Restated)
Revenue	3	84,600,147	86,825,745
Cost of sales and services		(65,329,302)	(68,242,146)
Gross profit		19,270,845	18,583,599
Other income and gains and losses	4	1,428,376	1,064,148
Impairment losses, net of reversal	5	(751,474)	—
Distribution and selling expenses		(2,512,512)	(2,815,874)
Administrative expenses		(6,476,289)	(6,086,660)
Research and development expenses		(4,026,654)	(4,286,211)
Other expenses	6	(105,729)	(460,509)
Finance costs	7	(822,172)	(594,915)
Share of profits of:			
Joint ventures		58,845	49,200
Associates		116,984	184,032
Profit before taxation	8	6,180,220	5,636,810
Income tax expense	9	(1,239,796)	(1,036,781)
Profit for the period		4,940,424	4,600,029
Other comprehensive income, net of income tax			
Items that will not be reclassified to profit or loss:			
Fair value loss on:			
Investments in equity instruments at fair value through other comprehensive income		(388,963)	—
Income tax relating to items that may not be reclassified subsequently		60,715	—

	Notes	Six months ended 30 June 2018 RMB'000	Six months ended 30 June 2017 RMB'000 (Restated)
Items that may be reclassified subsequently to profit or loss:			
Income tax relating to items that may be reclassified subsequently		(2,750)	(16,814)
Fair value gain on:			
Available-for-sale investments		–	99,074
Debt instruments measured at fair value through other comprehensive income		6,885	–
Debt instruments measured at fair value through other comprehensive income impairment loss allowance		(33,762)	–
Share of other comprehensive (expense) income of associates		(36,659)	4,257
Exchange differences arising on translation		15,241	(41,035)
Other comprehensive (expense) income for the period, net of income tax		(379,293)	45,482
Total comprehensive income for the period		4,561,131	4,645,511
Profit for the period attributable to:			
Owners of the Company		4,117,547	3,671,143
Non-controlling interests		822,877	928,886
		4,940,424	4,600,029
Total comprehensive income for the period attributable to:			
Owners of the Company		3,761,269	3,698,902
Non-controlling interests		799,862	946,609
		4,561,131	4,645,511
Earnings per share (RMB)	11		
– Basic		0.14	0.13
– Diluted		0.14	0.12

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2018

	Notes	30 June 2018 RMB'000	31 December 2017 RMB'000
Non-current Assets			
Property, plant and equipment	12	66,109,958	65,917,917
Investment properties		981,549	1,018,722
Prepaid lease payments	13	14,510,527	14,677,729
Goodwill		1,239,319	1,242,487
Other intangible assets		2,817,660	2,943,889
Interests in joint ventures		1,883,695	1,449,853
Interests in associates	14	10,656,148	9,763,657
Loans and advances to customers		—	192,693
Available-for-sale investments		—	2,805,856
Held-to-maturity investment		—	1,429,188
Equity instruments at fair value through other comprehensive income		2,163,999	—
Financial assets at fair value through profit or loss		581,532	—
Contract assets	15	2,179,764	—
Deferred tax assets		3,859,114	3,697,406
Debt investment at amortised cost		2,136,847	—
Other non-current assets	17	11,088,816	14,153,979
		120,208,928	119,293,376
Current Assets			
Prepaid lease payments	13	303,507	406,301
Inventories	17	74,219,379	55,092,104
Available-for-sale investments		—	451,497
Held-to-maturity investment - current portion		—	229,970
Debt instruments at fair value through other comprehensive income		15,391,896	—
Trade receivables	18	73,730,637	77,672,935
Contract assets	15	14,115,784	—
Bills receivable	19	8,243,845	27,071,265
Prepayments, deposits and other receivables	20	27,720,760	31,176,995
Financial assets at fair value through profit or loss		4,443,029	2,569,294
Amounts due from customers for contract work		—	129,894
Tax recoverable		112,680	138,421
Pledged bank deposits	21	4,642,911	4,622,263
Cash and bank balances	21	31,071,571	56,264,129
Debt investment at amortised cost		1,776,306	—
		255,772,305	255,825,068
Assets classified as held for sale		52,443	52,443
		255,824,748	255,877,511

	Notes	30 June 2018 RMB'000	31 December 2017 RMB'000
Current Liabilities			
Trade payables	22	114,042,618	104,354,290
Bills payable	23	18,369,467	23,291,689
Other payables and accruals	24	17,074,384	34,072,428
Financial liabilities at fair value through profit or loss		154,897	225,240
Borrowings - due within one year	25	28,054,948	34,043,108
Retirement benefit obligations		212,191	288,139
Tax payable		621,858	1,188,521
Due to customers		3,126,982	3,487,822
Long-term payable - current portion		39,502	63,589
Provision for warranties		1,738,018	1,818,715
Contract liabilities		23,594,991	—
Deferred income		703,126	656,662
Convertible bonds-debt component	27	3,722,754	—
Convertible bonds-derivative component	27	271,143	—
		211,726,879	203,490,203
Net Current Assets		44,097,869	52,387,308
Total Assets less Current Liabilities		164,306,797	171,680,684
Capital and Reserves			
Share capital	26	28,698,864	28,698,864
Reserves		92,294,814	92,859,727
Equity attributable to owners of the Company		120,993,678	121,558,591
Non-controlling interests		20,799,574	20,310,812
Total Equity		141,793,252	141,869,403
Non-current Liabilities			
Borrowings - due after one year	25	7,483,757	9,954,710
Long-term payable		287,708	294,296
Retirement benefit obligations		3,730,796	3,718,519
Provision for warranties		4,222,272	4,570,492
Deferred income		5,464,790	5,756,605
Deferred tax liabilities		216,927	175,882
Convertible bonds-debt component	27	—	3,630,772
Convertible bonds-derivative component	27	—	511,756
Contract liabilities		—	—
Other non-current liabilities		1,107,295	1,198,249
		22,513,545	29,811,281
Total Equity and Non-current Liabilities		164,306,797	171,680,684

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2018

	Attributable to owners of the Company											
	Share capital RMB'000	Capital reserve RMB'000	Revaluation reserve RMB'000	Retirement benefit obligations re-measurement reserve RMB'000	Statutory surplus reserve RMB'000 (Note i)	Special reserve RMB'000 (Note ii)	General risk reserve RMB'000 (Note iii)	Translation reserve RMB'000	Retained earnings RMB'000 (Note iv)	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 31 December 2017 (audited)	28,698,864	40,636,666	228,119	(260,029)	2,821,562	49,957	551,265	(203,808)	49,035,995	121,558,591	20,310,812	141,869,403
Adjustments (see note 2)	–	–	(477,547)	–	–	–	–	–	519,243	41,696	128,780	170,476
At 1 January 2018 (restated)	28,698,864	40,636,666	(249,428)	(260,029)	2,821,562	49,957	551,265	(203,808)	49,555,238	121,600,287	20,439,592	142,039,879
Profit for the period	–	–	–	–	–	–	–	–	4,117,547	4,117,547	822,877	4,940,424
Other comprehensive income for the period:												
Equity instruments at fair value through other comprehensive income	–	–	(327,314)	–	–	–	–	–	–	(327,314)	(934)	(328,248)
Equity instruments at fair value through other comprehensive income impairment loss allowance	–	–	(33,762)	–	–	–	–	–	–	(33,762)	–	(33,762)
Share of other comprehensive income of associates	–	–	(36,659)	–	–	–	–	–	–	(36,659)	–	(36,659)
Debt instruments measured at fair value through other comprehensive income	–	–	5,585	–	–	–	–	–	–	5,585	(1,450)	4,135
Exchange differences arising on translation of foreign operations	–	–	–	–	–	–	–	35,872	–	35,872	(20,631)	15,241
Total comprehensive income for the period	–	–	(392,150)	–	–	–	–	35,872	4,117,547	3,761,269	799,862	4,561,131
Disposal of a subsidiary	–	–	–	–	–	–	–	–	–	–	(38,442)	(38,442)
Acquisition of non-controlling interests	–	(57,141)	–	–	–	–	–	–	(5,907)	(63,048)	(108,411)	(171,459)
Capital contribution from non-controlling shareholders	–	–	–	–	–	–	–	–	–	–	34,209	34,209
Dividends declared to non-controlling shareholders of subsidiaries	–	–	–	–	–	–	–	–	–	–	(327,236)	(327,236)
Dividends distributed	–	–	–	–	–	–	–	–	(4,304,830)	(4,304,830)	–	(4,304,830)
Appropriation of special reserves	–	–	–	–	–	140,359	–	–	(140,359)	–	–	–
Utilisation of special reserves	–	–	–	–	–	(140,359)	–	–	140,359	–	–	–
Transfer from other comprehensive income to other income	–	–	(1,753)	–	–	–	–	–	1,753	–	–	–
At 30 June 2018	28,698,864	40,579,525	(643,331)	(260,029)	2,821,562	49,957	551,265	(167,936)	49,363,801	120,993,678	20,799,574	141,793,252

	Attributable to owners of the Company											
	Share capital RMB'000	Capital reserve RMB'000	Available-for- sale investments revaluation reserve RMB'000	Retirement benefit obligations re-measurement reserve RMB'000	Statutory surplus reserve RMB'000 (Note i)	Special reserve RMB'000 (Note ii)	General risk reserve RMB'000 (Note iii)	Translation reserve RMB'000	Retained earnings RMB'000 (Note iv)	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2017	27,288,758	30,167,624	235,652	(474,615)	2,273,807	49,957	551,265	(65,072)	44,829,233	104,856,609	18,948,007	123,804,616
Profit for the period	–	–	–	–	–	–	–	–	3,672,542	3,672,542	931,462	4,604,004
Other comprehensive income for the period												
Change in fair value of available-for-sale investments, net of tax	–	–	82,754	–	–	–	–	–	–	82,754	(494)	82,260
Share of other comprehensive income of associates	–	–	4,257	–	–	–	–	–	–	4,257	–	4,257
Exchange differences arising on translation of foreign operations	–	–	–	–	–	–	–	(59,252)	–	(59,252)	18,217	(41,035)
Total comprehensive income for the period	–	–	87,011	–	–	–	–	(59,252)	3,672,542	3,700,301	949,185	4,649,486
Non-public offering of A shares (Note v)	1,410,106	10,523,999	–	–	–	–	–	–	–	11,934,105	–	11,934,105
Disposal of a subsidiary	–	–	–	–	–	–	–	–	–	–	264	264
Acquisition of non-controlling interests	–	(6,838)	–	–	–	–	–	–	–	(6,838)	(29,552)	(36,390)
Capital contribution from non-controlling shareholders	–	–	–	–	–	–	–	–		–	56,905	56,905
Dividends declared to non-controlling shareholders of subsidiaries	–	–	–	–	–	–	–	–	–	–	(458,886)	(458,886)
Dividends distributed	–	–	–	–	–	–	–	–	(6,026,761)	(6,026,761)	–	(6,026,761)
Appropriation of special reserves	–	–	–	–	–	142,395	–	–	(142,395)	–	–	–
Utilisation of special reserves	–	–	–	–	–	(142,395)	–	–	142,395	–	–	–
Others	–	344	–	–	–	–	–	–	–	344	(6,720)	(6,376)
At 30 June 2017	28,698,864	40,685,129	322,663	(474,615)	2,273,807	49,957	551,265	(124,324)	42,475,014	114,457,760	19,459,203	133,916,963

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2018

Note i: According to relevant laws and regulations of the PRC, an entity established under the PRC Company Law is required to make an appropriation at 10 percent of the profit for the year as shown in the PRC statutory financial statements, prepared in accordance with the PRC accounting standards, to the statutory surplus reserve fund until the balance reaches 50 percent of the registered capital of that entity. The reserve appropriated can only be used to make up losses or to increase the registered capital of that entity and is not distributable.

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

Note iii: According to the relevant provisions of the Ministry of Finance, CRRC Finance Co., Ltd ("Finance Company"), subsidiary of the Company, is required to make an appropriation of general risk reserve from net profit as profit distribution, the balance of general risk reserve should not be less than 1.5 percent of risk assets at 30 June 2018. According to the resolution of board of directors, Finance Company made no provision for general risk reserve during the six months ended 30 June 2018 (six months ended 30 June 2017: Nil).

Note iv: It included statutory surplus reserve provided by subsidiaries amounting to RMB11,736,445,000 (six months ended 30 June 2017: RMB9,660,450,000) as at 30 June 2018.

Note v: The Company completed the non-public offering of 1,410,106,000 A shares with par value RMB1.00 each, and the issue price was RMB8.51 per share, which was approved by the China Securities Regulatory Commission ("CSRC") through Zheng Jian Xu Ke [2016] No. 3203. The net amount of proceeds from the non-public offering of A shares was RMB11,934,105,000, including share capital which increased by RMB1,410,106,000, and capital reserve which increased by RMB10,523,999,000.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2018

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
Net cash used in operating activities	(10,541,846)	(17,509,635)
Net cash (used in) generated from (used in) investing activities	(1,802,801)	4,169,351
Net cash (used in) generated from financing activities	(10,539,470)	9,287,831
Net decrease in cash and cash equivalents	(23,084,750)	(4,052,453)
Cash and cash equivalents at 1 January	47,689,648	28,014,246
Effect of foreign exchange rate changes	(200,633)	(85,024)
Cash and cash equivalents at 30 June, represented by Bank balances and cash	24,604,898	23,876,769

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2018

1. GENERAL AND BASIS OF PREPARATION

CRRC Corporation Limited (formerly known as CSR Corporation Limited ("CSR")) ("CRRC" or "the Company") was incorporated in the PRC on 28 December 2007 as a joint stock company with limited liability under the Company Law of the PRC. CRRC's A shares were listed on the Shanghai Stock Exchange (the "SSE") on 18 August 2008 and the CRRC's H shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "HKSE") on 21 August 2008. In 2012, the CRRC completed the non-public offering and the total number of shares became 13,803,000,000 after the offering. In 2015, the CSR mergered China CNR Corporation Limited ("CNR ") by adoption by CSR issuing, on the basis of a single exchange ratio, CSR A shares and CSR H shares to holders of CNR A shares and CNR H shares respectively in exchange for all of the issued shares of CNR (the "2015 Business Combination"). In 2017, the Company completed the non-public offering of 1,410,106,000 A shares with par value RMB1.00 each, and the issue price was RMB8.51 per share, which was approved by CSRC through Zheng Jian Xu Ke [2016] No. 3203. The details of the A shares and H shares' issuance are set out in note 26.

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

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

The condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 (IAS34) Interim Financial Reporting issued by the International Accounting Standards Board as well as with the applicable disclousure requirments of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

2. PRINCIPAL ACCOUNTING POLICIES

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

Other than changes in accounting resulting from application of new and amendments to the International Financial reporting Standards ("IFRSs"), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2018 are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2017.

Application of new and amendments to IFRSs

In the current interim period, the Group has applied, for the first time, the following new interpretation and amendments ("new and revised IFRSs") issued by the International Accounting Standards Board ("IASB") which are mandatory effective for the annual period beginning on or after 1 January 2018 for the preparation of the Group's condensed consolidated financial statements:

IFRS 9	Financial Instruments
IFRS 15	Revenue from Contracts with Customers and the related Amendments
IFRIC-22	Foreign Currency Transactions and Advance Consideration
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts
Amendments to IAS28	As part of the Annual Improvements to IFRSs 2014-2016 Cycle
Amendments IAS40	Transfers of Investment Property

In addition, the group has applied Amendments to IFRS 9 Preypayment Features with Negative Compensation in advance of the effective date, i.e. 1 January 2019.

The new and amendments to IFRSs have been applied in accordance with the relevant transition provisions in the respective standards and amendments which results in changes in accounting policies, amounts reported and disclosures as described below.

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

2.1 Impacts and changes in accounting policies of application on IFRS 15 Revenue from Contracts with Customers

The Group has applied IFRS 15 for the first time in the current interim period. IFRS15 superseded IAS 18 Revenue, IAS 11 Construction Contracts and the related interpretations.

The Group recognises revenue from the following major sources:

- Revenue from railway equipment business
- Revenue from rapid transit vehicles and urban infrasture business
- Revenue from new businesses
- Revenue from modern service businesses

The Group has applied IFRS15 retrospectively with the cumulative effect of initially applying this Standard recognised at the date of initial application, 1 January 2018. Any difference at the date of initial application is recognised in the opening retained profits (or other components of equity, as appropriate) and comparative information has not been restated. Furthermore, in accordance with the transition provisions in IFRS 15, the Group has elected to apply the Standard retrospectively only to contracts that are not completed at 1 January 2018 and has used the practical expedient for all contract modifications that occurred before the date of initial application, the aggregate effect of all of the modifications was reflected at the date of initial application. Accordingly, certain comparative information may not be comparable as comparative information was prepared under IAS 18 Revenue and IAS 11 Construction Contracts and the related interpretations.

2.1.1 Key changes in accounting policies resulting from application of IFRS 15

IFRS 15 introduces a 5-step approach when recognising revenue:

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

Under IFRS 15, the Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when “control” of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good and service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

2.1 Impacts and changes in accounting policies of application on IFRS 15 Revenue from Contracts with Customers *(continued)*

2.1.1 Key changes in accounting policies resulting from application of IFRS 15 *(continued)*

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met.

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or
- 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 in time when the customer obtains control of the distinct good or service.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with IFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

Contracts with multiple performance obligations (including allocation of transaction price)

For contracts that contain more than one performance obligations, the Group allocates the transaction price to each performance obligation on a relative stand-alone selling price basis, except for the allocation of discounts and variable consideration.

The stand-alone selling price of the distinct good or service underlying each performance obligation is determined at contract inception. It represents 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 estimates it using appropriate techniques such that the transaction price ultimately allocated to any performance obligation reflects the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised goods or services to the customer.

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

2.1 Impacts and changes in accounting policies of application on IFRS 15 Revenue from Contracts with Customers *(continued)*

2.1.1 Key changes in accounting policies resulting from application of IFRS 15 *(continued)*

Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation

Output method

The progress towards complete satisfaction of a performance obligation is measured based on output method, which is to recognise revenue on the basis of direct measurements of the value of the goods or services transferred to the customer to date relative to the remaining goods or services promised under the contract, that best depict the Group's performance in transferring control of goods or services.

Input method

The progress towards complete satisfaction of a performance obligation is measured based on input method, which is to recognise revenue on the basis of the Group's efforts or inputs to the satisfaction of a performance obligation relative to the total expected inputs to the satisfaction of that performance obligation, that best depict the Group's performance in transferring control of goods or services.

Principal versus agent

When another party is involved in providing goods or services to a customer, the Group determines whether the nature of its promise is a performance obligation to provide the specified goods or services itself (i.e. the Group is a principal) or to arrange for those goods or services to be provided by the other party (i.e. the Group is an agent).

The Group is a principal if it controls the specified good or service before that good or service is transferred to a customer.

The Group is an agent if its performance obligation is to arrange for the provision of the specified good or service by another party. In this case, the Group does not control the specified good or service provided by another party before that good or service is transferred to the customer. When the Group acts as an agent, it recognises revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the specified goods or services to be provided by the other party.

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

2.1 Impacts and changes in accounting policies of application on IFRS 15 Revenue from Contracts with Customers *(continued)*

2.1.1 Key changes in accounting policies resulting from application of IFRS 15 *(continued)*

Warranties

If a customer has the option to purchase a warranty separately, the Group accounts for the warranty as a separate performance obligation and allocates a portion of the transaction price to that performance obligation.

If a customer does not have the option to purchase a warranty separately, the Group accounts for the warranty in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets unless the warranty provides the customer with a service in addition to the assurance that the product complies with agreed-upon specifications (i.e. service-type warranties).

For service-type warranties, the promised service is a performance obligation. In that case, the Group allocates a portion of the transaction price to the warranty.

2.1.2 Summary of effects arising from initial application of IFRS 15

The Group recognises revenue from railway equipment business, rapid transit vehicles and urban infrastructure business, new businesses and modern service businesses. Upon application of IFRS15, tooling sales are considered as separate obligations and revenue is recognised at a point in time when the customer obtains control of the tooling rather than over time.

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

2.1 Impacts and changes in accounting policies of application on IFRS 15 Revenue from Contracts with Customers *(continued)*

2.1.2 Summary of effects arising from initial application of IFRS 15 *(continued)*

The following adjustments were made to the amounts recognised in the condensed consolidated statement of financial position at 1 January 2018. Line items that were not affected by the changes have not been included.

	Note	Carrying amounts previously reported at 31 December 2017 RMB'000	Reclassification RMB'000	Remeasurement RMB'000	Carrying amounts under IFRS 15 at 1 January 2018* RMB'000
Non-current Assets					
Property, plant and equipment		65,917,917	–	(272,443)	65,645,474
Other non -current assets	(b) (c)	14,153,979	(1,717,786)	(89,647)	12,346,546
Contract assets		–	1,717,786	167,578	1,885,364
Current Assets					
Amounts due from customers for contract work	(b)	129,894	(129,894)	–	–
Contract assets		–	10,764,577	15,465	10,780,042
Trade receivables	(c)	77,672,935	(10,634,683)	–	67,038,252
Inventories		55,092,104	–	218,407	55,310,511
Capital and Reserves					
Reserves	(a)	121,558,591	–	88,257	121,646,848
Non-controlling interests	(a)	20,310,812	–	134,899	20,445,711
Current Liabilities					
Trade payables		104,354,290	–	8,319	104,362,609
Contract liabilities		–	20,225,500	75,698	20,301,198
Other payables and accruals	(d)	34,072,428	(20,225,500)	(114,080)	13,732,848
Non-current liabilities					
Other non-current liabilities		1,198,249	88,015	–	1,286,264
Deferred tax liabilities		175,882	–	76,404	252,286
Deferred income	(d)	5,756,605	(88,015)	(230,137)	5,438,453

* The amounts in this column are before the adjustments from the application of IFRS 9.

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

2.1 Impacts and changes in accounting policies of application on IFRS 15 Revenue from Contracts with Customers *(continued)*

2.1.2 Summary of effects arising from initial application of IFRS 15 *(continued)*

(a) Taking into account the contract terms, the legal and regulatory environment, under IAS 18,the consideration of tooling sales can be received as of the date of declaration of acceptance on part of the customer and is also accrued over a period of years. Upon the application of IFRS 15, revenue is recognised when a customer obtains control over the goods. The above change in accounting policy results in an increase in reserves of RMB 88,257,000 and in non-controlling interests of RMB 134,899,000 respectively as at January 1st 2018.

(b) In relation to construction contracts previously accounted under IAS 11, the Group continues to apply input method in estimating the performance obligations satisfied up to date of initial application of IFRS 15. At the date of initial application, unbilled revenue of RMB1,531,670,000 arising from these contracts are conditional on the Group's achieving specified milestones as stipulated in the contracts; therefore, RMB 129,894,000 from amounts due from customers and RMB1,401,776,000 out of other non-current assets are reclassified to contract assets respectively.

(c) In relation to contracts of sales of goods previously accounted under IAS 18, revenue is recognised when the group has transferred the significant risks and rewards; instead, revenue is recognised when rights of controls are transferred to customers under IFRS 15.When the group does not have unconditional rights in exchange for the goods provided, contract assets are recognised. The above change in accounting policy results in a reclassification of RMB 10,634,683,000 from trade receivables to contract assets and a reclassification of RMB 316,010,000 from other non- current assets to contract assets respectively.

(d) As at 1 January 2018, advances from customers in respect of contracts for sales of goods, provisions of services and construction services, which were previously included in trade and other payables and deferred income, are reclassified to contract liabilities for RMB20,225,500,000 and other non-current liabilities for RMB 88,015,000 respectively.

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

2.1 Impacts and changes in accounting policies of application on IFRS 15 Revenue from Contracts with Customers *(continued)*

2.1.2 Summary of effects arising from initial application of IFRS 15 *(continued)*

The following tables summarise the impacts of applying IFRS 15 on the Group's condensed consolidated statement of financial position as at 30 June 2018 and its condensed consolidated statement of profit or loss and other comprehensive income for the current interim period for each of the line items affected. Line items that were not affected by the changes have not been included.

	As reported	Adjustments	Amounts without application of IFRS 15
	RMB'000	RMB'000	RMB'000
Non-current Assets			
Property, plant and equipment	66,109,958	194,471	66,304,429
Other non-current assets	11,088,816	2,164,484	13,253,300
Contract assets	2,179,764	(2,179,764)	—
Current Assets			
Inventories	74,219,379	(198,266)	74,021,113
Contract assets	14,115,784	(14,115,784)	—
Trade receivables	73,730,637	13,955,051	87,685,688
Amounts due from customers for contract work	—	91,456	91,456
Capital and Reserves			
Reserves	92,294,814	(88,961)	92,205,853
Non-controlling interests	20,799,574	(135,970)	20,663,604
Current Liabilities			
Trade payables	114,042,618	(9,174)	114,033,444
Contract liabilities	23,594,991	(23,594,991)	—
Other payables and accruals	17,079,802	23,625,589	40,705,391
Non-current liabilities			
Other non-current liabilities	1,107,295	105,049	1,212,344
Deferred tax liabilities	216,927	(76,155)	140,772
Deferred income	703,126	86,261	789,387

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

2.1 Impacts and changes in accounting policies of application on IFRS 15 Revenue from Contracts with Customers *(continued)*

2.1.2 Summary of effects arising from initial application of IFRS 15 *(continued)*

Impact on the condensed consolidated statement of profit and loss and other comprehensive income

	As reported RMB'000	Adjustments RMB'000	Amounts without application of IFRS 15 RMB'000
Continuing operation			
Revenue	84,600,147	(22,427)	84,577,720
Cost of sales	(65,329,302)	14,148	(65,315,154)
Profit before tax	6,180,220	(8,279)	6,171,941

Under IAS 18,the consideration of tooling sales can be received as of the date of declaration of acceptance on part of the customer and is also accrued over a period of years. Upon the application of IFRS 15, revenue is recognised when a customer obtains control over the goods. The above change in accounting policy results in an increase in revenue by RMB22,427,000, increase in cost of sales by RMB14,148,000, increase in profit before tax by RMB8,279,000 for the period ended 30 June 2018.

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

2.2 Impacts and changes in accounting policies of application on IFRS 9 Financial Instruments and the related amendments

In the current period, the Group has applied IFRS 9 *Financial Instruments*, Amendments to IFRS 9 *Prepayment Features with Negative Compensation* and the related consequential amendments to other IFRSs. IFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) expected credit losses ("ECL") for financial assets and other items (for example, contract assets, lease receivables and financial guarantee contracts) and 3) general hedge accounting.

The Group has applied IFRS 9 in accordance with the transition provisions set out in IFRS 9. i.e. applied the classification and measurement requirements (including impairment) retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018. The difference between carrying amounts as at 31 December 2017 and the carrying amounts as at 1 January 2018 are recognised in the opening retained profits and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under IAS 39 Financial Instruments: Recognition and Measurement.

2.2.1 Key changes in accounting policies resulting from application of IFRS 9

Classification and measurement of financial assets

Trade receivables arising from contracts with customers are initially measured in accordance with IFRS 15.

All recognised financial assets that are within the scope of IFRS 9 are subsequently measured at amortised cost or fair value, including unquoted equity investments measured at cost less impairment under IAS 39.

Debt instruments that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- 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.

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

2.2 Impacts and changes in accounting policies of application on IFRS 9 Financial Instruments and the related amendments *(continued)*

2.2.1 Key changes in accounting policies resulting from application of IFRS 9 *(continued)*

Classification and measurement of financial assets *(continued)*

Debt instruments that meet the following conditions are subsequently measured at fair value through other comprehensive income ("FVTOCI"):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- 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.

All other financial assets are subsequently measured at fair value through profit or loss ("FVTPL"), except that at the date of initial application/initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income ("OCI") if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which IFRS 3 Business Combinations applies.

In addition, the Group may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

Debt instruments/receivables classified as at FVTOCI

Subsequent changes in the carrying amounts for debt instruments/receivables classified as at FVTOCI as a result of interest income calculated using the effective interest method,and foreign exchange gains and losses are recognised in profit or loss. All other changes in the carrying amount of these debt instruments/receivables are recognised in OCI and accumulated under the heading of FVTOCI reserve. Impairment allowance are recognised in profit or loss with corresponding adjustment to OCI without reducing the carrying amounts of these debt instruments/receivables. The amounts that are recognised in profit or loss are the same as the amounts that would have been recognised in profit or loss if these debt instruments/receivables had been measured at amortised cost. When these debt instruments/receivables are derecognised, the cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss.

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

2.2 Impacts and changes in accounting policies of application on IFRS 9 Financial Instruments and the related amendments *(continued)*

2.2.1 Key changes in accounting policies resulting from application of IFRS 9 *(continued)*

Classification and measurement of financial assets *(continued)*

Equity instruments designated as at FVTOCI

At the date of initial application, the Group may make an irrevocable election on an instrument-by-instrument basis to designate investments in equity instruments as at FVTOCI.

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in OCI and accumulated in the FVTOCI reserve; and are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, and will be transferred to retained profits.

Dividends on these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established in accordance with IFRS 9, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the "other income" line item in profit or loss.

Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset and is included in the "other gains and losses" line item.

The directors of the Company reviewed and assessed the Group's financial assets as at 1 January 2018 based on the facts and circumstances that existed at that date. Changes in classification and measurement on the Group's financial assets and the impacts thereof are detailed in Note 2.2.2.

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

2.2 Impacts and changes in accounting policies of application on IFRS 9 Financial Instruments and the related amendments *(continued)*

2.2.1 Key changes in accounting policies resulting from application of IFRS 9 *(continued)*

Impairment under ECL model

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under IFRS 9 (including trade receivables, bills receivable, contract assets, other receivables, loans and advances to customers, long-term receivables, debt instruments at FVTOCI and other financial assets at amortised cost). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables, contract assets, debt instruments at fair value and lease receivables. The ECL on these assets are assessed individually for debtors with significant balances and/or collectively using a provision matrix with appropriate groupings.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

2.2 Impacts and changes in accounting policies of application on IFRS 9 Financial Instruments and the related amendments *(continued)*

2.2.1 Key changes in accounting policies resulting from application of IFRS 9 *(continued)*

Impairment under ECL model *(continued)*

Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the aforegoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if i) it has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when it has an internal or external credit rating of 'investment grade' as per globally understood definitions.

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

2.2 Impacts and changes in accounting policies of application on IFRS 9 Financial Instruments and the related amendments *(continued)*

2.2.1 Key changes in accounting policies resulting from application of IFRS 9 *(continued)*

Impairment under ECL model *(continued)*

Significant increase in credit risk *(continued)*

For financial guarantee contracts, the date that the Group becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing the financial instrument for impairment. For financial guarantee contracts, the Group considers the changes in the risk that the specified debtor will default on the contract.

The Group considers that default has occurred when the instrument is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information.

Generally, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

For ECL on financial guarantee contracts, the Group will apply a discount rate that reflects the current market assessment of the time value of money and the risks that are specific to the cash flow but only if, and to the extent that, the risks are taken into account by adjusting the discount rate instead of adjusting the cash shortfalls being discounted.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

Except for investments in debt instruments/receivables that are measured at FVTOCI, the Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables, loan receivables, contract assets, other receivables, long-term receivables and other financial assets at amortised cost where the corresponding adjustment is recognised through a loss allowance account. For investments in debt instruments that are measured at FVTOCI, the loss allowance is recognised in OCI and accumulated in the FVTOCI reserve without reducing the carrying amounts of these debt instruments/receivables.

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

2.2 Impacts and changes in accounting policies of application on IFRS 9 Financial Instruments and the related amendments *(continued)*

2.2.1 Key changes in accounting policies resulting from application of IFRS 9 *(continued)*

Impairment under ECL model *(continued)*

Measurement and recognition of ECL *(continued)*

For financial guarantee contracts, the loss allowances are recognised at the higher of the amount of the loss allowance determined in accordance with IFRS 9; and the amount initially recognised less, where appropriate, cumulative amount of income recognised over the guarantee period.

As at 1 January 2018, the directors of the Company reviewed and assessed the Group's existing financial assets, trade receivables, loan receivables, contract assets, other receivables, long-term receivables, debt instruments at FVTOCI and other financial assets at amortised cost for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of IFRS 9. The results of the assessment and the impact thereof are detailed in Note 2.2.2.

Classification and measurement of financial liabilities

For non-substantial modifications of financial liabilities that do not result in derecognition, the carrying amount of the relevant financial liabilities will be calculated at the present value of the modified contractual cash flows discounted at the financial liabilities' original effective interest rate. Transaction costs or fees incurred are adjusted to the carrying amount of the modified financial liabilities and are amortised over the remaining term. Any adjustment to the carrying amount of the financial liability is recognised in profit or loss at the date of modification.

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

2.2 Impacts and changes in accounting policies of application on IFRS 9 Financial Instruments and the related amendments *(continued)*

2.2.2 Summary of effects arising from initial application of IFRS 9

The table below illustrates the classification and measurement (including impairment) of financial assets and financial liabilities and other items subject to ECL under IFRS 9 and IAS 39 at the date of initial application, 1 January 2018.

	Notes	Available-for-sale RMB'000	Held-to-maturity RMB'000	Financial assets designated at FVTPL RMB'000	Amortised cost (previously classified as loans and receivables) RMB'000	Financial assets at FVTPL required by IAS 39/IFRS 9 RMB'000	Equity instruments at FVTOCI RMB'000	Debt instruments at FVTOCI RMB'000	Amounts due from customers for comtract work RMB'000	Contract assets RMB'000	Deferred tax assets RMB'000	Deferred tax liabilities RMB'000	AFS/ FVTOCI reserve RMB'000	Retained profits RMB'000	Non-controlling interests RMB'000
Closing balance at 31 December 2017 – IAS 39		3,257,353	1,659,158	427,168	183,637,680	2,142,126	–	–	129,894	–	3,697,406	175,882	(235,718)	51,857,557	20,310,812
Effect arising from initial application of IFRS 15		–	–	–	(12,152,469)	–	–	–	(129,894)	12,665,406	–	–	–	–	–
Effect arising from initial application of IFRS 9:															
Reclassification															
From available-for-sale	(a)	(3,257,353)	–	–	–	1,083,251	2,174,102	–	–	–	–	–	(430,986)	430,986	–
From held-to-maturity	(b)	–	(1,659,158)	–	1,659,158	–	–	–	–	–	–	–	–	–	–
From designated at FVTPL	(c)	–	–	(427,168)	–	427,168	–	–	–	–	–	–	–	–	–
From loans and receivables	(d)	–	–	–	(14,865,818)	–	–	15,418,353	–	–	–	–	552,535	–	–
Remeasurement															
From cost less impairment to fair value	(a)	–	–	–	–	–	213,268	–	–	–	123	21,546	191,845	–	–
From amortised cost to fair value	(d)	–	–	–	–	–	–	(940,364)	–	–	143,304	–	(790,941)	–	(6,119)
Summary of effects		(3,257,353)	(1,659,158)	(427,168)	(25,559,129)	1,510,419	2,387,370	14,477,989	(129,894)	12,665,406	143,427	21,546	(477,547)	430,986	(6,119)
Opening balance at 1 January 2018		–	–	–	158,078,551	3,652,545	2,387,370	14,477,989	–	12,665,406	3,840,833	197,428	(713,265)	52,288,543	20,304,695

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

2.2 Impacts and changes in accounting policies of application on IFRS 9 Financial Instruments and the related amendments *(continued)*

2.2.2 Summary of effects arising from initial application of IFRS 9 *(continued)*

(a) Available-for-sale investments

From AFS equity investments to FVTOCI

The Group elected to present in OCI for the fair value changes of part of its equity investments previously classified as available-for-sale, of which RMB 356,646,000 related to unquoted equity investments previously measured at cost less impairment under IAS 39. These investments are not held for trading and not expected to be sold in the foreseeable future. At the date of initial application of IFRS 9, RMB 2,174,102,000 were reclassified from available-for-sale investments to equity instruments at FVTOCI, of which RMB 356,646,000 related to unquoted equity investments previously measured at cost less impairment under IAS 39. The fair value gains of RMB 213,268,000 relating to those unquoted equity investments previously carried at cost less impairment were adjusted to equity instruments at FVTOCI as at 1 January 2018, with the impact on FVTOCI reserve of RMB 191,845,000, deferred tax assets of RMB 123,000 and deferred tax liabilities of RMB 21,546,000. The fair value gains of RMB174,342,000 relating to those investments previously carried at fair value continued to accumulate in FVTOCI reserve. The impairment losses previously recognised of RMB 419,069,000 were transferred from FVTOCI reserve to retained profits reserve as at 1 January 2018.

From AFS equity investments to FVTPL

At the date of initial application of IFRS 9, the Group's equity investments of RMB 25,801,000 were reclassified from available-for-sale investments to financial assets at current FVTPL. The fair value gains of RMB 1,562,000 accumulated in AFS reserve relating to those investments previously carried at fair value were transferred from AFS reserve to retained profits.

From AFS debt investments to FVTPL

At the date of initial application of IFRS 9, the Group's debt investments of RMB 605,953,000 were reclassified from available-for-sale investments to financial assets at non-current FVTPL. The fair value losses of RMB 29,142,000 accumulated in AFS reserve relating to those investments previously carried at fair value were transferred from AFS reserve to retained profits.

At the date of initial application of IFRS 9, unlisted financial assets with a fair value of RMB 451,497,000 were reclassified from available-for-sale investments to financial assets at current FVTPL. This is because even though the Group's business model is to hold financial assets in order to collect contractual cash flows, the cash flows of these investments do not meet the IFRS 9 criteria as solely payments of principal and interest on the principal amount outstanding. Related fair value gains of RMB 39,497,000 were transferred from the AFS reserve to retained profits as at 1 January 2018.

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

2.2 Impacts and changes in accounting policies of application on IFRS 9 Financial Instruments and the related amendments *(continued)*

2.2.2 Summary of effects arising from initial application of IFRS 9 *(continued)*

(b) Held-to-maturity investments

Listed bonds previously classified as held-to-maturity investments are reclassified and measured at amortised cost upon application of IFRS 9. The Group intends to hold the assets to maturity to collect contractual cash flows and these cash flows consist solely of payments of principal and interest on the principal amount outstanding. There was no difference between the previous carrying amount and the revised carrying amount at 1 January 2018.

(c) Financial assets at FVTPL and/or designated at FVTPL

At the date of initial application, the Group no longer applied designation as measured at FVTPL for private equity funds which are managed and whose performance is evaluated on a fair value basis, as these financial assets are required to be measured at FVTPL under IFRS 9. As a result, the fair value of these investments of RMB 427,168,000 were reclassified from financial assets designated at FVTPL to financial assets at FVTPL.

Remaining investments are financial assets held for trading and derivatives which are required to be classified as FVTPL under IFRS 9. There was no impact on the amounts recognised in relation to these assets from the application of IFRS 9.

(d) Loans and receivables

At the date of initial application of IFRS 9, the Group's loans and receivables of RMB14,865,818,000 were considered as within the hold to collect contractual cash flows and to sell business model, and reclassified to debt instruments at FVTOCI. The related fair value losses of RMB 940,364,000 was adjusted to debt instruments at FVTOCI, with impact on deferred tax assets of RMB 143,304,000, OCI losses of RMB 790,941,000 and non-controlling interests lossess of RMB 6,119,000 as at 1 January 2018.

Remaining amount previously classified as loans and receivables were reclassified and measured at amortised cost upon application of IFRS 9 except for factored trade receivables and discounted bills above. The Group intends to hold the assets to maturity to collect contractual cash flows and these cash flows consist solely of payments of principal and interest on the principal amount outstanding. There was no difference between the previous carrying amount and the revised carrying amount at 1 January 2018.

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

2.2 Impacts and changes in accounting policies of application on IFRS 9 Financial Instruments and the related amendments *(continued)*

2.2.2 Summary of effects arising from initial application of IFRS 9 *(continued)*

(e) Impairment under ECL model

The Group applies the IRS 9 simplified approach to measure ECL which uses a lifetime ECL for all contract assets, trade receivables and lease receivables. To measure the ECL, contract assets and trade receivables have been grouped based on shared credit risk characteristics. The contract assets have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Group has therefore concluded that the expected loss rates for the trade receivables are a reasonable approximation of the loss rates for the contract assets.

Loss allowances for other financial assets at amortised cost mainly comprised of long-term receivables (excluding lease receivables), other receivables, bills receivables, pledged bank balances, cash bank balances, loans and advance to customers, and debt investments at amortised costs are measured on 12m ECL basis.

As at 1 January 2018, no material additional credit loss allowance has been recognised.

All loss allowances for financial assets including contract assets and trade receivables, long-term receivables, other financial assets at amortised cost, and debt instruments at FVTOCI as at 31 December 2017 reconcile to the opening loss allowance as at 1 January 2018 is as follows:

	Trade receivable	Prepayments, deposits and other receivables	other non-current assets	Loans and advances to customers	contract assets	Long-term receivables
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 31 December 2017 – IAS 39	5,168,610	574,102	3,304	45,790	—	1,878,485
Reclassification	(791,359)	552,535	—	—	238,824	—
At 1 January 2018	4,377,251	1,126,637	3,304	45,790	238,824	1,878,485

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

2.2 Impacts and changes in accounting policies of application on IFRS 9 Financial Instruments and the related amendments *(continued)*

2.2.2 Summary of effects arising from initial application of IFRS 9 *(continued)*

(e) Impairment under ECL model *(continued)*

Except as described above, the application of other amendments to IFRS and interpretation in the current interim period has had no material effect on the amounts reported and/or disclosures set out in these condensed consolidated financial statements.

3. REVENUE FROM GOODS AND SERVICES

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

Disaggregation of revenue

Types of goods or service

	Six months ended 30 June	
	2018 RMB'000	2017 RMB'000
Goods	70,404,794	73,785,921
Services	13,651,397	12,580,773
Construction	543,956	459,051
	84,600,147	86,825,745

3. REVENUE FROM GOODS AND SERVICES *(continued)*

Geographical markets

	Six months ended 30 June	
	2018 RMB'000	2017 RMB'000
Mainland China	76,472,594	78,097,182
Outside mainland China	8,127,553	8,728,563
	84,600,147	86,825,745

Timing of revenue recognition

	Six months ended 30 June	
	2018 RMB'000	2017 RMB'000
A point in time	70,404,794	73,785,921
Over time	14,195,353	13,039,824
	84,600,147	86,825,745

SEGMENT INFORMATION

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

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

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

4. OTHER INCOME AND GAINS AND LOSSES

An analysis of other income and gains is as follows:

	Six months ended 30 June	
	2018 RMB'000	2017 RMB'000 (Restated)
Other income		
Government grants	369,158	390,315
Profit from sundry operations	86,271	178,754
Interest income from banks	397,453	171,213
Value-added tax refunds	110,295	105,413
Income from corporate wealth management products	157,432	57,923
Dividend income	37,787	39,402
Technical service income	116,580	31,246
Interest from debt investment	22,181	25,705
Rental of items of properties	12,077	23,061
Others	30,694	47,576
	1,339,928	1,070,608
Other gains and losses		
Gain on fair value change of convertible bonds derivative component (Note 27)	240,301	46,351
Gain on disposal of available-for-sale investments	—	39,377
Gain on fair value change of derivative financial instrument	29,789	29,358
Gain on disposal of subsidiaries (Note 29)	770	2,869
Gain on disposal of other intangible assets	609	912
(Loss) gain on disposal of property, plant and equipment	(8,091)	163
Gain on disposal of prepaid lease payments	107,325	—
Net foreign exchange loss	(271,752)	(152,859)
Others	(10,503)	27,369
	88,448	(6,460)
	1,428,376	1,064,148

5. IMPAIRMENT LOSSES, NET OF REVERSAL

	30 June 2018 RMB'000
Impairment loss in respect of long-term receivables	478,200
Impairment loss in respect of trade receivables	96,564
Reversal in respect of loan receivables	(3,359)
Impairment loss in respect of contract assets	211,260
Impairment loss in respect of other receivables	2,572
Reversal in respect of other current assets	(33,763)
Total	751,474

6. OTHER EXPENSES

	Six months ended 30 June	
	2018 RMB'000	2017 RMB'000 (Restated)
Included in other expenses, net:		
Impairment of long-term receivables	—	288,059
Impairment of trade receivables	—	137,302
Impairment of prepayments, deposits and other receivables	32,423	23,465
Impairment of property,plant and equipment	47,726	—
Impairment of other intangible assets	23,458	6,520
Relocation expense	—	4,590
Impairment of available-for-sale investments	—	700
Provision of onerous contracts	2,122	—
Reversal of loans and advances to customers	—	(177)
Others	—	50
	105,729	460,509

7. FINANCE COSTS

An analysis of finance costs is as follows:

	Six months ended 30 June	
	2018 RMB'000	2017 RMB'000
Interest on borrowings	721,648	605,161
Interest cost recognised in respect of defined benefit obligations	51,421	55,871
Interest expenses on 2016 convertible bonds (Note 27)	44,907	46,822
Interest on bills discounted and trade receivables derecognised	84,116	11,676
Interest on finance leases	3,631	3,583
Others	—	2,557
Less: Interest capitalised in construction in progress	(83,551)	(130,755)
	822,172	594,915

Borrowing costs capitalised during the period mainly arose on the general borrowing pool and are calculated by applying a capitalisation rate ranging from 1.08% to 5.34% (six months ended 30 June 2017: 1.08% to 5.65%) per annum to expenditure on qualifying assets.

8. PROFIT BEFORE TAXATION

Profit before taxation has been arrived at after charging:

	Six months ended 30 June	
	2018 RMB'000	2017 RMB'000 (Restated)
Cost of inventories sold (Note)	65,214,612	68,216,222
Depreciation of items of property, plant and equipment	2,773,919	2,706,241
Depreciation of investment properties	16,508	15,677
Depreciation of other non-current assets	35,734	26,178
Amortisation of prepaid lease prepayments	190,152	176,087
Amortisation of other intangible assets	266,167	322,970
Provision for warranties	607,072	1,077,176
Minimum lease payments under operating leases:		
Plant and machinery	234,044	176,323
Land and buildings	152,851	155,851
Research and development costs	4,114,200	4,351,670
Less: Amount capitalised	(540)	(6,702)
	4,113,660	4,344,968

Note: Provision against obsolete inventories amounted to RMB131,932,000 (six months ended 30 June 2017: RMB204,804,000) in the interim period and was included in "Cost of sales" on the condensed consolidated statement of profit or loss and other comprehensive income.

9. INCOME TAX EXPENSE

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

	Six months ended 30 June	
	2018 RMB'000	2017 RMB'000
Current tax charge comprises		
PRC enterprise income tax	1,207,720	1,157,745
Hong Kong Profits Tax	10,392	8,861
Other jurisdictions	32,477	35,432
	1,250,589	1,202,038
Under (over) provision in previous year		
PRC enterprise income tax	6,670	(11,705)
Deferred tax credit	(17,463)	(153,552)
	1,239,796	1,036,781

Pursuant to the relevant laws and regulations in the PRC, the statutory enterprise income tax rate of 25% (six months ended 30 June 2017: 25%) is applied to the Group, except for certain subsidiaries which were either exempted from tax or entitled to different preferential tax rates during the years. Certain subsidiaries of the Company are entitled to the preferential tax rate of 15% (six months ended 30 June 2017: 15%) because they are recognised as the high and new technology enterprises by the local governments in the PRC.

Hong Kong Profits Tax has been provided at the rate of 16.5% (six months ended 30 June 2017: 16.5%) on the estimated assessable profits arising in Hong Kong for the period.

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

10. DIVIDENDS

Dividends recognised as distribution in the interim period:

	Six months ended 30 June	
	2018 RMB'000	2017 RMB'000
Dividend paid:		
RMB0.15 (2017:RMB0.21) per share by the Company	4,304,830	6,026,761

The final dividend of RMB4,304,830,000 in respect of the year ended 31 December 2017 (final dividend of RMB6,026,761,000 in respect of the year ended 31 December 2016), was approved by shareholders in the annual general meeting in May 2018. The directors of the Company do not recommend the payment of an interim dividend for the six months ended 30 June 2018 (six months ended 30 June 2017: Nil).

11. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2018 RMB'000	2017 RMB'000 (Restated)
Earnings		
Earnings for the purpose of basic earnings per share (profit for the period attributable to owners of the Company)	4,117,547	3,671,142
Effect of effective interest on the debt component of 2016 convertible bonds (Note 27)	44,907	46,822
Effect of gain recognised on the derivative component of 2016 convertible bonds (Note 27)	(240,301)	(46,351)
Effect of exchange adjustments reconginsed on the 2016 convertible bonds (Note 27)	46,763	(97,719)
Earnings for the purpose of diluted earnings per share	3,968,916	3,573,894

	Six months ended 30 June	
	2018 '000 shares	2017 '000 shares
Weighted average number of shares		
Number of ordinary shares for the purpose of basic earnings per share	28,698,864	28,574,214
Effect of conversion of 2016 convertible bonds	503,901	492,074
Weighted average number of ordinary shares for the purpose of diluted earnings per share	29,202,765	29,066,288

12. PROPERTY, PLANT AND EQUIPMENT

In the current interim period, the Group acquired property, plant and equipment of RMB509,087,000 (six months ended 30 June 2017: RMB733,376,000).

In addition, the Group incurred costs for construction in progress of RMB2,983,145,000 (six months ended 30 June 2017: RMB2,266,898,000).

In the current interim period, the Group disposed of property, plant and equipment with a net book value of RMB163,889,000 (six months ended 30 June 2017: RMB246,482,000) which resulted in a net loss on disposal of RMB8,091,000 six months ended 30 June 2017: net loss on disposal of RMB163,000).

The amount of borrowing costs capitalised in the six months ended 30 June 2018 was RMB64,380,000 (six months ended 30 June 2017: RMB130,755,000). The weighted average rate used to determine the amount of borrowing costs eligible for capitalisation 1.08%-5.34% (six months ended 30 June 2017: 1.08%-5.65%).

Property, plant and equipment with an aggregate carrying amount of RMB37,888,000 (31 December 2017: RMB41,125,000) are pledged for acquiring bank borrowings.

The Group is in the process of applying for the title certificates for certain of its buildings with an aggregate carrying amount of RMB8,882,306,000 (31 December 2017: RMB8,957,708,000) at 30 June 2018. The directors of the Company are of the opinion that the Group is entitled to lawfully and validly occupy or use these buildings.

13. PREPAID LEASE PAYMENTS

The leasehold lands are held under medium term leases and are situated in the PRC, except for the leasehold lands with a carrying amount of RMB8,133,000 (31 December 2017: RMB RMB8,146,000) are located in the Malaysia. The Group is in the process of obtaining the land use right certificates for certain land use rights with carrying amount of RMB64,689,000 (31 December 2017: RMB561,302,000) located in the PRC. The directors of the Company are of the opinion that the Group is entitled to lawfully and validly occupy or use these land use rights.

14. INTERESTS IN ASSOCIATES

	30 June 2018 RMB'000	31 December 2017 RMB'000
Cost of investments, unlisted	9,939,040	9,055,915
Share of post-acquisition profit and other comprehensive income, net of dividends received	717,108	707,742
Carrying amount	10,656,148	9,763,657
Representing		
Share of net assets by the Group	7,667,249	6,774,758
Goodwill on acquisition of associates	2,988,899	2,988,899
Total	10,656,148	9,763,657

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

Particulars of the principal associate of the Group at 30 June 2018 are as follow:

Company name	Date of establishments	Place of operation	Fully paid up registered capital	Proportion of ownership interest and voting rights held		Principal activities
				30 June 2018	31 December 2017	
China United Insurance. Holding Corporation ("China United Insurance") 中華聯合保險控股股份有限公司	5 June 2006	PRC	RMB15,310,000,000	13.0633%	13.0633%	Insurance

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

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

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

14. INTERESTS IN ASSOCIATES *(continued)*

Summarised financial information of material associate

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

China United Insurance

	30 June 2018 RMB'000	31 December 2017 RMB'000
Total assets	74,379,683	73,144,354
Total liabilities	57,832,355	56,499,846

	Six months ended 30 June	
	2018 RMB'000	2017 RMB'000
Revenue	21,084,635	19,115,326
Profit for the period	213,559	732,769
Profit attributable to owners of China United Insurance	184,201	639,616
Other comprehensive (expense) income for the period	(310,740)	35,797
Total comprehensive (expense) income for the period	(97,181)	768,566

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

	30 June 2018 RMB'000	31 December 2017 RMB'000
Net assets of China United Insurance	16,547,328	16,644,508
Less: Non-controlling interests of China United Insurance's subsidiaries	1,843,270	1,844,025
Proportion of the Group's ownership interest in China United Insurance	13.0633%	13.0633%
The Group's share of net assets of China United Insurance	1,920,836	1,933,432
Goodwill on acquisition of China United Insurance	2,982,365	2,982,365
Carrying amount of the Group's interest in China United Insurance	4,903,201	4,915,797

14. INTERESTS IN ASSOCIATES *(continued)*

Summarised financial information of material associate *(continued)*

China United Insurance *(continued)*

Aggregate information of associates that are not individually material:

	Six months ended 30 June	
	2018 RMB'000	2017 RMB'000
The Group's share of profit and total comprehensive income for the current interim period	92,921	100,477

	30 June 2018 RMB'000	31 December 2017 RMB'000
Aggregate carrying amount of the Group's interests in these associates	6,127,947	4,847,860

15. CONTRACT ASSETS

	30 June 2018 RMB'000
Construction	1,786,960
Goods	14,508,588
Current	14,115,784
Non-current	2,179,764
Total	16,295,548

In relation to goods provided by the group, revenue is recognised at a point in time when customers obtain control of the distinct goods. Contract assets are recognised when the group has the right to consideration that is not yet unconditional in exchange for the goods and provided.

In relation to construction services, revenue is recognised over time and measured towards completion of performance obligations. Contract assets are recognised when the work has already been completed but not yet been evaluated and billed. Therefore, the group has a conditional rights in achieving the consideration at the reporting date on construction services.

16. OTHER NON-CURRENT ASSETS

	30 June 2018 RMB'000	31 December 2017 RMB'000
Prepayments for other intangible assets	1,221,607	867,544
Long-term prepaid expenses	182,614	187,986
Deposits for acquisition of property, plant and equipment	919,626	1,745,795
Build-Transfer project	—	394,692
Long-term receivables	8,490,851	10,365,326
Senior notes	—	391,355
Others	274,118	201,281
	11,088,816	14,153,979

17. INVENTORIES

	30 June 2018 RMB'000	31 December 2017 RMB'000
Cost, net of provision		
Raw materials	23,016,771	16,702,978
Work in progress	38,158,414	27,357,599
Finished goods	13,044,194	11,031,527
	74,219,379	55,092,104

18. TRADE RECEIVABLES

	30 June 2018 RMB'000	31 December 2017 RMB'000
Trade receivables	78,193,690	82,841,544
Less: allowance for doubtful debts	(4,463,053)	(5,168,609)
	73,730,637	77,672,935

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

	30 June 2018 RMB'000	31 December 2017 RMB'000
Within 6 months	47,456,868	57,188,558
6 months to 1 year	19,090,378	9,273,836
Over 1 year	7,183,391	11,210,541
	73,730,637	77,672,935

The amounts due from the related parties of the Group are included in Note 31.

19. BILLS RECEIVABLE

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

	30 June 2018 RMB'000	31 December 2017 RMB'000
Within 6 months	7,810,583	23,423,672
6 months to 1 year	433,262	3,647,593
	8,243,845	27,071,265

The above balances are neither past due nor impaired.

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

	30 June 2018 RMB'000	31 December 2017 RMB'000
Bank acceptance bills	2,079,562	10,771,946
Commercial acceptance bills	6,164,283	16,299,319
	8,243,845	27,071,265

20. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	30 June 2018 RMB'000	31 December 2017 RMB'000
Prepayments	11,477,497	10,987,700
Deposits and other receivables	17,161,427	21,073,241
Less: allowance for doubtful debts	(918,164)	(883,946)
	27,720,760	31,176,995

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

	30 June 2018 RMB'000	31 December 2017 RMB'000
Prepayments	11,135,303	10,677,855
Other receivables	3,363,117	3,252,933
Dividends receivable	42,999	41,680
Interest receivables	83,012	54,849
Long-term receivables - due within one year	6,932,449	8,044,544
Value added tax recoverables	2,752,311	2,215,895
Corporate wealth management products and senior notes	—	3,045,851
Loans and advances due within one year	3,389,880	3,631,517
Others	21,689	211,871
	27,720,760	31,176,995

The amounts due from the related parties included in the prepayments, deposits and other receivables are disclosed in Note 31.

21. CASH AND BANK BALANCES AND PLEDGED BANK DEPOSITS

Cash and cash equivalents are comprised of the following:

	30 June 2018 RMB'000	31 December 2017 RMB'000
Cash and bank balances	35,714,482	60,886,392
Less: Pledged bank deposits	(4,642,911)	(4,622,263)
Cash and bank balances in the consolidated statement of financial position	31,071,571	56,264,129
Less: Non-pledged time deposits with original maturity of three months or more when acquired	(6,466,673)	(8,574,481)
Cash and cash equivalents in the consolidated statement of cash flows	24,604,898	47,689,648

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

	2018 RMB'000	2017 RMB'000
– US$	6,389,935	5,532,337
– HK$	724,152	1,461,335
– EUR	1,118,795	1,223,455
– South African rand ("ZAR")	–	767,146
– MYR	39,455	85,069
– SGD	178,593	40,906
– JPY	472,298	11,997
– Other currencies	478,925	262,285
	9,402,153	9,384,530

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

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

Pledged bank balances represented balances pledged to banks for the issuance of the Group's bills payable and letters of credit, balances for the grant of bank loans to the Group, and balances under government supervision or other special limitation. Further details of the bank loans are set out in Note 25.

22. TRADE PAYABLES

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

	30 June 2018 RMB'000	31 December 2017 RMB'000
Within 6 months	87,192,890	93,313,074
6 months to 1 year	18,354,254	6,369,093
1 year to 2 years	6,317,596	2,977,440
Over 2 years	2,177,878	1,694,683
	114,042,618	104,354,290

The amounts due to the related parties of the Group included in trade payables are disclosed in Note 31.

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

23. BILLS PAYABLE

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

	30 June 2018 RMB'000	31 December 2017 RMB'000
Within 6 months	16,425,140	19,847,981
6 months to 1 year	1,944,327	3,443,708
	18,369,467	23,291,689

The amounts due to the related parties of the Group included in bills payable are disclosed in Note 31.

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

24. OTHER PAYABLES AND ACCRUALS

	30 June 2018 RMB'000	31 December 2017 RMB'000
Other payables	8,663,355	8,565,122
Advances from customers	19,394	20,290,418
Accruals	8,391,635	5,216,888
	17,074,384	34,072,428

The amounts due to the related parties included in other payables, advances from customers and accruals are disclosed in Note 31.

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

25. BORROWINGS

	30 June 2018			31 December 2017		
	Effective interest rate per annum (%)	Maturity	RMB'000	Effective interest rate per annum (%)	Maturity	RMB'000
Current						
Bank loans						
– Secured	0.65-8.51	2019	2,870,212	0.65-8.51	2018	4,144,995
– Unsecured	0.70-5.85	2019	20,191,689	0.70-5.85	2018	25,624,122
Other loans						
– Unsecured	4.13-5.45	2019	2,408,517	4.35	2018	2,659,830
Current portion of long-term bank loans						
– Secured	4.41-6.53	2019	233,504	0.20-6.53	2018	31,509
– Unsecured	0.20-4.41	2019	353,874	2.26-2.65	2018	82,652
Current portion of long-term bonds						
– Unsecured	4.70	2019	1,997,152	4.70	2018	1,500,000
			28,054,948			34,043,108
Non-current						
Bank loans						
– Secured	0.07-5.50	2019-2039	1,897,828	0.07-5.50	2019-2039	2,689,904
– Unsecured	1.08-5.04	2019-2023	2,085,929	2.26-4.75	2019-2023	1,769,638
Long-term bonds						
– Unsecured	2.95-5.75	2019-2023	3,500,000	2.95-5.75	2019-2023	5,495,168
			7,483,757			9,954,710
			35,538,705			43,997,818

26. SHARE CAPITAL

	Number of shares	**Amount**
	'000 shares	RMB'000
Registered capital		
– A shares of RMB1.00 each	24,327,798	24,327,798
– H shares of RMB1.00 each	4,371,066	4,371,066
	28,698,864	28,698,864
Issued and fully paid		
At 1 January 2018 and 30 June 2018		
– A shares of RMB1.00 each	22,917,692	22,917,692
– H shares of RMB1.00 each	4,371,066	4,371,066
	27,288,758	27,288,758
Non-public offering of A shares of RMB1.00 each on 30 June 2018	1,410,106	1,410,106
At 30 June 2018		
– A shares of RMB1.00 each	24,327,798	24,327,798
– H shares of RMB1.00 each	4,371,066	4,371,066
	28,698,864	28,698,864

Note: On 16 June 2016, the shareholders of the Company approved the Non-public Offering of A Shares (the "Offering") in the annual general meeting and which was approved by CSRC in December 2016. The Company has completed the Offering of 1,410,106,000 A shares with the par value of RMB1.00 at RMB8.51 per share on 13 January 2017 and the total issued share capital of the Company has increased to RMB28,698,864,000.

27. CONVERTIBLE BONDS

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

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

(a) Conversion right

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

As disclosed in Note 10, a final dividend of RMB0.15 per share for the year ended 31 December 2017 was approved in the annual general meeting in May 2018. Pursuant to the anti-dilutive adjustments on conversion price in accordance with the 2016 Convertible Bonds agreement, the Conversion Price per share was adjusted from HK$9.29 to HK$9.15 effective from 13 June 2018.

(b) Redemption

– Redemption at maturity

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

– Redemption at the option of the Company

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

27. CONVERTIBLE BONDS *(continued)*

(b) Redemption *(continued)*

– Redemption at the option of the Company *(continued)*

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

(ii) if at any time the aggregate principal amount of the 2016 Convertible Bonds outstanding is less than 10 percent of the aggregate principal amount originally issued.

– Redemption at the option of the Bondholders

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

The 2016 Convertible Bonds comprised of two components:

(i) Debt component is initially measured at fair value amounted to approximately RMB3,488,045,000. It is subsequently measured at amortised cost by applying an effective interest rate of 2.53% after considering the effect of the transaction costs.

(ii) Derivative component comprise:

- Conversion option of the Bondholders;
- Redemption option of the Company;
- Redemption option of Bondholders.

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

27. CONVERTIBLE BONDS *(continued)*

(b) Redemption *(continued)*

The derivative component was valued at fair value by the directors with reference to valuation carried out by an independent valuation firm. The fair value of derivative component is calculated using Binominal Option Pricing Model. The major inputs used in the models as at 30 June 2018 and 31 December 2017 were as follows:

	30 June 2018	31 December 2017
Stock price	HK$6.07	HK$ 8.32
Exercise price	HK$9.15	HK$ 9.29
Risk-free rate	1.949%	1.608%
Volatility	26.16%	26.54%

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

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

During the period, the interest expenses of the debt component of 2016 Convertible Bonds were recognised as finance cost amounted to RMB44,907,000 by applying an effective interest rate, and the corresponding exchange loss of RMB47,075,000 was charged to current profit and loss. The gain on fair value change of derivative component of 2016 Convertible Bonds amounted to RMB240,301,000 and the corresponding exchange gain of RMB312,000 were charged to current profit and loss.

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

	Debt component RMB'000	**Derivative component** RMB'000	**Total** RMB'000
As at 31 December 2016	3,758,742	366,097	4,124,839
Interest charged during the year	93,397	—	93,397
Exchange adjustments during the year	(221,367)	(21,301)	(242,668)
Changes in fair value during the year	—	166,960	166,960
As at 31 December 2017	3,630,772	511,756	4,142,528
Interest charged during the period	44,907	—	44,907
Exchange adjustments during the period	47,075	(312)	46,763
Changes in fair value during the period	—	(240,301)	(240,301)
Current	3,722,754	271,143	3,993,897
Non-current	—	—	—
As at 30 June 2018	3,722,754	271,143	3,993,897

No conversion or redemption of the 2016 Convertible Bonds has occurred up to 30 June 2018.

28. BUSINESS COMBINATION

Business combination under common control

Acquisition during the prior year

On 2 August 2017, Zhuzhou CRRC Times Electric Co., Ltd. ("ZTE"), a non-wholly owned subsidiary of Zhuzhou Locomotive Research Institute, acquired the 32% equity interest of Shanghai Yongdian Electronic Technology Co. Ltd ("Shanghai Yongdian") held by Shanghai Zhuo Cheng Trading Co., Ltd, an independent third party, for a consideration of RMB4,874,000, and acquired the remaining 68% equity interest of Shanghai Yongdian held by Zhongche Jinzheng Investment Co. Ltd, a wholly-owned subsidiary of CRRC Goup ("CRRCG"), for a cash consideration of RMB10,356,000.

As the ZTE and Shanghai Yongdian were under common control of CRRCG before and after the acquisition, the acquisition is considered as a business combination under common control. The principle of merger accounting for business combination involving entities under common control has therefore been applied.

As a result of the 2017 acquisition, the relevant line items in the consolidated statement of profit or loss and other comprehensive income for six months ended 30 June 2017 have been restated as follows:

	The Group (as previously reported) RMB'000	**Shanghai Yongdian** RMB'000	**Eliminations** RMB'000	**The Group (Restated)** RMB'000
Consolidated statement of profit or loss and other comprehensive income for the six months ended 30 June 2017:				
Revenue	86,825,745	—	—	86,825,745
Cost of sales	(68,242,146)	—	—	(68,242,146)
Gross profit	18,583,599	—	—	18,583,599
Other income and gains and losses	1,064,139	9	—	1,064,148
Administrative expenses	(10,368,870)	(4,001)	—	(10,372,871)
Other expenses	(460,526)	17	—	(460,509)
Profit for the year	4,604,004	(3,975)	—	4,600,029
Other comprehensive income, net of income tax	45,482	—	—	45,482
Total comprehensive income for the year	4,649,486	(3,975)	—	4,645,511

29. DISPOSAL OF SUBSIDIARIES

29.1 Disposal of subsidiaries during the six months ended 30 June 2018

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

Name of the subsidiary	Sales proceeds RMB'000	Percentage of equity interest disposed	Method of disposal	Disposal date	The difference between disposal consideration and shares of net assets of the corresponding subsidiaries at the date of disposal (Note 4) RMB'000	Proportion of the retained interests on disposal date
Wenzhou Zhong CRRC electrical equipment Co., Ltd.	Not applicable	1.00%	Involving New Shareholders	31 May 2018	Not applicable	50.00%
Tianjin machine vehicle iron and Steel Co., Ltd.	90	3.00%	Transfer agreement	9 May 2018	45	48.25%
Datong CRRC Si Mccann railway transportation equipment Co., Ltd.	–	–	Amendments to the articles of association	1 June 2018	–	35.00%
Beijing Tian Lu Traffic Equipment Co., Ltd.	–	–	Amendments to the articles of association	1 Jan 2018	–	50.00%
Total	90	/	/	/	45	/

29. DISPOSAL OF SUBSIDIARIES *(continued)*

29.1 Disposal of subsidiaries during the six months ended 30 June 2018 *(continued)*

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

	RMB'000
Consideration received in cash and cash equivalents	90

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

	RMB'000
Net assets disposed of Property, plant and equipment	13,212
Inventories	20,125
Trade receivables	11,465
Bills receivable	300
Prepayments, deposits and other receivables	3,698
Cash and bank balances	50,121
Trade payables	(18,533)
Other payables and accruals	(1,239)
	79,149

Net cash outflow on disposal of subsidiaries

	RMB'000
Consideration received in cash and cash equivalents	90
Less: cash and bank balances disposed of	(50,121)
	(50,031)

29. DISPOSAL OF SUBSIDIARIES *(continued)*

29.2 Disposal of a subsidiary during the six months ended 30 June 2017

During the prior year, another six subsidiaries were diposed of by the Group, including Beijing Beijiufang Technology and Trade Co., Ltd., CRRC Shanghai Rolling Stock Technology Development Co., Ltd., Zhongyi Huakai Petrochemical Technology Co., Ltd., Shanxi Die Casting Industrial Co., Ltd., Hebei Luyou Railway Locomotive & Rolling Stock Accessories Co., Ltd. and Chongqing Rail Transit Development Co., Ltd.. The summarised information were set out below:

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

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

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

Gain on disposal of these subsidiaries amounted to 5,705,000, among which gain on remeasurement of interest remained at their fair values when control was lost was RMB2,836,000.

Net cash outflow on disposal of subsidiaries

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

30. COMMITMENTS AND CONTINGENT LIABILITIES

(a) Capital commitments

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

	30 June 2018 RMB'000	31 December 2017 RMB'000
Contracted, but not provided for:		
– Property, plant and equipment and land use rights	5,800,106	5,837,022
– Other intangible assets	31,412	52,868
	5,831,518	5,889,890

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

	30 June 2018 RMB'000	31 December 2017 RMB'000
Contracted, but not provided for:		
– Property, plant and equipment	–	356

(b) Other commitments

As at 30 June 2018, the Group's commitment for establishment of new entities amounted to RMB2,449,148,000 (31 December 2017: RMB2,470,625,000).

(c) Contingent liabilities

As at 30 June 2018, the Group has provided guarantees in respect of performance, financing and profit or loss of its target investee amounted to RMB7,441,000,000 (31 December 2017: RMB7,441,000,000).

31. RELATED PARTY TRANSACTIONS

In addition to the transactions and balances detailed elsewhere in these consolidated financial statements, the Group had the following material transactions with related parties during the six months ended 30 June 2018 and 2017:

		Six months ended 30 June	
		2018 RMB'000	2017 RMB'000
(a)	Purchase of materials and components from:		
	– CRRC Group and its subsidiaries, excluding the Group (the "CRRCG Group")	279,006	275,749
	– Joint ventures	522,499	473,908
	– Associates	777,577	413,795
		1,579,082	1,163,452
(b)	Sale of goods to:		
	– CRRCG Group	252,650	112,031
	– Joint ventures	369,021	816,482
	– Associates	603,230	578,340
		1,224,901	1,506,853
(c)	Service fee:		
	– CRRCG Group	8,852	15,142
	– Joint ventures	11,863	15,192
		20,715	30,334
(d)	Provision of service to:		
	– CRRCG Group	37,702	1,695
	– Joint ventures	6,447	12,001
	– Associates	7,447	877
		51,596	14,573

31. RELATED PARTY TRANSACTIONS *(continued)*

	Six months ended 30 June 2018 RMB'000	Six months ended 30 June 2017 RMB'000 (Restated)
(e) Rental of property, plant and equipment from:		
– CRRCG Group	23,769	28,164
(f) Rental of property, plant and equipment to:		
– CRRCG Group	–	2,130
– Joint ventures	–	35
– Associates	2,795	3,109
	2,795	5,274
(g) Fee and commission income from:		
– CRRCG Group	81,626	938
(h) Interest income on finance lease from:		
– An associate	11,075	10,909
(i) Interest expense:		
– CRRCG Group	21,182	12,458
– Joint ventures	16	8
– An associate	92	–
	21,290	12,466

(j) Loans from related parties:	Amounts	Start date	Maturity date
Lender			
–CRRCG Group	10,000	28 June 2018	27 June 2019
–CRRCG Group	218,148	18 January 2018	18 January 2019
	228,148		

	Six months ended 30 June 2018 RMB'000	Six months ended 30 June 2017 RMB'000
(k) Purchase of property, plant and equipment from:		
– CRRCG Group	–	649
(l) Sales of property, plant and equipment and other related assets:		
– CRRCG Group	78,201	–
(m) Purchase of intangible assets from:		
– CRRCG Group	472	–
(n) Guarantees received from		
– CRRCG Group	8,178,837	7,701,849

31. RELATED PARTY TRANSACTIONS *(continued)*

(o) Outstanding balances with related parties

The Group had the following outstanding balances with related parties:

	30 June 2018 RMB'000	31 December 2017 RMB'000
(i) Other non-current assets:		
– CRRCG Group	–	543
– Joint ventures	–	10
– Associates	129	129
	129	682
(ii) Trade receivables:		
– CRRCG Group	855,234	769,609
– Joint ventures	840,184	761,482
– Associates	992,029	707,262
	2,687,447	2,238,353
(iii) Bills receivable:		
– CRRCG Group	54,965	89,494
– Joint ventures	3,000	1,436
– Associates	1,299,284	1,507,345
	1,357,249	1,598,275
(iv) Prepayments, deposits and other receivables:		
– CRRCG Group	4,170,021	4,346,498
– Joint ventures	271,794	123,701
– Associates	269,560	130,578
	4,711,375	4,600,777
(v) Contract Assets:		
– CRRCG Group	123	–
– Joint ventures	4,170	–
– Associates	49,505	–
	53,798	–
(vi) Debt instruments at fair value through other comprehensive income:		
– CRRCG Group	6,049	–
– Joint ventures	3,334	–
– Associates	3,123	–
	12,506	–

31. RELATED PARTY TRANSACTIONS *(continued)*

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

	30 June 2018 RMB'000	31 December 2017 RMB'000
(vii) Long-term receivables:		
– CRRCG Group	72	—
– Joint ventures	531	471
– Associates	242,727	428,791
	243,330	429,262
(viii) Trade payables:		
– CRRCG Group	1,542,133	2,046,988
– Joint ventures	1,638,465	1,751,390
– Associates	1,836,393	896,836
	5,016,991	4,695,214
(ix) Bills payable:		
– CRRCG Group	47,143	139,750
– Joint ventures	311,132	93,124
– Associates	60,134	157,813
	418,409	390,687
(x) Other payables and accruals:		
– CRRCG Group	2,374,587	66,067
– Joint ventures	118,972	3,129
– Associates	17,945	66,726
	2,511,504	135,922
(xi) Borrowings:		
– CRRCG Group	517,978	2,659,830
(xii) Due to customers:		
– CRRCG Group	3,078,820	3,461,695
– Joint ventures	5,706	1,039
– Associates	21,065	16,769
	3,105,591	3,479,503
(xiii) Contract Liabilities:		
– CRRCG Group	3,828	—
– Joint ventures	20	—
– Associates	1,510,353	—
	1,514,201	—

31. RELATED PARTY TRANSACTIONS *(continued)*

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

	Six months ended 30 June	
	2018 RMB'000	2017 RMB'000
Short-term employee benefits (equity-settled share option expenses excluded)		
– the Group	3,239	3,351
Post-employment benefits		
– the Group	264	242
Total compensation paid/payable to key management personnel		
– the Group	3,503	3,593

(q) Commitments with related parties:

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

	30 June 2018 RMB'000	31 December 2017 RMB'000
Sale of goods to:		
– CRRCG Group	—	—
– Joint ventures	—	1,055
– Associates	—	173
	—	1,228
Purchase of materials and components from:		
– CRRCG Group	—	3,698
– Joint ventures	22,367	—
– Associates	—	—
	22,367	3,698

31. RELATED PARTY TRANSACTIONS *(continued)*

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

The company is ultimately controlled by the PRC government and the Group operates in an economic environment predominated by entities controlled, jointly controlled or under significant influence by the PRC government ("Government-related Entities"). In addition, the Group itself is part of a larger group of companies under CRRCG which is controlled by the PRC government. During the period, the Group conducts business with other Government-related Entities, including but not limited to, sales and purchases. The China Railway Corporation and entities invested and managed by local railway departments ("CRC Group") are identified as a single Government-related Entity by the directors of the Company. The revenue from CRC Group amounted to RMB41,742,496,000 for the six months ended 30 June 2018 (six months ended 30 June 2017: RMB40,213,832,000).

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

32. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

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

32. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS *(continued)*

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

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

	30 June 2018		31 December 2017	
	Carrying amount RMB'000	Fair value RMB'000	Carrying amount RMB'000	Fair value RMB'000
Held-to-maturity investment	—	—	1,429,188	1,453,704
Debt instrument at amortized cost – with fixed rate	2,136,847	1,987,535	—	—
Long-term receivables - with fixed rate	8,490,851	7,803,751	10,365,326	9,687,014
Other non-current assets- with fixed rate	—	—	786,047	676,391
Borrowings - due after one year – with fixed rate	710,293	673,845	936,446	892,966
Long-term bonds-due after one year	3,500,000	3,399,502	5,495,168	5,212,867
Convertible bonds (including the derivative component)	3,993,897	3,637,880	4,142,528	3,607,458

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

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

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

32. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS *(continued)*

Financial assets and liabilities measured at fair value:

As at 30 June 2018

	Fair value as at				
	At 30 June 2018 (RMB'000)	At 31 December 2017 (RMB'000)	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)
Financial assets					
Foreign currency forward contracts classified as financial assets at fair value through profit or loss	5,494	2,563	Level 2	Discounted cash flow. Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contracted forward rates, discounted at a rate that reflects the credit risk of various counterparties.	/
Corporate wealth management products classified as financial assets at fair value through profit or loss	3,993,416	2,139,563	Level 2	Discounted cash flow. Future cash flows are estimated based on expected return, discounted at a rate that reflects the credit risk of issuers.	/
Listed equity security classified as at fair value through profit or loss	5,868	—	Level 1	Quoted market price	/
Unquoted equity investment classified as at fair value through profit or loss	438,251	427,168	Level 3	Discounted cash flow. Key inputs: the revenue growth rate, the systematic risk coefficient	The revenue growth rate is based on the forecast of the management of the invested company. The systematic risk coefficient is based on the historical systematic risk coefficients of comparable companies.
Listed perpetual bond investment	186,092	190,625	Level 1	Quoted market price	/
Listed preference share investment	395,440	415,328	Level 1	Quoted market price	/
Listed equity security classified as available-for-sale financial assets	—	1,843,257	Level 1	Quoted market price	/

32. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS *(continued)*

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

As at 30 June 2018 *(continued)*

	Fair value as at				
	At 30 June 2018 (RMB'000)	At 31 December 2017 (RMB'000)	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)
Listed equity security designated as at fair value through other comprehensive income	1,718,642	—	Level 1	Quoted market price	/
Corporate wealth management products classified as available-for-sale financial assets	—	451,497	Level 2	Discounted cash flow. Future cash flows are estimated based on expected return, discounted at a rate that reflects the credit risk of issuers.	/
Unquoted equity investment designated as at fair value through other comprehensive income	445,357	—	Level 3	The guideline public company method. Key inputs: discount impact of liquidity. Dividend discount model(DDM). key inputs: expected growth rate and discount rate.	Discount impact of liquidity: Appraisal conclusions shall consider the impact of liquidity on the value of an appraisal object. Expected growth rate and discount rate:DDM is a procedure for discounting predicted dividends to the present value which requires expected growth rate and discount rate for valuation.
Trade and notes receivables classified as at fair value through other comprehensive income	15,391,896	—	Level 2	Discounted cash flow. Future cash flows are estimated based on expected cash flow, discounted at a rate that reflects the credit risk of issuers and customers.	/
Financial liabilities					
Foreign currency forward contracts classified as financial liabilities at fair value through profit or loss	154,897	225,240	Level 2	Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contracted forward rates, discounted at a rate that reflects the credit risk of various counterparties.	/
Derivative component in relation to the 2016 Convertible Bonds	271,143	511,756	Level 3	The fair value of derivative component is calculated using Binominal Option Pricing Model. Key input: the volatilities	The volatilities were determined based on the historical price volatilities of comparable companies under the same periods of the expected life(Note).

Note: An increase in the volatilities of the Company's share price would result in an increase in the fair value measurement of the convertible bonds-derivative component, and vice versa. An 1% increase in the volatilities holding all other variables constant would increase the carrying amount of the convertible bonds-derivative component by RMB2,952,000. An 1% decrease in the volatilities holding all other variables constant would decrease the carrying amount of the convertible bonds-derivative component by RMB1,127,000.

During the six-month ended 30 June 2018 and the year ended 31 December 2017, there were no transfers of fair value measurements between among Level 1 and Level 2 and no transfers into or out of Level 3.

33. EVENTS AFTER THE STATEMENT OF FINANCIAL POSITION DATE

(a) Announcement of completion of gratuitous transfer of state-owned shares

In July, approved by State-Owned Assets Supervision Administration Commission of the state Council, CRRCG intended to transfer Beijing Chengtong Jinkong Investment Co., Ltd and Guoxin Investment Co., Ltd 373,085,233 A shares each. Up to the reporting date, CRRC has received the notification from CRRCG and confirmed the completion of gratuitous transfer of state-owned shares. Prior to the completion of this transfer, CRRCG directly held CRRC 15,491,375,889 A shares, which account for 53.98 percent of total share capital. After this gratuitous transfer, CRRCG directly hold CRRC 14,745,205,423 A shares, which accounts for 51.38 percent of total share capital; Beijing Chengtong Jinkong Investment Co., Ltd holds 373,085,233 A shares, which accounts for 1.30 percent of total capital; Guoxin Investment Co., Ltd holds 373,085,233 A shares, which accounts for 1.30 percent of total capital; CRRC Jinzheng Investment Co., Ltd, a wholly owned subsidiary of CRRCG, holds 1.65 percent of voting rights. Therefore, up to the reporting date, the voting rights held by CRRCG reach 53.02 percent of all the voting rights in total.

(b) Announcement of transactions involving equity transfer of subsidiaries

CRRC intends to transfer its 100% share of the CRRC Beijing Locomotive Co., Ltd to CRRCG through agreement transfer. The transfer price is based on the estimated value of RMB 407,521,000 on April 30, 2018. After this transfer, the CRRC Beijing Locomotive Co., Ltd and its subsidiaries will not be incorporated in the consolidated financial statements of the CRRC.

(c) Insurance of Short-term Financing Bills

During the period of 25 July 2018 to 23 August 2018, CRRC issued Short-term Financing Bills during three instalments in a total amount of RMB9 billion.

DEFINITIONS

CNR	former China CNR Corporation Limited (中國北車股份有限公司)
CNRG	former China Northern Locomotive & Rolling Stock Industry (Group) Corporation (中國北方機車車輛工業集團公司)
CRRC or Company	CRRC Corporation Limited (中國中車股份有限公司)
CRRC Changchun	CRRC Changchun Railway Vehicles Co., Ltd. (中車長春軌道客車股份有限公司)
CRRC Sifang	CRRC Qingdao Sifang Co., Ltd. (中車青島四方機車車輛股份有限公司)
CRRC Tangshan	CRRC Tangshan Co., Ltd. (中車唐山機車車輛有限公司)
CRRC ZELRI	CRRC Zhuzhou Institute Co., Ltd. (中車株洲電力機車研究所有限公司)
CRRC Zhuzhou	CRRC Zhuzhou Locomotive Co., Ltd. (中車株洲電力機車有限公司)
CRRCG or CRRC GROUP	CRRC GROUP Co., Ltd. (中國中車集團公司)
CSR	former CSR Corporation Limited (中國南車股份有限公司)
CSRC	China Securities Regulatory Commission (中國證券監督管理委員會)
CSRG	former CSR Group (中國南車集團公司)
Finance Company	CRRC Finance Co., Ltd. (中車財務有限公司)
Hong Kong Listing Rules	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
Model Code	Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Hong Kong Listing Rules
SASAC	State-owned Asset Supervision and Administration Commission of the State Council (國務院國有資產監督管理委員會)
SFO	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
SSE	Shanghai Stock Exchange
Stock Exchange	The Stock Exchange of Hong Kong Limited
Times Electric	Zhuzhou CRRC Times Electric Co., Ltd. (株洲中車時代電氣股份有限公司)
Times New Material	Zhuzhou Times New Material Technology Co., Ltd. (株洲時代新材料科技股份有限公司)