



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



2022
ANNUAL REPORT





Important

1. The Board and the Supervisory Committee of the Company and its Directors, Supervisors and Senior Management warrant that there are no false representations, misleading statements contained in or material omissions from this annual report and they will assume joint and several legal liabilities for the truthfulness, accuracy and completeness of the contents disclosed herein.

2. Non-attendance of Director

Position of the non-attending Director	Name of the non-attending Director	Reason for non-attendance of Director	Name of proxy
Executive Director, President	Lou Qiliang	Other businesses	Sun Yongcai

3. KPMG Huazhen LLP has issued standard unqualified audit report for the Company's financial statements prepared under the China Accounting Standards for Business Enterprises in accordance with PRC Auditing Standards.

4. Sun Yongcai, the Chairman of the Company, Li Zheng, the Chief Financial Officer and Wang Jian, the head of the Accounting Department (person in charge of accounting affairs) warrant the truthfulness, accuracy and completeness of the financial report in this annual report.

5. Proposal on profit distribution or transfer of capital reserve fund during the reporting period considered and approved by the Board

The Company proposes to distribute cash dividends to all shareholders based on the total share capital registered on the registration date for dividend distribution (the specific date will be clarified in the announcement on the implementation of dividend distribution). As of 31 December 2022, the total share capital of the Company was 28,698,864,088 shares, base on which and calculating at cash dividend of RMB0.20 (tax inclusive) per share, the Company proposes to distribute cash dividend of RMB5.740 billion (tax inclusive) in aggregate. In case from the date of disclosure of announcement on profit distribution plan to the registration date for dividend distribution, there are changes in the total share capital of the Company due to the conversion of convertible bonds, repurchase of shares, cancellation of repurchased shares granted under equity incentive schemes, cancellation of repurchased shares due to material asset restructuring, etc., the Company proposes to remain the total distribution amount unchanged, and to adjust the distribution proportion per share accordingly. If the total share capital of the Company changes subsequently, specific adjustments will be announced separately. The profit distribution plan is subject to the consideration and approval at the 2022 annual general meeting of the Company.

6. Statement for the risks involved in the forward-looking statements: this report contains forward-looking statements that involve future plans and development strategies which do not constitute a substantive commitment by the Company to investors. Investors should be aware of the investment risks.

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

8. Major risk reminder: the major risk factors faced by the Company include strategic risks, market risks, product quality risks, exchange rate risks, overseas operating risks and industrial structure adjustment risks, which have been described in detail in this report. Please refer to the discussion and analysis on possible risks that the Company may face in its future development in "Report of Directors – B. Management Discussion and Analysis".



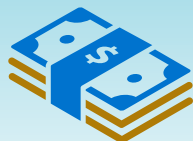
Contents

002	Results Highlights	136	Changes in Shares and Particulars of Shareholders
003	Financial Summary	146	Significant Events
004	Chairman's Statement	155	Financial Report
008	Report of Directors	160	Audited Consolidated Financial Statements
081	Directors, Supervisors, Senior Management and Staff	173	Notes to the Consolidated Financial Statements
095	Corporate Governance Report	363	Definitions
122	Relevant Information of Bonds	365	Company Profile
133	Investor Relations		



Results Highlights

Revenue
RMB'000



2022:
222,938,637

2021:
225,731,755

-1.24%

Net profit
RMB'000



2022:
14,352,175

2021:
12,417,546

+15.58%

Net profit attributable to
shareholders of the Company
RMB'000



2022:
11,653,448

2021:
10,302,605

+13.11%

Basic earnings per share
RMB/share



2022:
0.41

As at 31 December 2021:
0.36

+13.89%

Total assets
RMB'000



As at 31 December 2022:
442,140,146

As at 31 December 2021:
426,826,499

+3.59%

Total liabilities
RMB'000



As at 31 December 2022:
251,154,230

As at 31 December 2021:
244,534,993

+2.71%

Total equity
RMB'000



As at 31 December 2022:
190,985,916

As at 31 December 2021:
182,291,506

+4.77%

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



As at 31 December 2022:
155,041,322

As at 31 December 2021:
148,574,346

+4.35%

Shareholders' equity per share
RMB/share



As at 31 December 2022:
5.40

As at 31 December 2021:
5.18

+4.25%

Financial Summary

Items	2022 RMB'000	2021 RMB'000	2020 RMB'000	2019 RMB'000	2018 RMB'000
Revenue	222,938,637	225,731,755	227,656,041	229,010,833	219,082,641
Operating costs	175,625,777	179,303,892	176,954,601	176,149,897	170,526,021
Taxes and levies	1,634,686	1,685,931	1,756,246	1,938,170	2,038,395
Selling expenses	7,724,210	7,264,149	8,683,345	8,516,415	7,745,841
Administrative expenses	13,401,635	13,481,469	13,773,241	14,444,854	13,430,881
Research and development expenses	13,129,748	13,085,219	13,349,896	12,017,162	10,896,916
Financial expenses	-343,488	380,159	829,091	373,201	1,279,396
Add: Other income	1,792,846	1,658,697	2,253,502	1,274,943	1,125,094
Investment income	306,929	242,491	739,658	2,153,377	2,053,926
Gains from changes in fair value	489,773	309,908	77,121	233,737	419,593
Credit impairment losses	-312,158	-41,615	-390,040	-3,613,736	-1,630,275
Assets impairment losses	-614,278	-885,548	-864,794	-1,549,953	-1,407,475
Gains on disposal of assets	2,550,521	1,016,195	1,193,045	1,753,202	1,008,776
Operating profit	15,979,702	12,831,064	15,318,113	15,822,704	14,734,830
Non-operating income	779,950	1,468,980	1,304,009	978,881	987,581
Non-operating expense	639,984	545,221	631,032	193,260	380,039
Profit before tax	16,119,668	13,754,823	15,991,090	16,608,325	15,342,372
Less: Income tax expenses	1,767,493	1,337,277	2,168,030	2,784,624	2,343,865
Net profit	14,352,175	12,417,546	13,823,060	13,823,701	12,998,507
Earnings per share					
Basic (RMB/Share)	0.41	0.36	0.39	0.41	0.39
Diluted (RMB/Share)	0.41	0.36	0.38	0.40	0.39
Assets and liabilities					
Total assets	442,140,146	426,826,499	392,380,368	383,572,485	357,523,050
Total liabilities	251,154,230	244,534,993	223,238,804	224,744,003	207,838,423
Total equity attributable to shareholders of the Company	155,041,322	148,574,346	143,021,347	135,893,631	128,457,695
Total non-controlling interests	35,944,594	33,717,160	26,120,217	22,934,851	21,226,932
Total equity at the end of the period (shares)	28,698,864,088	28,698,864,088	28,698,864,088	28,698,864,088	28,698,864,088
Net cash flows from operating activities	23,953,216	20,592,700	-2,032,393	22,530,536	18,869,344

Chairman's Statement





Chairman's Statement



Chairman

Sun Yongcai

Chairman's Statement

Dear investors,

On behalf of the board of directors of the Company, I hereby present the Annual Report 2022 of CRRC.

The year 2022 is a very special, very difficult and very important year. In the face of the severe and complicated external environment and unprecedented operating pressure, CRRC focused on achieving high-quality and stable growth, comprehensively promoted the implementation of the "14th Five-Year Plan" strategies, and successfully completed various objectives and tasks, making positive contributions to stabilizing the macroeconomic situation.

For the past year, we have been united as one and helped each other out. In the face of fluctuating market demand, price movements of raw materials and other unexpected factors, CRRC fully implemented the requirements of economic stability and safe development and coordinated reform of operational development in a highly efficient manner, demonstrating its responsibility as a pillar and a brand of the nation. The brand value of CRRC continues to rank the first among central enterprises in the machinery category.

For the past year, we have excelled and persevered in an effort. We insisted on the strategic positioning of "One Core, Two Providers, First Class", accelerated the business layout of "One Core, Three Poles, Multi Points", constructed new business models of "product+" and "system+", consolidated new advantages in our core businesses, expanded new markets for energy equipment and opened up a new pattern of international business. The products of CRRC serve 116 countries and regions around the world, and our "circle of friends" continues to expand, taking solid steps to build a world-class enterprise and achieve high-quality development. Tens of thousands of employees stayed at the front line and thousands of employees were stationed overseas, writing a heart-warming and touching "Song of CRRC".

For the past year, we have sought change and reform to create new ideas. We accelerated the reform of market-oriented operation mechanism, optimized the efficient enterprise management levels and the management institutions, effectively improved management efficiency and significantly enhanced development vigor. CRRC became a typical model of "learning from the advanced, grasping implementation and promoting reform" in the reform of state-owned enterprises, and was included in the promotion list of enterprises highlighted in the reform of state-owned enterprises by the Publicity Department of the CPC Central Committee. We strongly promoted the special action of comprehensive governance of the "Year of Strengthening Compliance Management" so that the concept of "Compliance Being Our Core Competitiveness" was firmly established.

For the past year, we have been determined to promote self-reliance and self-improvement. We insisted on the joint promotion and development of the source of original technology, the head of modern industrial chain and pilot tasks of a strong transportation country. The intelligent "Fuxinghao" high-speed MUs of "Ruixue Yingchun" successfully served the Beijing Winter Olympic Games and the Winter Paralympic Games. The Jakarta-Bandung High-Speed Railway made a splendid appearance at the G20 Summit in the presence of the heads of state of China and Indonesia. The model of the "Fuxinghao" MU became a national gift, bearing the expectations of the people of China and Thailand. President Xi Jinping has repeatedly praised the products of CRRC, giving us great encouragement and spurring us on.

We are determined and ready to start a new journey. The year 2023 is an important year for CRRC to take the next step in the implementation of the "14th Five-Year Plan" strategies. CRRC will embrace challenges with the fighting spirit, draw the future with hard work, anchor the goal of a world-class enterprise, hold fast to high-quality development as the main task, strive to promote the "seven new breakthroughs", ensure effective improvement in quality and reasonable growth in quantity, and demonstrate new responsibilities and new roles in the great practice of Chinese-style modernization. We will give back to the society, reward our shareholders and benefit our employees with better development and better performance.

Sun Yongcai
March 2023

Report of Directors



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An aerial view from the perspective of someone standing on a wind turbine tower. The tower's white structure is visible on the left side of the frame. In the background, a small village with blue-roofed houses is nestled in a valley. Beyond the village, there are rolling hills and mountains under a clear blue sky. The image is overlaid with a decorative graphic on the right side consisting of several diagonal bands of color: green, yellow, and blue. The overall scene is bright and clear, suggesting a sunny day.

中国中车
CRRC

Report of Directors

A. BUSINESS OVERVIEW

I. Industry situation of the Company during the reporting period

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



Report of Directors

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



Report of Directors

II. Business of the Company during the reporting period

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

(I) Main business

1. Railway equipment business

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

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

2. Urban rail transit vehicles and urban infrastructure business

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

Facing the global market, the Company seized new opportunities for the development of metropolitan areas and urban agglomerations, expedited innovations in urban rail transportation equipment technology and products to increase its core competitiveness. The Company created a systematic, modular, standardized and green product platform and technology platform, constantly consolidated and expanded domestic and international markets with high-quality products and services. The Company gave full play to our professional advantage, overall advantages, technological advantage, human resources advantage, capital advantage, supply chain control and management advantage and cost advantage, developed the forward and backward market expansion of our urban transportation business and continued to expand into the service area, general contracting of electromechanical area, and operation and maintenance area. The Company carried out PPP business according to the industry norm, strengthened project management and control, and drove the development of urban rail transit vehicles and related business. The Company accelerated the integration of resources, promoted the development of "product+" and "system+" businesses supported by digitization and intelligence, and enhanced the capability of full-cycle system solutions.

3. New industry business

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

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

Report of Directors

4. Modern service business

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

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

5. International business

The Company has implemented the international operation and development plan under CRRC’s 14th Five-Year Plan, improved the functions of the international business platform companies, and reformed and optimized the management structure of the platform companies. We have insisted on being market-oriented and business-oriented, growth stabilization, efficiency enhancement, reform promotion, structure optimization, power activation and momentum gain, and proactively expanded rail transit and new international industry markets. We have also carried out greenfield investments, strategic mergers and acquisitions and joint-venture operation in accordance with the concept of “light assets, emphasis on efficiency and sustainable development”, and put into practice the all-factor business mode of “product + technology + service + capital + management”, promoted the “five-locals model”, promoted the business development of overseas “system+” and emerging industries, strengthened brand building and promotion, unleashed the power of the overseas R&D centers, and continuously improved its industry influence and discourse power.

Report of Directors

(II) Major products

Product structure	Main product functions
MUs	Mainly include various electric multiple units and diesel multiple units at the speed of 200 km/hour and below, 200-250 km/hour, 300-350 km/hour and above, which are mainly used to provide main line railway and inter-city railway passenger transport services. On the basis of "import, digestion, absorption and re-innovation", the MU products represented by "Fuxinghao" have independent intellectual property rights.
Locomotives	Mainly include various DC driving and AC driving electric locomotives and diesel locomotives with the largest traction power of 28,800 KW and the highest speed of 200 km/hour, which are mainly used to provide passenger and goods transport services in main line railway. The Company's locomotive products have independent intellectual property rights.
Passenger carriages	Mainly include seater car, sleeping car, dining car, luggage van, generator car, special vehicles, plateau cars and double-deck railway passenger carriages at the speed of 120-160 km/hour, which are mainly used to provide passenger transport services in main line railway. The Company's passenger carriages have independent intellectual property rights.
Freight wagons	Mainly include various railway gondola trucks, box wagon, flatcar, tank truck, hopper car and other special goods transport trucks, which are mainly used to transport goods for main line railway and industrial and mining enterprises. The Company's freight wagons have independent intellectual property rights.
Urban rail transit vehicles	Mainly include subway vehicles, light-rail vehicles, urban (commuting) vehicles, monorail vehicles, maglev train, tramcar, rubber-tyred vehicles, smart rails, etc., which are mainly used to provide commuter and passenger transport services between cities and suburbs. The Company's urban rail transit vehicles have independent intellectual property rights.

Report of Directors

Product structure	Main product functions
Electrical and mechanical equipment	Mainly include traction electric driving and network control system, diesel engine, braking system, cooling and heat transfer system, train operation and control system, passenger information system, power supply system, gear assembly, etc., which are mainly used to complement with MUs, locomotives, urban rail transit vehicles, tracking engineering machinery products in main line railway and inter-city railway, and part of them are provided to third party customers as spare parts. All of the aforesaid products of the Company have independent intellectual property rights.
Emerging industries	Mainly include wind power equipment and parts (wind turbines, blades, gearboxes, towers, converters, wind power elastic supports, wind power super capacitors, etc.), new materials (vibration and noise reduction materials, light quantitative materials, aramid, etc.), and multi-industry complete machines, components, and parts products such as electric drive systems of new energy vehicles, environmental protection, industrial digital, heavy machinery, and marine engineering. All of the aforesaid products of the Company have independent intellectual property rights.

(III) Operation model

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

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

Report of Directors

2. Purchasing model: a combination of centralized procurement and decentralized procurement is commonly used. For centralized procurement, it mainly adopts the “unified management, two-level concentration” management model in which purchase applications for bulk materials and key components are collected from all subsidiaries of the Company to form a centralized procurement plan for conduction of centralized supplier management assessment, purchase price management, procurement bidding management as well as centralized ordering and centralized settlement by the Company. For other materials, etc., the subsidiaries shall formulate procurement plans according to production requirements, and select appropriate suppliers and sign supply contracts through centralized organization of bidding and other methods to achieve centralized procurement. Whether it will be done by the Company or its subsidiaries, a centralized procurement shall be completed on the “CRRC Procurement” e-commerce procurement platform to realize open, transparent and traceable management of CRRC’s procurement business to ensure timely supply of raw materials for production and reduce procurement costs.
3. Sales model: take advantage of industry technologies to build and improve technology platforms and product platforms for a variety of rail transit equipment in response to user needs, and, for the purpose of providing safe, reliable and affordable products and services, actively participate in open tender or negotiated tender of users inside and outside China, sign supply contracts through bidding and rigorous business negotiations to form orders to guarantee quality and quantity and production on schedule and finally achieve sales.
4. Distribution of the industrial chain: the Company has a number of rolling stock equipment manufacturing bases and research bases at an international advanced level. The Company has formed a complete nationwide industrial chain and production system with the main machinery companies of high-speed MUs, locomotives, urban rail transit vehicles, passenger carriages and freight wagons as its core and supporting companies as its backbone.



Report of Directors

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

(IV) Industry status

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

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

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

IV. Analysis of the core competitiveness during the reporting period

1. Continued leading market position

Since its establishment, CRRC has focused on its principal responsibilities and major businesses, strengthened strategic leadership, deeply grasped opportunities, and actively responded to challenges. It has developed into the world's advanced, diverse rolling stock supplier with leading technology, and received great attention from leaders of the party and the state. The series of rolling stock equipment represented by Chinese standard high-speed MUs of "Fuxinghao" became the "golden card" of China's high-end equipment going global. In 2022, the Company accelerated the construction of world-class enterprises, effectively addressed the impact of factors beyond expectations and promoted business layout and business model innovation, focusing on core business, pillar business, support business, platform business, and cultivating business. The Company continued to deepen the construction of "product+" and "system+", while a more diversified business structure has been built with rolling stock equipment as the core and strategic emerging industries as the main body. The Company continuously consolidated advantages in the railway equipment business, and developed the urban rail transit vehicles and urban infrastructure business. It also expanded new businesses such as wind power equipment, electromechanical and new materials, and achieved standardized development in modern service businesses, meeting and leading the diversified market needs. The Company continued to take a lead in the global rail transit equipment manufacturing industry in terms of economies of scale index. The revenue of rail transit equipment business ranked first in the world, and wind power equipment and polymer composite materials entered the forefront in China.

Report of Directors

2. Innovation-driven technological capabilities

CRRC insisted on self-reliance in science and technology, adhered to the strategic core position of technological innovation, accelerated the creation of sources of original technologies, strengthened key core technologies, promoted technology and product upgrades, continued to enhance innovation-driven capabilities, and kept on improving the resilience and safety of the industrial chain and the supply chain. During 2022, the Company commenced the arrangement and research of fundamental, urgent, frontier and subversive original technologies, and made every effort to promote the construction of sources of original technologies. The Company made significant achievement in product research and manufacturing: the intelligent “Fuxinghao” MUs of “Ruixue Yingchun (瑞雪迎春)” successfully served the Beijing Winter Olympic Games and the Winter Paralympic Games; the new model of “Fuxinghao” high-speed MUs set a new world record of relative speed of 870 km/hour; the demonstration project of the high-speed maglev transportation system with a speed of 600 km/h has the conditions for line testing; the 3000-HP energy-saving and environmentally-friendly switcher locomotives (mild hybrid) and BH1 refrigerator truck obtained the model permit and the manufacturing permit; the project of the China standard subway train series passed the acceptance of the National Development and Reform Commission; “Haipingmian No. 1”, the offshore semi-direct-drive permanent magnet wind turbine of 10MW which was independently developed, has been successfully rolled out and connected to the network; and “Feiying No.1”, the onshore double-feed wind turbine of 7.15MW, realized mass production. The Company was awarded with 3 Grand Prizes, 4 First Prizes, 11 Second Prizes and 16 Third Prizes at the Science and Technology Awards by the China Railway Society. We took the initiative to contribute to the formulation and revision of international and domestic standards, presiding or participating in 10 international standards, 69 national standards and 20 industry standards during the year. At the China Standards Innovation and Contribution Award, the Company won 1 First Prize and 1 Third Prize. We vigorously pursued the filing of patent applications and applied for 5,374 patents throughout the year. At the 23rd China Patent Award, we won 1 Gold Award, 4 Silver Awards and 3 Excellence Awards. We insisted on digital transformation to drive quality development and vigorously promoted smart manufacturing. We were awarded by the Ministry of Industry and Information Technology in 2022 with 4 pilot demonstration projects for the integration of new-generation information technology, 5 demonstration projects for smart manufacturing factories, 2 demonstration projects for smart manufacturing excellence scenes and 21 intelligent production lines.

Report of Directors

3. Continuous release of benefits from reform

CRRC has actively promoted the continuous deepening of various reform tasks, continuously improved the top-level reform design, implemented major measures, and conducted various practices. We have successfully achieved the three-year phased goal of creating a world-class model enterprise, deeply promoted the three-year action of CRRC reform and the action of deepening the reform of market-oriented operation mechanism, and spared no effort to promote the reform. Mixed ownership reform was carried out in a solid manner. CRRC ZELRI was rated as a benchmark enterprise by the State-owned Assets Supervision and Administration Commission (SASAC) in the assessment and evaluation of the project reform, and four more enterprises were included in the SASAC's extended list of "scientific reform enterprises". The first stage of the reform of the market-oriented operation mechanism of "four complete and five capable" was fully completed, achieving the established targets of "superior property rights, superior management, superior organization, superior position establishment and superior staff structure". The reform of the construction of a standardized board of directors was fully completed, and the Company and its subsidiary CRRC ZELRI were included in the list of the first batch of enterprises demonstrating corporate governance among state-owned enterprises.

4. The development direction of transnational operations

CRRC adhered to the path of internationalization, focused on infrastructure interconnection brought about by the "One Belt One Road" initiative and international production capacity cooperation as an opportunity, actively responded to challenges such as the complex and volatile international environment and accelerating industry competition. It also promoted the "One Core, Three Poles, Multi Points" in order to realize "going out" of the whole business chain, built a respected international company and achieved the transformation and upgrading as well as steady and healthy development of international operations. In 2022, the Company continued to consolidate its transportation export business. The Jakarta-Bandung High-Speed Railway was successfully tested and operated while the Lao-China Railway reached its first anniversary of safe operation. We continued to focus on emerging industries such as wind power equipment and new materials, and focused on promoting the "going out" of wind power equipment products. We continued to innovate the business model of our international businesses, and our system solutions featuring rail transportation were gradually recognized and implemented globally, further strengthening the foundation for the development of our international business according to the 14th Five-Year Plan. The "going out" model has been successfully practiced repeatedly to achieve sustainable international market expansion.

Report of Directors





Report of Directors

B. MANAGEMENT DISCUSSION AND ANALYSIS

I. Discussion and analysis of operation

In 2022, under the scientific decisions of the Board of the Company, the Company fully implemented the requirements of economic stability and safe development, focused on the strategic path of “seven new breakthroughs”¹ and the “17238” business working concept², coordinated reform of operational development in a highly efficient manner and made every effort to promote reform and development and achieve positive results in various tasks.

- (1) Steadfastly stabilizing operations, with the business situation improving steadily. Over the past year, in the face of the combined effect of a sharp drop in demand for the MUs, fluctuating raw material prices and other unfavorable factors, the Company rose up to challenges and forged ahead by carrying out in-depth quality and efficiency improvement actions, implementing two-way incentive assessment and effectively stabilizing the fundamentals of business development. In 2022, the Company’s brand value reached RMB134.1 billion, ranking the first in the domestic machinery equipment manufacturing industry. For six consecutive years, the Company has been awarded China’s national sovereign credit rating.

¹ “seven new breakthroughs”: realizing new breakthroughs in business layout, market expansion, scientific and technological innovation, reform and innovation, management improvement, integration of industry and finance, and the construction of the Party building “golden card”.

² “17238” business directions: “1” refers to focusing on the one theme of high-quality development; “7” refers to achieving the seven breakthroughs of business layout, market expansion, scientific and technological innovation, reform and innovation, management improvement, industry-finance integration and the Party building “golden card” establishment; “2” refers to the two keys of business layout and market expansion; “3” refers to the three dynamics of reform, innovation and digitalization; “8” refers to eight key tasks, namely business layout, market expansion, scientific and technological innovation, deepening reform, management improvement, industry-finance integration, risk management and control and Party building and guidance.



Report of Directors

- (II) Being determined to expand the market and actively promoted industrial development. For the railway business, we continued to expand the market for local railways and industrial and mining enterprises, and actively increased the proportion of advanced repair to MU C6 repair to explore the market potential. For urban transportation, the “product+” and “system+” models developed steadily. The Wuhu and Wuyishan projects have been under safe operation for one year. As the first PPP project of domestic municipal railway invested and constructed by the CRRC consortium, the Taizhou S1 Line was officially opened for operation. For the international business, the DLS business³ was developed with successful bids for the project of Monterrey Metro Lines 4/5/6 and the project of Guadalajara Light Rail Line 4 project in Mexico as well as the project of 80th Avenue Light Rail in Medellin, Colombia. The project of Mexico City Metro Line 1 was selected as one of the top 10 classic cases in the Global PPP Project Forum.
- (III) Relentlessly strengthening management and fully releasing efficiency and effectiveness. The Company took the initiative to improve its management against the world’s best to make up for the shortcomings and build a solid foundation for management. The “Base Strengthening Project” was carried out in a solid manner. The Company deepened its benchmarking campaign, and the management improvement benchmarking model became the main model recommended by the SASAC. We accelerated the promotion of digital transformation and initiated the implementation of system projects and special projects. The treasurer’s information system (Phase I) and safety management information platform were put online; the operation management information system and financial sharing platform were initially established; and the upgrading of the energy and carbon intelligence cloud platform was completed. Quality and safety were generally stable while safety and environmental protection works have achieved the “5 zeroes” goal⁴. The project of the “Year of Strengthening Compliance Management” was launched in depth, and the level of corporate compliance management was continuously improved.

³ DLS Business means the full life cycle system solution based on digital and intelligent support.



Report of Directors

II. Major operation results during the reporting period

In 2022, the Company achieved revenue of RMB222.939 billion, representing a year-on-year decrease of 1.24%; net profit attributable to shareholders of the Company was RMB11.653 billion, representing a year-on-year increase of 13.11%. As at the end of December 2022, total consolidated assets was RMB442.140 billion, representing a year-on-year increase of 3.59%; net assets attributable to shareholders of the Company was RMB155.041 billion, representing a year-on-year increase of 4.35%; the gearing ratio (this ratio is calculated by dividing the Group's total liabilities by its total assets as at 31 December 2022) was 56.80%, decreased by 0.49 percentage point as compared with that at the beginning of the year. In 2022, the Company entered into new contracts in the value of approximately RMB279.1 billion, of which new international business contracts in the value of approximately RMB50.9 billion; as at the end of the period, orders in hand were in the value of approximately RMB250.1 billion, of which international business orders in hand were in the value of approximately RMB98.9 billion.

(I) Analysis of main business

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

Unit: '000 Currency: RMB

Item	Amount for the current period	Amount for the same period of previous year	Change (%)
Revenue	222,938,637	225,731,755	-1.24
Operating costs	175,625,777	179,303,892	-2.05
Selling expenses	7,724,210	7,264,149	6.33
Administrative expenses	13,401,635	13,481,469	-0.59
Research and Development expenses	13,129,748	13,085,219	0.34
Financial expenses	-343,488	380,159	-
Net cash flow from operating activities	23,953,216	20,592,700	16.32
Net cash flow from investment activities	-8,780,943	-13,685,364	-35.84
Net cash flow from financing activities	-11,211,851	7,110,955	-

Report of Directors

2. Analysis of revenue and cost

Revenue decreased by 1.24% as compared to the same period of the previous year, mainly due to the decrease in revenue from railway equipment.

Operating costs decreased by 2.05% as compared to the same period of the previous year, mainly because of the decrease in revenue from railway equipment. Operating costs decreased followed the decrease in revenue. Operating costs decreased at a slightly higher rate than revenue due to the different product mix, leading to a decrease in total cost.

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

Unit: '000 Currency: RMB

By industry	Revenue	Operating costs	Gross profit margin (%)	Main business by industry		
				Increase/decrease in revenue from the same period of the previous year (%)	Increase/decrease in operating costs from the same period of the previous year (%)	Increase/decrease in gross profit margin from the same period of the previous year (%)
Railway transportation equipment and their extent industries	222,938,637	175,625,777	21.22	-1.24	-2.05	Increased by 0.65 ppt



Report of Directors

By product	Revenue	Operating costs	Gross profit margin (%)	Main business by product		
				Increase/decrease in revenue from the same period of the previous year (%)	Increase/decrease in operating costs from the same period of the previous year (%)	Increase/decrease in gross profit margin from the same period of the previous year (%)
Railway equipment	83,179,860	62,800,652	24.50	-8.28	-9.90	Increased by 1.36 ppt
Urban rail transit vehicles and urban infrastructure	55,729,264	44,173,828	20.73	2.15	1.66	Increased by 0.38 ppt
New industry	77,109,920	63,511,964	17.63	7.36	6.03	Increased by 1.03 ppt
Modern service	6,919,593	5,139,333	25.73	-20.19	-17.82	Decreased by 2.14 ppt
Total	222,938,637	175,625,777	21.22	-1.24	-2.05	Increased by 0.65 ppt

By region	Revenue	Main business by region	
		Increase/decrease in revenue from the same period of the previous year (%)	
Mainland China	198,557,034		-3.47
Other countries or regions	24,381,603		21.70

By sales model	Revenue	Operating costs	Gross profit margin (%)	Main business by sales model		
				Increase/decrease in revenue from the same period of the previous year (%)	Increase/decrease in operating costs from the same period of the previous year (%)	Increase/decrease in gross profit margin from the same period of the previous year (%)
Sales by order	222,938,637	175,625,777	21.22	-1.24	-2.05	Increased by 0.65 ppt

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

Report of Directors

Revenue from the railway equipment business decreased by 8.28% as compared to the same period of the previous year, mainly due to the significant decrease in revenue from the passenger carriage business and the MUs business. Operating costs decreased by 9.90% as compared to the same period of the previous year, mainly because the operating costs decreased following the decrease in revenue. The decrease in cost was slightly higher than the decrease of revenue due to the different product mix.

Revenue from urban rail transit vehicles and urban infrastructure business increased by 2.15% as compared to the same period of the previous year, mainly due to the increase in revenue from urban infrastructure business. Operating costs increased by 1.66% as compared to the same period of the previous year, mainly because the operating costs increased following the increase in revenue. Costs increased at a slightly lower rate than revenue due to the different product mix.

Revenue from the new industry business increased by 7.36% as compared to the same period of the previous year, mainly due to the increase in revenue from energy storage equipment, parts of new energy vehicles, wind power equipment, etc. Operating costs increased by 6.03% as compared to the same period of the previous year, mainly because the operating costs increased following the increase in revenue. The increase in cost was slightly lower than the increase of revenue due to the different product mix.

Revenue from the modern service business decreased by 20.19% as compared to the same period of the previous year, mainly due to the decrease in the scale of the logistics businesses during the period. Operating costs decreased by 17.82% as compared to the same period of the previous year, mainly because the operating costs decreased following the decrease in revenue.

Revenue of the Company decreased by 1.24% as compared to the same period of the previous year, and revenue from railway equipment business, urban rail transit vehicles and urban infrastructure business, new industry business and modern service business accounted for 37.31%, 25.00%, 34.59% and 3.10%, respectively, of total revenue. In particular, revenue generated by the locomotive business of the railway equipment business was RMB27.546 billion; revenue generated by the passenger carriage business was RMB6.230 billion; revenue generated by the MUs business was RMB29.174 billion; revenue generated by the freight wagon business was RMB20.230 billion; revenue generated by the urban rail vehicles of the urban rail transit vehicles and urban infrastructure business was RMB47.810 billion; revenue generated by wind power business of the new industry business was RMB30.843 billion; revenue generated by the railway equipment repair and modification business of the railway equipment business was RMB31.008 billion. The Company sold 976 locomotives, 471 passenger carriages, 732 MUs, 37,908 freight wagons and 6,375 urban rail subways.

Report of Directors

During the reporting period, the Company's revenue from Mainland China decreased by 3.47%. Revenue from other countries or regions increased by 21.70%, mainly due to the increase in the business volume from overseas MUs and urban rail subways during the period.

(2) Analysis of cost

Unit: '000 Currency: RMB

By industry	Cost of main business by industry				
	Amount for the current period	Proportion in total cost for the current period (%)	Amount for the same period of the previous year	Proportion in total cost for the same period of the previous year (%)	Proportion of change of amount for the current period as compared to amount for the same period of the previous year (%)
Railway transportation equipment and their extent industries	175,625,777	100.00	179,303,892	100.00	-2.05

By product	Cost of main business by product				
	Amount for the current period	Proportion in total cost for the current period (%)	Amount for the same period of the previous year	Proportion in total cost for the same period of the previous year (%)	Proportion of change of amount for the current period as compared to amount for the same period of the previous year (%)
Direct materials	148,174,022	84.37	151,511,393	84.50	-2.20
Direct labor costs	9,604,009	5.47	10,001,728	5.58	-3.98
Manufacturing costs	10,327,645	5.88	10,336,097	5.76	-0.08
Others	7,520,101	4.28	7,454,674	4.16	0.88
Total	175,625,777	100.00	179,303,892	100.00	-2.05

Report of Directors

(3) Information on major customers and suppliers

In 2022, the procurement by the Company from its top 5 suppliers amounted to RMB8.355 billion, accounting for 6.47% of the total amount of procurement for the year, of which procurement from related parties was RMB0, representing 0% of total procurement for the year.

In 2022, the sales of the Company to its top 5 customers amounted to RMB86.896 billion, accounting for 38.98% of the total sales of the Company for the year, of which sales from related parties was RMB0, representing 0% of total sales for the year.

Other descriptions

State Railway Group (including its affiliated railway bureau group company and its subsidiaries) is the largest customer of the Company, which accounted for 32.01% of the total sales of the Company for the year.

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

Relationship with customers:

Since the product unit value was relatively high, our sales method mainly consisted of participating in tenders or tender negotiations, through bidding in tenders, communication and negotiation based on historical prices in determining the final price and secure orders. Our sales customers were mainly railway and urban rail transportation operators. Railway customers were divided into railway customers and non-railway customers. Non-railway customers were mainly large-scale plants, mining groups and ports, etc., the demand of which shows a trend of a year-on-year increase. Such customers were fragmented and thus the Company was not over-reliant on them. Urban rail transit customers are rail transit operators in different cities and the number of operators has increased year by year. The customers are fragmented, and thus the Company was also not over-reliant on them. For the year ended 31 December 2022, approximately 38.98% of our products were sold to our five largest customers.

Report of Directors

Relationship with suppliers:

Our principal raw materials and components were purchased through external procurements while some were supplied by internal production. We have established direct and stable supply channels with our major suppliers and external contracted production units. Since our suppliers were not highly concentrated, there was little risk of over reliance on any single supplier. For the year ended 31 December 2022, approximately 6.47% of our products were manufactured by our five largest suppliers.

3. Expenses

Selling expenses increased by approximately 6.33% as compared to the same period of the previous year, mainly due to the increase in provision for the product quality warranty.

Administrative expenses decreased by approximately 0.59% as compared to the same period of the previous year, which was not a significant change.

Financial expenses decreased as compared to the same period of the previous year, mainly due to higher foreign exchange gains resulted from the foreign exchange fluctuation.

4. R&D Investment

(1) Table of R&D investment

Unit: '000 Currency: RMB

Expensed R&D investment for the current period	13,129,748
Capitalized R&D investment in the current period	162,708
Total R&D investment	13,292,456
Proportion of R&D investment in revenue (%)	5.96
Proportion of R&D inputs capitalized (%)	1.22

Report of Directors

(2) Table of R&D personnel

Number of R&D personnel in the Company	36,334
Number of R&D personnel as a percentage of the total number of personnel in the Company (%)	23.11

Academic structure of R&D personnel

Education level	Number of people in education level
PhD	405
Postgraduate	10,561
Undergraduate and below	25,368

Age structure of R&D personnel

Age group	Number of people in the age group
Below 35	20,535
36 to 50	12,572
51 or above	3,227

(3) Description

In 2022, the Company continued to promote the national “Advanced Rail Transit Key Projects” and the “Key Technology Projects under CRRC’s 14th Five-Year Plan”. We started CRRC’s 2022 project for cultivation of original technology for a term of 10 years, with 25 projects established in the first batch. The Company has set up 8 collaborative innovation teams in the frontier areas of magnetic levitation, new materials, new energy, light weighting and health management. In 2022, the Company also launched new products for rail transportation, such as locomotives, trucks and urban rail vehicles, new products for wind turbines, as well as 363 research and development projects for key systems and components, all being part of the Company’s relentless efforts to achieve breakthroughs in crucial key technologies. Various projects were progressing smoothly, which strongly supports the sustainable and healthy development of the Company.

5. Cash flow

The cash flow from operating activities was a net inflow of RMB23.953 billion, representing an increase of RMB3.361 billion in net inflow from the same period of the previous year, mainly due to the increase in the cash receipt for loans and advances to customers of Finance Company under the Company during the reporting period as compared to the same period of the previous year.

The net cash flow from investing activities was a net outflow of RMB8.781 billion, representing a decrease of RMB4.904 billion in net outflow from the same period of the previous year, mainly due to the decrease in cash paid for investments by the Company during the reporting period as compared to the same period of the previous year.

Report of Directors

The net cash flow from financing activities was a net outflow of RMB11.212 billion, compared to a net inflow of RMB7.111 billion in the same period of the previous year, mainly because the cash paid for debt repayment of the Company during the reporting period was greater than the cash received for borrowings and bond issuance.

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

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

(III) Analysis of assets and liabilities

1. Assets and liabilities

Unit: '000 Currency: RMB

Name of item	Amount at the end of the period	Amount at the end of the period as a percentage of total assets (%)	Amount at the end of the previous period	Amount at the end of the previous period as a percentage of total assets (%)	Proportion of change of amount at the end of the period compared to amount at the end of the previous period (%)
Receivables at FVTOCI	6,735,575	1.52	10,552,051	2.47	-36.17
Other receivables	2,874,509	0.65	4,360,569	1.02	-34.08
Non-current assets due					
within one year	6,019,677	1.36	15,821,211	3.71	-61.95
Debt investments	236,361	0.05	2,002,484	0.47	-88.20
Other non-current					
financial assets	215,903	0.05	370,460	0.09	-41.72
Construction in progress	4,111,596	0.93	6,310,367	1.48	-34.84
Development expenditures	749,396	0.17	521,506	0.12	43.70
Borrowings from the					
central bank	-	-	997,186	0.23	-100.00
Deposits from banks and					
other financial institutions	3,153,979	0.71	4,601,620	1.08	-31.46
Tax payable	3,093,070	0.70	2,358,706	0.55	31.13
Non-current liabilities due					
within one year	6,473,081	1.46	4,612,838	1.08	40.33
Bonds payable	-	-	2,500,000	0.59	-100.00

Report of Directors

Other descriptions

Receivables at FVTOCI decreased by approximately 36.17%, mainly due to the decrease in bills receivables measured at fair value.

Other receivables decreased by approximately 34.08%, mainly due to the decrease in receivables from others.

Non-current assets due within one year decreased by approximately 61.95%, mainly due to the decrease in loans and advances due within one year of Finance Company under the Company.

Debt investments decreased by approximately 88.20%, mainly due to the decrease in the interbank negotiable certificates of deposit reserved by Finance Company under the Company.

Other non-current financial assets decreased by approximately 41.72%, mainly due to the preferred share redemption.

Construction in progress decreased by approximately 34.84%, mainly because the completed construction in progress was transferred to fixed assets during the year.

Development expenditures increased by approximately 43.70%, mainly due to the increase in development input by the Company.

Borrowings from the central bank decreased by 100%, mainly due to repayment of borrowings by Finance Company under the Company to the central bank during the year.

Deposits from banks and other financial institutions decreased by approximately 31.46%, mainly due to the decrease in deposits from banks and other financial institutions of Finance Company under the Company.

Tax payable increase by 31.13%, mainly due to the increase in unpaid VAT as at the end of the period.

Non-current liabilities due within one year increased by approximately 40.33%, mainly due to the increase in the Company's bonds payable due within one year.

Bonds payable decreased by 100%, mainly due to the reclassification of bonds payable to non-current liabilities due within one year by the Company.

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

For details, please refer to "70. Assets with restrictive ownership title or right of use" under "VII. Notes of Consolidated Financial Statements" in Financial Report.

Report of Directors

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

Unit: '000 Currency: RMB

Item	31 December 2022	31 December 2021
Foreign currency financial assets:		
Cash and bank balances	5,592,106	6,592,473
Held-for-trading financial assets	13,905	245,095
Accounts receivable	4,244,102	2,421,400
Other receivables	226,670	273,823
Debt investments (including those due within one year)	-	518,686
Long-term receivables (including those due within one year)	316,952	274,081
Other non-current financial assets	215,903	197,647
Total	10,609,638	10,523,205
Foreign currency financial liabilities:		
Short-term borrowings	1,401,637	3,083,909
Accounts payable	3,247,423	3,067,186
Other payables	1,381,379	1,527,707
Long-term borrowings (including those due within one year)	1,981,271	211,814
Long-term payables (including those due within one year) (except for special account payables)	-	525
Lease liabilities (including those due within one year)	525,568	423,864
Total	8,537,278	8,315,005

Report of Directors

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

(1) Significant capital expenditure

Item	From January to December 2022 (RMB'000)	From January to December 2021 (RMB'000)
Fixed assets	1,912,525	1,404,951
Construction in progress	5,284,069	5,347,596
Intangible assets	593,672	1,228,700
Development expenditures	13,509,763	13,276,501
Total	21,300,029	21,257,748

(2) Capital commitment

As at 31 December 2022, the capital commitments that the Group had contracted but not yet undertaken was RMB3,411 million, which will be used mainly for prepayments for property, plant, machinery and equipment, land leases and other intangible assets.

5. Detailed information on contingent liabilities of the Company

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

6. Detailed information on mortgaged assets of the Company

Item	31 December 2022 Amount (RMB'000)
Cash and bank balances	2,541,311
Bills receivable	10,458,987
Accounts receivable	857,247
Receivables at FVTOCI	27,816
Long-term receivables	2,909,683
Fixed assets	228,524
Intangible assets	808,924
Other non-current assets	567,992
Total	18,400,484

Report of Directors

7. Borrowings, corporate bonds and notes

As at 31 December 2022, the Group had total borrowings, bonds and notes of approximately RMB26,230 million, as compared to the total amount of approximately RMB29,415 million as at 31 December 2021.

As at 31 December 2022, out of the total borrowings, bonds and notes of the Group, RMB22,846 million was denominated in Renminbi, RMB245 million was denominated in USD, and RMB1,037 million was denominated in Euro.

The Group's long-term interest-bearing borrowings, bonds and notes and short-term interest-bearing borrowings, bonds and notes as at 31 December 2022 were RMB6,096 million and RMB20,134 million, respectively.

As at 31 December 2022, the total bank and other borrowings of the Group with floating interest rates amounted to RMB5,266 million, as compared to RMB8,563 million as at 31 December 2021.

	31 December 2022 Amount (RMB'000)	31 December 2021 Amount (RMB'000)
Within one year (starting date and ending date inclusive)	20,133,392	19,461,119
One to two years	1,796,648	4,862,785
Two to five years	1,449,807	2,842,111
Over five years	2,849,667	2,249,380
Total	26,229,514	29,415,395

8. Cash flow

As at 31 December 2022, the cash and cash equivalents owned by the Group amounted to approximately RMB47,608 million, of which RMB42,757 million was denominated in RMB; RMB1,142 million was denominated in USD; and RMB1,423 million was denominated in Euro.

(IV) Analysis of industrial and operational information

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

Report of Directors

(V) Analysis of investment

1. Overall analysis of external equity investment

As of the end of the reporting period, the long-term equity investment of the Company was RMB18.261 billion, representing an increase of RMB1.057 billion or 6.14% from the beginning of the year, which was mainly due to the Company's additional investments in joint ventures and associates of RMB757 million. For details, please refer to Note VII.15 Long-term equity investments to the financial statements.

(1) Significant equity investment

Unit: '000 Currency: RMB

Name of investee company	Principal business	Whether the subject is mainly engaged in investment business	Means of investment	Amount of investment	Shareholding ratio	Whether consolidated into the financial statements of the Company	Statement item (if applicable)	Source of funding	Cooperative partner (if applicable)	Investment period (if any)	Progress as at the balance sheet date	Expected gain (if any)	Effect on profit or loss of the period	Whether involved in litigation	Date of disclosure (if any)	Reference to disclosure (if any)
Zhuzhou CRRC Times Semiconductor Co., Ltd.	Research, development, production and sales of power semiconductors and related products; provision of related technical consultation, technical services and technology transfer; import and export business of proprietary and agency goods and technologies (except those prohibited and restricted by national laws and regulations); leasing of premises; leasing of equipment; general cargo transportation; warehousing. (Business activities subject to approval in accordance with the law may proceed after approval of the relevant departments)	Yes	Capital increase	2,459,573.23	96.17%	Yes	Long-term equity investment	Own funds	-	-	The amount of capital increase was fully paid on 7 December 2022.	-	-	No	26 November 2022	Announcement of resolutions on the ninth meeting of the third session of the Board of CRRC Corporation Limited (announcement number: Lin 2022-033)
Total	/	/	/	2,459,573.23	96.17%	/	/	/	-	-	/	-	-	/	/	/

Report of Directors

On 25 November 2022, the ninth meeting of the third session of the Board of the Company considered and approved the capital increase by Times Electric, a listed company under Zhuzhou Institute, a wholly-owned subsidiary of the Company, to the non wholly-owned subsidiary of Times Electric, Zhuzhou CRRC Times Semiconductor Co., Ltd. ("CRRC Times Semiconductor") in cash, and the capital increase was made in the form of a non-public agreement, pursuant to which Times Electric increased the capital of CRRC Times Semiconductor unilaterally in the amount of RMB2,459,573,200, and the source of funding is Times Electric's own funds. The amount of capital increase was fully paid on 7 December 2022.

(2) Significant non-equity investment

On 22 September 2022, the "Resolution on the Medium and Low Voltage Power Devices Industrialization Construction Project of CRRC Times Semiconductor" was considered and approved at the seventh meeting of the third session of the Board of the Company. For details, please refer to the Announcement of "Resolutions of the Seventh Meeting of the Third Session of the Board of Directors of CRRC Corporation Limited" published by the Company on 22 September 2022. As of now, the project is still under implementation.

(3) Financial assets measured at fair value

Unit: '000 Currency: RMB

Asset class	Opening balance	Gains/losses from changes in fair value	Aggregate changes in fair value included in equity	Provision for impairment loss during the current period	Amount purchased during the current period	Amount disposed/redeemed during the current period	Other changes	Closing balance
		during the current period						
1. Held-for-trading financial assets	10,694,693	510,146	-	-	27,766,857	-28,540,604	-	10,431,092
Including: derivative financial assets	3,089	5,538	-	-	207	-2,036	-	6,798
Including: certificate of deposits, etc.	8,131,731	168,590	-	-	27,196,541	-28,277,184	-	7,219,678
Including: equity instrument Investment	2,559,873	336,018	-	-	570,109	-261,384	-	3,204,616
2. Other equity instrument investment	2,997,338	-	-281,948	-	197,968	-10,435	-210,696	2,692,227
Including: listed equity instrument investment	1,143,978	-	-224,343	-	-	-	76,649	996,284
Including: non-listed equity instrument investment	1,853,360	-	-57,605	-	197,968	-10,435	-287,345	1,695,943
3. Receivables at FVTOCI	10,552,051	-	94,169	18	-	-	-3,910,645	6,735,575
Including: accounts receivable	1,341,610	-	1,693	18	-	-	81,211	1,424,514
Including: bills receivable	9,210,441	-	92,476	-	-	-	-3,991,856	5,311,061
4. Other non-current financial assets	370,460	12,878	-	-	-	-167,435	-	215,903
Including: preference share and perpetual bond	370,460	12,878	-	-	-	-167,435	-	215,903
Total	24,614,542	523,024	-187,779	18	27,964,825	-28,718,474	-4,121,341	20,074,797

Report of Directors

(VI) Significant sale of assets and equity

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

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

Unit: '000 Currency: RMB

Company name	Product and scope of main business	Registered capital	Total assets at the end of the period	Net assets		Revenue from January to December 2022	Operating profit from January to December 2022
				at the end of the period attributable to the shareholders of the parent company	Net profit from January to December 2022 attributable to the shareholders of the parent company		
CRRC Sifang	R&D and manufacturing of railway MUs, passenger carriages and urban rail transit vehicles; and repair services for railway MUs and	4,509,795	69,827,962	19,379,246	2,074,351	31,026,182	2,582,345
CRRC Changchun	Design, manufacturing, repair, sale and lease of railway passenger carriages, MUs, urban rail transit vehicles and the accessories thereof, as well as related technical services and technical consultancy etc.	6,235,001	63,081,850	22,373,205	1,937,377	26,017,661	2,308,071
CRRC Zhuzhou	R&D and manufacturing of railway electric locomotives, MUs and urban rail transit vehicles etc.	5,528,330	35,506,342	11,518,814	1,492,611	23,864,361	1,680,994
CRRC ZELRI	Research and manufacturing on electric drive and control technologies related to rail transit and relevant electrical equipment; and research and development and manufacturing of railway locomotives and accessories thereof etc.	9,126,840	83,375,297	22,335,639	1,208,288	42,392,471	3,276,683

Report of Directors

(VIII) Structured entities controlled by the Company

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

(IX) Use of proceeds from H Shares

As approved by the "Reply in relation to the Approval of China CNR Corporation Limited to Issue Overseas Listed Foreign Shares" (CSRC Permit [2014] No. 404) issued by CSRC, CNR issued through its public offering 1,939,724,000 (including over-allotment) overseas listed foreign shares (H shares) in May 2014 and the proceeds raised totaled HKD10.028 billion. During 2022, the Company used the principal and interest in aggregate of approximately HKD83 million from the H Shares, the actual use of which is as follows: approximately HKD58 million for product research and development of and approximately HKD25 million for working capital replenishment, which is consistent with the previously disclosed use of proceeds. As of 31 December 2022, the proceeds of H shares used by the Company in aggregate were approximately HKD10.143 billion, the actual use of which is as follows: to increase capital contribution of approximately HKD6.640 billion into subsidiaries, to replenish its working capital and repay bank loans of approximately HKD3.182 billion, to finance the product research and development expense of approximately HKD118 million and to pay issuance costs of approximately HKD203 million, which are in line with use of proceeds disclosed previously. As of 31 December 2022, interest of bank deposits received for the proceeds from issuance of H shares amounted to HKD115 million in total. As at 31 December 2022, the proceeds from the Company's H shares have been utilized.

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

(I) Landscape and trend of the industry

1. Macro policy

In 2022, the Chinese government coordinated both domestic and international efforts and maintained general economic and social stability. However, the economy was still under substantial pressure for recovery, and the external environment was volatile and unstable. The development of the Company is also facing challenges such as changes in the market demand orientation of the industry, intensified competition in the industry, and the reform of scientific and technological innovation system. Meanwhile, the Chinese economy is resilient with great potential and vitality, and the effects of various policies continue to manifest. It is expected that the economic performance would pick up in 2023. The country has accelerated the construction of a new development layout, promoted high-quality development, deeply implemented the major strategies such as domestic demand expansion, powerful transportation and manufacturing countries, coordinated and promoted the reform of state-owned enterprises to realize the benefits of reform. In general, CRRC's development is still in an important period of strategic opportunities.

Report of Directors

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

Report of Directors

In the Outline of Strategic Planning for Expanding Domestic Demand (2022-2035) published in December 2022, the theme of promoting high-quality development and the fundamental aim of meeting the growing needs of the people for a better life were proposed through firmly grasping the strategic base point of expanding domestic demand, accelerating the cultivation of a complete domestic demand system, strengthening demand-side management, promoting the formation of a strong domestic market, making efforts to open up the domestic economic cycle and promoting positive interaction between domestic and international cycles. It was proposed to strengthen the construction of transportation infrastructure, improve the national comprehensive three-dimensional transportation network with railways as the artery, promote the construction of the framework of "6 axes, 7 corridors and 8 channels", speed up the construction of the national railway network, open up the connective of the "eight vertical and eight horizontal" high-speed railways, promote the construction of regional links in an orderly manner, speed up the construction of ordinary-speed railways as well as the renovation and upgrading of existing railways, support the completion of inter-city railway networks in key city clusters, promote the development of urban (suburban) railways and urban railway transportation in key metropolitan areas, and integrate with the main railway line. It was proposed to strengthen the construction of energy infrastructure, significantly increase the level of clean energy utilization, build multi-energy complementary clean energy bases, accelerate the construction of large wind power and photovoltaic bases with a focus on deserts, the Gobi and wildernesses, promote the construction of new power systems, and enhance the capacity of clean energy consumption and storage. It was also proposed to promote the high-quality development of the manufacturing industry, to build China into a country with strong production and guide all kinds of high-quality resources and elements to converge to the manufacturing industry. The green way of life that is economical and intensive was advocated, with planning and building of urban and rural infrastructure in accordance with the concept of green, low-carbon cycles, recommendation of green and low-carbon travel and development of urban public transport.

2. Industry policy

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

Report of Directors

The Planning Outline of the National Comprehensive Three-Dimensional Transportation Network (《國家綜合立體交通網規劃綱要》) published by the CPC Central Committee and the State Council in February 2021 stated that by 2035, a modern and high-quality national comprehensive three dimensional transportation network with the feature of being convenient, smooth, economic, efficient, green, intensive, intelligent, advanced, safe and reliable will have been basically formed, the goal of international and domestic connectivity, three-dimensional accessibility in national major cities, effective coverage of county-level points will have been achieved, and the “national 123 transportation circle” and “global 123 fast movement of goods circle” will have been strongly supported. Through the construction of comprehensive three-dimensional transportation network with the railway as the artery, the highway as the base, and the comparative advantage of waterway and civil aviation being fully played, by 2035, the total physical line length of the national comprehensive three-dimensional transportation network will reach about 700,000 kilometers. Total length of the national railway network will reach about 200,000 kilometers, of which about 70,000 kilometers will be covered by high-speed railways (including part of inter-city railways) and about 130,000 kilometers will be covered by ordinary-speed railway (including part of urban railways); the high-speed railway network with the “eight vertical and eight horizontal lines” high-speed artery railways as the framework, and the regional high-speed railways being connective, and the ordinary-speed railway network with certain vertical and horizontal ordinary-speed artery railways as the framework, and the regional ordinary-speed railways being connective will be built; the intercity railway network in key urban agglomerations including Beijing-Tianjin-Hebei Region, Yangtze River Delta, Guangdong-Hong Kong-Macao Greater Bay Area and two-city economic circle in the Chengdu and Chongqing regions will be completed first, followed by the gradually building of inter-city railway network in other urban agglomerations; the high-speed maglev railway layout and test line construction among megacities will be researched and advanced. The Company will strengthen the traffic connection of the 4 poles of the Beijing-Tianjin-Hebei, the Yangtze River Delta, the Guangdong-Hong Kong-Macao Greater Bay Area, and the Chengdu-Chongqing region twin-city economic circle, the 8 areas in the middle reaches of the Yangtze River, the Shandong Peninsula, the west coast of the Straits, the Central China, Harbin and Changchun, South Central Liaoning, the Beibu Gulf and the Central Shaanxi Plain, and the 9 clusters including Hohhot, Baotou, Ordos and Yulin, Central Guizhou, Central Yunnan, Central Shanxi, Northern Tianshan Mountain, Western Lanzhou, Ningxia along the Yellow River, Lhasa and Kashgar, to build the main skeleton of the national comprehensive three-dimensional transportation network consisting of 6 main axes, 7 corridors and 8 passages.

Report of Directors

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

Report of Directors

In the New Urbanization Implementation Plan under the 14th Five-Year Plan promulgated in July 2022, it was proposed to cultivate modernized urban areas in an orderly manner, improve transportation connectivity and convenience in urban areas, develop inter-city railways and urban (suburban) railways in an orderly manner by coordinating the utilization of existing lines and new lines, develop urban railways in an orderly manner to promote the effective interconnection of inter-city and intracity transportation and the “integration of the four railway networks”. It was proposed to strengthen the support of comprehensive traffic and transportation networks, basically connect comprehensive transportation corridors, increase the coverage of railways and expressways in cities, build integrated transportation networks for city clusters, accelerate the construction of inter-city railways and urban (suburban) railways in Beijing-Tianjin-Hebei, the Yangtze River Delta and the Guangdong-Hong Kong-Macao Greater Bay Area, orderly promote the construction of multi-level railway transportation in the Chengdu-Chongqing region twin-city economic circle and other key city clusters, with the goal of adding 3,000 km of new inter-city railways and urban (suburban) railways and basically realizing a two-hour access between major cities by 2025.

In the “Implementation Plan for Promoting High-Quality Development of New Energy in the New Era” promulgated in May 2022, it was proposed to innovate the mode of development and utilization of new energy, accelerate the construction of large wind and photovoltaic bases with a focus on deserts, the Gobi and wildernesses, and increase efforts to plan and build new energy supply and consumption systems supported by large wind and photovoltaic bases as well as clean, efficient and advanced energy-saving coal power in their vicinity, and carried by stable, safe and reliable ultra-high voltage transmission and transformer lines. It was also proposed to support and guide the healthy and orderly development of the new energy industry, promote systematic research by enterprises, research institutes and universities on issues such as the safety, stability and reliability of power systems which are gradually increasing the new energy proportion, propose solutions to promote breakthroughs in key technologies such as high-efficiency solar cells and advanced wind power equipment, and accelerate the technological upgrade of key basic materials, equipment and parts.

3. Industrial investment planning

According to the Statistical Communique of the People's Republic of China on the 2022 National Economic and Social Development, official websites of National Railway Administration of China and the State Railway Group, in 2022, fixed asset investment of railway nationwide amounted to RMB710.9 billion, of which RMB620.8 billion were put into national railway; 4,100 km of new railway lines has been put into operation, of which 2,082 km were high-speed railway lines. By the end of 2022, the national railway mileage in operation reached 155,000 km, of which high-speed rail mileage exceeded 42,000 km. Passenger transportation declined while freight transportation continued to grow. In 2022, the total number of passengers transported by railways across the country reached 1.67 billion, representing a year-on-year decrease of 35.9%; total volume of cargos delivered by railways nationwide was 4.93 billion tons, representing a year-on-year increase of 4.5%. Of which, passenger delivery volumes by State Railway Group reached 1.61 billion, representing a year-on-year decrease of 36.4%; cargo delivery volumes by State Railway Group reached 3.90 billion, representing a year-on-year increase of 4.8%. According to the statistical bulletin published by the China Association of Metros in January 2023, as of the end of 2022, there was an aggregate of 55 cities in mainland China (excluding Hong Kong, Macao and Taiwan) commencing the urban rail transit operation lines with a distance of 10,291.95 km. Among them, the length of subway is 8,012.85 km, accounting for 77.85%. In 2022, Nanping, Jinhua, Nantong, Taizhou, Huangshi were newly added as five urban rail transit operation cities. The length of newly added urban rail transit operation lines was 1,085.17 km, 25 new operation lines were added, and 25 extension sections and rear sections of existing lines were newly opened.

In 2023, the country would complete in full the railway investment task, and promote national key projects such as the Sichuan Tibet railway with high quality. New lines to be put into operation would be over 3,000 km (including about 2,500 km of high-speed rail). It was estimated that the number of passengers carried by the State Railway Group amounted to 2.69 billion, with a year-on-year increase of 67.6%, and the number of goods carried was 3.97 billion tons, with a year-on-year increase of 1.8%. In 2022, the NDRC approved a new round of urban rail transit construction planning in Shijiazhuang and Hangzhou, and approved adjustment proposals on urban rail transit construction planning in Suzhou, Dongguan and Guangzhou, involving a total length of 330 kilometers and a new investment of RMB260 billion.

Report of Directors

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

(II) Development strategies of the Company

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

Report of Directors

1. Railway equipment business

While highlighting global competitiveness, innovation, influence and control, the Company works to establish a full-factor market management philosophy, maintain domestic market share, and stabilize the No.1 place in the global industry scale. It will deepen the follow-up cooperation strategy with major customers such as the State Railway Group, actively adapt to the development trends of high-speed, heavy-load, service-based, intelligent-oriented, and green development, and continue to enhance the market response, product development and quality assurance capabilities of the main railway line, and provide strong support for China's railway transportation safety and equipment innovation and upgrading. It will build a collaborative and integrated after-sales service system, deepen the construction of parts centers, forming an integrated after-sales service solution. It will also carry out in-depth product maintenance and overhaul technology research, vigorously expand the maintenance business, and strengthen and improve the overhaul business. It will enhance product life cycle service capabilities, build a product life cycle technology and cost framework system, build a life cycle management big data platform, and accelerate the transition from manufacturing to "manufacturing + service".

2. Urban rail transit vehicle and urban infrastructure business

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

Report of Directors

3. New industry business

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

4. Modern service business

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

5. International business

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

(III) Operation plans

The year 2022 is an important year for CRRC to thoroughly implement the 14th Five-Year Plan development strategies. In the face of the severe and complex external environment, unprecedented operational pressure and exceptionally heavy workload, the Company adhered to the general direction of “seeking progress while maintaining stability, completely, accurately and comprehensively implemented the new development concept, served to build a new development layout, fully implemented the general requirements of economic stability and safe development, and focused on high-quality development, coordinated development and safety in an efficient manner, highlighted the two major focuses of businesses and markets, and continued to deepen the work of improving quality and efficiency. We continued to deepen our efforts to enhance quality and efficiency, effectively address the impact of unexpected factors and achieve our annual operating targets.

Report of Directors

The year 2023 is the critical year for the Company will strengthen its foundation, forge its strengths and make up for its shortcomings, and lead the way to breakthroughs. The Company will keenly, proactively and calmly respond to challenges, explore the laws of change, grasp favorable opportunities, and follow and harness the trend. Our main business working concepts are: to adhere to the general direction of seeking progress while maintaining stability, to target to become a world-class enterprise, to closely follow the theme of quality development, focus on the “seven new breakthroughs”, stimulate “three driving forces”, optimize “four mechanisms” and pay close attention to the “key works in eight aspects” in order to strive for effective improvement in quality and reasonable growth in quantity as well as create a new pattern of quality development.

(IV) Potential risks

1. Strategic risks

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

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

2. Market risks

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

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

Report of Directors

3. Product quality risks

In order to ensure the safety of railway transportation, competent authorities in the industry (including the National Railway Administration) and major clients (including the State Railway Group) have made every effort to establish a safety mechanism for railway transportation, thus posing higher standards for the safety and reliability of the rail transportation equipment. As a core enterprise in the railway transportation equipment industry, the Company provides various types of MUs, locomotives, passenger carriages, freight wagons and urban rail transit vehicles which are directly related to the life and property safety of the general public, and have become a hot spot and focus of public opinion both inside and outside China. Any major safety and quality problems may adversely affect the Company and even impact the development of the industry for a certain period of time. It is not only a matter of great concern to the public, but also to the national authorities at all levels, the State Railway Group and other users. Any major safety and quality issues may have an adverse impact on the Company, and even impact the development of the industry within a certain period of time.

Response measures: Firmly establish the concept of quality and safety development, firmly adhere to the occupational red line and bottom line of ensuring the quality and safety of products and the safe utilization of the complete equipment, construct a quality responsibility system covering all levels of the Company and all aspects of product realization, and consolidate the main responsibility for quality and safety. We will promote the construction of "CRRC's Q" quality standard system, strengthen the quality and safety precautions in the design process, refine the quality and safety control of the production process, regulate the quality management of suppliers and purchased products, stabilize the quality assurance ability during the product realization process, and ensure the stability of the product quality.

4. Foreign exchange risks

With the accelerated pace of internationalization of the Company, product exports, overseas investments, mergers and acquisitions and other activities will further increase, which may trigger various risks due to exchange rate fluctuations. For example, in light of fluctuating international financial environment, the movement of exchange rate is difficult to predict, and the Company may suffer exchange losses; and since some overseas product items are settled in non-major currencies, it is difficult to hedge against exchange risks; uncertain foreign exchange collection time makes it more difficult in the adoption of hedging. In 2023, due to the uncertainty of economic development, the possibility of significant exchange rate fluctuation still exists, which will affect the competitiveness of the projects and the benefits of the contracted projects to a certain extent.

Report of Directors

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

5. Overseas operating risks

Certain overseas countries are increasing security checks on foreign investment, and have included national security, infrastructure and high and new technologies in their screening scope of foreign investment, and the overseas strategic window for mergers and acquisitions is rapidly narrowing. Certain overseas countries pursue trade protectionism, which affect the acquisition of export orders and increase the difficulty of implementing the orders in hand. In addition, the factors continue which bring negative impacts such as overseas labor shortage, overseas parts supply interruption and increased project costs, which will have an adverse impact on the Company's overseas operations.

Response measures: Actively study the impact of investment screening in overseas countries on the Company and strengthen the review of overseas investment projects to ensure investment safety. We will strengthen communication and liaison with owners to optimize the resource allocation and ensure that orders in hand are executed properly. We will establish a long-term tracking mechanism for market project information, thereby effectively maintaining customer relationships, and policy insurance mechanisms such as Sinasure will be used to control the risk of payment collection after projects are implemented.

Report of Directors

6. Industrial structure adjustment risks

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

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

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

(I) Formulation, execution or adjustment of cash dividend policy

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

On 30 March 2022, the Company held the fourth meeting of the third session of the Board, pursuant to which the 2021 Proposal for Profit Distribution Plan of CRRC Corporation Limited was considered and approved to distribute cash dividends to all shareholders based on the total share capital registered on the registration date for dividend distribution. As of 31 December 2021, the total share capital of the Company was 28,698,864,088 shares, base on which and calculating at cash dividend of RMB0.18 (tax inclusive) per share, the Company is proposed to distribute cash dividend of RMB5.166 billion (tax inclusive) in aggregate, and the remaining undistributed profit will be carried forward for next year’s distribution. The Company’s cash dividends for 2021 accounted for 50% of the Company’s net profit attributable to shareholders of listed company in 2021. On 16 June 2022, the resolution was approved at the 2021 annual general meeting of the Company. On 12 August 2022, the implementation of profit distribution plan for 2021 has been completed.

Report of Directors

On 30 March 2023, the Company held the 11th meeting of the third session of the Board, pursuant to which the 2022 Proposal for Profit Distribution Plan of CRRC Corporation Limited was considered and approved to distribute cash dividends to all shareholders based on the total share capital registered on the registration date for dividend distribution (the specific date will be clarified in the announcement on the implementation of dividend distribution). As of 31 December 2022, the total share capital of the Company was 28,698,864,088 shares, based on which and calculating at cash dividend of RMB0.20 (tax inclusive) per share, the Company is proposed to distribute cash dividend of RMB5.740 billion (tax inclusive) in aggregate, and the remaining undistributed profit will be carried forward for next year's distribution. The Company's cash dividends for the year accounted for 49.25% of the Company's net profit attributable to shareholders of listed company in 2022. In case from the date of disclosure of announcement on profit distribution plan to the registration date for dividend distribution, there are changes in the total share capital of the Company due to the conversion of convertible bonds, repurchase of shares, cancellation of repurchased shares granted under equity incentive schemes, cancellation of repurchased shares due to material asset restructuring, etc., the Company proposes to remain the total distribution amount unchanged, and to adjust the distribution proportion per share accordingly. If the total share capital of the Company changes subsequently, specific adjustments will be announced separately. The profit distribution plan is subject to the consideration and approval at the 2022 annual general meeting of the Company.

If the proposal for profit distribution mentioned above is considered and approved by the general meeting of the Company, it is expected that the Company will pay dividends in cash on or before 11 August 2023. When the specific time is determined for convening the general meeting, the Company will make a separate announcement on further details regarding the closure of the registration of members of the H Shares and the expected cash dividend payment date, if updated, in respect of the relevant dividend distribution.

(II) Special notes on cash dividend policy

Whether it complies with the provisions of the Articles of Association or the resolution of general meetings	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Whether the criteria and ratio of dividend distribution are clear and explicit	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Whether the relevant decision-making procedures and mechanisms are sufficient	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Whether the independent Directors have performed their duties and responsibilities and played their due roles	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Whether small and medium shareholders have adequate opportunities to express their opinions and requests, and whether their legitimate rights and interests are adequately protected	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No

Report of Directors

(III) If a profit was made in the reporting period and the profit available for distribution to shareholders of the parent company was positive but there is no cash profit distribution proposal, the Company should disclose the reasons in details and the use and utilization plan of the undistributed profit

Applicable Not applicable

(IV) Profit distribution and transfer of capital reserves to share capital during the reporting period

Unit: '000 Currency: RMB

Number of bonus shares per 10 shares (shares)	-
Amount of dividends per 10 shares (RMB) (tax inclusive)	2
Number of shares transferred per 10 shares (shares)	-
Amount of cash dividends (tax inclusive)	5,739,773
Net profit attributable to ordinary shareholders of the Company in the consolidated financial statements of the year of dividend distribution	11,653,448
Proportion of cash dividends to net profit attributable to ordinary shareholders of the Company in the consolidated financial statements (%)	49.25
Amount of shares repurchased in cash included in distribution of cash dividends	-
Total amount of dividends (tax inclusive)	5,739,773

V. Tax and Tax Relief

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

Report of Directors

According to "Notice on Issues Concerning the Collection and Administration of Individual Income Tax After the Repeal of Guo Shui Fa [1993] No. 045" Guo Shui Han [2011] No. 348 issued by the State Administration of Taxation, the Company shall withhold and pay individual income tax for dividend payable to individual H shareholders. Individual H shareholders are entitled to the relevant preferential tax treatment pursuant to the provisions in the tax agreements between the countries where they are residents and China or the tax arrangements between mainland China and Hong Kong (Macao). If the individual H shareholders are Hong Kong or Macao residents or residents of the countries having an agreed dividend tax rate of 10% with China, the Company shall withhold and pay the individual income tax at a rate of 10%. Should the individual H shareholders be residents of the countries having an agreed dividend tax rate of less than 10% with China, the Company would apply for entitlement of the relevant agreed preferential tax treatment on their behalf in accordance with the administrative measures on preferential treatment entitled by non-residents under tax treaties (Announcement of the State Administration of Taxation [2019] No. 35) 《非居民納稅人享受協定待遇管理辦法》(國家稅務總局公告2019年第35號)) of the State Administration of Taxation. Should the individual H shareholders be residents of the countries having an agreed dividend tax rate exceeding 10% but lower than 20% with China, the Company shall withhold and pay the individual income tax at the actual agreed rate. In the cases of individual H shareholders who are residents of countries having not entered into any tax agreement with China or otherwise, the Company shall withhold and pay the individual income tax at a rate of 20%.

According to the requirements of the Notice of MOF, SAT and CSRC on the Tax Policies Related to the Pilot Program of the Shanghai-Hong Kong Stock Connect (Cai Shui [2014] No. 81) (《財政部、國家稅務總局、證監會關於滬港股票市場交易互聯互通機制試點有關稅收政策的通知》(財稅[2014]81號)), for the dividends received by investors (including enterprises and individuals) in the Hong Kong market from investing in A shares listed on the SSE, the listed companies shall withhold tax at the rate of 10%, and the listed companies shall report to their competent tax authorities for withholding tax. For investors in the Hong Kong market who are tax residents of other countries and whose countries of domicile have signed tax treaties with China stipulating that the tax rate for dividends is less than 10%, enterprises or individuals may apply to the competent tax authorities of the listed companies to enjoy the tax treaty treatment, either by themselves or by appointing withholding and payment agents. After the review by the competent tax authorities, the difference between the tax levied and the tax payable calculated according to the agreed tax rate shall be refunded. For dividends received by domestic individual investors and domestic securities investment funds investing in H shares listed on the Stock Exchange through the Shanghai-Hong Kong Stock Connect, the H-share companies shall withhold personal income tax at the rate of 20% but no tax will be withheld on dividends of domestic corporate investors who shall report to the tax authorities and pay the tax payable themselves. According to the requirements of the Notice of MOF, SAT and CSRC on the Tax Policies Related to the Pilot Program of the Shenzhen-Hong Kong Stock Connect (Cai Shui [2016] No. 127) (《財政部、國家稅務總局、證監會關於深港股票市場交易互聯互通機制試點有關稅收政策的通知》(財稅[2016]127號)), for the dividends received by domestic individual investors and domestic securities investment funds from investing in H shares listed on the Hong Kong Stock Exchange via the Shenzhen-Hong Kong Stock Connect, the H-share companies shall withhold personal income tax at the rate of 20% but no tax will be withheld on dividends of domestic corporate investors who shall report to the tax authorities and pay the tax payable themselves.

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

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

Report of Directors

VI. Connected Transactions

(I) Non-exempt One-off Connected Transactions

1. Acquisition of 37.81% Equity Interests in CARS (Beijing) Railway Equipment Technology Co., Ltd (鐵科(北京)軌道裝備技術有限公司) ("CARS Equipment")

On 30 March 2022, CRRC Beijing Nankou Co., Ltd. (中車北京南口機械有限公司) ("Nankou"), a wholly-owned subsidiary of the Company, entered into an equity transfer agreement with CRRC Beijing Nankou Industrial Co., Ltd (中車集團北京南口實業有限公司) ("Nankou Industrial"), pursuant to which Nankou Industrial agreed to sell and Nankou agreed to acquire 37.81% equity interest in CARS Equipment at a consideration of RMB202,990,299.93. Upon completion of the transaction, the Company will hold 37.81% equity interest in CARS Equipment and CARS Equipment will not become a subsidiary of the Company.

The transaction is conducive to the improvement of the Company's high-end rail transit equipment products series and the addition of key product series involving traffic safety under the lines of high-speed rail lines, i.e. high-speed turnouts and related components and other products. The continued profitability of CARS Equipment will enhance the stability, sustainability and anti-risk capabilities of Nankou Industrial's future development.

As at 30 March 2022, CRRC GROUP was the controlling shareholder of the Company directly holding 51.35% of the shares of the Company, and was therefore a connected person of the Company under the Hong Kong Listing Rules. Nankou is a wholly-owned subsidiary of the Company, while Nankou Industrial is a wholly-owned subsidiary of CRRC GROUP. Therefore, the entering into of the equity transfer agreement between Nankou and Nankou Industrial constitutes a connected transaction of the Company under Chapter 14A of the Hong Kong Listing Rules.

As the highest applicable percentage ratio in respect of the transaction under the equity transfer agreement exceeds 0.1% but is less than 5%, the transaction is subject to reporting and announcement requirements but is exempt from independent shareholders' approval requirement under Chapter 14A of the Hong Kong Listing Rules.

For details of the above transaction, please refer to the connected transaction announcement dated 30 March 2022 published by the Company on the website of the Stock Exchange.

Report of Directors

2. Establishment of Hunan CRRC Commercial Vehicle Power Technology Co., Ltd.* (湖南中車商用車動力科技有限公司) (the “Joint Venture”)

On 28 October 2022, Zhuzhou Institute (a wholly-owned subsidiary of the Company), Xiangyang CRRC Electric Motor Technology Co., Ltd.* (襄陽中車電機技術有限公司) (“Xiangyang Motor”) (a wholly-owned subsidiary of Zhuzhou Institute) and CRRC Times Electric Vehicle Co., Ltd.* (中車時代電動汽車股份有限公司) (“CRRC Electric Vehicle”) (a non-wholly-owned subsidiary of CRRC GROUP) entered into joint venture agreement to jointly contribute to the establishment of the Joint Venture pursuant to the terms and conditions of the joint venture agreement. According to the joint venture agreement, the registered capital of the Joint Venture is RMB205,554,500, among which: Zhuzhou Institute will contribute RMB100,293,900 in cash and hold 48.79% equity interests of the Joint Venture; Xiangyang Motor will contribute its commercial vehicle motor production line, its ancillary equipment and patent assets held of RMB33,316,500 and hold 16.21% equity interests of the Joint Venture; CRRC Electric Vehicle will contribute part of its tangible assets (construction in progress and equipment) and intangible assets (software, patents and non-patent technologies) held of RMB71,944,100 and hold 35% equity interests of the Joint Venture. After the completion of the transaction, the Joint Venture will become a subsidiary of the Company.

The purpose of the establishment of the Joint Venture is to better capitalize on the commercial vehicle manufacturing industry platform of CRRC Electric Vehicle, give full play to the respective advantages in electric drive system key components manufacturing of Zhuzhou Institute and Xiangyang Motor, expand the application field of the electric drive system technology of the Group, extend the proprietary core technology to the application scenarios of multiple industries, and accelerate the promotion on iterative innovation of the new “electric drive + transmission” integrated electric drive system, expanding and strengthening the commercial vehicle electric drive system business.

As at 28 October 2022, CRRC GROUP, the controlling shareholder of the Company, directly held 51.35% of the shares of the Company, and therefore is a connected person of the Company under the Hong Kong Listing Rules. Zhuzhou Institute and Xiangyang Motor are subsidiaries of the Company, and CRRC Electric Vehicle is a subsidiary of CRRC GROUP. Therefore, the joint venture agreement entered into among Zhuzhou Institute, Xiangyang Motor and CRRC Electric Vehicle constitutes a connected transaction of the Company under Chapter 14A of the Hong Kong Listing Rules.

As the highest applicable percentage ratio of the transaction under the joint venture agreement exceeds 0.1% but is less than 5%, the transaction under the joint venture agreement shall be subject to annual report and announcement requirements but is exempt from the independent shareholders’ approval requirement under Chapter 14A of the Hong Kong Listing Rules.

Report of Directors

For details of the above transaction, please refer to the connected transaction announcement dated 28 October 2022 published by the Company on the website of the Stock Exchange.

(II) Non-exempt continuing connected transactions

1. Provision of the performance guarantee

On 18 July 2021, as considered and passed at the 30th meeting of the second session of Board of the Company, CRRC Zhuzhou (a wholly-owned subsidiary of the Company) and CRRC Zhuzhou Electric Locomotive Industrial Management Co., Ltd. (a wholly-owned subsidiary of CRRC GROUP) (“**Zhuzhou Locomotive Industrial**”) entered into the “Agreement between CRRC Zhuzhou Electric Locomotive Industrial Management Co., Ltd. and CRRC Zhuzhou Locomotive Co., Ltd. in relation to the entrustment of 100% equity interest in CRRC ZELC SA PTY LTD. (南非中車株機有限公司)” (the “**Equity Entrustment Agreement**”) and a series of related agreements to entrust Zhuzhou Locomotive Industrial in respect of the management of the 100% equity interest in CRRC ZELC SA PTY LTD. (a holding subsidiary of CRRC Zhuzhou) (the “**Target Company**”, together with its subsidiaries, the “**Target Group**”) and entrust Zhuzhou Locomotive Industrial to exercise all shareholders’ rights from the date of the entering into of the Equity Entrustment Agreement. Based on the Equity Entrustment Agreement, during the entrustment period, all the operating income or operating losses of the Target Company shall be enjoyed or borne by Zhuzhou Locomotive Industrial, and the rewards and risks of changes in the overall value of the subject equity interest shall also be enjoyed or borne by Zhuzhou Locomotive Industrial. CRRC Zhuzhou shall relinquish all shareholders’ rights from the date of the Equity Entrustment Agreement and the Target Company shall no longer be consolidated into the financial statements of the Group as a subsidiary of CRRC Zhuzhou. Prior to the entrustment, CRRC Zhuzhou provided performance guarantee in respect of the performance obligations under the locomotive supply contract for the Target Group. After completion of the entrustment, CRRC Zhuzhou will continue to provide performance guarantee for the Target Group, and at the same time, CRRC GROUP will provide counter guarantee for any form of guarantee or potential guarantee obligations of CRRC Zhuzhou to the Target Group, including but not limited to guarantee agreements and project performance guarantees, etc. CRRC GROUP will provide full guarantee for CRRC Zhuzhou by way of counter guarantee. CRRC GROUP and CRRC Zhuzhou have signed the counter guarantee agreement. On 18 July 2021, the total outstanding amount of the performance guarantees provided by CRRC Zhuzhou for the Target Group shall be no more than ZAR4.378 billion. As at 31 December 2022, the outstanding balance of the performance guarantees provided by CRRC Zhuzhou for the Target Group amounted to ZAR4.378 billion (equivalent to approximately RMB1.801 billion calculated by the exchange rate as at 31 December 2022).

Report of Directors

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

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

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

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

The Company and CRRCG entered into the Product and Service Mutual Provision Framework Agreement on 30 March 2021, pursuant to which CRRCG and/or its associates will sell raw materials, accessories, components, equipment, packing materials and other products, and provide repairing, installing, training, processing, greening, security, sanitation, project contracting, project operation and business consulting services to the Group. The Group will sell raw materials, accessories, components, equipment, packing materials, vehicles, energy resource and other products, and provide repairing, installing, training, processing, greening, security, sanitation, project contracting, project operation and business consulting services to CRRCG and/or its associates. The agreement has an effective term from 1 January 2022 to 31 December 2024.

Report of Directors

Under the Product and Service Mutual Provision Framework Agreement: (i) the annual caps for the amounts paid by CRRCG and/or its associates for provision of products and services by the Group for each of the three years ended 31 December 2024 amounted to RMB8,000 million, RMB8,000 million and RMB8,000 million, respectively; and (ii) the annual caps for the amounts paid by the Group for provision of products and services by CRRCG and/or its associates for each of the three years ended 31 December 2024 amounted to RMB4,000 million, RMB4,000 million and RMB4,000 million, respectively.

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

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

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

Report of Directors

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

The Company and CRRCG entered into the Property Leasing Framework Agreement on 30 March 2021, pursuant to which CRRCG and/or its associates lease their lawfully owned properties to the Group and the Group leases its lawfully owned properties to CRRCG and/or its associates. The agreement has an effective term from 1 January 2022 to 31 December 2024.

Under the Property Leasing Framework Agreement, (i) the annual caps for the expense transactions by the Group for leasing of properties from CRRCG and/or its associates for each of the three years ended 31 December 2024 amounted to RMB800 million, RMB1,000 million and RMB1,500 million, respectively; and (ii) the annual caps for the income transactions of CRRCG and/or its associates for leasing of properties from the Group for each of the three years ended 31 December 2024 amounted to RMB200 million, RMB200 million and RMB200 million, respectively.

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

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

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

Report of Directors

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

Finance Company and CRRCG entered into the Financial Services Framework Agreement on 30 March 2021, pursuant to which Finance Company will provide deposit services, credit services and other financial services to CRRCG. The agreement has an effective term from 1 January 2022 to 31 December 2024.

Under the Financial Services Framework Agreement: (i) the maximum daily balance of credit (including accrued interests) in respect of the provision of credit services by Finance Company to CRRCG and/or its associates for each of the three years ended 31 December 2024 amounted to RMB15 billion, RMB16 billion and RMB17 billion, respectively; and (ii) the annual caps for the amounts received by Finance Company for provision of miscellaneous financial services to CRRCG and/or its associates for each of the three years ended 31 December 2024 amounted to RMB22 million, RMB23 million and RMB24 million, respectively.

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

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

Report of Directors

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

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

As the highest applicable percentage ratio exceeds 0.1% but is less than 5% in respect of the provision of miscellaneous financial services under the Financial Services Framework Agreement, the miscellaneous financial services to be provided by Finance Company to CRRCG are therefore subject to the annual reporting and announcement requirements but are exempt from the independent shareholders' approval requirement under Chapter 14A of the Hong Kong Listing Rules.

For details of the above non-exempt continuing connected transaction, please refer to the continuing connected transaction announcement dated 30 March 2021 and circular dated 18 May 2021 published by the Company on the website of the Stock Exchange.

Report of Directors

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

The Company confirms that the actual transaction amounts of the following non-exempt continuing connected transactions did not exceed the relevant caps in 2022. Please refer to the table below for details.

No.	Category of connected transactions	Unit: million	Currency: RMB
		Annual cap for 2022	Actual transaction amount for 2022
1.	Purchase of products and services by the Group under the Product and Service Mutual Provision Framework Agreement with CRRCG and/or its associates	4,000.00	1,121.23
2.	Sale of products and provision of services by the Group under the Product and Service Mutual Provision Framework Agreement with CRRCG and/or its associates	8,000.00	7,249.60
3.	Expense transactions by the Group under the Property Leasing Framework Agreement with CRRCG and/or its associates	800.00	238.15
4.	Revenue transactions by the Group under the Property Leasing Framework Agreement with CRRCG and/or its associates	200.00	8.79
5.	Maximum daily balance of credit (accrued interest included) in respect of the credit services provided by Finance Company under the Finance Services Framework Agreement between Finance Company and CRRCG and/or its associates	15,000.00	11,482.63
6.	Charges for miscellaneous financial services provided by Finance Company under the Financial Services Framework Agreement between Finance Company and CRRCG and/or its associates	22.00	0.00

Report of Directors

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

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

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

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

The independent non-executive Directors ensure that:

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

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

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

Report of Directors

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

(IV) Related party transactions

Save as to the above, details of the related party transactions of the Company for the year ended 31 December 2022 are set out in Note XII to the consolidated financial statements. Except for the related party transactions between the Company and joint ventures and associates set out in Note XII, all related party transactions are connected transactions of the Company under Chapter 14A of the Hong Kong Listing Rules. The Company confirms that such related party transactions have complied with the applicable disclosure requirements under Chapter 14A of the Hong Kong Listing Rules.

(V) Non-competition agreements and undertakings

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

VII. Other Discloseable Matters

(I) Principal businesses

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

(II) Major customers and suppliers

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

Report of Directors

(III) Reserves

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

(IV) Reserves available for distribution to shareholders

As at 31 December 2022, the reserves of the Company available for distribution to shareholders amounted to RMB6,530,738 thousand.

(V) Share capital

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

(VI) Bank loans and other loans

Details of the bank loans and other loans of the Company as at 31 December 2022 are set out in Notes 27 and 38 to the financial statements of this annual report prepared under the China Accounting Standards for Business Enterprises.

(VII) Property, plant and equipment

Details of changes in the property, plant and equipment of the Company in 2022 are set out in Note 19 to the financial statements of this annual report prepared under the China Accounting Standards for Business Enterprises.

(VIII) Donations

The total charitable and other donations of the Company amounted to approximately RMB21,659 thousand during the reporting period.

(IX) Service contracts of Directors and Supervisors

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

(X) Interests in transactions, arrangements or contracts of the Directors, Supervisors or entities related to the Directors and Supervisors

The Company did not enter into any transaction, arrangement or contract of significance in which Director(s) or Supervisor(s) of the Company or entities related to the Directors and Supervisors held, either directly or indirectly, any material interests for the year ended 31 December 2022.

Report of Directors

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

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

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

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

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

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

(XIV) Management contracts

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

(XV) Pre-emptive rights

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

(XVI) Employee retirement plan

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

(XVII) The Company's environmental policies and compliance

CRRC has always fully implemented Xi Jinping's ecological civilization thought, adhered to the concept of green, low-carbon and circular development, strengthened ecological and environmental protection, promoted new progress in high-quality development, and made green development the most distinctive wind vane. In 2022, seven subsidiaries of the Company were selected in the list of green factories by the Ministry of Industry and Information Technology, and four subsidiaries were rated as CRRC green factories in accordance with the "Guidelines for the Evaluation of Green Factories in Rail Transit Equipment Manufacturing Industry (Q/CRRCJ78-2020)", which laid a solid foundation for the establishment of green manufacturing system and the realization of the goal of "Dual Carbon". Some subsidiaries of the Company are the key pollutant discharging units published by the national ecological environment protection department. The environmental information of these subsidiaries has been made public in accordance with the relevant regulations and the specific requirements of the local government authorities. For more details, please refer to the websites of the local government(s).

Report of Directors

The main wastewater pollutant of CRRC is COD, the main waste gas pollutant is sulphur dioxide, and the hazardous wastes are mainly HW08, HW09, HW12 and HW49. Wastewater was discharged directly and indirectly upon treatment and reaching standards. The Company recorded COD emissions of 389.67 tons in 2022. Waste gas pollutant was discharged in an organized way after the treatment reaching the standard. The Company recorded sulphur dioxide emissions of 148.02 tons in 2022. The Company recorded hazardous waste disposal of 20,496.54 tons in 2022, which were disposed by qualified institutions. Main pollutant emission reached the national or local emission standards. The total discharge of pollutants met the requirements of the total discharge indicators.

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

Name of company	Name of pollutants	Main typical pollutants	Emission concentration	Pollutant emission standards in effect	Total emission (t/a)	Approved		Excessive emission	Emission method	Number of emission outlets	Distribution of emission outlets
						Total emission (t/a)	Excessive emission				
CRRC Sifang	Wastewater	COD	22.75mg/L	Water quality standards for sewage discharged into urban sewers (GB/T31962-2015)	500mg/L	10.4	208.35	No	Discontinuous, indirect emissions	1	In the factory
		Ammonia nitrogen	1.98mg/L		45mg/L	0.568	34.725	No			
		Total nitrogen	9.22mg/L		70mg/L	7.106	97.23	No			
	Gas exhaust	SO ₂	Not detected	Comprehensive Emission Standard of Regional Air Pollutants (DB37/2376-2019)	50mg/m ³	0.577	/	No	Organized emission	125	In the factory
Process waste gas	NO _x	35.05mg/m ³	100mg/m ³		1.72	/	No				
	Process waste gas	VOCs	3.19mg/m ³	Volatile Organic Compound Emission Standard Part 5 Surface Coating Industry (DB37/2801.5-2018)	70mg/m ³	7.441	/	No	Organized emission	293	In the factory
		Particulates	2.37mg/m ³		10mg/m ³	21.732	/	No			
	Hazardous waste	Hazardous waste	/	/	/	1,114.73	/	No	Entrusted disposal	/	/

Report of Directors

Name of company	Name of pollutants	Main typical pollutants	Emission concentration	Pollutant emission standards in effect	Total emission (t/a)	Approved total emission (t/a)	Excessive emission	Emission method	Number of emission outlets	Distribution of emission outlets					
CRRC Changchun	Wastewater	COD	20.64mg/L	Integrated Wastewater Discharge Standard (GB8978-1996)	500mg/L	21.176	777.8	No	Continuous and indirect emissions	2	In the factory				
		Ammonia nitrogen	5.07mg/L	Water quality standards for sewage discharged into urban sewer (GB/T31962-2015)	45mg/L	4.445	70	No							
	Boiler exhaust	Particulates	Coal-fired boiler	19.08mg/m ³	Boiler Air Pollutant Emission Standard (GB13271-2014)	Coal-fired boiler	80mg/m ³	21.164	116.53	No	Organized emission	11	In the factory		
			Coal-fired boiler	4.00mg/m ³		Coal-fired boiler	20mg/m ³								
			SO ₂	Coal-fired boiler		193.65/m ³	Coal-fired boiler							400mg/m ³	
	NO _x	Coal-fired boiler	143.54mg/m ³	Coal-fired boiler	50mg/m ³	83.946	676.26	No							
		Gas boiler	71.02mg/m ³	Coal-fired boiler	150mg/m ³										
	Process waste gas	VOCs	2.49mg/m ³		Comprehensive emission standard of air pollutants (GB16297-1996)	120mg/m ³		15.218	/	No	Organized emission	210	In the factory		
			Particulates	10.56mg/m ³		120mg/m ³	55.976							/	No
	Hazardous waste	Hazardous waste	/	/	/	/	1,269.791	/	No	Entrusted disposal	/	/			
CRRC Zhuzhou	Industrial wastewater	COD	17.59mg/L	Water quality standards for sewage discharged into urban sewers (GB8978-1996)	100mg/L	0.5602	12	No	Discontinuous, indirect emissions	1	In the factory				
		Ammonia nitrogen	1.0095mg/L		15mg/L	0.03215	1.8	No							
	Gas Boiler Exhaust	Particulates	7.88mg/m ³		Boiler Air Pollutant Emission Standard (GB13271-2014)	20mg/m ³		0.09219	/	No	Organized emission	3	In the factory		
			SO ₂	3mg/m ³		50mg/m ³	0.0351							1.62	No
			NO _x	102mg/m ³		150mg/m ³	1.193							/	No

Report of Directors

Name of company	Name of pollutants	Main typical pollutants	Emission concentration	Pollutant emission standards in effect	Total emission (t/a)	Approved total emission (t/a)	Excessive emission	Emission method	Number of emission outlets	Distribution of emission outlets	
	Process waste gas	VOCs	20.34mg/m ³	Emission standard of volatile organic compounds and nickel for surface coating (DB43/1356-2017)	80mg/m ³	52.32	/	No	Organized emission	167	In the factory
		Particulates	10.64mg/m ³	Comprehensive emission standard of air pollutants (GB16297-1996)	120mg/m ³	12.46	/	No			
Hazardous waste	Hazardous waste	/	/	/	/	991.38	/	No	Entrusted disposal	/	/
		Ammonia nitrogen	2.4mg/L		15mg/L	0.449	4.48125	No			
Hot Air Unit Exhaust	Particulates	Oil-fired hot air unit 3.50mg/m ³	Comprehensive emission standard of air pollutants (DB32/4041-2021)	20mg/m ³	1.164	/	No	Organized emission	29	In the factory	
		Gas-fired hot air unit 4.70mg/m ³									
	SO ₂	Oil-fired hot air unit Not detected Gas-fired hot air unit 2.50mg/m ³	200mg/m ³	0.007	/	No					
Process waste gas	VOCs	Oil-fired hot air unit 36.25mg/m ³	Comprehensive emission standard of air pollutants (DB32/4041-2021)	60mg/m ³	19.686	/	No	Organized emission	52	In the factory	
		Gas-fired hot air unit 63.33mg/m ³									
Hazardous waste	Hazardous waste	Particulates	2.96mg/m ³	200mg/m ³	3.906	/	No	Organized emission	99	In the factory	
		/	/	/	1,301.91	/	No	Entrusted disposal	/	/	

By using environmentally friendly paints, applying green and efficient production equipment, promoting the elimination of coal-fired boilers and fuel oil furnaces and kilns, implementing the upgrading of pollution control facilities, and managing the fine reduction of hazardous waste, CRRC has effectively reduced the production and emission of pollutants. The pollution control facilities for wastewater, exhaust gas, etc. of its subsidiaries, operated steadily and effectively, and the pollutant emissions meet the national or local emission standards. Hazardous wastes were comprehensively identified, sorted, stored and were managed in a standardized manner, and qualified units were entrusted to implement disposal in accordance with the law.

Report of Directors

CRRC strictly implemented the environmental impact assessment system for construction projects, carried out feasibility studies and technical discussions before the implementation of the projects, proposed measures to prevent or mitigate environmental impacts, and obtained environmental impact assessment approvals in accordance with the law before the project construction. Ecological protection and pollution prevention measures were strictly adopted during implementation, and environmental acceptance works were carried out in accordance with the laws and regulations for all completed projects. The Company implemented an enhanced emission license system. Its subsidiaries were required to hold permits, discharge according to permits and meet emission standards in accordance with the emission permit system, taking the implementation of the emission permit system as an opportunity to regulate the production and operation of enterprises and consolidate their responsibility for environmental protection.

CRRC focused on the important, difficult and risky environmental protection issues, and continued to make efforts in identifying environmental risks and hazards to strictly control the occurrence of unexpected environmental incidents. It also launched special environmental inspections of its subsidiaries around the basins of the Yangtze River and Yellow River to strengthen the control of ecological risks of its subsidiaries at various levels in these areas. The subsidiaries have formulated and filed the environmental emergency plan of the enterprise according to the requirements, formulated special emergency disposal plans for significant environmental risks of the enterprise, conducted emergency drills regularly, enhance the awareness of environmental risks and improve the ability to deal with environmental emergencies.

CRRC continued to standardize the environmental monitoring management of its subsidiaries, strengthen the setting of drain outlets and achieve comprehensive monitoring of pollution sources. It also launched an investigation and remediation campaign on automatic pollutant monitoring facilities, and firmly put an end to falsification of monitoring data. Some of the subsidiaries have installed wastewater and exhaust gas online monitoring systems in accordance with local government requirements, realized networking with environmental protection departments for real-time monitoring of pollutant emissions. A more comprehensive environmental monitoring and information disclosure mechanism has been established, and its subsidiaries have formulated independent monitoring environmental programs as required, carried out independent environmental monitoring and disclosed environmental information to the public in a timely manner.

In accordance with the requirements of the national or local environmental protection authorities, the companies and major subsidiaries under CRRC that are key emission units have publicized relevant environmental information through the websites of the environmental protection authorities or corporate websites.

Report of Directors

Companies other than those that are key emission units under CRRC disclosed information on the environmental impact assessment and acceptance of construction projects in accordance with the requirements of laws and regulations governing environmental impact assessment of construction projects, environmental acceptance of completed projects, etc.. They disclosed truthfully the pollutant discharge information in accordance with the requirements of the pollutant discharge license system. They have also disclosed other relevant environmental information according to the requirements of local environmental protection departments, and actively disclosed information such as clean production audit results and certification results of third-party system certification bodies.

CRRC is firmly committed to fulfilling its responsibility for ecological protection, practicing the “dual carbon” strategy, guided by the national “1+N” dual carbon policy system, deeply implementing the “6G” green development concept, making full use of its advantageous technological resources, developing and manufacturing of green products, developing new energy and environmental protection industries, promoting the application of low carbon technologies, adjusting and optimizing the energy structure, constructing a dual carbon system, building a digital control platform, significantly improving resource and energy efficiency, and creating a new era in the construction of green and low-carbon CRRC.

CRRC is committed to low-carbon research and development and coordination of the implementation of the dual carbon action plan and carbon reduction measures. It has accelerated the construction of a dual carbon system, established the “1+10+N” dual carbon action system, built a carbon emission audit system and continued to improve the green manufacturing system. It actively promoted rooftop photovoltaic system with an annual generation capacity of about 50 million kilowatt hours (kwh) and a reduction of carbon emission of about 30,000 tons, and developed green low-carbon products. The CR400BF intelligent MU technology platform was launched by CRRC Changchun to the world. With environmental protection as the design concept, it has reduced operational resistance by 10%, weight by about 20 tons and annual electricity consumption by about 1.8 million kwh. The recycling of interior materials reached 75% with the proportion of biodegradable materials of more than 50% and water saving by more than 10%. CR400AF-Z “Ruilong Zhixing”, a new intelligent “Fuxinghao” MU produced by CRRC Sifang, adopts a low resistance streamline shape and a smooth design, saving about 7,000 kWh of electricity and reducing carbon dioxide emissions by about 5 tons per round trip to Beijing and Shanghai. CRRC Zhuzhou provides hydrogen-powered locomotives, which can reduce CO₂ emissions by 508 tons per year compared to internal combustion locomotives. The 3,000-horsepower hybrid locomotives (heavy hybrid) developed by CRRC Dalian can save up to 33.9% in fuel consumption, and reduce 44% in nitrogen oxide emission, 81.1% in carbon monoxide emission and 72.5% in hydrocarbon emission. The first 8MW+ wind turbine of CRRC ZELRI was successfully installed in Zhangbei County, with single turbines generating 18% more electricity than 6.25MW and contributing approximately 29.66 million kWh of clean electricity annually. The application of intelligent digital technology was promoted to upgrade the development of the energy and carbon Intelligence cloud platform and achieve real-time online control of energy and carbon, which fully supported energy management and carbon management and promoted the quality development of CRRC with green and low-carbon reforms.

Report of Directors

(XVIII) Relationship with employees, customers and suppliers

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

(XIX) Compliance with laws, regulations and rules

The Company is aware of the importance of complying with legal and regulatory requirements. The Company has established a relatively sophisticated system to ensure persistent compliance with applicable laws, regulations and rules. More specifically, the legal department of the Company and other relevant departments are primarily responsible for reviewing whether the Group’s operations have complied with the relevant laws and regulations. The Company has also deployed corresponding departments and sufficient manpower and resources to monitor the compliance situation at the subsidiary level. For the year ended 31 December 2022, to the best of our knowledge, the Company has complied with the laws and regulations of the relevant areas in all material respects, including but not limited to laws and regulations such as the Railway Law of the People’s Republic of China (《中華人民共和國鐵路法》), the Law of the People’s Republic of China on Work Safety (《中國人民共和國安全生產法》), the Environmental Protection Law of the People’s Republic of China (《中華人民共和國環境保護法》) and Regulation on the Administration of Railway Safety (《鐵路安全管理條例》), which have great significance or impact on the operation of the Company in aspects such as rail transit equipment production, safety and environmental protection. The Company is listed on the SSE and the Stock Exchange. For the year ended 31 December 2022, the Company complied with the listing rules and all applicable laws and regulations of its places of listing.

Directors, Supervisors, Senior Management and Staff

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

Sun Yongcai
Chairman, Executive Director

Lou Qiliang
Executive Director, President

Wang An
Executive Director

Jiang Renfeng
Non-executive Director

Shi Jianzhong
Independent non-executive Director

Weng Yiran
Independent non-executive Director

Ngai Ming Tak
Independent non-executive Director

Directors, Supervisors, Senior Management and Staff

I. Shareholding Changes and Remuneration

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

Name	Position	Gender	Age	Commencement of term of office	Expiration of term of office	Number of shares held at the beginning of the year	Number of shares held at the end of the year	Changes in number of shares for the year	Reason of the change	Current remuneration received from the Company during the reporting period	Welfare expenses including basic pension insurance	Total current remuneration before tax received from the Company during the reporting period	Whether receiving remuneration from related parties of the Company
										(RMB'0,000)	(RMB'0,000)	(RMB'0,000)	
Sun Yongcai	Executive Director, Chairman	Male	58	22 December 2021	21 December 2024	111,650	111,650	0	-	86.37	14.13	100.50	No
Lou Qiliang	Executive Director, President	Male	59	22 December 2021	21 December 2024	0	0	0	-	82.05	14.13	96.18	No
Wang An ^{Note2}	Executive Director	Male	52	22 December 2021	21 December 2024	0	0	0	-	-	-	-	Yes
Jiang Renfeng	Non-executive Director	Male	59	22 December 2021	21 December 2024	0	0	0	-	-	-	-	No
Shi Jianzhong	Independent non-executive Director	Male	65	22 December 2021	21 December 2024	0	0	0	-	10.00	-	10.00	No
Weng Yiran	Independent non-executive Director	Male	68	22 December 2021	21 December 2024	0	0	0	-	6.17	-	6.17	No
Ngai Ming Tak	Independent non-executive Director	Male	55	22 December 2021	21 December 2024	0	0	0	-	13.20	-	13.20	No
Zhao Hu	Employee Representative Supervisor Chairman of Supervisory Committee	Male	55	17 November 2021 22 December 2021	21 December 2024 21 December 2024	0	0	0	-	84.26	14.13	98.39	No
Chen Zhenhan	Supervisor	Male	48	22 December 2021	21 December 2024	0	0	0	-	68.46	14.13	82.59	No
Chen Xiaoyi	Supervisor	Male	59	22 December 2021	21 December 2024	0	0	0	-	68.66	14.13	82.79	No
Wang Jun	Vice President	Male	59	23 December 2021	21 December 2024	0	0	0	-	77.74	14.13	91.87	No
Wei Yan	Vice President	Male	59	23 December 2021	21 December 2024	0	0	0	-	77.74	14.13	91.87	No
Yu Weiping	Vice President	Male	56	23 December 2021	21 December 2024	0	0	0	-	77.30	14.13	91.43	No
Li Zheng	Chief Financial Officer	Female	50	23 December 2021	21 December 2024	0	0	0	-	76.86	14.13	90.99	No
Ma Yunshuang	Vice President	Male	51	23 December 2021	21 December 2024	0	0	0	-	76.86	14.13	90.99	No
Wang Gongcheng	Vice President	Male	50	23 December 2021	21 December 2024	0	0	0	-	76.86	14.13	90.99	No
Wang Jian	Secretary to the Board	Male	50	23 December 2021	21 December 2024	0	0	0	-	83.34	14.13	97.47	No
Total	/	/	/	/	/	111,650	111,650	0	-	965.87	169.56	1,135.43	/

Directors, Supervisors, Senior Management and Staff

Notes:

1. The above remuneration received by Sun Yongcai, Lou Qiliang, Wang An, Wang Jun, Wei Yan, Yu Weiping, Li Zheng, Ma Yunshuang and Wang Gongcheng, all being Senior Management members, from the Company during the reporting period were approved by the SASAC for year 2022;
2. The remuneration of Wang An was expensed by CRRCG;
3. The details of the incentive income for the 2019-2021 term of office received by Sun Yongcai, Lou Qiliang, Wang An, Wang Jun, Wei Yan, Yu Weiping, Li Zheng, Ma Yunshuang and Wang Gongcheng from the Company during the reporting period are as follows:

Name	Position (Note)	Incentive income	
		term of office (in RMB10,000)	Incentive time of term of office
Sun Yongcai	Executive Director, Chairman	73.70	2019.01-2021.12
Lou Qiliang	Executive Director, President	67.56	2019.01-2021.12
Wang An	Executive Director	-	2019.01-2021.12
Wang Jun	Vice-President	66.32	2019.01-2021.12
Wei Yan	Vice-President	66.32	2019.01-2021.12
Yu Weiping	Vice-President	65.74	2019.01-2021.12
Li Zheng	Chief Financial Officer	47.37	2019.10-2021.12
Ma Yunshuang	Vice-President	30.97	2020.08-2021.12
Wang Gongcheng	Vice-President	30.97	2020.08-2021.12
Total	/	448.95	/

Directors, Supervisors, Senior Management and Staff

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

Directors

Mr. Sun Yongcai, born in 1964, a Chinese national with no right of abode overseas, is a holder of doctoral degree and is a professorate senior engineer. He serves as a delegate to the 20th Congress of the Chinese Communist Party, a member of the 14th CPPCC National Committee, the Party Secretary of the Party Committee, the chairman and an executive Director of the Company, and also serves as the Party Secretary of the Party Committee and the chairman of CRRCG. Mr. Sun once served as a director and deputy general manager, the Party secretary, vice chairman and deputy general manager of Dalian Railway Transportation Equipment Company Limited and the chief engineer of CNR, as well as a standing member of the Party Committee of CNRG. From December 2010 to May 2015, he served as a vice president and standing member of the Party Committee of CNR. He has served as a standing member of the Party Committee of the Company since May 2015, a Vice President of the Company from June 2015 to June 2017, an executive Director of the Company since June 2017, the President of the Company from September 2017 to August 2021, the deputy secretary of the Party Committee of the Company from September 2017 to March 2021. He has served as the secretary of the Party Committee of the Company since March 2021. Mr. Sun is entitled to special government allowance granted by the State Council, was awarded the First Prize for State Scientific Technology Advancement (國家科學技術進步一等獎), the National Innovation Award (全國創新爭先獎) and the special prize and the first prize from China Railway Society. He has been awarded the title of "Reform Pioneer" of the 40th Anniversary of Reform and Opening Up by the Central Committee of the Communist Party of China and the State Council and awarded as the host of the research and development of "Fuxing" high-speed train in 2018, and has been awarded the title of "most beautiful struggler" of the 70th Anniversary of the Founding of the People's Republic of China by nine departments such as the Publicity Department and the Organization Department of the Communist Party of China in 2019.

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

Directors, Supervisors, Senior Management and Staff

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

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

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

Directors, Supervisors, Senior Management and Staff

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

Mr. Ngai Ming Tak, born in 1967, a Hong Kong Chinese national, is a holder of master's degree. He currently serves as a non-executive director of the Company as well as the chairman of The Red Group Investment Limited (安德資本有限公司), the chairman of Asia GreenTech Fund (亞洲綠色科技基金), the president of Green Economy Development Limited (綠色經濟發展有限公司), a standing member of the 12th, the 13th and the 14th CPPCC National Committee, an external director of China COSCO Shipping Corporation Limited, an independent non-executive director of China Longyuan Power Group Corporation Limited (龍源電力集團股份有限公司), an independent non-executive director of Starlight Culture Entertainment Group Limited (星光文化娛樂集團有限公司), an independent non-executive director of True Partner Capital Holding Limited and an independent non-executive director of Sanergy Group Limited. He was the managing director of UBS Investment Bank (瑞士銀行). Mr. Ngai is also the chairman of Hong Kong Financial Development Association (香港金融發展協會), a Council Member of Hong Kong University of Science and Technology and a member of the advisory panel of the Hong Kong Metropolitan University. Mr. Ngai was awarded as a honorary citizen of Harbin, Heilongjiang Province, a Fellow Commoner of Clare Hall, University of Cambridge (英國劍橋大學克萊爾學堂院士同桌人) and a Honorary Fellow of the Lingnan University of Hong Kong. He has been an independent non-executive director of the Company since December 2021.

Directors, Supervisors, Senior Management and Staff

Supervisors

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

Mr. Chen Zhenhan, born in 1974, a Chinese national with no right of abode overseas, is a holder of bachelor's degree and a master degree. He is a professorate senior accountant and is currently the supervisor, the head of the Audit Risk and Legal Compliance Department of the Company. Mr. Chen was the deputy director of the audit second division of the audit department, the deputy director, director of the audit division of the audit and risk department of CSR, the deputy director of the audit and risk department and director of the internal control division of CRRC, and the vice general manager and chief financial officer of CRRC Environmental & Technology Co., Ltd. From October 2018 to May 2020, he has served as the head of the audit and risk department of the Company. He has been serving as the supervisor since June 2019, the director of the Audit Risk and Legal Center of the Company from May 2020 to November 2022 and the department head of the Audit Risk and Legal Compliance Department of the Company since November 2022.

Mr. Chen Xiaoyi, born in 1963, a Chinese national with no right of abode overseas, is a holder of bachelor's degree and is a senior engineer, the supervisor, senior consultant of the Audit Risk and Legal Compliance Department of the Company. Mr. Chen also serves as the employee representative supervisor of CRRCG. He used to serve as the deputy director and director of the forging department, head of the business planning office and the planning management office of Beijing Erqi Locomotive Factory (北京二七機車廠), senior engineer of the integrated management department and senior engineer and head assistant of the enterprise management department of CNRG, deputy head and head of the legal affairs department of CNR. From June 2015 to May 2020, he has successively served as the head of the legal affairs department of the Company, deputy head (minister level) of the legal affairs department and head of the legal affairs department of the Company. He has served as the supervisor of the Company since December 2019, the deputy director (minister level) of the Audit Risk and Legal Center of the Company from May 2020 to December 2021, a senior consultant of the Audit Risk and Legal Center of the Company from December 2021 to November 2022 and a senior consultant of the Audit Risk and Legal Compliance Department of the Company since November 2022.

Directors, Supervisors, Senior Management and Staff

Senior Management

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

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

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

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

Directors, Supervisors, Senior Management and Staff

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

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

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

Directors, Supervisors, Senior Management and Staff

Mr. Wang Jian, born in 1972, a Chinese national with no right of abode overseas, is a holder of master's degree and a master's degree in business administration, and is a senior accountant. He currently serves as the secretary to the Board, the Joint Company Secretary and the head of the Finance and Capital Operation Department of the Company. Previously, Mr. Wang Jian served as the deputy director of the accounting office of the finance department and the deputy head of the finance department of CNRG, the deputy head and the director of funding division in the finance department, the head of the finance department, the assistant to chief accountant and the head of the finance department of CNR. From June 2015 to May 2020, he has served as the deputy chief accountant and the head of the finance department, and the head of the finance department of the Company. He has served as the director of the finance and capital operation center of the Company since May 2020, the Joint Company Secretary of the Company since August 2021, and the Secretary to the Board of the Company since October 2021. He has also been the head of the Finance and Capital Operation Department of the Company since November 2022.

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

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

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

(I) Positions held in shareholder's entity

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

Directors, Supervisors, Senior Management and Staff

(II) Positions held in other entities

Employee's name	Name of other entities	Position held in other entities	Commencement of term of office	Expiration of term of office
Jiang Renfeng	China Datang Corporation Ltd.	External director	November 2021	-
	China Logistics Group Limited	External director	December 2021	-
Shi Jianzhong	China Electronics Technology Group Corporation Limited	External director	March 2020	-
	Aero Engine Corporation of China	Director	July 2016	-
Ngai Ming Tak	Red Group	Chairman	December 2013	-
	Asia GreenTech Fund	Chairman	February 2020	-
	Green Economy Development Limited	President	August 2021	-
	China COSCO Shipping Corporation Limited	External director	May 2022	-
	China Longyuan Power Group Corporation Limited	Independent non-executive director	November 2021	-
	Starlight Culture Entertainment Group Limited	Independent non-executive director	May 2017	-
	True Partner Capital Holding Limited	Independent non-executive director	October 2020	-
	Sanergy Group Limited	Independent non-executive director	December 2022	-

Notes:

- (1) China Longyuan Power Group Corporation Limited is a company listed on the Main Board of the Stock Exchange (stock code: 916).
- (2) Starlight Culture Entertainment Group Limited is a company listed on the Main Board of the Stock Exchange (stock code: 1159).
- (3) True Partner Capital Holding Limited is a company listed on the GEM board of the Stock Exchange (stock code: 8657).
- (4) Sanergy Group Limited is a company listed on the Main Board of the Stock Exchange (stock code: 2459).

Directors, Supervisors, Senior Management and Staff

III. Remuneration of Directors, Supervisors and Senior Management

Decision-making procedures of the remuneration of Directors, Supervisors and Senior Management	The Remuneration and Evaluation Committee of the Board submits proposals to the Board in respect of the remuneration for Directors and members of the Senior Management. The Board decides the remuneration, incentives and punishment matters for members of the management. The general meeting of the Company decides matters relating to the remuneration for the relevant Directors and Supervisors.
Determination basis of the remuneration of Directors, Supervisors and Senior Management	The Company determined the remuneration of Directors, Supervisors and Senior Management with reference to the Articles of Association and relevant requirements.
Actual payment of the remuneration of Directors, Supervisors and Senior Management	The Company, pursuant to relevant provisions, paid remunerations to the Directors, Supervisors and Senior Management, except for Jiang Renfeng, a non-executive Director, who is concurrently a professional external director of SASAC and does not receive remuneration from the Company pursuant to the requirement of SASAC; Shi Jianzhong and Weng Yiran, independent Directors, who received remuneration pursuant to the standard approved at the general meeting in accordance with the requirement of SASAC.
Total actual remuneration of all the Directors, Supervisors and Senior Management at the end of the reporting period	The total remuneration for the year was RMB11,354,300 and the total incentive for the term of office for 2019-2021 was RMB4,489,500.

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

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

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

Directors, Supervisors, Senior Management and Staff

V. Staff of the Parent Company and Principal Subsidiaries

(I) Staff information

Total number of staff with the parent company	188
Total number of staff with principal subsidiaries	157,049
Total number of staff	157,237
Number of employees whose retirement expenses are borne by the parent company and principal subsidiaries	126,586

By profession

Category of profession	Number of each profession
Production personnel	84,366
Technical personnel	36,334
Management personnel	31,834
Other personnel	4,703
Total	157,237

By education

Education level	Number (person)
Doctors	515
Masters	14,358
University graduates	53,723
Tertiary college graduates	36,769
Secondary school and below	51,872
Total	157,237

Directors, Supervisors, Senior Management and Staff

(II) Remuneration policies

In 2022, the Company further improved the salary management system. Firstly, we formulated the “Regulations on the Management of Employee Compensation and Benefits of CRRC” (《中國中車員工薪酬福利管理辦法》). These regulations coordinate and integrate the management modules of total remuneration management, remuneration of persons in charge of the enterprise, medium-to-long-term incentives, internal distribution, benefits and remuneration and benefits of overseas enterprises, and establish a comprehensive and diversified remuneration and benefits management system that reflects the economic efficiency of the enterprise and meets the market development trend. Secondly, it revised the “Regulations on the Management of Overall Employee Performance of CRRC” (《中國中車全員績效管理辦法》). It will improve the management system on overall staff performance, continuously optimize the performance management system, scientifically formulate the assessment standards, standardize the management process and practically promote the performance assessment. Thirdly, it formulated the “Regulations on Remuneration Incentives of Technological Talent” (《科技人才薪酬激勵辦法》) to fully implement the remuneration multiplier relationship of comparable positions of key technological personnel, and gradually align the income relationship and income level of technological talent with the market.

(III) Personnel training

In 2022, the Company continued to increase its efforts in training and cultivation of talents. According to the “14th Five-Year Plan” human resources strategic plan, it formulated the “2022 Main Point of Human Resources of CRRC” (《中國中車2022年人力資源工作要點》) and the annual training plan, and organized, planned and launched the project of talent training and development of the Company in 2022. According to the demand of talent of the “One Core, Three Poles, Multi Points” business structure and the key talent tasks of the year, it further strengthened the establishment of training management system, training course system, trainer system and e-learning platform, systematically designed training projects, carefully planned training programs and made efforts to strengthen project implementation and evaluation. Through the planning and organization of leadership, digitalization, internationalization and other training series to empower talent, to help the Company’s industrial digitalization and digital industrialization development. In response to the impact of unexpected factors, it innovated the organization of training, made comprehensive use of internal and external training resources, and adopted the “online + offline” mode of training to promote the implementation of training programs.

In 2022, we organized and implemented training programs for the “Five Strong” leadership teams, international talents, the “Dual Carbon” theme, the human resources system and headquarter departments, and planned and held 18 key training programs at the company level, providing training to more than 8,500 employees. A total of 231,000 people have participated in subsidiary level and workshop level training held by affiliated enterprises, with approximately 32,000 management personnel, approximately 46,000 professional and technical personnel, and 153,000 skilled personnel participated, providing a solid human resource guarantee for the Company’s high-quality development and accelerating the construction of a respected world-class CRRC.

Corporate Governance Report

I. Explanation of Related Circumstance of Corporate Governance

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

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

Code provision C.1.6 of the Code stipulates that independent non-executive directors and other non-executive directors should attend general meetings to gain and develop a balanced understanding of the views of the shareholders. Due to other engagements, Mr. Shi Jianzhong and Mr. Ngai Ming Tak, independent non-executive directors of the Company, were unable to attend the annual general meeting of the Company held on 16 June 2022. However, there were sufficient directors (comprising executive directors, non-executive director and independent executive directors) present at the annual general meeting to ensure that the Board was able to develop a balanced understanding of the views of shareholders.

II. Shareholders and General Meetings

(I) Shareholders and general meetings

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

Corporate Governance Report

(II) Relationship between the controlling shareholder and the Company

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

III. Directors and the Board

(I) Directors and the Board

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

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

Corporate Governance Report

The Company has established a sound mechanism to clarify the nomination policy of the Directors, the terms of reference of the Remuneration and Nomination Committee, the procedures for the election and appointment of the Directors (including independent non-executive Directors) and the criteria for their appointment, the mechanism for abstention of the Directors from voting on relevant proposals to be considered by the Board, the authority of the independent board committee to engage independent financial advisors or other professional advisors, etc. through the formulation and improvement of internal policies such as the Articles of Association, the Rules of Procedure for the Board of Directors and the Rules of Work for the Independent Directors of CRRC Corporation Limited to ensure that the Board can obtain independent views and opinions. The Company has reviewed the implementation and effectiveness of the above mechanism and considers that the above mechanism can ensure that the Board can obtain independent views and opinions.

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

In 2022, the Company purchased liability insurance for Directors, Supervisors and Senior Management of the Company to provide security for the compensation liabilities that may rise during the performance of their duties in accordance with laws.

Corporate Governance Report

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

Meeting session	Convention date	Meeting resolution
4th meeting of the third session of the Board	30 March 2022	"Resolution on the Annual Report 2021 of CRRC Corporation Limited" and 23 other resolutions were considered and approved at the meeting
5th meeting of the third session of the Board	29 April 2022	"Resolution on the 2022 First Quarterly Report of CRRC Corporation Limited" and 4 other resolutions were considered and approved at the meeting
6th meeting of the third session of the Board	26 August 2022	"Resolution on the 2022 Interim Report of CRRC Corporation Limited" was considered and approved at the meeting
7th meeting of the third session of the Board	22 September 2022	"Resolution on the Transfer of the Equity Interest of CRRC Sifang and Qingdao CRRC Sifang Held by CRRC Corporation Limited to CRRC Sifang Company at Nil Consideration" and 1 other resolution were considered and approved at the meeting
8th meeting of the third session of the Board	28 October 2022	"Resolution on the 2022 Third Quarterly Report of CRRC Corporation Limited" and 1 other resolution were considered and approved at the meeting
9th meeting of the third session of the Board	25 November 2022	"Resolution on the Capital Increase of and Transfer of Asset Projects to Zhuzhou CRRC Times Semiconductor Co., Ltd. by Zhuzhou CRRC Times Electric Co., Ltd." and 2 other resolutions were considered and approved at the meeting

During the reporting period, the Company convened 6 Board meetings, all of which were held on site combined with communication method.

Corporate Governance Report

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

Name of Directors	Independent Director or not	Required attendance during the year	Attendance at the Board meetings				Attendance at the general meeting	
			Attendance in person	Attendance by communication	Attendance by proxy	Absent	Absent from two consecutive meetings or not	Number of attendance at the general meeting
Sun Yongcai	No	6	6	0	0	0	No	1
Lou Qiliang	No	6	5	1	1	0	No	1
Wang An	No	6	6	0	0	0	No	1
Jiang Renfeng	No	6	5	0	1	0	No	1
Shi Jianzhong	Yes	6	6	5	0	0	No	0
Weng Yiran	Yes	6	6	0	0	0	No	1
Ngai Ming Tak	Yes	6	6	3	0	0	No	0

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

The Board Office provided comprehensive services and sufficient information for the Directors, so that the Directors can understand the conditions of the Company in a timely manner. The Board Office delivered to Directors the latest information and bulletins related to the business changes and development of the Company and the latest laws, rules and regulations in relation to their positions and responsibilities. The Board Office also arranged themed trainings and seminars for Directors. In 2022, pursuant to the requirements under code provision C.1.4 of the Code, Directors of the Company all participated in continuous professional development activities in relation to their positions and responsibilities, to develop and refresh their knowledge and skills, so as to ensure that their contribution to the Board remains informed and relevant. Based on the trainings arranged for the Directors by the Company and the records of learning and trainings submitted by the Directors personally, the trainings received by each Director in 2022 are as follows:

Name of Director	Trainings ^{Note 1}
Executive Directors	
Sun Yongcai	ABC
Lou Qiliang	ABC
Wang An	ABC
Non-executive Director	
Jiang Renfeng	ABC
Independent Non-executive Directors	
Shi Jianzhong	ABC
Weng Yiran	ABC
Ngai Ming Tak	ABC

Corporate Governance Report

Note:

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

(V) Independent non-executive Directors and their independence

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

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

(VI) Responsibilities of the Board

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

Corporate Governance Report

(VII) Board committees

1. Strategy Committee

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

During the reporting period, the Strategy Committee of the Board of the Company held 2 meetings in total.

Convention date	Content of the meeting	Important comments and suggestions	Other performance of duties
29 March	"Resolution on the 2022 Annual Investment Plan of CRRC Corporation Limited" and 2 other resolutions were considered	The Strategy Committee carried out its work in strict accordance with the relevant laws, administrative regulations and departmental rules and regulations, exercised due diligence and made relevant comments based on the actual situation of the Company. After thorough discussions, it considered and passed all the resolutions and agreed to submit them to the Board of the Company for consideration.	None

Corporate Governance Report

Convention date	Content of the meeting	Important comments and suggestions	Other performance of duties
22 September	"Resolution on the Medium and Low Voltage Power Devices Industrialization Construction Project of CRRC Times Semiconductor" was considered	The Strategy Committee carried out its work in strict accordance with the relevant laws, administrative regulations and departmental rules and regulations, exercised due diligence and made relevant comments based on the actual situation of the Company. After thorough discussions, it considered and passed all the resolutions and agreed to submit them to the Board of the Company for consideration.	None

The attendance of each member is as follows:

Name of Directors	Number of attendance/ Number of meeting	Attendance rate
Sun Yongcai	2/2	100%
Jiang Renfeng	2/2	100%
Lou Qiliang	1/2	50%
Wang An	2/2	100%
Shi Jianzhong	2/2	100%

Corporate Governance Report

2. Nomination Committee

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

Diversity Policy

All appointments to the Board are made on the basis of merit, and objective criteria is used for consideration of candidates with due regard to the benefits of diversity on the Board and, from time to time, the Company's own business model and specific needs. The Company has adopted a diversity policy for the Board. In accordance with the Board Diversity Policy, the Nomination Committee shall take into account relevant factors to achieve diversity of members of the Board based on the business model and specific needs of the Company. The Committee may consider diversity of members of the Board from various aspects, including but not limited to gender, age, cultural and educational background, race, professional experience, skills, knowledge and length of service. After considering the above relevant factors, the Committee makes final recommendations to the Board for appointment based on the strengths of the Director candidates and the contribution they can make to the Board, to ensure an appropriate balance of skills, experience and diversity among members of the Board in order to enhance their performance. For the purpose of implementing the Board Diversity Policy, the Company has adopted the following measurable objectives:

- 1 : There is at least one female member on the Board;
- 2 : There is at least one independent non-executive Director on the Board who ordinarily resides in Hong Kong;

Corporate Governance Report

- 3 : There is at least one financial expert on the Board with professional qualifications and experience in finance and auditing as recognized by the regulatory authorities;
- 4 : The number of non-executive Directors (including independent non-executive Directors) on the Board reaches at least one-half of the number of the Directors on the Board, and the number of independent non-executive Directors reaches one-third of the number of the Directors on the Board;
- 5 : The age composition of the Directors is reasonable, with the existing 7 Directors with the age range from 52 to 68, of whom 5 are under 60 years old and 2 are over 60 years old;
- 6 : Diversity in the professions practiced by the Directors, with the existing 7 Directors having a balanced mix of experience in the fields of operation and management, rail transportation, law, administration and accounting.

For the year ended 31 December 2022, the Company achieved the measurable targets in the Board Diversity Policy, except for gender diversity. Considering the importance of gender diversity, on 29 March 2022, the Company held the third meeting of the Nomination Committee of the third session of the Board, where the Nomination Committee made a discussion from the perspective of gender diversity on the Board of Directors and recommended the election of a female director for the fourth session of the Board of the Company (i.e., no later than 31 December 2024), given that the third session of the Board was composed of all male members. In selecting and recommending suitable candidates for the members of the Board, the Company will seize the opportunity to increase the proportion of female members of the Board and enhance the level of gender diversity in accordance with shareholder expectations and recommended best practices.

The Senior Management of the Company is composed of 7 members, including one female member. In selecting and recommending suitable candidates for the Senior Management, the Company will seize the opportunity to increase the proportion of female members. The Company has always adhered to the principle of equal employment between men and women and eliminated gender discrimination. Since the Company is mainly engaged in the rail transportation industry, many production positions in the Company are labor-intensive and not suitable for female employees due to objective factors such as physical ability and operating environment. In order to protect the employment rights of women, the Company arranges jobs within the capacity of female employees as far as possible and ensures that the proportion of female employees is not less than the current level. As at the end of the reporting period, the ratio of female employees to all employees of the Company was 17%.

Corporate Governance Report

During the reporting period, the Nomination Committee of the Board of the Company held 2 meetings in total.

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

Corporate Governance Report

The attendance of each member is as follows:

Name of Directors	Number of attendance/ Number of meeting	Attendance rate
Ngai Ming Tak	2/2	100%
Sun Yongcai	2/2	100%
Lou Qiliang	2/2	100%
Shi Jianzhong	2/2	100%
Weng Yiran	2/2	100%

3. Remuneration and Evaluation Committee

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

Corporate Governance Report

During the reporting period, the Remuneration and Evaluation Committee of the Board of the Company held 2 meetings in total.

Convention date	Content of the meeting	Important comments and suggestions	Other performance of duties
29 March	"Resolution on Remuneration to Directors of CRRC Corporation Limited for 2021" and 1 other resolution were considered	The Remuneration and Evaluation Committee carried out its work in strict accordance with the relevant laws, administrative regulations and departmental rules and regulations, exercised due diligence and made relevant comments based on the actual situation of the Company. After thorough discussions, it considered and passed all the resolutions and agreed to submit them to the Board of the Company for consideration.	None
28 October	"Report on the Implementation of the Medium-to-Long-Term Incentives of CRRC" was listened	The Remuneration and Evaluation Committee carried out its work in strict accordance with the relevant laws, administrative regulations and departmental rules and regulations, exercised due diligence and made relevant comments based on the actual situation of the Company.	None

Corporate Governance Report

The attendance of each member is as follows:

Name of Directors	Number of attendance/ Number of meeting	Attendance rate
Shi Jianzhong	2/2	100%
Weng Yiran	2/2	100%
Jiang Renfeng	2/2	100%

4. Audit and Risk Management Committee

During the reporting period, the Audit and Risk Management Committee of the Board, in strict compliance with requirements of the Working Rules for Audit and Risk Management Committee of the Board and the Annual Report Working Procedures for the Audit and Risk Management Committee of the Board, performed its duties in an independent and objective manner. The Audit and Risk Management Committee of the Board of the Company comprises Mr. Weng Yiran and Mr. Ngai Ming Tak, who are independent non-executive Directors and Mr. Jiang Renfeng, who is the non-executive Director. Mr. Weng Yiran has extensive professional knowledge and experience in accounting and is certified public accountants serving as the chairman of the Audit and Risk Management Committee. The Audit and Risk Management Committee shall be held accountable to the Board and its primary responsibilities are to propose the appointment or replacement of external auditors, to supervise and evaluate the work of external auditors, to review the Company's financial information and its disclosure, to monitor the Company's internal audit system and its implementation, to review the Company's internal control and risk management system as well as communication between internal auditors and external auditors. During the reporting period, the Audit and Risk Management Committee successfully accomplished the following work: (1) supervising external audit procedures and quality. The Audit and Risk Management Committee communicated with auditors for annual audit plan in respect of the 2021 annual audit arrangement and timetable. Having been debriefed special reports from the accounting firms, respectively, the Committee determined the audit work arrangement of the Company for 2022. (2) reviewing the financial information of the Company and the disclosure thereof. The Audit and Risk Management Committee examined and studied the financial information as disclosed in the Company's report and financial statements, and carefully reviewed the resolutions in relation to the financial report of the Company. (3) providing guidance to the Company's internal audit. The Audit and Risk Management Committee considered the proposals submitted by the audit department and reviewed and approved the internal audit work plan put forward by the Company and gave guidance and lay down requirements for carrying out internal audit. (4) reviewing the Company's implementation of internal control and risk management. The Audit and Risk Management Committee considered the proposals regarding internal control and risk management submitted by the Company and expressed review opinions on the internal control audit report of the Company for 2021.

Corporate Governance Report

During the reporting period, the Audit and Risk Management Committee of the Board of the Company held 4 meetings in total.

Convention date	Content of the meeting	Important comments and suggestions	Other performance of duties
29 March	"Resolution on the Annual Report 2021 of CRRC Corporation Limited" and 14 other resolutions were considered	The Audit and Risk Management Committee carried out its work in strict accordance with the relevant laws, administrative regulations and departmental rules and regulations, exercised due diligence and made relevant comments based on the actual situation of the Company. After thorough discussions, it considered and passed all the resolutions and agreed to submit the relevant resolutions to the Board of the Company for consideration.	None
29 April	"Report on the 2021 First Quarterly Report of CRRC Corporation Limited" was listened	The Audit and Risk Management Committee carried out its work in strict accordance with the relevant laws, administrative regulations and departmental rules and regulations, exercised due diligence and made relevant comments based on the actual situation of the Company.	None

Corporate Governance Report

Convention date	Content of the meeting	Important comments and suggestions	Other performance of duties
25 August	“Resolution on the 2022 Interim Report of CRRC Corporation Limited” was considered	The Audit and Risk Management Committee carried out its work in strict accordance with the relevant laws, administrative regulations and departmental rules and regulations, exercised due diligence and made relevant comments based on the actual situation of the Company. After thorough discussions, it considered and passed all the resolutions and agreed to submit the resolutions to the Board of the Company for consideration.	None
28 October	“Resolution on the Connected Transaction of the Establishment of Hunan CRRC Commercial Vehicle Power Technology Co., Ltd.* (湖南中車商用車動力科技有限公司) by CRRC ZELRI, Xiangyang Motor and CRRC Electric Vehicle” was considered	The Audit and Risk Management Committee carried out its work in strict accordance with the relevant laws, administrative regulations and departmental rules and regulations, exercised due diligence and made relevant comments based on the actual situation of the Company. After thorough discussions, it considered and passed all the resolutions and agreed to submit the resolutions to the Board of the Company for consideration.	None

Corporate Governance Report

The attendance of each member is as follows:

Name of Directors	Number of attendance/ Number of meeting	Attendance rate
Weng Yiran	4/4	100%
Jiang Renfeng	4/4	100%
Ngai Ming Tak	4/4	100%

IV. Chairman and President

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

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

According to the announcement of the Company dated 30 March 2021, Mr. Sun Yongcai, was elected as the chairman of the Company and also served as the legal representative of the Company and the chairman of the Strategy Committee of the Board of the Company.

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

Corporate Governance Report

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

V. Supervisors and the Supervisory Committee

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

VI. Responsibilities of the Management

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

Corporate Governance Report

VII. Shareholders' Rights

(I) Convening of an extraordinary general meeting by shareholders

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

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

(II) Putting enquiry to the Board by shareholders

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

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

Tel: (8610) 5186 2188

Fax: (8610) 6398 4785

Email: crcc@crccgc.cc

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

Corporate Governance Report

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

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

The Board of the Company has reviewed the implementation of the Company's shareholder communication policy for 2022. Taking into account the above-mentioned communication channels, the steps taken and the events held by the Company, the Company considers that the shareholder communication policy for 2022 has been effectively implemented. Details of the steps taken and events held by the Company are set out in "Investor Relations" of this annual report.

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

In order to further improve the level of corporate governance and meet the relevant regulatory requirements, the Company has amended the Articles of Association (including the Rules of Procedure for General Meetings of CRRC Corporation Limited and the Rules of Procedure for the Board of Directors of CRRC Corporation Limited as its appendices), in accordance with the prevailing laws and regulations and regulatory documents including the Guidelines on Articles of Association of Listed Companies (Revised 2022), the Rules for Independent Directors of Listed Companies, the Rules for General Meetings of Listed Companies (Revised 2022) and the Hong Kong Listing Rules as well as the actual production and operation needs of the Company. For details, please refer to the announcement of the Company dated 29 April 2022 and the circular of the Company dated 25 May 2022 published on the website of the Stock Exchange.

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

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

Corporate Governance Report

X. Directors' Responsibilities in Respect of Financial Statements

The Directors confirm that they are responsible for the preparation of the financial statements of the Company for the year ended 31 December 2022, in order to truly and impartially report the financial conditions and business results of the Company, and undertake relevant responsibilities for preparation of the financial statements of the Company. The Audit and Risk Management Committee of the Company has reviewed the financial statements of the Company for the financial year ended 31 December 2022.

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

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

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

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

As of 31 December 2022, after making specific inquiries with all Directors and Supervisors, the Company confirmed that all Directors and Supervisors had complied with the relevant codes on securities transactions by Directors and Supervisors as set out in the Model Code and the Management Method Regarding the Shareholding of Directors, Supervisors and Senior Management of the Company.

Corporate Governance Report

XII. Auditors

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

On 16 June 2022, the 2021 annual general meeting of the Company considered and approved the resolution in relation to the appointment of auditors of CRRC Corporation Limited for 2022, and decided to appoint KPMG Huazhen LLP as the financial report auditors and internal control auditors of the Company for the year 2022.

In 2022, the Company had paid the auditors an aggregate fee (tax inclusive) of RMB29.60 million, which included advance payments such as travel expenses and communication costs etc. In particular, the audit fees (tax inclusive) paid in respect of financial statements amounted to RMB27.60 million, audit fees (tax inclusive) paid in respect of internal control amounted to RMB2 million.

KPMG Huazhen LLP, auditor of the Company for the year 2022, is a Public Interest Entity Auditor recognised in accordance with the Accounting and Financial Reporting Council Ordinance.

XIII. Risk Management and Internal Control

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

Corporate Governance Report

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

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

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

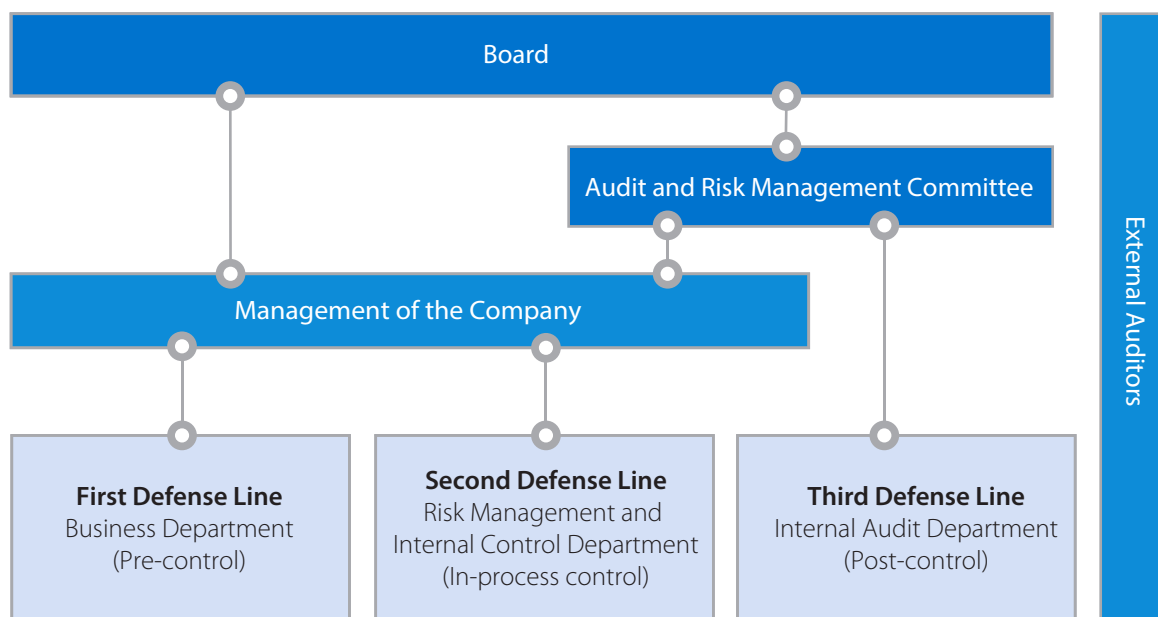
The Company has established a clearly defined organization structure with proper authorization, and has strict rules of procedure and reporting procedures in place. The Audit Risk and Legal Compliance Department of the Company assists the Board and the Audit and Risk Management Committee in the ongoing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

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

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

Corporate Governance Report

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



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

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

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

Corporate Governance Report

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

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

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

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

In 2022, the risk management and internal control department of the Company organized various departments and affiliated entities to continuously conduct risk management and internal control activities to improve the effectiveness of risk management and internal control, including but not limited to the following: organized and conducted annual risk assessment and responding management; organized and conducted annual internal control evaluation; carried out risk management and internal control consultation in respect of its affiliated entities in order to improve their risk management and internal control capacities; focused on risk evaluation of significant investment, overseas merger & acquisition, export-related project, new industry expansion, finance and finance-like, and PPP projects. The risk management department submitted the latest report on risk management and internal control to the Board and the Audit and Risk Management Committee during the year, and assisted the Directors in reviewing the effectiveness of the risk management and internal control systems of the Company.

Corporate Governance Report

In 2022, the internal audit department of the Company carried out special inspection and monitoring on the effectiveness of the risk management and internal control systems of the Company in terms of finance, operation and compliance monitoring and reported the relevant findings to the management and the Board of the Company.

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

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

In 2022, KPMG Huazhen LLP audited the financial statements and the effectiveness of relevant internal control of the Company, and issued an audit report with unqualified opinion. Relevant report has been reviewed and approved by the Audit and Risk Management Committee.

XIV. Dividend Policy

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

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

Corporate Governance Report

XV. Corporate Culture

CRRC is an established enterprise with rich culture and a history dating back to 1881. The Company attaches great importance to the construction and inheritance of corporate culture, with “connecting the world and benefiting mankind” as its mission, “becoming a first-class enterprise group with rail transit equipment as the core and a global leader with multinational operations” as its vision, and “conduct, righteousness, skillfulness and pursuit of excellence” as its core values. The Company is committed to sustainable development, and is dedicated to providing green, intelligent and user-friendly products and services through rational deployment and efficient utilization of resources, thereby promoting affective communication, facility connectivity, unimpeded trade and financing access, in order to realize the ideals of promoting social development and a better life.

The Company believes that a healthy corporate culture is an endogenous force for corporate development, and all Directors must act with integrity and set an example to promote the corporate culture and guide all employees to strengthen the philosophy of “acting in accordance with the law, morality and responsibility”. The Company has set up a sound corporate culture system, prepared an established corporate culture training program, focused on creating the cultural heritage project of “embodying six elements in one”, and vigorously implemented a cultural “BI Upgrading Project” to make leanness, compliance, quality, safety and responsibility a consensus. The Company is committed to letting all the management and employees perceive, recognize and practice the corporate culture, so that the corporate culture is internalized in the heart and externalized in the mindset and behavior of each employee, so that our customers, partners, investors and suppliers can benefit from the values we create together.

XVI. Anti-Corruption Policy and Whistleblowing Policy

The Company strictly abides by relevant national laws and regulations and has “zero tolerance” for anti-corruption issues. The Company organizes annual anti-corruption working meetings, sets out clear requirements for key areas and aspects of anti-corruption work, standardizes the procedures for whistleblowing, investigating, handling, reporting and accountability of anti-corruption cases, and continuously strengthens the Company’s anti-corruption work. Through the establishment of whistleblowing channels, daily risk monitoring, internal audit and self-inspection, the Company can obtain the clues to problems and promptly investigate and address them. The Company continued to organize anti-corruption training and initiatives, with 21,000 employees receiving anti-corruption training in 2022.

Relevant Information of Bonds

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

(I) Corporate bonds

1. Basic information of corporate bonds

As at 31 December 2022, the Company had the following corporate bonds in existence during the reporting period, and the funds raised from these bonds were mainly used to repay interest-bearing liabilities and supplement working capital.

Unit: '000 Currency: RMB

Name of bonds	Short name	Code	Issuing date	Interest accrual date	Maturity date	Bond balance	Interest rate (%)	Methods of principal and interest repayment	Trading venue	Arrangement to ensure the suitability of investors (if any)	Trading mechanism	Any risk of termination of listing and trading
2013 Ten-year Corporate Bond of CSR Corporation Limited (First Tranche)	13 CSR 02	122252.SH	2013-04-22	2013-04-22	2023-04-22	1,500,000	5.00	The interest shall be paid annually, and the principal amount shall be repaid in a lumpsum payment	Shanghai Stock Exchange	A public issuance to eligible investors	Auction, quotation, enquiry and agreed transactions	No
2020 Publicly Issued Corporate Bond of CRRC Corporation Limited (First Tranche)	20 CRRC 01	163335.SH	2020-03-27	2020-04-01	2023-04-01	1,000,000	2.95	The interest shall be paid annually, and the principal amount shall be repaid in a lumpsum payment	Shanghai Stock Exchange	A public issuance to eligible investors	Auction, quotation, enquiry and agreed transactions	No

2. Repayment of principal and interest during the reporting period

Name of bonds	Status of repayment of principal and interest
13 CSR 02	On 22 April 2022, CRRC Corporation Limited has repaid the interest in full. The interest accrual period during the year commenced on 22 April 2021 and ended on 22 April 2022.
20 CRRC 01	On 1 April 2022, CRRC Corporation Limited has repaid the interest in full. The interest accrual period during the year commenced on 1 April 2021 and ended on 31 March 2022.

Relevant Information of Bonds

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

Unit: '000 Currency: RMB

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

Relevant Information of Bonds

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

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

Relevant Information of Bonds

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

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

As at 31 December 2022, the Company had the following debt financing instruments of non-financial enterprises in existence during the reporting period, and the funds raised from these financing instruments were mainly used to repay interest-bearing liabilities and supplement working capital.

Unit: '000 Currency: RMB

Name of bonds	Short name	Code	Issuing date	Interest accrual date	Maturity date	Bond balance	Interest rate (%)	Methods of principal and interest repayment	Trading venue	Arrangement to ensure the suitability of investors (if any)	Trading mechanism	Any risk of termination of listing and trading
CRRC Corporation Limited's Peer No. 1 Phase IV Asset-back senior commercial note in 2022	22 Peer No. 1 ABN004 Senior	082280916.IB	2022-11-03	2022-11-08	2023-04-28	1,017,354.3	1.80	One-off repayment of principal and interest on maturity; and in the case of a non-renewal event, the principal will be repaid on a quarterly basis by 21 December 2023 and interest will be paid accordingly	Interbank bond market	Institutional investors in the national interbank bond market	Enquiry and one-click-order	No
CRRC Corporation Limited's Phase X Super short-term financing bills in 2022	22 CRRC SCP010	012283512.IB	2022-10-11	2022-10-12	2022-12-30	0	1.50	One-off repayment of principal and interest on maturity	Interbank bond market	Institutional investors in the national interbank bond market	Enquiry and one-click-order	No
CRRC Corporation Limited's Phase IX Super short-term financing bills in 2022	22 CRRC SCP009	012283476.IB	2022-10-10	2022-10-11	2022-12-29	0	1.50	One-off repayment of principal and interest on maturity	Interbank bond market	Institutional investors in the national interbank bond market	Enquiry and one-click-order	No
CRRC Corporation Limited's Phase VIII Super short-term financing bills in 2022	22 CRRC SCP008	012283410.IB	2022-09-28	2022-09-29	2022-12-28	0	1.56	One-off repayment of principal and interest on maturity	Interbank bond market	Institutional investors in the national interbank bond market	Enquiry and one-click-order	No
CRRC Corporation Limited's Phase VII Super short-term financing bills in 2022	22 CRRC SCP007	012283374.IB	2022-09-27	2022-09-28	2022-12-27	0	1.52	One-off repayment of principal and interest on maturity	Interbank bond market	Institutional investors in the national interbank bond market	Enquiry and one-click-order	No

Relevant Information of Bonds

Name of bonds	Short name	Code	Issuing date	Interest accrual date	Maturity date	Bond balance	Interest rate (%)	Methods of principal and interest repayment	Trading venue	Arrangement to ensure the suitability of investors (if any)	Trading mechanism	Any risk of termination of listing and trading
CRRC Corporation Limited's Phase VI Super short-term financing bills in 2022	22 CRRC SCP006	012283141.JB	2022-09-01	2022-09-02	2022-9-30	0	1.38	One-off repayment of principal and interest on maturity	Interbank bond market	Institutional investors in the national interbank bond market	Enquiry and one-click-order	No
CRRC Corporation Limited's Phase V Super short-term financing bills in 2022	22 CRRC SCP005	012283127.JB	2022-09-01	2022-09-02	2022-12-16	0	1.47	One-off repayment of principal and interest on maturity	Interbank bond market	Institutional investors in the national interbank bond market	Enquiry and one-click-order	No
CRRC Corporation Limited's Peer No. 1 Phase III Asset-back senior commercial note in 2022	22 Peer No. 1 ABN003 Senior	082280717.JB	2022-8-05	2022-8-10	2022-11-08	0	1.80	One-off repayment of principal and interest on maturity; and in the case of a non-renewal event, the principal will be repaid on a quarterly basis by 21 December 2023 and interest will be paid accordingly	Interbank bond market	Institutional investors in the national interbank bond market	Enquiry and one-click-order	No
CRRC Corporation Limited's Phase IV Super short-term financing bills in 2022	22 CRRC SCP004	012282695.JB	2022-8-01	2022-8-02	2022-11-30	0	1.56	One-off repayment of principal and interest on maturity	Interbank bond market	Institutional investors in the national interbank bond market	Enquiry and one-click-order	No
CRRC Corporation Limited's Phase III Super short-term financing bills in 2022	22 CRRC SCP003	012282680.JB	2022-7-28	2022-7-29	2022-9-27	0	1.40	One-off repayment of principal and interest on maturity	Interbank bond market	Institutional investors in the national interbank bond market	Enquiry and one-click-order	No
CRRC Corporation Limited's Phase II Super short-term financing bills in 2022	22 CRRC SCP002	012281967.JB	2022-05-30	2022-05-31	2022-07-29	0	1.81	One-off repayment of principal and interest on maturity	Interbank bond market	Institutional investors in the national interbank bond market	Enquiry and one-click-order	No
CRRC Corporation Limited's Phase I Super short-term financing bills in 2022	22 CRRC SCP001	012281957.JB	2022-05-27	2022-05-30	2022-06-28	0	1.75	One-off repayment of principal and interest on maturity	Interbank bond market	Institutional investors in the national interbank bond market	Enquiry and one-click-order	No

Relevant Information of Bonds

Name of bonds	Short name	Code	Issuing date	Interest accrual date	Maturity date	Bond balance	Interest rate (%)	Methods of principal and interest repayment	Trading venue	Arrangement to ensure the suitability of investors (if any)	Trading mechanism	Any risk of termination of listing and trading
CRRC Corporation Limited's Peer No. 1 Phase II Asset-back senior commercial note in 2022	22 Peer No. 1 ABN002 Senior	082280496.IB	2022-05-09	2022-05-12	2022-08-10	0	2.09	One-off repayment of principal and interest on maturity; and in the case of a non-renewal event, the principal will be repaid on a quarterly basis by 21 December 2023 and interest will be paid accordingly	Interbank bond market	Institutional investors in the national interbank bond market	Enquiry and one-click-order	No
CRRC Corporation Limited's Peer No. 1 Phase I Asset-back senior commercial note in 2022	22 Peer No. 1 ABN001 Senior	082280085.IB	2022-02-08	2022-02-11	2022-05-12	0	2.35	One-off repayment of principal and interest on maturity; and in the case of a non-renewal event, the principal will be repaid on a quarterly basis by 12 May 2023 and interest will be paid accordingly	Interbank bond market	Institutional investors in the national interbank bond market	Enquiry and one-click-order	No
CRRC Corporation Limited's Peer No. 1 Phase VII Asset-back senior commercial note in 2021	21 Peer No. 1 ABN006 Senior	082101393.IB	2021-12-08	2021-12-13	2022-02-11	0	2.40	One-off repayment of principal and interest on maturity; and in the case of a non-renewal event, the principal will be repaid on a quarterly basis by 11 May 2023 and interest will be paid accordingly	Interbank bond market	Institutional investors in the national interbank bond market	Enquiry and one-click-order	No
CRRC Corporation Limited's Peer No. 1 Phase VI Asset-back subordinated commercial note in 2021	21 Peer No. 1 ABN006 Subordinated	082101392.IB	2021-12-08	2021-12-13	2023-12-21	107,090	-	-	Interbank bond market	Institutional investors in the national interbank bond market	Enquiry and one-click-order	No

Relevant Information of Bonds

Name of bonds	Short name	Code	Issuing date	Interest accrual date	Maturity date	Bond balance	Interest rate (%)	Methods of principal and interest repayment	Trading venue	Arrangement to ensure the suitability of investors (if any)	Trading mechanism	Any risk of termination of listing and trading
CRRC Corporation Limited's Peer No. 1 Phase II Asset-back subordinated commercial note in 2021	21 Peer No. 1 ABN002	082100129.IB	2021-03-02	2021-03-05	2023-12-21	510	- -		Interbank bond market	Institutional investors in the national interbank bond market	Enquiry and one-click-order	No
CRRC Corporation Limited's Peer No. 1 Phase I Asset-back subordinated commercial note in 2021	21 Peer No. 1 ABN001	082100036.IB	2021-01-14	2021-01-20	2023-12-21	4,500	- -		Interbank bond market	Institutional investors in the national interbank bond market	Enquiry and one-click-order	No
CRRC Corporation Limited's Peer No. 1 Phase I Asset-back subordinated commercial note in 2020	20 Peer No. 1 ABN001	082001051.IB	2020-12-18	2020-12-21	2023-12-21	153,000	- -		Interbank bond market	Institutional investors in the national interbank bond market	Enquiry and one-click-order	No

2. Repayment of principal and interest during the reporting period

Name of bonds	Repayment situation
22 CRRC SCP010	Principal and interest repaid in full as scheduled
22 CRRC SCP009	Principal and interest repaid in full as scheduled
22 CRRC SCP008	Principal and interest repaid in full as scheduled
22 CRRC SCP007	Principal and interest repaid in full as scheduled
22 CRRC SCP006	Principal and interest repaid in full as scheduled
22 CRRC SCP005	Principal and interest repaid in full as scheduled
22 Peer No.1 ABN003 Senior	Principal and interest repaid in full as scheduled
22 CRRC SCP004	Principal and interest repaid in full as scheduled
22 CRRC SCP003	Principal and interest repaid in full as scheduled
22 CRRC SCP002	Principal and interest repaid in full as scheduled
22 CRRC SCP001	Principal and interest repaid in full as scheduled
22 Peer No.1 ABN002 Senior	Principal and interest repaid in full as scheduled
22 Peer No.1 ABN001 Senior	Principal and interest repaid in full as scheduled
21 Peer No.1 ABN006 Senior	Principal and interest repaid in full as scheduled

Relevant Information of Bonds

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

Unit: '000 Currency: RMB

Name of bonds	Aggregate amount of proceeds	Proceeds used	Balance of proceeds	Operation of specific accounts of proceeds (if any)	Correction of non-compliant use of proceeds (if any)	In line with the use, use plans and other covenants as undertaken in the prospectus
CRRC Corporation Limited's Peer No. 1 Phase IV Asset-back senior commercial note in 2022	1,017,354.30	1,017,354.30	0	Nil	Nil	Yes
CRRC Corporation Limited's Phase X Super short-term financing bills in 2022	3,000,000	3,000,000	0	Nil	Nil	Yes
CRRC Corporation Limited's Phase IX Super short-term financing bills in 2022	3,000,000	3,000,000	0	Nil	Nil	Yes
CRRC Corporation Limited's Phase VIII Super short-term financing bills in 2022	2,000,000	2,000,000	0	Nil	Nil	Yes
CRRC Corporation Limited's Phase VII Super short-term financing bills in 2022	3,000,000	3,000,000	0	Nil	Nil	Yes
CRRC Corporation Limited's Phase VI Super short-term financing bills in 2022	2,000,000	2,000,000	0	Nil	Nil	Yes
CRRC Corporation Limited's Phase V Super short-term financing bills in 2022	3,000,000	3,000,000	0	Nil	Nil	Yes
CRRC Corporation Limited's Peer No. 1 Phase III Asset-back senior commercial note in 2022	1,293,354.3	1,293,354.3	0	Nil	Nil	Yes

Relevant Information of Bonds

Name of bonds	Aggregate amount of proceeds	Proceeds used	Balance of proceeds	Operation of specific accounts of proceeds (if any)	Correction of non-compliant use of proceeds (if any)	In line with the use, use plans and other covenants as undertaken in the prospectus
CRRC Corporation Limited's Phase IV Super short-term financing bills in 2022	3,000,000	3,000,000	0	Nil	Nil	Yes
CRRC Corporation Limited's Phase III Super short-term financing bills in 2022	3,000,000	3,000,000	0	Nil	Nil	Yes
CRRC Corporation Limited's Phase II Super short-term financing bills in 2022	2,000,000	2,000,000	0	Nil	Nil	Yes
CRRC Corporation Limited's Phase I Super short-term financing bills in 2022	2,000,000	2,000,000	0	Nil	Nil	Yes
CRRC Corporation Limited's Peer No. 1 Phase II Asset-back senior commercial note in 2022	2,821,554.3	2,821,554.3	0	Nil	Nil	Yes
CRRC Corporation Limited's Peer No. 1 Phase I Asset-back senior commercial note in 2022	4,712,354.3	4,712,354.3	0	Nil	Nil	Yes
CRRC Corporation Limited's Peer No. 1 Phase VI Asset-back senior commercial note in 2021	5,036,900	5,036,900	0	Nil	Nil	Yes
CRRC Corporation Limited's Peer No. 1 Phase VI Asset-back subordinated commercial note in 2021	107,090	107,090	0	Nil	Nil	Yes
CRRC Corporation Limited's Peer No. 1 Phase II Asset-back subordinated commercial note in 2021	510	510	0	Nil	Nil	Yes

Relevant Information of Bonds

Name of bonds	Aggregate amount of proceeds	Proceeds used	Balance of proceeds	Operation of specific accounts of proceeds (if any)	Correction of non-compliant use of proceeds (if any)	In line with the use, use plans and other covenants as undertaken in the prospectus
CRRC Corporation Limited's Peer No. 1 Phase I Asset-back subordinated commercial note in 2021	4,500	4,500	0	Nil	Nil	Yes
CRRC Corporation Limited's Peer No. 1 Phase I Asset-back subordinated commercial note in 2020	153,000	153,000	0	Nil	Nil	Yes

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

The Company convened the fifth meeting of the third session of the Board and the third meeting of the third session of the Supervisory Committee on 29 April 2022, at which the "Resolution in Relation to the Amendments to the Articles of Association of CRRC Corporation Limited", the "Resolution on in Relation to the Amendments to the Rules of Procedure for General Meetings of CRRC Corporation Limited" and the "Resolution on in Relation to the Amendments to the Rules of Procedure for the Board of CRRC Corporation Limited" were considered and passed. Amendments were made to the Articles of Association of CRRC Corporation Limited and the related terms of the relevant rules of procedure, and the announcement was published in relation to the amendments to the Articles of Association and the rules of procedure on 29 April 2022. The above resolutions were considered and passed at the general meeting of the Company and the Articles of Association of CRRC Corporation Limited were announced on 16 June 2022.

Relevant Information of Bonds

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

Unit: '000 Currency: RMB

Major indicator	2022	2021	Change between the period and same period last year (%)
EBITDA	25,130,222	22,687,398	10.77
Current ratio	1.28	1.30	-1.54
Quick ratio	1.00	1.01	-0.99
Gearing ratio (%)	56.80	57.29	Decreased 0.49 ppt
EBITDA of total debt ratio (%)	10.01	9.28	Increased 0.73 ppt
Interest coverage multiple	16.08	13.27	21.18
Cash interest coverage multiple	32.17	27.84	15.55
EBITDA interest coverage multiple	23.50	20.23	16.16
Loan repayment rate (%)	100	100	-
Interest paid coverage (%)	103.20	102.75	Increased by 0.45 ppt

The EBITDA reconciliation is calculated as follows:

	The reporting period (January to December)
Profit for the year	16,119,668
Interest expenses	1,069,206
Depreciation of fixed assets	6,019,126
Amortization of intangible assets	1,237,123
Depreciation of right-of-use assets	524,106
Depreciation of investment properties	43,494
Long-term amortization of amortization charges	117,499
EBITDA	25,130,222

Investor Relations

During the past year, the Company insisted on maximizing the interests of shareholders and protecting the legitimate rights and interests of investors as the core of its investor relations efforts, continued to improve the quality of information disclosure and actively engaged in communication and exchanges with investors and potential investors through various means to continuously increase the investors' understanding and recognition of the Company.

The Company continued to improve its systems and made the top-level design of investor relations management. In accordance with the Company Law, the Securities Law, the Guidelines on Investor Relations Management of Listed Companies and other relevant laws, regulations and rules as well as the requirements of the Articles of Association of CRRC Corporation Limited, the Company has revised and improved the Regulations on Investor Relations Management of CRRC Corporation Limited (《中國中車股份有限公司投資者關係管理辦法》) in line with the management practices of the Company. It further standardized investor relations management, promoted the orderly and healthy development of investor relations management, promoted the improvement of governance and quality of the Company, and better protected the legitimate rights and interests of investors, especially those of minority investors.

The Company continued to strengthen investor relations management and establish a multi-level positive interaction mechanism. Firstly, we focused on market value performance, organized special exchanges with institutions and continued to strengthen communication with analysts and institutional investors. Secondly, we optimized and improved communication channels to satisfy the communication needs of different investors to the greatest extent. Through various means, such as online + text, "pre-call for questions" column and pre-meeting investor conference calls, we enriched and improved the format of results presentation meetings, promoted direct communication with more investors and enhanced interactive engagement with investors. Thirdly, we continued to carry out daily work on investor relations management. We insisted on publishing daily media monitoring information, weekly capital market reports and public relations event analysis to provide timely and accurate information support to the Directors, Supervisors and Senior Management. We continuously tracked stock price movements and analyzed changes in shareholding structure and shareholdings. We continuously updated investor profiles, improved the capital market analyst database and regularly updated the database of investor concerns. We regularly updated the Q&A session and timely updated the investor relations column on the Company's website to enable investors to understand the Company's information in a timely manner. We insisted on a dedicated investor communication team mechanism, with dedicated personnel responsible for answering investor calls, receiving investor emails and accessing the SSE E-interactive platform to respond to investors' questions in a timely and enthusiastic manner, and to actively improve communication between investors and the Company. Through the establishment of a sound multi-level positive investor interaction mechanism and the smooth access to information by institutions and investors, the Company's impact in the capital market has been expanded and the confidence of the capital market and investors in the Company has been firmly established.

Investor Relations

The Company continued to improve its market value management system and promote the establishment of scientific market values. Firstly, we insisted on the working mechanism of regular market value management meetings, coordinated the market value management of the Company by means of quarterly meetings, integrated the key tasks of market value management such as results release, information disclosure and investor communication into the daily work of the Company, and practically improved the Company's market value management capability. Secondly, we insisted on implementing the working mechanism of annual, half-year and quarterly results conference calls, organizing annual and half-year results presentation meetings, holding four results conference calls and three online results release meetings for nearly 200 analysts to communicate and exchange information on the status of the Company's operations, orders, overseas markets, etc. for 2022. Our president, executive Directors, independent Directors and the Secretary to the Board and other Senior Management members attended the results presentation meetings, received and answered investors' questions directly, and listened to investors' opinions and suggestions with an open mind. Thirdly, the Company organized participation in strategy meetings and forums organized by brokerages to increase communication with investors, especially potential investors, through one-to-one or one-to-many modes. Fourthly, the Company continued to monitor public opinion, understand information and consultation in a timely manner, grasp changes in public opinion and prepare contingency plans and countermeasures in advance. We proactively strengthened communication with major media such as China Securities Journal, provided reporting materials and made use of the effect of the media to reasonably guide public opinion and enhance market confidence.

The Company continued to deepen its brand building to show its real value to the public. Firstly, our independent innovation integrating the latest technologies successfully served the Beijing Winter Olympic Games. The intelligent "Fuxinghao" high-speed MUs of "Ruixue Yingchun" is deeply integrated with 5G and other new technologies. Through the on-board 5G ultra-high definition (HD) studio, it realized the organic connection between the mass railroad and the mass media, which served as a new service channel and showcase platform connecting various competition areas, venues and media centers during the Beijing Winter Olympic Games. The 5G ultra HD studio on the "Winter Olympic Train" also won the silver award of the "Olympic Golden Rings". Secondly, the Company made an appearance at international and domestic renowned exhibitions to showcase its star achievements. We actively participated in various well-known exhibitions such as the InnoTrans Berlin, Germany, the WindEnergy Hamburg, Germany, the China (Macao) International Automobile Exposition, etc. Through the star products such as the 600 km/hour high-speed maglev transportation system, high-speed intelligent MUs, urban rail passenger transportation system solutions, intermodal transportation and intelligent heavy-duty freight solutions, hydrogen energy fuel cell power platform, low emission integrated solutions of hybrid locomotive platform, high performance systems of core rail transportation components, the latest wind power technology achievements and new energy vehicle-related products, we focused on the entire industry chain and latest achievements in the fields of rail transportation and new energy. Thirdly, we insisted on deep opening to the society and deep connection with car fans by continuously carrying out the brand activity of "A Date with Fans - A Visit to CRRC". The 11th event with the theme of "Wind and Speed - Travel with You" attracted 35 car fans from all over the country and all walks of life to gather in Zhuzhou, Hunan Province to visit the manufacturing base of wind power equipment, wind blades, wind turbines and electric locomotives and the most beautiful wind farm in Zhuzhou - Longfeng Wind Farm - to feel the charm of wind turbines and trains as well as the innovative culture of CRRC. Fourthly, the Company has received sovereign ratings from three international rating agencies (namely, Fitch, S&P and Moody's) for six consecutive years, demonstrating the credibility of CRRC in both domestic and international markets, showing a good image of CRRC to the international market and laying a solid foundation for the development of CRRC in the international market.

Investor Relations

Over the past year, the Company has been recognized by the capital market and investors. The Company has been accredited as A class company in the evaluation of information disclosure of the listed companies of the year in SSE for the seventh consecutive year. It has been selected as the only enterprise in the industrial machinery industry to be included in the first Fortune China ESG Impact List and it has won important honors and awards such as the highest platinum award of the 2022 Spotlight Award of the League of American Communications Professionals LLC (LACP) and "Excellent Practice Case" award for the 2021 annual results briefing.

The Company attaches great importance to investor relations management, focuses on maximizing shareholders' interests and protecting investors' legitimate rights and interests, actively carries out various tasks, insists on strengthening communication with investors through adequate information disclosure, promotes investors' understanding and recognition of the Company, advances positive interaction between the Company and investors and strives to achieve a win-win situation for both CRRC and investors.

Changes in Shares and Particulars of Shareholders

I. Changes in Share Capital

(I) Changes in ordinary shares

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

(II) Changes in shares subject to trading moratorium

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

II. Issue and Listing of Securities

(I) Issue of securities during the reporting period

Unit: '000 Currency: RMB

Types of shares and its derivative securities	Date of issue	Issue price (or interest rate)	Number of shares issued	Date of listing	Number of shares permitted to be traded	Trade termination date
Bonds (including enterprise bonds, corporate bonds and non-financial enterprise debt financing instruments)						
CRRC Corporation Limited's Peer No. 1 Phase IV Asset-back senior commercial note in 2022	2022-11-03	1.80%	1,017,354.30	2022-11-09	1,017,354.30	2023-04-27
CRRC Corporation Limited's Phase X Super short-term financing bills in 2022	2022-10-11	1.50%	3,000,000	2022-10-13	3,000,000	2022-12-29
CRRC Corporation Limited's Phase IX Super short-term financing bills in 2022	2022-10-10	1.50%	3,000,000	2022-10-12	3,000,000	2022-12-28
CRRC Corporation Limited's Phase VIII Super short-term financing bills in 2022	2022-09-28	1.56%	2,000,000	2022-09-30	2,000,000	2022-12-27
CRRC Corporation Limited's Phase VII Super short-term financing bills in 2022	2022-09-27	1.52%	3,000,000	2022-09-29	3,000,000	2022-12-26
CRRC Corporation Limited's Phase VI Super short-term financing bills in 2022	2022-09-01	1.38%	2,000,000	2022-09-05	2,000,000	2022-9-29
CRRC Corporation Limited's Phase V Super short-term financing bills in 2022	2022-09-01	1.47%	3,000,000	2022-09-05	3,000,000	2022-12-15
CRRC Corporation Limited's Peer No. 1 Phase III Asset-back senior commercial note in 2022	2022-08-05	1.80%	1,293,354.3	2022-08-11	1,293,354.3	2022-11-07
CRRC Corporation Limited's Phase IV Super short-term financing bills in 2022	2022-08-01	1.56%	3,000,000	2022-08-03	3,000,000	2022-11-29
CRRC Corporation Limited's Phase III Super short-term financing bills in 2022	2022-07-28	1.40%	3,000,000	2022-08-01	3,000,000	2022-09-26

Changes in Shares and Particulars of Shareholders

Types of shares and its derivative securities	Date of issue	Issue price (or interest rate)	Number of shares issued	Date of listing	Number of shares permitted to be traded	Trade termination date
CRRC Corporation Limited's Phase II Super short-term financing bills in 2022	2022-05-30	1.81%	2,000,000	2022-06-01	2,000,000	2022-07-28
CRRC Corporation Limited's Phase I Super short-term financing bills in 2022	2022-05-27	1.75%	2,000,000	2022-05-31	2,000,000	2022-06-27
CRRC Corporation Limited's Peer No. 1 Phase II Asset-back senior commercial note in 2022	2022-05-09	2.09%	2,821,554.3	2022-05-13	2,821,554.3	2022-08-09
CRRC Corporation Limited's Peer No. 1 Phase I Asset-back senior commercial note in 2022	2022-02-08	2.35%	4,712,354.3	2022-02-14	4,712,354.3	2022-05-11

(II) Existing internal employee shares

The Company has no internal employee shares.

III. Particulars of Shareholders and Ultimate Controller

(I) Total number of shareholders

Total number of shareholders of ordinary shares as of the end of the reporting period (shareholder)^{Note} 658,856

Total number of shareholders of ordinary shares as at the end of the last month before the disclosure date of the annual report (shareholder) 642,170

Note: As of the end of the reporting period, the Company had 656,138 holders of A Shares and 2,718 holders of H Shares; as of the end of the month prior to the date of the annual report, the Company has 639,459 holders of A Shares and 2,711 holders of H Shares.

Changes in Shares and Particulars of Shareholders

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

Unit: share

Shareholdings of the top ten shareholders

Name of shareholder (full name)	Change during the reporting period	Number of shares held at the end of the reporting period	Percentage (%)	Shares pledged, marked or frozen			Nature of shareholder
				Number of shares subject to trading moratorium held	Pledged, marked or frozen	Number	
CRRC ^{Note 1}	0	14,558,389,450	50.73	0	Nil	0	State-owned legal person
HKSCC NOMINEES LIMITED ^{Note 2}	-1,108,450	4,357,359,753	15.18	0	Unknown	-	Overseas legal person
China Securities Finance Corporation Limited (中國證券金融股份有限公司)	0	605,663,637	2.11	0	Unknown	-	State-owned legal person
Hong Kong Securities Clearing Company Limited	164,782,740	477,234,115	1.66	0	Unknown	-	Overseas legal person
Central Huijin Asset Management Ltd. (中央匯金資產管理有限責任公司)	0	298,064,400	1.04	0	Unknown	-	State-owned legal person
Bosera Funds - Agricultural Bank of China - Bosera China Securities and Financial Assets Management Plan (博時基金-農業銀行-博時中證金融資產管理計劃)	0	234,982,900	0.82	0	Unknown	-	Unknown
E Fund - Agricultural Bank of China - E Fund China Securities and Financial Assets Management Plan (易方達基金-農業銀行-易方達中證金融資產管理計劃)	0	234,982,900	0.82	0	Unknown	-	Unknown
Dacheng Fund - Agricultural Bank of China - Dacheng China Securities and Financial Assets Management Plan (大成基金-農業銀行-大成中證金融資產管理計劃)	0	234,982,900	0.82	0	Unknown	-	Unknown
Harvest Fund - Agricultural Bank of China - Harvest China Securities and Financial Assets Management Plan (嘉實基金-農業銀行-嘉實中證金融資產管理計劃)	0	234,982,900	0.82	0	Unknown	-	Unknown
GF Fund - Agricultural Bank of China - GF China Securities and Financial Assets Management Plan (廣發基金-農業銀行-廣發中證金融資產管理計劃)	0	234,982,900	0.82	0	Unknown	-	Unknown
Zhong'ou Asset - Agricultural Bank of China - Zhong'ou China Securities and Financial Assets Management Plan (中歐基金-農業銀行-中歐中證金融資產管理計劃)	0	234,982,900	0.82	0	Unknown	-	Unknown
China AMC - Agricultural Bank of China - China AMC China Securities and Financial Assets Management Plan (華夏基金-農業銀行-華夏中證金融資產管理計劃)	0	234,982,900	0.82	0	Unknown	-	Unknown
Yinhua Fund - Agricultural Bank of China - Yinhua China Securities and Financial Assets Management Plan (銀華基金-農業銀行-銀華中證金融資產管理計劃)	0	234,982,900	0.82	0	Unknown	-	Unknown

Changes in Shares and Particulars of Shareholders

Shareholdings of the top ten shareholders

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

Shareholdings of the top ten shareholders not subject to trading moratorium

Name of shareholders	Number of tradable shares held not subject to trading moratorium	Class and number of shares	
		Class	Number
CRRCG ^{Note 1}	14,558,389,450	Ordinary shares denominated in RMB	14,558,389,450
HKSCC NOMINEES LIMITED ^{Note 2}	4,357,359,753	Overseas listed foreign shares	4,357,359,753
China Securities Finance Corporation Limited (中國證券金融股份有限公司)	605,663,637	Ordinary shares denominated in RMB	605,663,637
Hong Kong Securities Clearing Company Limited	477,234,115	Ordinary shares denominated in RMB	477,234,115
Central Huijin Asset Management Ltd. (中央匯金資產管理有限責任公司)	298,064,400	Ordinary shares denominated in RMB	298,064,400
Bosera Funds - Agricultural Bank of China - Bosera China Securities and Financial Assets Management Plan (博時基金-農業銀行-博時中證金融資產管理計劃)	234,982,900	Ordinary shares denominated in RMB	234,982,900
E Fund - Agricultural Bank of China - E Fund China Securities and Financial Assets Management Plan (易方達基金-農業銀行-易方達中證金融資產管理計劃)	234,982,900	Ordinary shares denominated in RMB	234,982,900

Changes in Shares and Particulars of Shareholders

Shareholdings of the top ten shareholders not subject to trading moratorium

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

Changes in Shares and Particulars of Shareholders

Shareholdings of the top ten shareholders not subject to trading moratorium

Explanation of the above-mentioned shareholders' entrusted voting rights, been entrusted voting rights, and waiver of voting rights	N/A
Details relating to the related relationship of the above shareholders or the parties acting in concert	N/A
Explanations on the shares and voting rights restored of preferred shareholders	N/A

Note 1: As of the end of the reporting period, CRRCG in aggregate held 14,736,252,450 shares (including 14,558,389,450 A Shares and 177,863,000 H Shares) in total, representing approximately 51.35% of the total number of issued shares of the Company. All of the 177,863,000 H Shares held by CRRCG were registered under the name of HKSCC NOMINEES LIMITED.

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

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

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

Changes in Shares and Particulars of Shareholders

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

As at 31 December 2022, the following Director had interests in the A Shares of the Company and relevant details are set out as follows:

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

Save as disclosed above, as at 31 December 2022, none of the Directors, Supervisors or chief executive of the Company had interests or short positions in the shares or underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were required to be entered in the register maintained by the Company under section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code by the Directors or Supervisors.

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

As at 31 December 2022, the person set out in the table below had interests in the Company's shares as recorded in the register required to be kept under section 336 of the SFO:

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

Save as disclosed above, as far as the Directors are aware, as at 31 December 2022, no other person had interests and/or short positions in the shares or underlying shares (as the case may be) of the Company which were required to be recorded in the register pursuant to section 336 of Part XV of the SFO, or was otherwise a substantial shareholder (as defined in the Hong Kong Listing Rules) of the Company.

Changes in Shares and Particulars of Shareholders

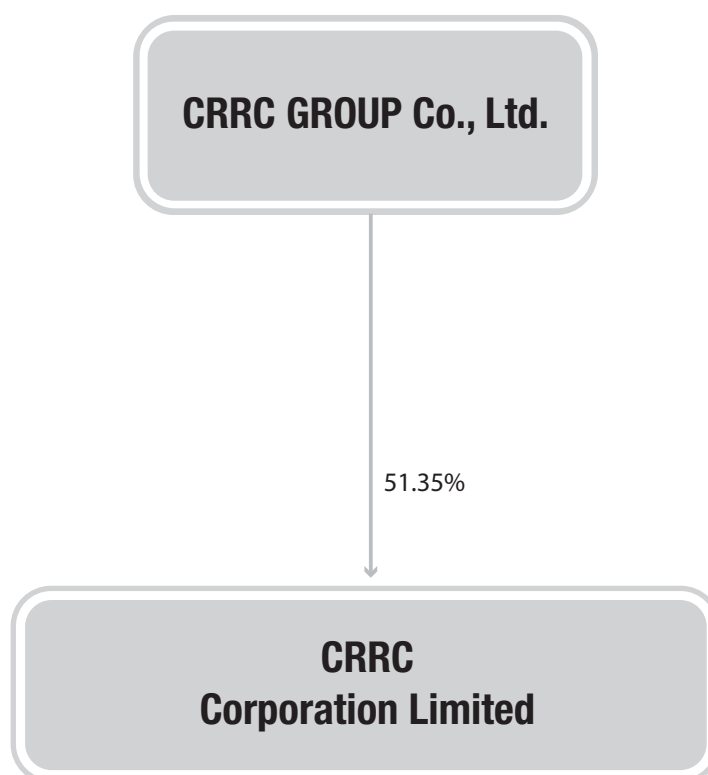
IV. Particulars of Controlling Shareholder and the Ultimate Controller

(I) Controlling shareholder

1. Legal person

Name	CRRG GROUP Co., Ltd. (中國中車集團有限公司)
Responsible personnel or Legal representative	Sun Yongcai
Establishment date	1 July 2002
Principal business	Research and development, manufacturing, sales, refurbishment and leasing of locomotives, passenger carriages, freight wagons, MUs, rapid transit vehicles and key components as well as other businesses that utilize proprietary rolling stock technologies.
Equity interest in other controlling and investee companies listed in the PRC or overseas during the reporting period	As of 31 December 2022, CRRCG directly holds 14,783,251 shares of Guiyang Bank Co., Ltd. (601997). As of 31 December 2022, a subsidiary under CRRCG directly holds 217,174,755 shares of Wharton Technology Co., Ltd. (000920).

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

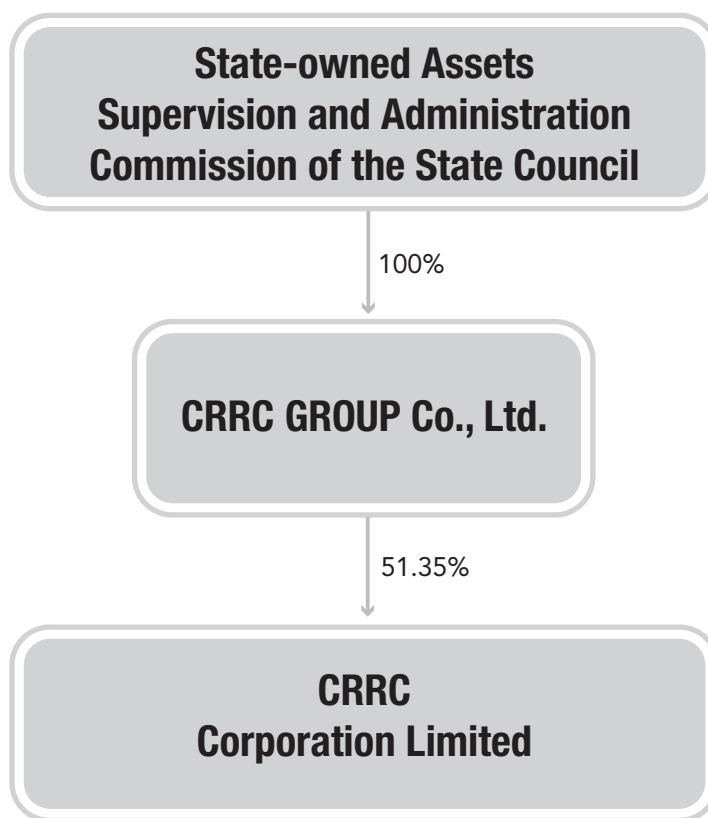


Changes in Shares and Particulars of Shareholders

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

(II) Ultimate controller

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



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

Changes in Shares and Particulars of Shareholders

V. Other Corporate Shareholders with Over 10% Shareholdings

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

VI. Sufficient Public Float

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

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

During the year ended 31 December 2022, the Company or any of its subsidiaries did not purchase, sell or redeem any of the listed securities of the Company.

Significant Events

I. Performance of Undertakings

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

Background	Type	Covenants	Undertakings	Validity period	Whether duration specified	Whether timely and strictly performed	If not performed timely, describe the specific reasons	If not performed timely, describe plans in next steps
Material assets reorganization related commitment	Resolution of same industry competitions	CRRC	Non-competition undertaking with Times New Material: on 5 August 2015, CRRC issued the Letter of Undertaking of Non-competition with Zhuzhou Times New Material Technology Co., Ltd. (《關於避免與株洲時代新材料科技股份有限公司同業競爭的承諾函》) to Times New Material in order to resolve the issue of competition between CRRC and Times New Material after the merger between CSR and CNR. The specific undertakings are as follows: the current operations of CRRC in fields such as air springs for rail vehicles and rubber- metal parts for rail vehicles compete with the operations of Times New Material, which is indirectly controlled by the Company. In order to resolve such competition with Times New Material, in accordance with relevant laws and regulations, the Company undertook that it will resolve such issue with Times New Material within five years from the date of this letter of undertaking in the manner approved by the regulatory authorities (including but not limited to asset restructuring, business integration etc.). The term of the undertakings is 5 years commencing from the date of the letter of undertaking. On 9 July 2020, the term has been extended to 31 December 2022.	31 December 2022 On 8 December 2022, Times New Material convened the 20th meeting at the ninth session of the board of directors, at which the relevant resolutions were considered and passed to agree the acquisition of the assets involved in same industry competitions by a subsidiary of Times New Material from a subsidiary of CRRC Qingdao Sifang Institute Co., Ltd., a wholly-owned subsidiary of the Company. The acquisition was completed on 20 December 2022.	Yes	Yes	-	-

Significant Events

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

Significant Events

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

Significant Events

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

Significant Events

Background	Type	Covenants	Undertakings	Validity period	Whether duration specified	Whether timely and strictly performed	If not performed timely, describe the specific reasons	If not performed timely, describe plans in next steps
Undertakings in relation to the initial public issuance	Others	CRRCG	Undertakings on property ownership issues: CSR (has completed merger and renamed as CRRC) disclosed in its prospectus that CSR has not yet obtained proper property ownership certificates for 326 properties with a total gross floor area of 282,019.03 square meters, representing 7.85% of the total gross floor area of the property in use of CSR. As at 31 December 2022, there are still 3 properties with a total gross floor area of 1,788.67 square meters failed to apply for property ownership certificates due to historical reasons. As for the property which CSR has not yet obtained property ownership certificates, 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 CRRCG) has made a written undertaking. Pursuant to the undertaking: CRRCG will compensate the relevant wholly-owned subsidiaries of CRRC for the loss caused as a result of the state-owned land use certificate not specifying the land use terms or termination date for the authorized land.	Undertakings dated 10 December 2009, during the course of performance	No	Yes	-	-

Significant Events

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

Significant Events

II. Explanation of Integrity of the Company and Its Controlling Shareholder and Actual Controller During the Reporting Period

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

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

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

IV. Significant Contracts and Their Implementation

1. Entrusting, contracting or leasing

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

2. Guarantees

Unit: '000 Currency: RMB

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

Guarantor	Relationship between the guarantor and the listed company	Guaranteed	Guaranteed amount	Date of guarantee (Date of signing agreement)	Commencement date	Maturity date	Guarantee type	Whether the guarantee has been fulfilled	Whether the guarantee is overdue or not	Outstanding amount of guarantee overdue	Counter guarantee	Whether the guarantee is provided to a related-party or not	Related relationship
CRR Corporation Limited, Suzhou CRR Construction Engineering Co., Ltd. (蘇州中車建設工程有限公司), a wholly-owned subsidiary of the Company, and CRR China Merchants (Tianjin) Equity Investment Fund Management Co., Ltd.* (中車招銀(天津)股權投資基金管理有限公司), a non wholly-owned subsidiary of the Company	CRR Corporation Limited, its wholly-owned subsidiary and non wholly-owned subsidiary (無湖市連連軌道交通建設運營有限公司)	Wuhu Yunda Rail Transport Construction and Operation Limited (無湖市連連軌道交通建設運營有限公司)	1,774,400	27 April 2017	20 June 2017	20 June 2047	Joint and several liability guarantee	No	No	-	No	No	-

Significant Events

CRRCLoan	Wholly-owned subsidiary	CRRCLoan	1,186,900	21 March 2014	17 March 2014	Date of completion of project execution	Performance guarantee	No	No	-	Yes	Yes	Subsidiary of a controlling shareholder of the listed company
			409,133	24 March 2014	24 March 2014								
			204,567	21 April 2015	21 April 2015								
Total guarantee amount provided during the reporting period (excluding guarantees provided by the Company in favor of its subsidiaries)													-
Total guarantee balance at the end of the reporting period (A) (excluding guarantees provided by the Company in favor of its subsidiaries)													3,575,000
Guarantees provided by the Company and its subsidiaries in favor of its subsidiaries													
Total guarantee amount provided to the Company's subsidiaries during the reporting period													7,752,478
Total guarantee balance provided to the Company's subsidiaries at the end of the reporting period (B)													52,154,521
Aggregate guarantee amount provided by the Company (including guarantees provided by the Company in favor of its subsidiaries)													
Total guarantee amount (A+B)													55,729,521
Percentage of total guarantee amount to net assets of the Company (%)													35.94
In which:													
Provision of guarantee to shareholders, ultimate controller and their respective related persons (C)													1,800,600
Amount of guarantees directly or indirectly provided in favor of parties with gearing ratio over 70% (D)													29,332,429
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)													31,133,029
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 = amount of guarantees/owner's equity attributable to the parent company. The balance of guarantee as of 31 December 2022 was RMB55.730 billion, accounting for 35.94% of net assets, of which:

The balance of guarantee for wholly-owned subsidiaries is RMB20.192 billion; the balance of guarantee for non-wholly-owned subsidiaries is RMB31.963 billion, the balance of guarantee for Wuhu Yunda Rail Transit Construction and Operation Limited is RMB1.774 billion, and the balance of guarantee for CRRCLoan is RMB1.801 billion.

By type of guarantee: RMB3.161 billion for bank acceptance bills, RMB3.836 billion for loans, and RMB48.733 billion for credit guarantees and performance guarantees such as letters of guarantee and letters of credit.

There were guarantees provided by the Company for the controlling shareholder, the actual controller and their connected persons, as detailed in the Announcement of CRRCLoan on Entrustment of Assets and Related Transaction disclosed by the Company on 19 July 2021. As at the end of the period, the guarantees provided by the Company for its wholly-owned and non-wholly-owned subsidiaries with debt ratios exceeding 70% have all been approved by the Board of Directors and the shareholders' meeting in accordance with the Articles of Association.

3. Other material contracts

During the reporting period, the Company signed a number of sales contracts. For details, please refer to announcements dated 11 March 2022, 6 June 2022, 21 July 2022 and 17 October 2022 published by the Company on the websites of the SSE and the Stock Exchange.

Significant Events

V. Fulfilment of Social Responsibility

For details of the fulfilment of social responsibility by the Group during the reporting period, please see the 2022 Social Responsibility Report of CRRC Corporation Limited disclosed by the Company on the websites of the SSE and the Stock Exchange at the same date.

VI. Analysis of the Reasons for and Effects of Changes in Accounting Policies and Accounting Estimates of the Company

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

VII. Other Subsequent Significant Events

Profit Distribution of Ordinary Shares

On 30 March 2023, the Company held the 11th meeting of the third session of the Board, at which the “2022 Proposal for Profit Distribution Plan of CRRC Corporation Limited” was considered and approved, pursuant to which the Company would distribute cash dividends to all shareholders based on the total share capital registered on the registration date for dividend distribution (the specific date will be clarified in the announcement on the implementation of dividend distribution). As of 31 December 2022, the total share capital of the Company was 28,698,864,088 shares, base on which and calculating at cash dividend of RMB0.20 (tax inclusive) per share, the Company is proposed to distribute cash dividend of RMB5.740 billion (tax inclusive) in aggregate, and the remaining undistributed profit will be carried forward for next year’s distribution. The Company’s cash dividends for the year accounted for 49.25% of the Company’s net profit attributable to shareholders of listed company in 2022. In case from the date of disclosure of announcement on profit distribution plan to the date of registration date for dividend distribution, there are changes in the total share capital of the Company due to the conversion of convertible bonds, repurchase of shares, cancellation of repurchased shares granted under equity incentive schemes, cancellation of repurchased shares due to material asset restructuring, etc., the Company proposes to remain the total distribution amount unchanged, and to adjust the distribution proportion per share accordingly. If the total share capital of the Company changes subsequently, specific adjustments will be announced separately. The profit distribution plan is subject to the consideration and approval at the 2022 annual general meeting of the Company.

Financial Report

I. AUDITOR'S REPORT

KPMG Huazhen ShenZi No. 2303956

The Shareholders of CRRC Corporation Limited:

I. OPINION

We have audited the accompanying financial statements of CRRC Corporation Limited ("CRRC"), which comprise the consolidated and company balance sheets as at 31 December 2022, the consolidated and company income statements, the consolidated and company cash flow statements, the consolidated and company statements of changes in shareholders' equity for the year then ended, and notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated and company financial position of CRRC as at 31 December 2022, and the consolidated and company financial performance and cash flows of CRRC for the year then ended in accordance with Accounting Standards for Business Enterprises issued by the Ministry of Finance of the People's Republic of China.

II. BASIS FOR OPINION

We conducted our audit in accordance with China Standards on Auditing for Certified Public Accountants ("CSAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of CRRC in accordance with the China Code of Ethics for Certified Public Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

III. KEY AUDIT MATTERS

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

Financial Report

I. AUDITOR'S REPORT *(continued)*

KPMG Huazhen ShenZi No. 2303956

Revenue recognition	
Please refer to the accounting policy described in Note 24 under "V. Significant Accounting Policies and Accounting Estimates", as well as Note "52. Revenue and operating costs" under "VII. Notes of Consolidated Financial Statements" and Note "4. Revenue and operating costs" under "XVI. Notes to the Key Items in the Company's Financial Statements" to the financial statements.	
The Key Audit Matter	How the matter was addressed in our audit
<p>For the year ended 31 December 2022, CRRC Corporation Limited and its subsidiaries (hereinafter referred to as "CRRC" or the "Group") generated revenue totalling RMB222,938,637 thousand, mainly arising from the railway equipment business, urban rail transit vehicles and urban infrastructure business, new industry business and modern service business. The Group's customers mainly include China State Railway Group Co., Ltd. (hereinafter referred to as "State Railway Group") and its subsidiaries and investees, as well as urban rail transit groups within China and abroad.</p> <p>For rail transit equipment and its extended products, the Group recognises revenue when the customer obtains control of the goods, i.e. at the time of acceptance and delivery of the goods. For rail transit equipment and its extended services, the Group recognises revenue within a certain period of time according to the progress of the performance as the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs.</p> <p>We identified the cut-off risk arising from revenue recognition as a key audit matter, because revenue is one of the Group's key performance indicators (KPIs) and there may be cases of early or delayed revenue recognition by the management to achieve specific objectives or expectations.</p>	<p>Our audit procedures to evaluate revenue recognition included the following:</p> <ol style="list-style-type: none"> (1) Understanding and evaluating the design and operating effectiveness of key internal controls over financial reporting related to revenue recognition; (2) Selecting sales contracts to identify clauses related to the transfer of control of goods, and evaluating whether CRRC's revenue recognition policy meets the relevant requirements of the Accounting Standards for Business Enterprises; (3) Selecting revenue from sales of rail transit equipment and its extended products recorded during the year and agreeing it to the supporting documents such as sales contracts, acceptance sheets, acceptance and delivery notes, and invoices, in order to evaluate whether the relevant revenue was recognised in accordance with CRRC's revenue recognition policy. (4) Selecting revenue from rail transit equipment and its extended services recorded during the year, obtaining an understanding of the performance of service contracts during the year, and inspecting and agreeing to the relevant contracts, third-party supervision reports, customers' bills, records of receipt of goods, or records of labour hours, in order to evaluate the reasonableness of the progress of performance determined by the management;

Financial Report

I. AUDITOR'S REPORT *(continued)*

KPMG Huazhen ShenZi No. 2303956

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

IV. OTHER INFORMATION

CRRC's management is responsible for the other information. The other information comprises all the information included in 2022 annual report of CRRC, other than the financial statements and our auditor's report thereon.

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

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

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

Financial Report

I. AUDITOR'S REPORT *(continued)*

KPMG Huazhen ShenZi No. 2303956

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

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with CSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- (1) Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- (2) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.
- (3) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

I. AUDITOR'S REPORT *(continued)*

KPMG Huazhen ShenZi No. 2303956

- (4) Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on CRRC's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause CRRC to cease to continue as a going concern.
- (5) Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- (6) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within CRRC to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

KPMG Huazhen LLP

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

Beijing, China

Lei Jiang (Engagement Partner)

Lin Ying

30 March 2023

Consolidated Balance Sheet

31 December 2022

II. FINANCIAL STATEMENTS

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

Prepared by: CRR Corporation Limited

RMB'000

Item	Note	31 December 2022	31 December 2021
Current assets			
Cash and bank balances	VII.1	54,861,839	48,585,115
Held-for-trading financial assets	VII.2	10,431,092	10,694,693
Bills receivable	VII.3	19,579,587	23,022,568
Accounts receivable	VII.4	88,987,037	72,985,213
Receivables at fair value through other comprehensive income	VII.5	6,735,575	10,552,051
Prepayments	VII.6	7,585,929	6,851,842
Other receivables	VII.7	2,874,509	4,360,569
Inventories	VII.8	63,136,015	61,420,021
Contract assets	VII.9	25,148,513	19,696,717
Assets classified as held for sale		74,600	126,275
Non-current assets due within one year	VII.10	6,019,677	15,821,211
Other current assets	VII.11	5,020,677	5,766,355
Total current assets		290,455,050	279,882,630
Non-current assets			
Loans and advances to customers	VII.12	–	–
Debt investments	VII.13	236,361	2,002,484
Long-term receivables	VII.14	11,343,189	10,774,956
Long-term equity investments	VII.15	18,260,754	17,203,832
Investments in other equity instruments	VII.16	2,692,227	2,997,338
Other non-current financial assets	VII.17	215,903	370,460
Investment properties	VII.18	809,758	835,306
Fixed assets	VII.19	60,828,121	58,919,951
Construction in progress	VII.20	4,111,596	6,310,367
Right-of-use assets	VII.21	1,442,775	1,493,734
Intangible assets	VII.22	16,103,044	16,691,006
Development expenditures	VII.23	749,396	521,506
Goodwill	VII.24	261,739	272,806
Long-term deferred expenses		279,395	201,034
Deferred tax assets	VII.25	3,630,804	3,731,804
Other non-current assets	VII.26	30,720,034	24,617,285
Total non-current assets		151,685,096	146,943,869
Total assets		442,140,146	426,826,499

Consolidated Balance Sheet

31 December 2022

Item	Note	31 December 2022	31 December 2021
Current liabilities			
Short-term borrowings	VII.27	13,627,730	15,815,647
Borrowings from the central bank		–	997,186
Held-for-trading financial liabilities		40,547	–
Bills payable	VII.28	27,691,303	22,830,192
Accounts payable	VII.29	130,957,703	122,106,841
Receipts in advance	VII.30	14,067	22,911
Contract liabilities	VII.31	23,732,490	25,397,986
Deposits from banks and other financial institutions	VII.32	3,153,979	4,601,620
Employee benefits payable	VII.33	2,289,570	2,036,436
Tax payable	VII.34	3,093,070	2,358,706
Other payables	VII.35	13,864,172	12,139,894
Non-current liabilities due within one year	VII.36	6,473,081	4,612,838
Other current liabilities	VII.37	2,466,039	2,636,060
Total current liabilities		227,403,751	215,556,317
Non-current liabilities			
Long-term borrowings	VII.38	6,096,122	7,454,276
Bonds payable	VII.39	–	2,500,000
Lease liabilities	VII.40	1,150,855	1,225,507
Long-term payables	VII.41	41,412	24,725
Long-term employee benefits payable	VII.42	2,472,685	3,228,528
Provisions	VII.43	7,369,015	7,551,653
Deferred income	VII.44	6,233,688	6,658,989
Deferred tax liabilities	VII.25	299,859	263,506
Other non-current liabilities	VII.45	86,843	71,492
Total non-current liabilities		23,750,479	28,978,676
Total liabilities		251,154,230	244,534,993
Shareholders' equity			
Share capital	VII.46	28,698,864	28,698,864
Capital reserve	VII.47	41,353,278	41,887,193
Other comprehensive income	VII.48	(687,727)	(1,277,255)
Special reserve	VII.49	49,957	49,957
Surplus reserve	VII.50	5,491,912	4,844,204
General risk reserve		693,662	654,226
Retained earnings	VII.51	79,441,376	73,717,157
Total equity attributable to shareholders of the Company		155,041,322	148,574,346
Non-controlling interests		35,944,594	33,717,160
TOTAL SHAREHOLDERS' EQUITY		190,985,916	182,291,506
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		442,140,146	426,826,499

Legal representative:
Sun Yongcai

Chief Accountant:
Li Zheng

Person in charge of the accounting department:
Wang Jian

The Company's balance sheet

31 December 2022

Prepared by: CRRC Corporation Limited

RMB'000

ITEM	Note	31 December 2022	31 December 2021
Current assets			
Cash and bank balances	XVI.1	17,754,170	11,155,317
Accounts receivable		3,475	3,150
Prepayments		5,000	–
Other receivables	XVI.2	12,417,489	16,833,924
Non-current assets due within one year		1,532,475	596,654
Other current assets		365	–
Total current assets		31,712,974	28,589,045
Non-current assets			
Long-term receivables		8,580,707	9,250,115
Long-term equity investments	XVI.3	110,620,363	107,122,625
Investments in other equity instruments		275,000	175,000
Fixed assets		18,234	20,450
Construction in progress		58,431	73,553
Right-of-use assets		34,523	45,437
Intangible assets		116,845	122,282
Other non-current assets		419,270	778,730
Total non-current assets		120,123,373	117,588,192
Total assets		151,836,347	146,177,237
Current liabilities			
Short-term borrowings		9,662,024	494,274
Accounts payable		9,768	258
Employee benefits payable		56,512	68,244
Tax payable		3,383	4,541
Other payables		36,011,265	36,789,527
Non-current liabilities due within one year		2,583,764	82,659
Total current liabilities		48,326,716	37,439,503
Non-current liabilities			
Long-term borrowings		–	4,003,056
Bonds payable		–	2,500,000
Lease liabilities		24,221	36,214
Total non-current liabilities		24,221	6,539,270
Total liabilities		48,350,937	43,978,773

The Company's balance sheet

31 December 2022

ITEM	Note	31 December 2022	31 December 2021
Shareholders' equity			
Share capital		28,698,864	28,698,864
Capital reserve		62,808,927	62,809,651
Other comprehensive income		(45,031)	(21,414)
Surplus reserve		5,491,912	4,844,204
Retained earnings		6,530,738	5,867,159
TOTAL SHAREHOLDERS' EQUITY		103,485,410	102,198,464
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		151,836,347	146,177,237

Legal representative:
Sun Yongcai

Chief Accountant:
Li Zheng

Person in charge of the accounting department:
Wang Jian

Consolidated income statement

From January to December 2022

Prepared by: CRRC Corporation Limited

RMB'000

ITEM	Note	2022	2021
I. Total operating income	VII.52	222,938,637	225,731,755
II. Total operating costs		211,172,568	215,200,819
Including: Operating costs	VII.52	175,625,777	179,303,892
Taxes and surcharges	VII.53	1,634,686	1,685,931
Selling expenses	VII.54	7,724,210	7,264,149
Administrative expenses	VII.55	13,401,635	13,481,469
Research and development expense	VII.56	13,129,748	13,085,219
Financial expense	VII.57	(343,488)	380,159
Including: Interest expenses		1,069,206	1,121,212
Interest income		986,017	822,488
Add: Other income	VII.58	1,792,846	1,658,697
Investment income	VII.59	306,929	242,491
Including: Gains from investments in associates and joint ventures		229,228	103,330
Loss arising from derecognition of financial assets measured at amortised cost		(215,583)	(332,673)
Gains from changes in fair value	VII.60	489,773	309,908
Impairment losses under expected credit loss model	VII.61	(312,158)	(41,615)
Assets impairment losses	VII.62	(614,278)	(885,548)
Gains on disposal of assets	VII.63	2,550,521	1,016,195
III. Operating profit		15,979,702	12,831,064
Add: Non-operating income	VII.64	779,950	1,468,980
Less: Non-operating expenses	VII.65	639,984	545,221
IV. Total profit		16,119,668	13,754,823
Less: Income tax expenses	VII.66	1,767,493	1,337,277
V. Net profit		14,352,175	12,417,546
(I) Net profit classified by operating continuity			
1. Net profit from continuing operations		14,352,175	12,417,546
(II) Net profit classified by ownership			
1. Net profit attributable to shareholders of the Company		11,653,448	10,302,605
2. Net profit attributable to non-controlling interests		2,698,727	2,114,941

Consolidated income statement

From January to December 2022

ITEM	Note	2022	2021
VI. Other comprehensive income, net of income tax	VII.48	763,437	(37,797)
(I) Other comprehensive income attributable to shareholders of the Company, net of income tax		589,562	28,372
1. Items that will not be reclassified to profit or loss		(17,515)	162,135
(1) Remeasurement of the changes in net liabilities or net assets of defined benefit plan		249,533	8,399
(2) Changes in fair value of investments in other equity instruments		(267,048)	153,736
2. Items that may be reclassified to profit or loss		607,077	(133,763)
(1) Other comprehensive income that may be reclassified to profit or loss under equity method		(43,640)	2,805
(2) Changes in fair value of other debt investments		88,695	(63,401)
(3) Provision for credit impairments of other debt investments		23	(3,391)
(4) Translation differences arising from translation of foreign currency financial statements		596,950	(69,776)
(5) Cash flow hedge reserve		(34,951)	-
(II) Other comprehensive income attributable to non-controlling interests, net of income tax		173,875	(66,169)
VII. Total comprehensive income		15,115,612	12,379,749
(I) Total comprehensive income attributable to shareholders of the Company		12,243,010	10,330,977
(II) Total comprehensive income attributable to non-controlling interests		2,872,602	2,048,772
VIII. Earnings per share:			
(I) Basic earnings per share (RMB/share)		0.41	0.36
(II) Diluted earnings per share (RMB/share)		0.41	0.36

Legal representative:
Sun Yongcai

Chief Accountant:
Li Zheng

Person in charge of the accounting department:
Wang Jian

The Company's income statement

From January to December 2022

Prepared by: CRRC Corporation Limited

RMB'000

ITEM	Note	2022	2021
I. Operating income	XVI.4	395,172	383,387
Less: Operating costs	XVI.4	4,047	5,512
Taxes and surcharges		1,069	2,224
Selling expenses		18,411	19,418
Administrative expenses		241,712	238,099
Research and development expense		490,189	332,075
Financial expense		11,862	28,603
Including: Interest expenses		831,326	854,546
Interest income		784,719	888,498
Add: Other income		1,667	858
Investment income	XVI.5	6,844,433	5,574,526
Including: Income from investments in associates and joint ventures		87,814	58,416
Impairment losses under expected credit loss model		3,391	(16,670)
Gains on disposal of assets		-	4
II. Operating profit		6,477,373	5,316,174
Add: Non-operating income		210	37,999
Less: Non-operating expenses		500	27
III. Total profit		6,477,083	5,354,146
Less: Income tax expenses		-	-
IV. Net profit		6,477,083	5,354,146
(I) Net profit from continuing operations		6,477,083	5,354,146
V. Other comprehensive income, net of income tax		(23,617)	15,240
(I) Items that will not be reclassified to profit or loss		-	-
1. Remeasurement of defined benefit plan		-	-
(II) Items that may be reclassified to profit or loss		(23,617)	15,240
1. Other comprehensive income recognised under equity method		(23,617)	15,240
VI. Total comprehensive income for the year		6,453,466	5,369,386

Legal representative:
Sun Yongcai

Chief Accountant:
Li Zheng

Person in charge of the accounting department:
Wang Jian

Consolidated cash flow statement

From January to December 2022

Prepared by: CRR Corporation Limited

RMB'000

ITEM	Note	2022	2021
I. Cash flows from operating activities:			
Cash receipts from sale of goods and rendering of services		223,297,502	226,015,807
Net increase in deposits from banks and other financial institutions		–	479,254
Net increase in borrowings from the central bank		–	997,186
Net decrease in loans and advances to customers		9,092,180	–
Receipts of tax refunds		4,019,950	1,125,068
Other cash receipts relating to operating activities	VII.68	3,131,311	3,413,269
Sub-total of cash inflows from operating activities		239,540,943	232,030,584
Cash payments for goods purchased and services received		153,176,663	153,577,472
Net decrease in deposits from banks and other financial institutions		1,447,641	–
Net decrease in borrowings from the central bank		997,186	–
Net increase in loans and advances to customers		–	422,160
Cash payments to and on behalf of employees		34,346,297	33,266,971
Payment of various taxes		11,546,910	11,483,479
Other cash payments relating to operating activities	VII.68	14,073,030	12,687,802
Sub-total of cash outflows from operating activities		215,587,727	211,437,884
Net cash flow from operating activities	VII.69	23,953,216	20,592,700
II. Cash flows from investing activities:			
Cash receipts from recovery of investments		42,474,735	48,932,930
Cash receipts from investment income		1,012,768	718,832
Net cash receipts from disposals of fixed assets, intangible assets and other long-term assets		1,206,779	1,365,947
Net cash receipts from disposal of subsidiaries and other business units		–	146,651
Other cash received in connection with investing activities		–	6,316
Sub-total of cash inflows from investing activities		44,694,282	51,170,676
Cash payments to acquire or construct fixed assets, intangible assets and other long-term assets		7,417,459	5,906,780
Cash payments to acquire investments		46,035,383	58,949,260
Other cash paid relating to investing activities		22,383	–
Sub-total of cash outflows from investing activities		53,475,225	64,856,040
Net cash flow used in investing activities		(8,780,943)	(13,685,364)

Consolidated cash flow statement

From January to December 2022

ITEM	Note	2022	2021
III. Cash flows from financing activities:			
Cash receipts from capital contributions		450,693	8,230,349
Including: Cash receipts from capital contributions by non-controlling interests of subsidiaries		450,693	8,230,349
Cash receipts from borrowings		26,546,586	49,905,802
Cash received from bonds issuing		26,200,000	55,200,000
Cash receipts from other financing activities		–	1,140,500
Sub-total of cash inflows from financing activities		53,197,279	114,476,651
Cash repayments of borrowings		55,651,606	98,830,576
Cash payment for distribution of dividends or profits or settlement of interest expense		7,318,139	7,043,142
Including: Payments for distribution of dividends or profit to non-controlling interests of subsidiaries		1,043,342	1,080,263
Other cash payments relating to financing activities		1,439,385	1,491,978
Sub-total of cash outflows from financing activities		64,409,130	107,365,696
Net cash flow (used in)/from financing activities		(11,211,851)	7,110,955
IV. Effect of foreign exchange rate changes on cash and cash equivalents		369,150	(580,675)
V. Net increase in cash and cash equivalents	VII.69	4,329,572	13,437,616
Add: Opening balance of cash and cash equivalents	VII.69	43,277,994	29,840,378
VI. Closing balance of cash and cash equivalents	VII.69	47,607,566	43,277,994

Legal representative:
Sun Yongcai

Chief Accountant:
Li Zheng

Person in charge of the accounting department:
Wang Jian

The Company's cash flow statement

From January to December 2022

Prepared by: CRR Corporation Limited

RMB'000

ITEM	Note	2022	2021
I. Cash flows from operating activities:			
Cash receipts from sale of goods and rendering of services		419,040	393,291
Receipts of tax refunds		1,667	2,264
Other cash receipts relating to operating activities		14,140,916	11,946,418
Sub-total of cash inflows from operating activities		14,561,623	12,341,973
Cash payments for goods purchased and services received		40,902	47,849
Cash payments to and on behalf of employees		165,884	156,299
Payment of various taxes		66,127	77,569
Other cash payments relating to operating activities		14,365,418	10,135,839
Sub-total of cash outflows from operating activities		14,638,331	10,417,556
Net cash flow (used in)/from operating activities	XVI.6	(76,708)	1,924,417
II. Cash flows from investing activities:			
Cash receipts from recovery of investments		30,061,194	36,235,800
Cash receipts from investment income		6,090,418	6,088,463
Net cash receipts from disposals of fixed assets, intangible assets and other long-term assets		-	7
Net cash receipts from disposal of subsidiaries and other business units		11,670	-
Sub-total of cash inflows from investing activities		36,163,282	42,324,270
Cash payments to acquire or construct fixed assets, intangible assets and other long-term assets		6,522	38,563
Payment for acquisition of investments		28,077,370	43,051,750
Sub-total of cash outflows from investing activities		28,083,892	43,090,313
Net cash flow from/(used in) investing activities		8,079,390	(766,043)
III. Cash flows from financing activities:			
Cash receipts from bonds issuing		26,000,000	55,000,000
Cash receipts from borrowings		2,000,000	23,920,000
Cash receipts from other financing activities		58,368,674	95,610,437
Sub-total of cash inflows from financing activities		86,368,674	174,530,437
Cash repayments of borrowings		32,000,000	79,308,684
Cash payments for distribution of dividends or profits or settlement of interest expense		5,875,257	6,008,891
Other cash payments relating to financing activities		49,939,921	81,157,233
Sub-total of cash outflows from financing activities		87,815,178	166,474,808
Net cash flow (used in)/from financing activities		(1,446,504)	8,055,629
IV. Effect of foreign exchange rate changes on cash and cash equivalents		41,219	(24,196)
V. Net increase in cash and cash equivalents	XVI.6	6,597,397	9,189,807
Add: Opening balance of cash and cash equivalents	XVI.6	9,653,682	463,875
VI. Closing balance of cash and cash equivalents	XVI.6	16,251,079	9,653,682

Legal representative:
Sun Yongcai

Chief Accountant:
Li Zheng

Person in charge of the accounting department:
Wang Jian

Consolidated statement of changes in owners' equity

From January to December 2022

Prepared by: CRRC Corporation Limited

RMB'000

ITEM	For the year ended 31 December 2022										
	Attributable to shareholders of the Company									Non-controlling interests	Total
	Share capital	Capital reserve	Other comprehensive income	Special reserve	Surplus reserve	General risk reserve	Retained earnings	Sub-total			
I. Balance at the end of the previous year	28,698,864	41,887,193	(1,277,255)	49,957	4,844,204	654,226	73,717,157	148,574,346	33,717,160	182,291,506	
II. Balance at the beginning of the current year	28,698,864	41,887,193	(1,277,255)	49,957	4,844,204	654,226	73,717,157	148,574,346	33,717,160	182,291,506	
III. Changes for the year	-	(533,915)	589,528	-	647,708	39,436	5,724,219	6,466,976	2,227,434	8,694,410	
(I) Total comprehensive income	-	-	589,562	-	-	-	11,653,448	12,243,010	2,872,602	15,115,612	
(II) Shareholders' contributions and decrease of capital	-	(533,915)	-	-	-	-	(68,422)	(602,337)	528,435	(73,902)	
1. Contribution by ordinary shareholders	-	52,984	-	-	-	-	-	52,984	598,756	651,740	
2. Others	-	(586,899)	-	-	-	-	(68,422)	(655,321)	(70,321)	(725,642)	
(III) Profit distribution	-	-	-	-	647,708	39,436	(5,860,841)	(5,173,697)	(1,173,603)	(6,347,300)	
1. Distributions to shareholders	-	-	-	-	-	-	(5,165,796)	(5,165,796)	(1,166,062)	(6,331,858)	
2. Appropriation to surplus reserve	-	-	-	-	647,708	-	(647,708)	-	-	-	
3. Appropriation for general risk reserve	-	-	-	-	-	39,436	(39,436)	-	-	-	
4. Others	-	-	-	-	-	-	(7,901)	(7,901)	(7,541)	(15,442)	
(IV) Transfers within shareholders' equity	-	-	(34)	-	-	-	34	-	-	-	
1. Other comprehensive income carried forward to retained earnings	-	-	(34)	-	-	-	34	-	-	-	
(V) Special reserve	-	-	-	-	-	-	-	-	-	-	
1. Appropriation of special reserve	-	-	-	588,885	-	-	-	588,885	121,574	710,459	
2. Amount utilised in the period	-	-	-	(588,885)	-	-	-	(588,885)	(121,574)	(710,459)	
(VI) Others	-	-	-	-	-	-	-	-	-	-	
IV. Balance at the end of the current period	28,698,864	41,353,278	(687,727)	49,957	5,491,912	693,662	79,441,376	155,041,322	35,944,594	190,985,916	

Legal representative:
Sun Yongcai

Chief Accountant:
Li Zheng

Person in charge of the accounting department:
Wang Jian

Consolidated statement of changes in owners' equity

31 December 2022

Prepared by: CRRR Corporation Limited

RMB'000

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

Legal representative:
Sun Yongcai

Chief Accountant:
Li Zheng

Person in charge of the accounting department:
Wang Jian

The Company's statement of changes in owners' equity

From January to December 2022

Prepared by: CRRC Corporation Limited

RMB'000

ITEM	For the year ended 31 December 2022					
	Share capital	Capital reserve	Other comprehensive income	Surplus reserve	Retained earnings	Total
I. Balance at the end of the previous year	28,698,864	62,809,651	(21,414)	4,844,204	5,867,159	102,198,464
II. Balance at the beginning of the current year	28,698,864	62,809,651	(21,414)	4,844,204	5,867,159	102,198,464
III. Changes for the year	-	(724)	(23,617)	647,708	663,579	1,286,946
(I) Total comprehensive income	-	-	(23,617)	-	6,477,083	6,453,466
(II) Shareholders' contributions and decrease of capital	-	(724)	-	-	-	(724)
1. Others	-	(724)	-	-	-	(724)
(III) Profit distribution	-	-	-	647,708	(5,813,504)	(5,165,796)
1. Appropriation for surplus reserve	-	-	-	647,708	(647,708)	-
2. Distributions to shareholders	-	-	-	-	(5,165,796)	(5,165,796)
IV. Balance at the end of the current year	28,698,864	62,808,927	(45,031)	5,491,912	6,530,738	103,485,410

Legal representative:
Sun Yongcai

Chief Accountant:
Li Zheng

Person in charge of the accounting department:
Wang Jian

Prepared by: CRRC Corporation Limited

RMB'000

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

Legal representative:
Sun Yongcai

Chief Accountant:
Li Zheng

Person in charge of the accounting department:
Wang Jian

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

III. BASIC INFORMATION ABOUT THE COMPANY

1. General information

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

III. BASIC INFORMATION ABOUT THE COMPANY (continued)

1. General information (continued)

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

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

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

2. Scope of consolidated financial statements

Company name	Principal place of business	Registered place	Type of legal entity	Legal representative	Business scope/Nature of business	Unified social credit code	Paid-in capital (RMB'000)	Shareholding percentage (%)	Voting proportion (%)
CRRC Changchun Railway Vehicles Co. Ltd. ("CRRC Changchun")	China	Changchun	Limited company	Wang Feng	Manufacturing	91220000735902224D	6,235,001	93.54	93.54
CRRC Zhuzhou Institute Co., Ltd. ("CRRC Zhuzhou Institute")	China	Zhuzhou	Limited liability company	Li Donglin	Manufacturing	9143020044517525X1	9,126,840	100.00	100.00
CRRC Zhuzhou Locomotive Co., Ltd. ("CRRC Zhuzhou Locomotive")	China	Zhuzhou	Limited liability company	Zhou Qinghe	Manufacturing	914302007790310965	5,528,330	100.00	100.00
CRRC Tangshan Co., Ltd. ("CRRC Tangshan")	China	Tangshan	Limited liability company	Zhou Junnian	Manufacturing	911302216636887669	3,990,000	100.00	100.00
CRRC Dalian Co., Ltd. ("CRRC Dalian")	China	Dalian Branch	Limited liability company	Lin Cunzeng	Manufacturing	91210200241283929E	4,345,470	100.00	100.00
CRRC Qiqihar Group Co., Ltd. ("CRRC Qiqihar Group")	China	Qiqihar	Limited liability company	Zhang Yuxiang	Manufacturing	91230200057435769W	7,900,000	100.00	100.00
CRRC Yangtze River Transportation Equipment Group Co., Ltd. ("CRRC Yangtze River Group")	China	Wuhan	Limited liability company	Hu Haiping	Manufacturing	91420115MA4KYAEH3B	5,716,509	100.00	100.00
CRRC Investment & Leasing Co., Ltd. ("CRRC Investment & Leasing")	China	Beijing	Limited liability company	Yang Ruixin	Trading and financing lease	911100007109247853	2,909,285	100.00	100.00

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

III. BASIC INFORMATION ABOUT THE COMPANY (continued)

2. Scope of consolidated financial statements (continued)

Company name	Principal place of business	Registered place	Type of legal entity	Legal representative	Business scope/Nature of business	Unified social credit code	Paid-in capital (RMB'000)	Shareholding percentage (%)	Voting proportion (%)
CRRC Qishuyan Co., Ltd. ("CRRC Qishuyan")	China	Changzhou	Limited liability company	Xu Shibao	Manufacturing	913204006638182170	2,298,020	100.00	100.00
CRRC Qishuyan Locomotive & Rolling Stock Technology Research Institute Co., Ltd. ("CRRC Qishuyan Institute")	China	Changzhou	Limited liability company	Wang Chenglong	Manufacturing	91320400137168058A	2,168,330	100.00	100.00
CRRC Capital Management Co., Ltd. ("CRRC Capital Management")	China	Beijing	Limited liability company	Lu Jianzhou	Finance	91110108MA00314Q4L	2,500,000	100.00	100.00
CRRC Nanjing Puzhen Co., Ltd. ("CRRC Nanjing Puzhen")	China	Nanjing	Limited liability company	Li Dingnan	Manufacturing	91320191663764650N	5,104,540	100.00	100.00
CRRC Hong Kong Capital Management Co., Ltd. ("CRRC Hong Kong Capital Management")	China	Hong Kong	Limited liability company	Li Jin	Investment and capital operation	Not applicable	3,503,568	100.00	100.00
CRRC ITET Co., Ltd. ("CRRC ITET")	China	Beijing	Limited liability company	Wang Hongwei	Housing industry	91110106590663663T	1,500,000	50.00	50.00
CRRC Yongji Electric Co., Ltd. ("CRRC Yongji Electric")	China	Yongji	Limited liability company	Xing Xiaodong	Manufacturing	91140881664458751J	1,296,972	100.00	100.00
CRRC Qingdao Sifang Rolling Stock Research Institute Co., Ltd. ("CRRC Sifang Institute")	China	Qingdao	Limited liability company	Kong Jun	Manufacturing	91370200264582788W	1,738,260	100.00	100.00
CRRC Finance Co., Ltd. ("CRRC Finance")	China	Beijing	Limited liability company	Dong Xuzhang	Finance	91110000573064301	3,200,000	91.36	91.36
CRRC Zhuzhou Electric Co., Ltd. ("CRRC Zhuzhou Electric")	China	Zhuzhou	Limited liability company	Nie Ziqiang	Manufacturing	9143020076071871X7	1,342,200	100.00	100.00
CRRC Ziyang Co., Ltd. ("CRRC Ziyang")	China	Ziyang	Limited liability company	Chen Zhixin	Manufacturing	91512000786693055N	2,028,889	99.60	99.60
CRRC Beijing Nankou Co., Ltd. ("CRRC Beijing Nankou")	China	Beijing	Limited liability company	Tao Lu	Manufacturing	91110000664625580F	1,008,000	100.00	100.00
CRRC Datong Electric Locomotive Co., Ltd. (CRRC Datong)	China	Datong	Limited liability company	Huang Qichao	Manufacturing	91140200602161186E	656,000	100.00	100.00
CRRC Dalian Institute Co., Ltd. ("CRRC Dalian Institute")	China	Dalian	Limited liability company	Liu Huiyan	Manufacturing	91210200243024402A	455,000	100.00	100.00
CRRC Sifang Co., Ltd. ("CRRC Sifang") (Note 3)	China	Qingdao	Limited liability company	Ma Lijun	Manufacturing	9137020016357624X1	43,095	100.00	100.00
CRRC Logistics Co., Ltd. ("CRRC Logistics")	China	Beijing	Limited liability company	Liu Zhenqing	Logistics and trade	91110108737682982M	760,000	100.00	100.00

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

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

2. Scope of consolidated financial statements *(continued)*

Company name	Principal place of business	Registered place	Type of legal entity	Legal representative	Business scope/Nature of business	Unified social credit code	Paid-in capital (RMB'000)	Shareholding percentage (%)	Voting proportion (%)
CRRC Industrial Institute Co., Ltd. ("CRRC Industrial Institute")	China	Beijing	Limited liability company	Gong Ming	Research and development	911101063066897448	228,000	100.00	100.00
CRRC International Co., Ltd. ("CRRC International")	China	Beijing	Limited liability company	Wu Yan	Trade	911101067109217367	700,000	100.00	100.00
CRRC Information Technology Co., Ltd. ("CRRC Information Technology")	China	Beijing	Limited liability company	Chen Kai	Software development	91110108700035941C	218,950	100.00	100.00
CRRC SA (PTY) LTD	South Africa	South Africa	Limited liability company	Han Xiaobo	Manufacturing	Not applicable	ZAR 1,000	66.00	66.00
CRRC Financial Leasing Co., Ltd. ("CRRC Financial Leasing")	China	Tianjin	Limited liability company	Xu Weifeng	Financial services	91120118MA06J91H6K	3,000,000	81.00	81.00
Zhuzhou CRRC Times Electric Co., Ltd. ("CRRC Times Electric") (Note 1)	China	Zhuzhou	Limited company	Li Donglin	Manufacturing	914300007808508659	1,416,237	45.93	45.93
Zhuzhou Times New Material Technology Co., Ltd. ("Zhuzhou Times New Material") (Note 2)	China	Zhuzhou	Limited company	Peng Huawen	Manufacturing	91430200712106524U	802,798	39.55	50.87

Note 1: CRRC Times Electric is a subsidiary of CRRC Zhuzhou Institute. On 7 September 2021, CRRC Times electric was listed on the Shanghai Stock Exchange STAR Market (stock code: 688187) and issued 240,760,275 new shares, so far, the shareholding percentage of CRRC Times Electric held by the Group was passively diluted from 53.19% to 44.14%, and the voting proportion was reduced from 53.19% to 44.14%. After the dilution of shareholding percentage, the Group is still able to exercise control over CRRC Times Electric. During 2022, CRRC Hong Kong Capital Management, a subsidiary of the Company, purchased 25,320,000 shares of CRRC Times Electric in the open market. As at 31 December 2022, the Group's shareholding percentage in CRRC Times Electric is 45.93%.

Note 2: Times New Material is a subsidiary of CRRC Zhuzhou Institute. The equity interests of Times New Material held by the Group was 39.55%. Since CRRCG held 11.32% equity interest of Times new material and has authorised the Company to exercise its voting rights, the voting rights of Times New Material held by the Group became 50.87%.

Note 3: During the year, the Company transferred its 97.81% equity stake of CRRC Qingdao Sifang Co., Ltd. ("CRRC Qingdao Sifang") and 100% equity stake of Qingdao CRRC Sifang Vehicles Co., Ltd. ("Qingdao CRRC Sifang") to CRRC Sifang Co., Ltd. ("CRRC Sifang") without compensation, and therefore, CRRC Qingdao Sifang and Qingdao CRRC Sifang became subsidiaries of CRRC Sifang.

Note 4: On March 30, 2022, the proposal on the "Conversion of Undistributed Profits of CRRC Finance Co., Ltd. to Registered Capital and Related Transactions" has been approved by the fourth meeting of the third board of directors of the Company, agreeing to use the audited undistributed profit of CRRC Finance Co., Ltd. of RMB 1,003,318,955.94 Yuan as of 31 December 2021 as the basis, of which RMB 1 billion shall be converted to the registered capital by the original shareholders in the same proportion. The registered capital of CRRC Finance Co., Ltd. increased to RMB 3.2 billion.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

IV. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

1. Basis of preparation

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

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

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

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

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

2. Going concern

The Group evaluated the going concern capability for the next twelve months from 31 December 2022 and found no matters or circumstances that could raise serious doubts about the going concern capability. These financial statements have been prepared on a going concern basis.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

1. Statement of compliance with the ASBE

These financial statements are in compliance with the ASBE to truly and completely reflect consolidated and the Company's financial position as at 31 December 2022, and consolidated and the Company's operating results, changes in shareholders' equity and cash flows for the 12-month period then ended.

2. Accounting period

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

3. Business cycle

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

4. Reporting currency

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

5. Basis of accounting and principle of measurement

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

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

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

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

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

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

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

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

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

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

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

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

(1) Business combinations involving entities under common control

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

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

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

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

A business combination involving entities not under common control is a business combination in which all of the combining entities are not ultimately controlled by the same party or parties both before and after the business combination.

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

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

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

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

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

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

7. Basis for preparation of consolidated financial statements

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

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

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

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

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

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

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

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

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

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

9. Recognition criteria of cash and cash equivalent

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

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

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

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

11. Financial instruments

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

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

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

11. Financial instruments *(continued)*

(1) Classification and measurement of financial assets

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

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

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

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

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

11. Financial instruments *(continued)*

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

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

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

(a) Financial assets measured at amortised cost

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

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

11. Financial instruments *(continued)*

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

(b) Financial assets measured at FVTOCI

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

(c) Financial assets designated as FVTOCI

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

(d) Financial assets measured at FVTPL

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

(2) Impairment of financial assets and other items

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

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

11. Financial instruments *(continued)*

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

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

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

(a) Significant increases in credit risk

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

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

11. Financial instruments *(continued)*

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

(a) Significant increases in credit risk *(continued)*

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

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

11. Financial instruments *(continued)*

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

(b) Credit-impaired financial assets

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

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

(c) Recognition of expected credit losses

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

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

11. Financial instruments *(continued)*

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

(c) Recognition of expected credit losses *(continued)*

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

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

11. Financial instruments *(continued)*

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

(d) Write-off of financial assets

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

(3) Transfer of financial assets

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

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

11. Financial instruments *(continued)*

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

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

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

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

(4) Classification of liabilities and equity

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

(a) Classification and measurement of financial liabilities

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

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

11. Financial instruments *(continued)*

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

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

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

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

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

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

(ii) Other financial liabilities

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

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

11. Financial instruments *(continued)*

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

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

(ii) Other financial liabilities *(continued)*

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

(b) Derecognition of financial liabilities

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

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

(c) Equity instruments

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

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

11. Financial instruments *(continued)*

(5) Derivatives and embedded derivatives

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

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

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

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

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

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

(6) Convertible bonds

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

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

11. Financial instruments *(continued)*

(6) Convertible Bonds *(continued)*

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

(7) Offsetting financial assets and financial liabilities

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

12. Inventories

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

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

The perpetual inventory system is maintained for stock system.

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

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion, the estimated costs necessary to make the sale and relevant taxes. Net realisable value is determined on the basis of clear evidence obtained, and takes into consideration the purposes of holding inventories and effect of post balance sheet events.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

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

12. Inventories *(continued)*

For inventories that relate to a product series that is produced and marketed in the same geographical area, have the same or similar uses or purposes, and cannot be practicably evaluated separately from other items, provision for decline in value of inventories can be determined on an aggregate basis. Provision for decline in value of other inventories is made based on the excess of cost of inventory over its net realisable value on an item-by-item basis.

13. Assets held for sale and discontinued operations

(1) Assets held for sale

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

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

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

(2) Discontinued operations

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

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

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

14. Long-term equity investments

(1) Judgement criteria for joint control and significant influence

Control is achieved when the investor has power over the investee; is exposed, or has rights, to variable returns from its involvement with the investee; and has the ability to use its power to affect its returns. Joint control is the contractually agreed sharing of control over an economic activity, and exists only when the strategic financial and operating policy decisions relating to the activity require the unanimous consent of the parties sharing control. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. When determining whether an investing enterprise is able to exercise control or significant influence over an investee, the effect of potential voting rights of the investee (for example, warrants and convertible debts) held by the investing enterprises or other parties that are currently exercisable or convertible shall be considered.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

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

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

(2) Determination of investment cost

For a long-term equity investment acquired through a business combination involving enterprises under common control, the investment cost of the long-term equity investment is the share of the carrying amount of the shareholders' equity of the acquiree attributable to the ultimate controlling party at the date of combination. For a long-term equity investment acquired through business combination involving enterprises not under common control, the investment cost of the long-term equity investment is the cost of acquisition. For a business combination involving enterprises not under common control achieved in stages that involves multiple exchange transactions, the initial investment cost is carried at the aggregate of the carrying amount of the acquirer's previously held equity interest in the acquiree and the new investment cost incurred on the acquisition date. Except for long-term equity investment acquired through a business combination, other equity investment is initially measured at cost.

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

(3) Subsequent measurement and recognition of profit or loss

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

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

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

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

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

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

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

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

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

(c) Disposal of long-term equity investments

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

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

15. Investment properties

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

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

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

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

16. Fixed assets

(1). Recognition criteria

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

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

(2). Depreciation method

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

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

17. Construction in progress

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

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

For sale of products or by-products generated before a fixed asset reaches ready-to-use condition, the relevant income and cost shall be accounted for separately and included in the current profit and loss in accordance with the requirements of the Accounting Standards for Business Enterprises No. 14 – Revenue and the Accounting Standards for Business Enterprises No. 1 – Inventories.

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

18. Borrowing costs

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

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

18. Borrowing costs *(continued)*

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

- Where funds are borrowed under a specific-purpose borrowing, the amount of interest to be capitalised is the actual interest expense incurred on that borrowing for the period less any bank interest earned from depositing the borrowed funds before being used on the asset or any investment income on the temporary investment of those funds;
- Where funds are borrowed under general-purpose borrowings, the amount of interest to be capitalised on such borrowings by applying a capitalisation rate to the weighted average of the excess of cumulative expenditures on the asset over the amounts of specific-purpose borrowings. The capitalisation rate is the weighted average of the interest rates applicable to the general-purpose borrowings.

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

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

19. Intangible assets

(1). Valuation method, useful life and impairment test

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

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

The useful lives of the intangible assets are as follows:

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

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

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

An intangible asset with an indefinite useful life is not amortised and its useful life is reviewed in each accounting period. If there is an evidence indicating that the useful life of the intangible asset is finite, it is accounted for using the above accounting policies applicable to intangible assets with finite useful lives.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

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

19. Intangible assets *(continued)*

(2). Accounting policies for internal research and development expenditure

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

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

Development expenditures which meet the criteria set out below shall capitalised, that is, it is technically feasible to complete the intangible asset so that it will be available for use or sale; the Group has the intention to complete the intangible asset and use or sell it; the Group can demonstrate the ways in which the intangible asset will generate economic benefits, including the evidence of the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset need to be proved; the availability of adequate technical, financial and other resources to complete the development and the ability to use or sell the intangible asset; and the expenditure attributable to the intangible asset during its development phase can be reliably measured. Expenditure on the development phase that does not meet the above criteria is recognised in profit or loss for the period in which it is incurred. Research expenditure is recognised as an expense in the period in which it is incurred.

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

For sale of products or by-products generated during the research and development process, the relevant income and cost shall be accounted for separately and included in the current profit and loss in accordance with the requirements of the Accounting Standards for Business Enterprises No. 14 – Revenue and the Accounting Standards for Business Enterprises No. 1 – Inventories.

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

20. Impairment of long-term assets

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

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

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

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

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

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

21. Long-term deferred expenses

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

22. Employee benefits

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

(1). Accounting for short-term employee benefits

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

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

22. Employee benefits *(continued)*

(2). Accounting for retirement benefits

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

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

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

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

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

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

(3). Accounting for termination benefits

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

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

23. Provisions

Except for contingent consideration arising and contingent liabilities undertaken in business combinations, the Group recognises an obligation related to a contingency as a provision when all of the following conditions are satisfied: (i) the obligation is a present obligation of the Group; (ii) it is probable that an outflow of economic benefits will be required to settle the obligation; and (iii) the amount of the obligation can be measured reliably. A provision is initially measured at the best estimate of the expenditure required to settle the related present obligation, with comprehensive consideration of factors such as the risks, uncertainty and time value of money relating to a contingency. The carrying amount of a provision is reviewed at each balance sheet date. If there is clear evidence that the carrying amount does not reflect the current best estimate, the carrying amount is adjusted to the best estimate.

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

24. Revenue

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

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

- (i) Revenue from selling of goods;
- (ii) Revenue from rendering of services

The Group shall recognise revenue when the Group satisfies a performance obligation in the contract, namely, when the customer obtains control over relevant goods or services, which is based on the transaction price allocated to the performance obligation. A performance obligation represents the commitment that a good and service that is distinct shall be transferred by the Group to the customer. Transaction price refers to the consideration that the Group is expected to receive due to the transfer of goods or services to the customer, but it does not include payments received on behalf of third parties and amounts that the Group expects to return to the customer.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

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

24. Revenue *(continued)*

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

Revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following conditions is met: (i) the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs; (ii) the customer is able to control goods in the progress during the Group's performance; (iii) the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date. Otherwise, revenue is recognised at a point of time when the customer obtains control over the relevant goods or services.

For performance obligations performed over time, the Group adopts input method to determine the appropriate progress of performance, that is, the progress of the performance is determined according to the Group's input for fulfilling its performance obligations. Where the progress cannot be determined reasonably, the revenue is recognised based on the amount of cost that is expected to be compensated based on the cost already incurred, until the progress of performance is reasonably determined.

If the contract includes two or more performance obligations, at contract inception, the Group allocates the transaction price to single performance obligation according to relative proportion of the stand-alone selling prices of the goods or services promised by single performance obligation. However, where there is conclusive evidence that the contract discount or variable consideration is only related to one or more (not all) performance obligations in the contract, the Group shall allocate the contract discount or variable consideration to relevant one or more performance obligations. The stand-alone selling price is the price at which the Group would sell a promised good or service separately to a customer. If a stand-alone selling price is not directly observable, the Group shall consider all information that is reasonably available to the Group and maximise the use of observable inputs and apply estimation methods consistently in similar circumstances.

If the contract includes consideration payable to a customer (for example, supplier nomination fee, etc.), the Group shall account for consideration payable to a customer as a reduction of the transaction price unless the payment to the customer is in exchange for a distinct good or service, and recognised the reduction of revenue when (or as) the later of either of the following events occurs: 1) the Group recognises revenue for the transfer of the related goods or services to the customer; and 2) the Group pays or promises to pay the consideration.

For sales with quality assurance terms, if the quality assurance provides a separate service to the customer other than ensuring that the goods or services sold meet the established standards, the quality assurance constitutes a single performance obligation. Otherwise, the Group will account for the quality assurance responsibility in accordance with the Accounting Standards for Business Enterprises No. 13 – Contingencies.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

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

24. Revenue *(continued)*

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

If the contract contains a significant financing component, the Group determines the transaction price based on the amount payable under the assumption that the customer pays that amount payable in cash when “control” of the goods or services is obtained by the customer. The difference between the transaction price and the contract consideration shall be amortised within the contract period using effective interest rate. If the Group expects, at contract inception, that the period between when the Group transfers a promised good or service to a customer and when the customer pays for that good or service will be one year or less, the Group needs not to consider the significant financing component.

The Group determines whether it is a principal or an agent at the time of the transaction based on whether it owns the “control” of the goods or services before the transfer of such goods or services to the customer. The Group is a principal if it controls the specified good or service before that good or service is transferred to a customer, and the revenue shall be recognised based on the total consideration received or receivable; otherwise, the Group is an agent, and the revenue shall be recognised based on the amount of commission or handling fee that is expected to be charged, and such amount is determined based on the net amount of the total consideration received or receivable after deducting the prices payable to other related parties or according to the established commission amount or proportion.

For a change in the scope or price of a contract that is approved by the parties to the contract, the Group accounts for the contract modification according to the following situations:

- (i) The addition of promised goods or services are distinct and the price of the contract increases by an amount of consideration reflects stand-alone selling prices of the additional promised goods or services, the Group shall account for a contract modification as a separate contract;
- (ii) If the above criteria are not met, and the remaining goods or services are distinct from the goods or services transferred on the date of the contract modification, the Group accounts for the contract modification as if it were a termination of the existing contract and the creation of a new contract;
- (iii) If the above criteria are not met, and the remaining goods or services are not distinct from the goods or services transferred on the date of the contract modification, the Group accounts for the contract modification as if it were a part of the existing contract. The effect that the contract modification has on the revenue is recognised as an adjustment to revenue in the reporting period.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

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

24. Revenue *(continued)*

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

When the Group collects amounts of sold goods or services in advance from the customer, the Group will firstly recognise the amounts as a liability and then transfer to revenue until satisfying relevant performance obligations.

Contract asset refers to the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer when that right is conditioned on something other than the passage of time. Accounting policies relating to the impairment of contract asset are specified in Note V. 11. The Group's unconditional (i.e., depending on the passage of time only) right to receive consideration from the customer is separately presented as receivables.

Contract liabilities refer to the Group's obligation to transfer goods or services to a customer for which the Group has received consideration from the customer.

Contract assets and contract liabilities under the same contract are presented at net amount.

Except for the income arising from contracts with customers, income of the Group includes interest income and lease income from daily operating activities. Relevant accounting policies are detailed in Note V. 11 and 28.

25. Contract costs

Contract costs are either the incremental costs of obtaining a contract with a customer or the costs to fulfil a contract with a customer.

Incremental costs of obtaining a contract are those costs that the Group incurs to obtain a contract that it would not have incurred if the contract had not been obtained, e.g. an incremental sales commission. The Group recognises as an asset the incremental costs of obtaining a contract with a customer if it expects to recover those costs. Other costs of obtaining a contract are expensed when incurred.

If the costs to fulfil a contract with a customer are not within the scope of inventories or other accounting standards, the Group recognises an asset from the costs incurred to fulfil a contract only if those costs meet all of the following criteria:

- (i) the costs relate directly to an existing contract or to a specifically identifiable anticipated contract, including direct labour, direct materials, allocations of overheads (or similar costs), costs that are explicitly chargeable to the customer and other costs that are incurred only because the Group entered into the contract;
- (ii) the costs generate or enhance resources of the Group that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and
- (iii) the costs are expected to be recovered.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

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

25. Contract costs *(continued)*

Assets recognised for the incremental costs of obtaining a contract and assets recognised for the costs to fulfil a contract (the “assets related to contract costs”) are amortised on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the assets relate and recognised in profit or loss for the current period.

The Group recognises an impairment loss in profit or loss to the extent that the carrying amount of an asset related to contract costs exceeds:

- (i) remaining amount of consideration that the Group expects to receive in exchange for the goods or services to which the asset relates; less
- (ii) the costs that relate directly to providing those goods or services that have not yet been recognised as expenses.

26. Government grants

Government grants are transfer of monetary assets and non-monetary assets from the government to the Group at no consideration. A government grant is recognised only when the Group can comply with the conditions attaching to the grant and the Group will receive the grant.

If a government grant is in the form of a transfer of a monetary asset, it is measured at the amount received or receivable. If a government grant is in the form of a non-monetary asset, it is measured at fair value. If the fair value cannot be reliably determined, it is measured at a nominal amount. A government grant measured at a nominal amount is recognised immediately in profit or loss for the period.

(1) Judgement basis and accounting treatments for government grants related to assets

If the government grant is a compensation for constructing or forming long-term assets, the government grant is recognised as government grants related to assets.

A government grant related to an asset is recognised as deferred income and included in profit or loss over the useful life of the related asset. Where the relevant asset is sold, transferred, scrapped or damaged prior to the end of its useful life, the related undistributed deferred income is transferred to the profit or loss of the disposal period.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

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

26. Government grants *(continued)*

(2) Judgement basis and accounting treatments for government grants related to income

Government grants other than government grants related to assets are government grants related to income.

For a government grant related to income, if the grant is a compensation for related expenses or losses to be incurred in subsequent periods, the grant is recognised as deferred income and recognised in profit or loss over the periods in which the related costs or losses are recognised; If the grant is a compensation for related expenses or losses already incurred, the grant is recognised immediately in profit or loss for the period. The Group classifies government grants that are difficult to be distinguished as government grants related to income aggregately.

A government grant related to the Group's daily activities is recognised in other income based on the substance of economic activities; a government grant not related to the Group's daily activities is recognised in non-operating income and expenses.

Discount interest on preferential loans obtained by the Group is directly allocated to the Group, with the corresponding interest discounts offsetting related borrowing costs.

27. Deferred tax assets/deferred tax liabilities

The income tax expenses include current income tax and deferred tax. Except for that (1) goodwill arising from the business combination or (2) the current income tax and deferred income tax related to transactions or events recognised in other comprehensive income or shareholders' equity are included in other comprehensive income or shareholders' equity, other current income tax and deferred income tax expenses or gains are included in profit or loss for the period.

(1) Current income tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered or paid according to the taxation laws and regulations.

(2) Deferred tax assets/deferred tax liabilities

For temporary differences between the carrying amounts of certain assets or liabilities and their tax base, or between the nil carrying amount of those items that are not recognised as assets or liabilities and their tax base that can be determined according to tax laws, deferred tax assets and liabilities are recognised using the balance sheet liability method.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

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

27. Deferred tax assets/Deferred tax liabilities *(continued)*

(2) Deferred tax assets/deferred tax liabilities *(continued)*

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

- Where taxable temporary differences arise from the initial recognition of goodwill; or the initial recognition of an asset or liability in a transaction that is not a business combination, and at the time of the transaction, it affects neither accounting profit nor taxable profit or loss;
- For taxable temporary differences associated with investments in subsidiaries, joint ventures and associates, where the timing of the reversal of the temporary differences can be controlled by the Group and it is probable that the temporary differences will not reverse in the foreseeable future.

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

- Where the deferred tax asset arises from a transaction that is not a business combination and, at the time of the transaction, neither affects the accounting profit nor taxable profit or loss;
- Deductible temporary differences associated with investments in subsidiaries, joint ventures and associates, a deferred tax asset is only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised in the future.

At the balance sheet date, deferred income tax assets and liabilities are measured, subject the tax laws, at the applicable rate in the period in which deferred tax assets or liabilities are expected to be realised or settled, and the tax effects arising from the expected reversal of assets or liabilities are reflected at the balance sheet date.

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

When the Group has a legal right to settle on a net basis and intends either to settle on a net basis or to realise the assets and settle the liabilities simultaneously, current tax assets and current tax liabilities are offset and presented on a net basis.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

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

27. Deferred tax assets/Deferred tax liabilities *(continued)*

(2) Deferred tax assets/deferred tax liabilities *(continued)*

Deferred tax assets and deferred tax liabilities are offset and presented on a net basis if the Group has a legal right to set off the current tax assets against current tax liabilities on a net basis and the deferred taxes relate to the same taxable entity and the same taxation authority.

28. Leases

(1). Recognition and accounting of leases under new lease standard

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into on the date of initial application, the Group assesses whether a contract is or contains a lease at commencement date. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

(1) As a lessee

(a) Allocation

For a contract that contains one or more lease component and non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

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

28. Leases *(continued)*

(1) Recognition and accounting of leases under new lease standard *(continued)*

(1) As a lessee *(continued)*

(b) Right-of-use assets

Except for short-term leases and leases of low value assets, the Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). The right-of-use asset is initially measured at cost. This cost includes:

- The initial measurement amount of the lease liabilities;
- Any lease payments made at or before the commencement date, less any lease incentives received;
- Any initial direct costs incurred by the Group; and
- An estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, excluding the costs that are incurred to produce inventories.

After the commencement date of the lease, the carrying amount of right-of-use assets shall be adjusted when lease liability is remeasured.

The Group makes depreciation for the right-of-use assets in accordance with the relevant depreciation regulations under the Accounting Standards for Business Enterprises No. 4 – Fixed Assets. Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term is depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated over the shorter of its estimated useful life and the lease term.

For the method of testing the impairment of the right-of-use asset and the method of determining impairment provision, please refer to Note V.20 for details.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

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

28. Leases *(continued)*

(1) Recognition and accounting of leases under new lease standard *(continued)*

(1) As a lessee *(continued)*

(c) Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

Lease payment refers to the amount paid by the Group to the lessor relating to the right to use an underlying asset during the lease term, including:

- Fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- Variable lease payments depending on the index or ratio;
- The exercise price of a purchase option reasonably certain to be exercised by the Group;
- Payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate; and
- Amounts expected to be paid under residual value guarantees.

The variable lease payments, depending on the index or ratio, are determined at the initial measurement based on the index or proportion at the beginning of the lease term. The variable lease payments that are not included in the measurement of the lease liability are recognised in profit or loss or related asset costs when incurred.

After the commencement date of the lease term, the Group calculates the interest expense of the lease liabilities for each period of the lease term based on a fixed periodic interest rate, and includes it in profit and loss or related asset costs.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

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

28. Leases *(continued)*

(1) Recognition and accounting of leases under new lease standard *(continued)*

(1) As a lessee *(continued)*

(c) Lease liabilities *(continued)*

After the commencement date of the lease term, the Group re-measures the lease liabilities and adjusts the corresponding right-of-use asset in the following circumstances. If the book value of the right-of-use asset has been reduced to zero, while the lease liabilities still need to be further reduced, the difference shall be included in the profit and loss:

- The Group re-measures the lease liabilities based on the present value of the post-change lease payments and the revised discount rate as a result of changes in the lease term or changes in the purchase option;
- The Group re-measures the lease liabilities based on the present value of the changed lease payments and the original discount rate, based on the amount of the amount payable or the index or proportion used to determine the lease payments. If the change in lease payments comes from changes in floating interest rates, the revised discount rate shall be adopted to calculate the present value.

(d) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to short-term leases of housing and buildings, machinery and equipment, motor vehicles, office equipment and other equipment and leases of low-value assets. Short-term leases are leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. A lease of low value asset refers to a single lease asset, when new, is of low value.

Lease payments on short-term leases and leases of low-value assets are recognised in profit or loss or the cost of underlying assets on a straight-line basis over the lease term.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

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

28. Leases *(continued)*

(1) Recognition and accounting of leases under new lease standard *(continued)*

(1) As a lessee *(continued)*

(e) Lease modifications

The Group accounts for a lease modification as a separate lease if there is a lease modification and both of the following apply:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

If the scope of the lease is narrowed or the lease term is shortened as a result of the lease modification, the Group reduces the carrying amount of the right-of-use assets accordingly, and record the relevant gains or losses of partial or complete termination of the lease into the current profit and loss. In case of remeasurement of lease liabilities due to other lease modifications, the Group adjusts the carrying amount of the right-of-use assets accordingly.

(2) As a lessor

(a) Allocation

Where the contract includes both the lease and non-lease components, the Group apportions the contract consideration according to the provisions of Note V.24 on the transaction price sharing. The basis of the apportionment is the individual selling price of the leased part and the non-lease part.

(b) Classification of lease

A lease that has substantially transferred almost all the risks and rewards related to the ownership of the leased asset is a financial lease. Leases other than finance leases are operating leases.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

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

28. Leases *(continued)*

(1) Recognition and accounting of leases under new lease standard *(continued)*

(2) As a lessor *(continued)*

(b) Classification of lease *(continued)*

(i) ***The Group records the operating lease business as a lessor***

During each period of the lease term, the Group uses the straight-line method to recognise the lease payments from operating leases as rental income. The initial direct costs incurred by the Group in relation to the operating leases are capitalised at the time of the acquisition, and are recognised in profit or loss.

(ii) ***The Group records the finance leasing business as a lessor***

The net investment in the lease is measured at the aggregate of the unguaranteed residual value and the present value of the lease receivable that are not received at the commencement date, discounted using the interest rate implicit in the lease.

The amount of the lease receivable refers to the amount that the Group should collect from the lessee for the purpose of transferring the leased assets during the lease term, including:

- The fixed payment amount and the substantial fixed payment amount to be paid by the lessee, if there is a lease incentive, the amount related to the lease incentive is deducted;
- Variable lease payments depending on the index or ratio;
- The exercise price of the purchase option, provided that it is reasonably determined that the lessee will exercise the option;
- The lessee exercises the amount to be paid for the termination of the lease option, provided that the lease period reflects the lessee's exercise of the option to terminate the lease;
- The residual value of the guarantee provided by the lessee, the party concerned with the lessee and the independent third party with the financial ability to perform the guarantee obligation.

The Group calculates and recognises interest income for each period of the lease term based on a fixed periodic interest rate.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

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

28. Leases *(continued)*

(1) Recognition and accounting of leases under new lease standard *(continued)*

(2) As a lessor *(continued)*

(c) Lease modifications

The Group accounts for a modification to an operating lease as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

If the finance lease changes and meets the following conditions, the Group will account for the change as a separate lease:

- The modification expands the scope of the lease by increasing the right to use one or more leased assets;
- The increased consideration is equal to the individual price of the expanded portion of the lease, as adjusted by the contractual situation.

If the modification of the finance lease is not treated as a separate lease, the Group will deal with the lease modification in the following cases:

- If the lease is classified as an operating lease when the change becomes effective on the lease start date, the Group begins accounting as a new lease from the effective date of the lease change and uses the net lease investment before the effective date of the lease change as the book value of the leased asset;
- If the change is effective on the lease start date and the lease is classified as a finance lease, the Group performs accounting treatment in accordance with the Accounting Standards for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments provisions for the modification or rearrangement of contracts.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

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

28. Leases *(continued)*

(1) Recognition and accounting of leases under new lease standard *(continued)*

(3) Sales and leaseback

(a) The Group acts as the seller and lessee

The Group determines whether the asset transfer in the sale and leaseback transaction is a sale in accordance with Note V.24. If the transfer of assets is not a sale, the Group continues to recognise the transferred assets and recognises a financial liability equal to the transfer income, and accounts for the financial liabilities in accordance with Note V.11. Where the transfer of assets belongs to sales, the Group measures the right-of-use assets formed by the sale and leaseback based on the portion of the original asset's book value that is related to the use rights obtained from the leaseback, and only recognises the relevant gains or loss of the rights to transfer to the lessor.

(b) The Group acts as the buyer and lessor

If the asset transfer in the sale and leaseback transaction is not a sale, the Group does not recognise the transferred asset, but recognises a financial asset equal to the transfer income and performs accounting treatment on the financial asset in accordance with Note V.11. If the asset transfer belongs to sales, the Group will account for the asset purchase according to other applicable accounting standards and conduct accounting treatment for the asset lease.

29. Other significant accounting policies and accounting estimates

(1) Profit distribution

The proposed dividend distribution after balance sheet date will not be included in liabilities on balance sheet date, and will be disclosed individually in notes.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

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

29. Other significant accounting policies and accounting estimates *(continued)*

(2) Production safety expenses

Production safety expenses accrued based on the aforesaid regulations shall be recorded in the costs of related products or expenses in profit or loss for the current period, and provided as a fund in the special reserve. When the expenditures are utilised as expenses, they should be recognised in the statement of profit or loss and offset against the special reserve; when the expenditures incurred relate to fixed assets, they shall be recognised in the cost of fixed assets, which will be recognised when it is ready for use. The same amount as the expenditure will be offset against the special reserve and recorded as accumulated depreciation equivalent at the same time.

(3) Debt restructuring

Recording debt restructuring obligation as a creditor

When a debt is settled by assets in a debt restructuring, the assets other than the transferred financial assets are initially recognised and measured at cost, including other costs such as the fair value of abandoned creditor's rights and taxes directly attributable to the asset. The difference between the fair value and the carrying amount of the abandoned creditor's right is included in the current profit or loss.

Where debt restructuring is carried out by modifying other terms, the Group recognises and measures the debt restructuring in accordance with the accounting policies described in Note V. 11.

(4) Related parties

If a party has the power to control, jointly control or exercise significant influence over another party, or vice versa, or where two or more parties are subject to common control or joint control from another party, they are considered to be related parties. Related parties may be individuals or enterprises. Enterprises with which the Company is under common control only from the state and that have no other related party relationships are not regarded as related parties.

In addition to the related parties stated above, the Company determines related parties based on the disclosure requirements of the Administrative Procedures on the Information Disclosures of Listed Companies issued by the CSRC.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

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

30. Significant accounting estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions, which will affect the presented amounts of revenue, cost, assets and liabilities and the disclosure of contingent liabilities on balance sheet date. However, the uncertainty of assumptions and estimates may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities in future periods.

The following is key assumption and uncertainty in accounting estimates at the balance sheet date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities in future periods.

(1) Credit loss allowance for receivables and contract assets

Except for that the Group recognises credit loss for receivables and contract assets that are individually significant or have credit impaired on an individually basis, the Group determines the expected credit loss of receivables and contract assets on a collectively basis using a provision matrix. For receivables and contract assets whose credit loss are determined individually, the Group determines the credit loss by estimating the expected cash flows based on reasonable and evidenced information available on the balance sheet date with forward-looking information taken into consideration. For receivables and contract assets other than the above, the Group, based on the historical collection condition, determines the proportion of corresponding loss provision for each type of receivables and contract assets with similar credit risk characteristics on a portfolio basis. The provision matrix is based on the Group's historical credit loss experience and is based on reasonable and evidence-based forward-looking information that is available without undue cost or effort. As at 31 December 2022, the Group has reassessed the historical actual credit loss rate and considered changes in forward-looking information.

(2) Impairment of goodwill

For goodwill arising from business combination, the Group tests it for impairment at the year end. Impairment test requires an estimate of the recoverable amount of the relevant asset group containing goodwill, that is, the higher of its fair value less costs of disposal and the present value of the future cash flows expected to be derived from the asset. In determining the present value of the future cash flows of the relevant asset group or the fair value of such asset group under equity method, the Group needs to properly determine the expected growth rate of future cash flow prediction of related asset group, the gross profit margin, the investment income proportion of long-term assets, average growth rate and reasonable discount rate, etc. When the market conditions change, the recoverable amount of the relevant asset group may differ from the existing estimates, which will affect the profit and loss for the period. Relevant details of impairment of goodwill are set out in Note VII. 24.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

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

30. Significant accounting estimates and judgements *(continued)*

(3) Depreciation and amortisation of investment properties, fixed assets and intangible assets

Investment properties, fixed assets and intangible assets with a definite life are depreciated and amortised in their useful lives respectively by the Group after considering residual values. The Group reviews useful life of assets periodically so as to determine the amounts for depreciation and amortisation in each reporting period. The useful life of assets is determined on the basis of previous experiences and estimated technology upgrading. If prior estimates change significantly, make adjustment to depreciation and amortisation expenses.

(4) Supplementary pension benefits and other supplementary benefits plan liabilities

The Group has recognised supplementary pension benefits and other supplementary benefits plan as liabilities. The estimated amounts of such benefits expenses and liabilities are calculated on the basis of various assumption conditions, including discount rate, growth rate of related benefits and others. The difference between actual results and actuarial assumption may affect the accuracy of accounting estimations. The changes in above assumptions will affect amount of liabilities for supplementary pension benefits and other supplementary benefits plan liabilities, even though the management considers the assumptions are reasonable.

(5) Provision for impairment of inventories

The Group determines the write-down for obsolescence and slow movement of inventories. These estimates are made with reference to aged inventory analyses, projections of expected future salability of goods and management experience and judgement. Based on this review, write-down of inventories will be made when the carrying amounts of inventories decline below their estimated net realisable values. Due to changes in market conditions, actual salability of goods may be different from estimation and profit or loss could be affected by differences in this estimation.

(6) Deferred tax assets

Besides the exceptions that have been illustrated in the Note V.27, deferred tax assets are recognised for unused tax losses and deductible temporary differences to the extent that it is probable that taxable profit will be available against which the losses and deductible temporary differences can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

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

30. Significant accounting estimates and judgements *(continued)*

(7) Long-term assets impairment (excluding goodwill)

The Group determines if there is any indication showing impairment in long-term assets other than goodwill on balance sheet date. If there is any indication that it is unlikely to recover the carrying amount, the Group will make impairment assessment. Where the carrying amount of assets or assets group is higher than recoverable amount, namely the higher of net amount of fair value less disposal expense, and the present value of future estimated cash flow, the Group determines that impairment exists. The management must make estimation on future cash flow of such assets or assets group, and select reasonable discount rate to determine the present value of future cash flow.

(8) Warranties for product quality

Based on the recent experience in product maintenance, the Group will estimate the provisions for after-sales quality maintenance commitment provided to customers for the sale, maintenance and transformation of locomotives, vehicles and spare parts. As the recent maintenance experience may not reflect the maintenance situation of the sold products in the future, the management's judgements are required to estimate the provisions. Any increase or decrease in the provision would affect profit or loss in future years.

31. Changes in significant accounting policies and accounting estimates

(1). Changes in significant accounting policies

In 2022, the Group has adopted the relevant provisions and guidelines of the accounting standards issued by the MOF recently, which mainly include:

- Accounting for selling outputs that are produced before fixed assets are available for intended use or produced in the course of research and development (“accounting for sales before intended use”) in CAS Bulletin No.15 (Caikuai [2021] No.35); and
- Determining whether a contract is onerous” in CAS Bulletin No.15; and
- Notice of Application Issues for Accounting Treatment of COVID-19-Related Rent Concessions (Caikuai [2022] No.13); and
- “Accounting for the income tax consequences of dividends on financial instruments classified as equity instruments by the issuer” in CAS Bulletin No.16 (Caikuai [2022] No.31); and
- Accounting for the modification of a share-based payment transaction that changes the classification of the transaction from cash-settled to equity-settled” in CAS Bulletin No.16

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

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

31. Changes in significant accounting policies and accounting estimates *(continued)*

(1) Changes in significant accounting policies *(continued)*

(a) Accounting for sales before intended use

In accordance with CAS Bulletin No.15, the Group accounts for the proceeds and related cost arising from the sale of products or by-products produced before the fixed asset is available for its intended use and in the course of research and development ("sales before intended use") in accordance with CAS 14 – Revenue and CAS 1 – Inventories respectively, and recognises them in profit or loss for the current period. The net amount of proceeds from such sales before intended use less related costs is no longer offset against the cost of the fixed asset or research and development expenditure.

These provisions take effect from 1 January 2022. The adoption of CAS Bulletin No.15 does not have significant effect on the financial position and financial performance of the Group.

(b) Determining whether a contract is onerous

In accordance with CAS Bulletin No.15, when determining whether a contract is onerous, the Group includes in its estimated cost of fulfilling the contract the amount of the incremental cost of fulfilling the contract and the allocation of other costs directly attributable to fulfilling the contract.

The provisions in CAS Bulletin No. 15 on determining whether a contract is onerous are effective from 1 January 2022. The adoption of CAS Bulletin No.15 does not have significant effect on the financial position and financial performance of the Group.

(c) Caikuai [2022] No.13

The Accounting Treatment of COVID-19-Related Rent Concessions (Caikuai [2020] No.10) provides a practical expedient under certain conditions for rent concessions occurring as a direct consequence of the COVID-19 pandemic. According to the provisions of Caikuai [2022] No.13, the practical expedient of Caikuai [2020] No.10 can continue to apply to eligible reduction in lease payments that are originally due after 30 June 2022.

The adoption of the above regulations does not have significant effect on the financial position and financial performance of the Group.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

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

31. Changes in significant accounting policies and accounting estimates *(continued)*

(1) Changes in significant accounting policies *(continued)*

(d) Accounting for the income tax consequences of dividends on financial instruments classified as equity instruments by the issuer

In accordance with CAS Bulletin No.16, for financial instruments classified as equity instruments (such as perpetual bonds classified as equity instruments, etc.) in accordance with the CAS No. 37-Presentation and Disclosure of Financial Instruments and other requirements, if the relevant dividend payments are deductible for income tax purposes according to the relevant provisions of tax policies, the Group (as the issuer) shall recognise the income tax consequences of dividends when it recognises a liability to pay a dividend. The Group shall recognise the income tax consequences of dividends in (1) profit or loss, if those payments are distributions of profits generated from transactions or events previously recognised in profits or loss; or (2) the items of owner's equity, if those payments are distributions of profits generated from the transactions or events previously recognised in the items of owner's equity.

The adoption of the above regulations does not have significant effect on the financial position and financial performance of the Group.

(e) Accounting for the modification of a share-based payment transaction that changes the classification of the transaction from cash-settled to equity-settled

In accordance with CAS Bulletin No.16, if the terms and conditions of a cash-settled share-based payment transaction are modified such that it becomes an equity-settled share-based payment transaction, the Group shall, at the modification date: (i) measure the equity-settled share-based payment at its fair value as at the modification date and recognise in equity that fair value to the extent that the services have been rendered up to that date (ii) derecognise the liability for the cash-settled share-based payment as at the modification date and (iii) immediately recognise in profit or loss the difference between the carrying amount of the liability and the amount recognised in equity. If the modification extends or shortens the vesting period, the Group applies the modified vesting period to the above accounting treatment.

The adoption of the above regulations does not have significant effect on the financial position and financial performance of the Group.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

VI. TAXES

1. Major categories of taxes and tax rates

Summary of major categories of taxes and tax rates

Category of tax	Basis of tax computation	Tax rate
VAT	Output VAT is calculated by applying applicable rate to the taxable income, less deductible input VAT of the current year.	6-13%
City maintenance and construction tax	Computed by value added tax payable	5-7%
Enterprise income tax	Computed by taxable income	25%

2. Tax incentive

(1) VAT

According to The Notice of the MoF and the State Administration of Taxation on the Policy of Value Added Tax on Software Products (Cai Shui [2011] No. 100), the part of the actual tax burden of VAT exceeding 3% was levied and refunded upon collection, when CRRC Information Technology, CRRC Qiqihar Group, CRRC Sifang Institute and CRRC Dalian Institute, CRRC Zhuzhou Institute, CRRC Zhuzhou Locomotive and its holding subsidiaries sell their self-developed and self-produced software products in 2022.

(2) Enterprise income tax

As approved by relevant Provincial Department of Science and Technology, Provincial Department of Finance, Provincial Office of the State Administration of Taxation, and Provincial Local Taxation Bureau, CRRC Industrial Institute and CRRC Nanjing Puzhen obtained high-tech enterprise certificate in 2021, and is subject to an enterprise income tax at a reduced rate of 15% from 2021 to 2023.

As approved by relevant Municipal Department of Science and Technology, Municipal Department of Finance, Municipal Office of the State Administration of Taxation, and Municipal Local Taxation Bureau, CRRC Dalian obtained high-tech enterprise certificate in 2021, and is subject to an enterprise income tax at a reduced rate of 15% from 2021 to 2023.

As approved by Beijing Municipal Science & Technology Commission, Beijing Municipal Bureau of Finance, Beijing Municipal Office of the State Administration of Taxation and Beijing Local Taxation Bureau, CRRC Information Technology obtained high-tech enterprise certificate in 2021, and is subject to an enterprise income tax at a reduced rate of 15% from 2021 to 2023.

As approved by relevant Provincial Department of Science and Technology, Provincial Department of Finance, Provincial Office of the State Administration of Taxation, and Provincial Local Taxation Bureau, CRRC Changchun, CRRC Zhuzhou Institute, CRRC Zhuzhou Locomotive, CRRC Tangshan, CRRC Qishuyan, CRRC Qishuyan Institute, CRRC Yongji Moto, CRRC Zhuzhou Moto and CRRC Datong obtained high-tech enterprise certificate in 2020, and are subject to an enterprise income tax at a reduced rate of 15% from 2020 to 2022.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

VI. TAXES *(continued)*

2. Tax incentive *(continued)*

(2) Enterprise income tax *(continued)*

As approved by relevant Municipal Department of Science and Technology, Municipal Department of Finance, Municipal Office of the State Administration of Taxation, and Municipal Local Taxation Bureau, CRRC Qingdao Sifang, CRRC Sifang Institute and CRRC Dalian Institute obtained high-tech enterprise certificate in 2020, and are subject to an enterprise income tax at a reduced rate of 15% from 2020 to 2022.

According to the Notice on Issues Concerning Relevant Tax Policies in Deepening the Implementation of the Western Development Strategy issued by the MoF, the General Administration of Customs and the State Administration of Taxation (Cai Shui [2011] No. 58), for the period from 1 January 2021 to 31 December 2030, the enterprise income tax imposed upon any enterprise established in western regions and included among the encouraged industries shall be collected at the reduced rate of 15%. As approved by the Sichuan Provincial Office of the State Administration of Taxation, CRRC Ziyang is subject to an enterprise income tax at a reduced rate of 15% since its primary business is included among the encouraged industries.

According to the PRC Enterprise Income Tax Law and its implementing regulations, as well as the Notice of the MoF and the State Administration of Taxation on Extending the Period for Carryover of Losses of High-tech Enterprises and Small and Medium-sized Technological Enterprises (Cai Shui [2018] No.76), the enterprises with the qualification of high-tech enterprises or small and medium-sized technological enterprises (hereinafter referred to as "qualification") in 2018, are allowed to carry forward the losses occurred from 2013 to 2017 that have not yet been covered to subsequent years, regardless of whether they are the enterprises with the qualification from 2013 to 2017. The maximum carry-over period is 10 years. Enterprises that are qualified from the year after 2018 carry forward losses to offset tax on the same basis. A number of companies under the Group, as high-tech enterprises, will carry forward the deductible losses for 10 years since 2018 according to the provisions.

According to the Notice of MoF and SAT on Further Improvements to the Policy of Weighted Pre-tax Deduction for R&D Expenses (Cai Shui [2021] No. 13) and the Notice of MoF and SAT on Increasing the Proportion of Weighted Pre-tax Deduction for R&D Expenses, since 1 January 2021, for some subsidiaries of the Group, the R&D expenses, which do not form intangible assets and are included in the current P/L, can be deducted in accordance with provisions, with 100% of the actual amount deducted before tax additionally. If intangible assets are formed, 200% of R&D expenses can be deducted before tax during the aforementioned period with the aim of motivating R&D activities.

According to the Notice on Strengthening the Pre-tax Deduction for Scientific and Technological Innovation issued by the MoF, the State Administration of Taxation and MOST (Cai Shui [2022] No.28), new equipment and apparatus purchased by a high-tech enterprise during the period from 1 October 2022 to 31 December 2022 are allowed to be deducted in full as a lump sum in the current year for the purpose of calculating taxable income, and 100% additional pre-tax deduction is allowed. Certain subsidiaries of the Group, being high-tech enterprises are eligible to apply this policy.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

VI. TAXES (continued)

2. Tax incentive (continued)

(2) Enterprise income tax (continued)

According to the Inland Revenue (Amendment) (No. 2) Ordinance 2016 of the Government of the Hong Kong Special Administrative Region of the PRC ("the Amendment"), CRRC Hong Kong Capital Management is a qualified enterprise treasury center, therefore, the taxable profit from the business types specified in the Amendment (such as certain types of fund lending business, financial asset investment business, etc.) is subject to a preferential tax rate of 8.25%, and the statutory tax rate of 16.5% is still applicable to enterprise business.

VII. NOTES OF CONSOLIDATED FINANCIAL STATEMENTS

1. Cash and bank balances

Item	RMB'000	
	Closing balance	Opening balance
Cash on hand	932	1,301
Bank deposits	53,868,821	47,623,259
Other cash and bank balances	992,086	960,555
Total	54,861,839	48,585,115
Including: Total amount deposited overseas	3,317,824	3,572,831

Other descriptions:

Restricted funds of the Group:

Item	RMB'000	
	Closing balance	Opening balance
Statutory reserve deposited by CRRC Finance at central bank	1,517,836	1,459,755
Guarantee deposits for acceptances	622,370	629,878
Guarantee deposits for letter of credit	37,416	20,725
Guarantee deposits for letter of guarantee	194,558	138,022
Pledge of bank borrowings for the Group	1,836	1,797
Other deposits subject to restrictions	167,295	228,237
Total	2,541,311	2,478,414

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

VII. NOTES OF CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

1. Cash and bank balances *(continued)*

As at 31 December 2022, the term deposits that have not been pledged or restricted for use for three months or over three months is RMB4,712,962,000 (as at 31 December 2021: RMB2,828,707,000).

2. Held-for-trading financial assets

	RMB'000	
Item	Closing balance	Opening balance
Investment in equity instruments	3,204,616	2,559,873
Derivatives	6,798	3,089
Others (Note)	7,219,678	8,131,731
Total	10,431,092	10,694,693

Other descriptions:

Note: Others are mainly short-term floating income wealth certificate of deposits purchased by the Group.

3. Bills receivable

(1). Category of bills receivable

	RMB'000	
Item	Closing balance	Opening balance
Bank acceptances	2,009,285	6,066,057
Commercial acceptances	17,599,888	16,993,835
Less: Credit loss allowance	(29,586)	(37,324)
Total	19,579,587	23,022,568

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

VII. NOTES OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. Bills receivable (continued)

(2). Bills receivable pledged at the end of the period:

RMB'000

Item	Pledged amount at the end of the period
Bank acceptances	140,376
Commercial acceptances	616,500
Total	756,876

(3). Bills receivable endorsed or discounted but not matured at the balance sheet date

RMB'000

Item	Amount not derecognised at the end of the period
Bank acceptances	1,357,433
Commercial acceptances	8,344,678
Total	9,702,111

(4). Details of provision for credit loss allowance

RMB'000

Credit loss allowance	12-month ECL (Not credit impaired)	Total
Balance at 1 January 2022	37,324	37,324
Provision	29,618	29,618
Reversal	(37,356)	(37,356)
Balance at 31 December 2022	29,586	29,586

Other descriptions:

As at 31 December 2022, bills receivable due from related parties are set out in Note XII. 5.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

VII. NOTES OF CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

4. Accounts receivable

(1). Ageing analysis of accounts receivable

RMB'000

Ageing	Closing book value	Opening book value
Within 1 year	79,686,838	68,249,459
1-2 years	7,939,643	3,832,126
2-3 years	1,547,684	1,620,749
3-4 years	1,139,872	775,989
4-5 years	678,959	1,112,453
Over 5 years	2,504,223	1,708,234
Sub-total	93,497,219	77,299,010
Less: Credit loss allowance	(4,510,182)	(4,313,797)
Total	88,987,037	72,985,213

The ageing of accounts receivable of the Group is classified based on the related invoice dates.

(2). Analysis of accounts receivable by categories based on method of provision for credit loss allowance

RMB'000

Category	Closing balance					Opening balance				
	Book value		Credit loss allowance		Carrying amount	Book value		Credit loss allowance		Carrying amount
	Amount	Percentage (%)	Amount	Percentage (%)		Amount	Percentage (%)	Amount	Percentage (%)	
Provision on individual basis	4,337,584	4.6	(2,663,979)	61.4	1,673,605	4,694,177	6.1	(2,995,798)	63.8	1,698,379
Provision on portfolio basis	89,159,635	95.4	(1,846,203)	2.1	87,313,432	72,604,833	93.9	(1,317,999)	1.8	71,286,834
Total	93,497,219	100.0	(4,510,182)	/	88,987,037	77,299,010	100.0	(4,313,797)	/	72,985,213

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

VII. NOTES OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

4. Accounts receivable (continued)

(2). Analysis of accounts receivable by categories based on method of provision for credit loss allowance (continued)

Analysis of accounts receivable for which credit loss allowance is provided on an individual basis:

RMB'000

Item	Book value	Closing balance		Reason for provision
		Credit loss allowance	Percentage (%)	
Accounts receivable 1	213,676	(213,676)	100.0	Note
Accounts receivable 2	187,221	(120,768)	64.5	Note
Accounts receivable 3	177,790	(177,790)	100.0	Note
Accounts receivable 4	150,712	(150,712)	100.0	Note
Accounts receivable 5	76,053	(76,053)	100.0	Note
Others	3,532,132	(1,924,980)	54.5	Note
Total	4,337,584	(2,663,979)	61.4	/

Description of accounts receivable for which credit loss allowance is provided on an individual basis:

Note: The Group considered the reasonable and evidenced information (including forward-looking information) available in relation to the counterparty, assessed the expected credit losses and accrued loss allowance.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

VII. NOTES OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

4. Accounts receivable (continued)

(2). Analysis of accounts receivable by categories based on method of provision for credit loss allowance (continued)

Analysis of accounts receivable for which credit loss allowance is provided on a portfolio basis:

Provision on portfolio basis:

RMB'000

Ageing	Expected credit loss rate (%)	Closing balance		Carrying amount at 31 December 2022
		Book value at 31 December 2022	Credit loss allowance	
Within 1 year	0.1-2.0	78,288,059	(546,889)	77,741,170
1-2 years	1.0-10.0	7,742,122	(327,542)	7,414,580
2-3 years	5.0-25.0	1,470,141	(177,296)	1,292,845
3-4 years	20.0-30.0	701,139	(167,424)	533,715
4-5 years	35.0-50.0	240,890	(112,509)	128,381
Over 5 years	60.0-70.0	717,284	(514,543)	202,741
Total	/	89,159,635	(1,846,203)	87,313,432

If credit loss allowance is made based on the general model of expected credit loss, please refer to disclosures of other receivables:

RMB'000

Credit loss allowance	Lifetime ECL-Not credit impaired	Lifetime ECL-Credit impaired	Total
At 1 January 2022	1,317,999	2,995,798	4,313,797
Provision	641,495	77,070	718,565
Reversal	(116,357)	(188,739)	(305,096)
Written-off	–	(265,484)	(265,484)
Other changes	3,066	45,334	48,400
At 31 December 2022	1,846,203	2,663,979	4,510,182

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

VII. NOTES OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

4. Accounts receivable (continued)

(3). Five largest accounts receivable by debtor at the end of the period:

RMB'000

Entity name	Relationship with the Group	Closing value	Proportion to total accounts receivable (%)
Top five accounts receivable	Third party	47,293,311	50.6

(4). Accounts receivable derecognised due to transfer of financial assets:

RMB'000

Item	Ways to transfer accounts receivable	Amount derecognised in current period
Accounts receivable factoring	Factoring	6,191,797
Total		6,191,797

Other descriptions:

As at 31 December 2022, the Group has accounts receivable with carrying amount equivalent to RMB857,247,000 (31 December 2021: RMB2,292,436,000) as pledge for bank loans.

As at 31 December 2022, amounts due from related parties of the Group are set out in Note XII. 5.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

VII. NOTES OF CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

5. Receivables at FVTOCI

	RMB'000	
Item	Closing balance	Opening balance
Bills receivable	5,311,061	9,210,441
Accounts receivable	1,424,514	1,341,610
Total	6,735,575	10,552,051

(1). Changes in receivables at FVTOCI and fair value movements during the period:

	RMB'000	
Item	Closing balance	
Cost	6,912,613	
Fair value	6,735,575	
Fair value changes accumulated included in other comprehensive income	(177,038)	

(2). Bills receivable pledged at the end of the period:

	RMB'000	
Item	Closing balance	
Bank acceptances	27,816	
Total	27,816	

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

VII. NOTES OF CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

5. Receivables at FVTOCI *(continued)*

(3). Bills receivable endorsed or discounted but not matured at the balance sheet date:

RMB'000

Item	Closing balance
Bank acceptances	9,148,620
Commercial acceptances	151,166
Total	9,299,786

(4). Credit loss allowance for receivables at fair value through other comprehensive income:

RMB'000

Credit loss allowance	Phase 1 12-month ECL (Not credit impaired)	Total
At 1 January 2022	98	98
Provision	80	80
Reversal	(98)	(98)
At 31 December 2022	80	80

Other descriptions:

As at 31 December 2022, amounts due from related parties of the Group are set out in Note XII. 5.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

VII. NOTES OF CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

6. Prepayments

(1). Prepayments presented by ageing

RMB'000

Ageing	Closing balance		Opening balance	
	Amount	Percentage (%)	Amount	Percentage (%)
Within 1 year	6,206,853	81.8	5,414,367	79.0
1-2 years	232,770	3.1	419,022	6.1
2-3 years	286,325	3.8	323,318	4.7
Over 3 years	859,981	11.3	695,135	10.2
Total	7,585,929	100.0	6,851,842	100.0

(2). Details of prepayments with Top five closing balance

RMB'000

Entity name	Relationship with the Group	Closing balance	Proportion to total prepayments (%)
Top 5 prepayments	Third party	1,217,315	16.05

(3). As at 31 December 2022, prepayments made to related parties of the Group are set out in Note XII. 5.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

VII. NOTES OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

7. Other receivables

Presentation by categories

	RMB'000	
Item	Closing balance	Opening balance
Interest receivable	–	560
Dividends receivable	61,813	59,525
Other receivables	2,812,696	4,300,484
Total	2,874,509	4,360,569

Interest receivable

(1). Interest receivable by category

	RMB'000	
Item	Closing balance	Opening balance
Others	–	560
Total	–	560

Dividends receivable

(2). Dividends receivable

	RMB'000	
Item (or investee)	Closing balance	Opening balance
Related party	64,265	59,300
Third party	523	225
Sub-total	64,788	59,525
Less: Credit loss allowance	(2,975)	–
Total	61,813	59,525

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

VII. NOTES OF CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

7. Other receivables *(continued)*

Other receivables

(3). Analysis by ageing

RMB'000

Ageing	Closing book value	Opening book value
Within 1 year	2,207,167	3,544,131
1-2 years	223,823	441,344
2-3 years	488,355	114,717
3-4 years	80,793	455,219
4-5 years	422,552	329,410
Over 5 years	540,802	402,459
Sub-total	3,963,492	5,287,280
Less: Credit loss allowance	(1,150,796)	(986,796)
Total	2,812,696	4,300,484

(4). Categorised by nature

RMB'000

Nature	Closing book value	Opening book value
Advances paid for others	830,591	2,742,447
Deposits and securities	554,265	551,286
Others (Note)	1,427,840	1,006,751
Total	2,812,696	4,300,484

Note: Others mainly include receivables from the disposal of land and fixed assets.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

VII. NOTES OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

7. Other receivables (continued)

Other receivables (continued)

(5). Details of provision for credit loss allowance

RMB'000

Credit loss allowance	Phase 1 12-month ECL	Phase 2 Lifetime ECL-Not credit impaired	Phase 3 Lifetime ECL-Credit impaired	Total
Balance at 1 January 2022	99,132	–	887,664	986,796
Provision	11,403	–	11,955	23,358
Reversal	(19,582)	–	(28,802)	(48,384)
Written-off	(1,926)	–	(74,040)	(75,966)
Other changes	(77)	–	265,069	264,992
Balance at 31 December 2022	88,950	–	1,061,846	1,150,796

(6). Details of other receivables from debtors with top 5 closing balance

RMB'000

Entity name	Nature	Closing balance	Proportion to total closing balance of other receivables (%)
Top 5 other receivables	Related party/third party	1,589,730	40.11

(7). As at 31 December 2022, other receivables due from related parties of the Group are set out in Note XII. 5.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

VII. NOTES OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

8. Inventories

(1). Category of inventories

RMB'000

Item	Closing balance			Opening balance		
	Book value	Provision for impairment of inventories/ Provision for impairment of costs to fulfil a contract with a customer	Carrying amount	Book value	Provision for impairment of inventories/ Provision for impairment of costs to fulfil a contract with a customer	Carrying amount
Raw materials	17,967,608	(721,655)	17,245,953	16,637,282	(905,613)	15,731,669
Work in progress	30,695,724	(1,181,603)	29,514,121	30,461,240	(1,053,822)	29,407,418
Finished goods	16,547,321	(496,079)	16,051,242	16,609,199	(634,754)	15,974,445
Turnover materials	275,236	(20,616)	254,620	242,715	(18,049)	224,666
Commissioned processing materials	70,096	(17)	70,079	81,840	(17)	81,823
Total	65,555,985	(2,419,970)	63,136,015	64,032,276	(2,612,255)	61,420,021

(2). Provision for impairment of inventories

RMB'000

Item	Opening balance	Increases			Decreases		Closing balance
		Provision	Others	Reversal	Write-off	Others	
Raw materials	905,613	108,480	6,137	153,221	131,053	14,301	721,655
Work in progress	1,053,822	371,767	7,380	17,835	76,387	157,144	1,181,603
Finished goods	634,754	118,568	467	61,415	172,349	23,946	496,079
Turnover materials	18,049	5,513	8	71	1,870	1,013	20,616
Commissioned processing materials	17	–	–	–	–	–	17
Total	2,612,255	604,328	13,992	232,542	381,659	196,404	2,419,970

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

VII. NOTES OF CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

9. Contract assets

(1). Details of contract assets:

	RMB'000	
Item	Closing balance	Opening balance
Sale of goods related (Note 1)	45,551,602	34,995,141
Project contracting related (Note 2)	4,098,163	5,798,407
Less: Credit loss allowance on contract assets	(504,540)	(384,051)
Sub-total	49,145,225	40,409,497
Less: Contract assets presented under other non-current assets (Note VII. 26)	(23,996,712)	(20,712,780)
Total	25,148,513	19,696,717

Note 1: For the sales of goods provided by the Group, it is agreed in the contract that the Group shall pay separately at different phases according to the proportion. The Group recognises revenue at the time of acceptance and delivery of goods, and the right to receive consideration that does not meet the unconditional right to receive payment is recognised as contract assets and presented under contract assets/other non-current assets according to the liquidity.

Note 2: Revenue from project contracting services provided by the Group shall be recognised based on the performance progress, and the contract consideration shall be collected after the customer completes the acceptance check and work settlement. The difference between the revenue recognised based on the performance progress and such consideration shall be recognised as contract assets and presented under contract assets/other non-current assets according to the liquidity.

Warranty provisions from project contracting services provided by the Group and customer settlement, the Group has the unconditional right to collect consideration from customers after the expiration of the warranty period without material quality problems. Therefore, the contract assets formed from this part of the warranty provisions should be recognised as receivable after the end of the quality guarantee period without material quality problems.

As at 31 December 2022, the Group had no contract assets as collateral (31 December 2021: carrying amount of the Group's contract assets in RMB30,302,000 was as collateral for the Group to obtain bank loans)

As at 31 December 2022, details of current account balances with related parties included in the balance of contract assets are set out in Note XII.5.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

VII. NOTES OF CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

9. Contract assets *(continued)*

(2). Credit loss allowance on contract assets for the period:

RMB'000

Credit loss allowance	Lifetime ECL-Not credit impaired	Lifetime ECL- Credit impaired	Total
Balance at 1 January 2022	368,720	15,331	384,051
Provision	136,221	24,229	160,450
Reversal	(38,101)	(3,242)	(41,343)
Other changes	941	441	1,382
Balance at 31 December 2022	467,781	36,759	504,540

10. Non-current assets due within one year

RMB'000

Item	Closing balance	Opening balance
Loans and advances due within one year (Note VII.12)	2,280,982	11,246,851
Long-term receivables due within one year (Note VII.14)	3,399,606	4,448,059
Debt investments due within one year (Note VII.13)	–	126,301
Other non-current assets due within one year (Note VII.26)	339,089	–
Total	6,019,677	15,821,211

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

VII. NOTES OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

11. Other current assets

	RMB'000	
Item	Closing balance	Opening balance
Withholding VAT	3,307,608	4,870,917
Large deposit certificate	1,360,157	762,000
Others	352,912	133,438
Total	5,020,677	5,766,355

12. Loans and advances to customers

	RMB'000	
Item	Closing balance	Opening balance
Loans and advances made by CRRC Finance	2,295,004	11,387,184
Less: Credit loss allowance	(14,022)	(140,333)
Sub-total	2,280,982	11,246,851
Including: Loans and advances due within one year (Note VII. 10)	2,280,982	11,246,851

Credit loss allowance	Phase 1 12-month ECL	Phase 2 Lifetime ECL-Not credit impaired	Phase 3 Lifetime ECL-Credit impaired	Total
Balance at 1 January 2022	55,807	84,526	–	140,333
Provision	4,265	9,757	–	14,022
Reversal	(55,807)	(84,526)	–	(140,333)
Balance at 31 December 2022	4,265	9,757	–	14,022

As at 31 December 2022, the details of loans and advances (inclusive of the portion due within one year) to related parties are set out in Note XII.5.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

VII. NOTES OF CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

13. Debt investments

(1). Details of debt investments

RMB'000

Item	Closing balance			Opening balance		
	Book value	Credit loss allowance	Carrying amount	Book value	Credit loss allowance	Carrying amount
Seven-year Medium Term Notes of China Aircraft Leasing Group Holdings Limited	189,562	–	189,562	172,874	–	172,874
Related to “Built – transfer”- Nanjing Qilin Modern Tram Construction Co., Ltd.	–	–	–	82,248	–	82,248
Five-year Medium Term Notes of China Aircraft Leasing Group Holdings Limited	–	–	–	126,301	–	126,301
Five-year Bonds of Qingdao City Construction Investment (Group) Co., Ltd.	–	–	–	127,514	–	127,514
Minsheng Bank Interbank Certificates of Deposit	–	–	–	692,787	–	692,787
CITIC Bank Interbank Certificates of Deposit	–	–	–	791,010	–	791,010
Others	46,799	–	46,799	136,051	–	136,051
Sub-total	236,361	–	236,361	2,128,785	–	2,128,785
Less: Debt investment included in non-current assets due within one year (Note VII. 10)	–	–	–	(126,301)	–	(126,301)
Total	236,361	–	236,361	2,002,484	–	2,002,484

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

VII. NOTES OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

14. Long-term receivables

(1). Details of long-term receivables:

RMB'000

Item	Closing balance			Opening balance			Discount rate interval
	Book value	Credit loss allowance	Carrying amount	Book value	Credit loss allowance	Carrying amount	
Financing lease	10,694,258	(2,005,126)	8,689,132	14,052,414	(2,411,897)	11,640,517	3.6%-12.7%
Sales by instalments and others	5,975,078	(367,201)	5,607,877	3,314,647	(579,753)	2,734,894	1.2%-4.9%
Construction payment and Built-transfer receivables	726,626	(280,840)	445,786	1,085,814	(238,210)	847,604	4.75%
Total	17,395,962	(2,653,167)	14,742,795	18,452,875	(3,229,860)	15,223,015	/
Less: Long-term loans due within one year (Note VII. 10)	/	/	(3,399,606)	/	/	(4,448,059)	/
Long-term receivables due within one year	/	/	11,343,189	/	/	10,774,956	/

(2). Provision for credit loss allowance:

RMB'000

Credit loss allowance	Phase 2 Lifetime ECL-Not credit impaired	Phase 3 Lifetime ECL-Credit impaired	Total
Balance at 1 January 2022	695,776	2,534,084	3,229,860
Provision	100,227	179,349	279,576
Reversal	(53)	(226,752)	(226,805)
Written-off	–	(666,034)	(666,034)
Other changes	–	36,570	36,570
Balance at 31 December 2022	795,950	1,857,217	2,653,167

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

VII. NOTES OF CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

14. Long-term receivables *(continued)*

(3). Financing lease receivable

Item	Closing balance	Opening balance
		RMB'000
The minimum amount of the lease receivable:		
1st year after the balance sheet date	4,809,870	6,562,428
2nd year after the balance sheet date	2,051,602	3,511,254
3rd year after the balance sheet date	2,054,312	2,055,557
4th year after the balance sheet date	1,070,131	1,758,240
5th year after the balance sheet date	657,231	721,879
Years afterwards	1,803,897	1,764,911
Total of the minimum amount of the lease receivable	12,447,043	16,374,269
Less: Unrealised financing income	(1,752,785)	(2,321,855)
Credit loss allowance	(2,005,126)	(2,411,897)
Financing lease receivable	8,689,132	11,640,517
Including: Financing lease receivable due within one year	2,701,307	3,840,963
Financing lease receivable due after one year	5,987,825	7,799,554

As at 31 December 2022, the Group has long-term receivables with carrying amount equivalent to RMB2,909,683,000 (31 December 2021: RMB2,348,132,000) as pledge for the Group to obtain bank loans.

As at 31 December 2022, long-term receivables (inclusive of the portion due within one year) due from related parties of the Group are set out in Note XII. 5.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

VII. NOTES OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

15. Long-term equity investments

RMB'000

Investee	Opening balance	Increasing investment	Decreasing investment	Changes during the period			Announcement of cash dividends or profits	Provision for impairment loss	Others	Closing balance
				Investment gains or losses under equity method	Adjustment of other comprehensive income	Other equity movements (Note 1)				
I. Joint ventures										
Wuhu Yunda Rail Transit Construction and Operation Co., Ltd. ("Wuhu Yunda")	1,490,249	-	-	8,701	-	58,433	-	-	-	1,557,383
Dalian Toshiba Locomotive Electric Equipment Co., Ltd.	414,485	-	-	30,552	-	-	(29,994)	-	-	415,043
Changchun Changke Alstom Railway Vehicle Company Ltd.	313,131	-	-	20,134	-	-	(55,000)	-	-	278,265
Zhuzhou Times Mitsubishi Transportation Equipment Co., Ltd.	170,990	-	-	6,388	-	-	(71,000)	-	-	106,378
Zhuzhou CRRC Times High-tech Investment & Trusting Co., Ltd.	273,393	50,000	-	10,500	-	-	-	-	-	333,893
Qingdao Sifang Faiveley Railway Brake Co., Ltd.	98,761	-	-	24,028	-	-	(15,000)	-	-	107,789
Others	1,309,366	58,305	-	(86,137)	4,687	(286)	(23,709)	-	66,286	1,328,512
Sub-total	4,070,375	108,305	-	14,166	4,687	58,147	(194,703)	-	66,286	4,127,263
II. Associates										
China United Insurance Holding Company ("China United Insurance")	5,312,262	-	-	82,033	(23,617)	(2,012)	(10,000)	-	-	5,358,666
CRRC Times Electric Vehicle Co., Ltd.	1,128,054	-	-	(25,350)	-	-	-	-	-	1,102,704
Jinan-Qingdao High-speed Railway Co., Ltd.	1,180,588	-	-	(35,970)	-	-	-	-	-	1,144,618
CRRC Science Park (Beijing) Co., Ltd.	449,528	-	-	(11,024)	-	-	-	-	-	438,504
CRRC Foshan Investment Development Co., Ltd.	253,538	-	-	-	-	-	-	-	-	253,538
Tianjin Electric Locomotive Co., Ltd.	324,426	-	-	1,551	-	854	-	-	-	326,831
CRRC Tianjin Jinpu Industrial Park Management Co., Ltd.	656,756	-	-	(5,578)	-	-	-	-	-	651,178
Shanghai Alstom Transport Electrical Equipment Co., Ltd.	223,887	-	-	48,253	-	-	(35,245)	-	-	236,895
Huaneng Telling Daxing Wind Power Co., Ltd.	158,333	-	-	13,866	1,518	-	-	-	-	173,717
Others	3,446,085	648,786	(4,831)	147,281	(26,344)	122,632	(81,186)	(103,350)	297,767	4,446,840
Sub-total	13,133,457	648,786	(4,831)	215,062	(48,443)	121,474	(126,431)	(103,350)	297,767	14,133,491
Total	17,203,832	757,091	(4,831)	229,228	(43,756)	179,621	(321,134)	(103,350)	364,053	18,260,754

Note 1: The main reason for other equity changes is that the share of investment in the investee owned by the Group is increased by the non-proportional capital increase by investors of the investee.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

VII. NOTES OF CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

16. Investments in other equity instruments

(1). Details of investment in other equity instruments:

RMB'000

Item	Closing balance	Opening balance
Listed equity instrument investments	996,284	1,143,978
Unlisted equity instrument investments	1,695,943	1,853,360
Total	2,692,227	2,997,338

(2). Details of non-tradable equity instrument investments

RMB'000

Item	Dividend income recognised in this period	Accumulative gains	Accumulative losses	Amount of other comprehensive income transferred to retained earnings	Reason for being designated at FVTOCI	Reason of other comprehensive income transferred to retained earnings
Listed equity instrument investments	37,861	76,946	975,608	–	/	/
Unlisted equity instrument investments	22,827	99,772	29,474	34	Note	Disposal
Total	60,688	176,718	1,005,082	34	/	/

Other descriptions:

Note: The unlisted equity instrument investments of the Group are investments planned to be held for the long term for the strategic purpose of the Group. Therefore, the above investments are designated as financial assets at FVTOCI by the Group.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

VII. NOTES OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

17. Other non-current financial assets

RMB'000

Item	Closing balance	Opening balance
Financial assets investments: such as perpetual bond	215,903	370,460
Total	215,903	370,460

18. Investment properties

Measurement models of investment properties

(1). Investment properties measured using a cost model

RMB'000

Item	Buildings	Land use rights	Total
I. Cost			
1. Opening balance	1,081,230	125,781	1,207,011
2. Increases	39,642	–	39,642
(1) Transfer from fixed assets (Note VII. 19)	10,852	–	10,852
(2) Transfer from construction in progress (Note VII. 20)	3,539	–	3,539
(3) Additions	25,251	–	25,251
3. Decreases	22,444	1,007	23,451
(1) Transfer to fixed assets (Note VII. 19)	15,031	–	15,031
(2) Sales and retirement	3,334	1,007	4,341
(3) Other decreases	4,079	–	4,079
4. Closing balance	1,098,428	124,774	1,223,202
II. Accumulated depreciation and amortisation			
1. Opening balance	330,572	29,104	359,676
2. Increases	48,831	2,481	51,312
(1) Provision or amortisation	41,013	2,481	43,494
(2) Transfer from fixed assets (Note VII. 19)	7,818	–	7,818
3. Decreases	9,325	248	9,573
(1) Transfer to fixed assets (Note VII. 19)	6,255	–	6,255
(2) Sales and retirement	2,872	248	3,120
(3) Other decreases	198	–	198
4. Closing balance	370,078	31,337	401,415
III. Provision for impairment			
1. Opening balance and closing balance	12,029	–	12,029
IV. Carrying amount			
1. Carrying amount at the end of the period	716,321	93,437	809,758
2. Carrying amount at the beginning of the period	738,629	96,677	835,306

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

VII. NOTES OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

19. Fixed assets

Presented by item

Item	Closing balance	Opening balance
Fixed assets	60,805,505	58,895,250
Disposal of fixed assets	22,616	24,701
Total	60,828,121	58,919,951

RMB'000

Fixed assets

(1). Details of fixed assets:

Item	Land assets	Buildings	Machinery & equipment	Motor vehicles	Office equipment & other equipment	Total
I. Cost						
1. Opening balance	264,639	50,970,900	52,652,067	2,731,625	6,793,321	113,412,552
2. Increases	14,847	3,519,946	4,813,800	134,896	699,984	9,183,473
(1) Additions	-	94,517	1,526,672	52,063	239,273	1,912,525
(2) Transfer from construction in progress (Note VII. 20)	-	3,296,936	3,195,827	81,827	441,620	7,016,210
(3) Transfer from investment properties (Note VII. 18)	-	15,031	-	-	-	15,031
(4) Translation differences arising from translation of foreign currency financial statements	14,847	113,462	91,301	1,006	19,091	239,707
3. Decreases	-	900,398	2,133,733	67,957	159,194	3,261,282
(1) Disposal or retirement	-	581,630	1,758,954	61,993	148,308	2,550,885
(2) Disposal of subsidiaries	-	241,522	325,279	3,737	8,788	579,326
(3) Transfer to construction in progress (Note VII. 20)	-	49,546	45,236	1,946	1,558	98,286
(4) Transfer to investment properties (Note VII. 18)	-	10,852	-	-	-	10,852
(5) Translation differences arising from translation of foreign currency financial statements	-	16,848	4,264	281	540	21,933
4. Closing balance	279,486	53,590,448	55,332,134	2,798,564	7,334,111	119,334,743

RMB'000

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

VII. NOTES OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

19. Fixed assets (continued)

Fixed assets (continued)

(1). Details of fixed assets: (continued)

Item	Land assets	Buildings	Machinery & equipment	Motor vehicles	Office equipment & other equipment	Total
II. Accumulated depreciation						
1. Opening balance	-	15,570,281	31,616,432	1,978,253	4,739,980	53,904,946
2. Increases	-	1,796,651	3,534,235	134,873	626,242	6,092,001
(1) Provision	-	1,772,537	3,497,790	134,385	614,414	6,019,126
(2) Transfer from investment properties (Note VII. 18)	-	6,255	-	-	-	6,255
(3) Translation differences arising from translation of foreign currency financial statements	-	17,859	36,445	488	11,828	66,620
3. Decreases	-	422,655	1,422,534	50,594	123,771	2,019,554
(1) Disposal or retirement	-	308,488	1,145,043	46,516	114,327	1,614,374
(2) Disposal of subsidiaries	-	86,444	250,725	2,897	7,476	347,542
(3) Transfer to construction in progress (Note VII. 20)	-	17,776	22,754	915	1,512	42,957
(4) Transfer to investment properties (Note VII. 18)	-	7,818	-	-	-	7,818
(5) Translation differences arising from translation of foreign currency financial statements	-	2,129	4,012	266	456	6,863
4. Closing balance	-	16,944,277	33,728,133	2,062,532	5,242,451	57,977,393
III. Provision for impairment						
1. Opening balance	-	65,394	486,635	44,531	15,796	612,356
2. Increases	-	-	57,094	-	394	57,488
(1) Provision	-	-	53,199	-	-	53,199
(2) Translation differences arising from translation of foreign currency financial statements	-	-	3,895	-	394	4,289
3. Decreases	-	2	117,449	489	59	117,999
(1) Disposal or retirement	-	2	89,944	489	45	90,480
(2) Disposal of subsidiaries	-	-	27,505	-	-	27,505
(3) Translation differences arising from translation of foreign currency financial statements	-	-	-	-	14	14
4. Closing balance	-	65,392	426,280	44,042	16,131	551,845
IV. Carrying amount						
1. Carrying amount at the end of the period	279,486	36,580,779	21,177,721	691,990	2,075,529	60,805,505
2. Carrying amount at the beginning of the period	264,639	35,335,225	20,549,000	708,841	2,037,545	58,895,250

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

VII. NOTES OF CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

19. Fixed assets *(continued)*

Fixed assets *(continued)*

(2). Details of rent-out fixed assets under operating leases:

	RMB'000
Item	Carrying amount at the end of the period
Machinery and equipment	87,165
Motor vehicles	90,989
Office equipment and other equipment	155
Total	178,309

(3). Details of fixed assets of which property right certificates had not been obtained yet:

	RMB'000	
Item	Carrying amount	Reasons for having not to obtain the property right certificates
Buildings	3,584,466	In process

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

VII. NOTES OF CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

19. Fixed assets *(continued)*

Disposal of fixed assets

	RMB'000	
Item	Closing balance	Opening balance
Buildings	8,324	8,644
Machinery and equipment	9,687	12,885
Office and other equipment	4,553	2,692
Motor vehicles	52	480
Total	22,616	24,701

Other descriptions:

As at 31 December 2022, the Group has buildings and machinery and equipment with carrying amount equivalent to RMB228,524,000 (31 December 2021: RMB207,447,000) as collateral for the Group to obtain bank loans. Except for the fixed assets used as collateral, there was no other restriction on the ownership of fixed assets as at 31 December 2022.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

VII. NOTES OF CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

20. Construction in progress

Presented by item

	RMB'000	
Item	Closing balance	Opening balance
Construction in progress	4,105,330	6,248,409
Materials for construction of fixed assets	6,266	61,958
Total	4,111,596	6,310,367

Construction in progress

(1). Details of construction in progress:

	Closing balance			Opening balance		
Item	Book value	Provision for impairment	Carrying amount	Book value	Provision for impairment	Carrying amount
Construction in progress	4,110,376	(5,046)	4,105,330	6,265,502	(17,093)	6,248,409
Total	4,110,376	(5,046)	4,105,330	6,265,502	(17,093)	6,248,409

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

VII. NOTES OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

20. Construction in progress (continued)

Construction in progress (continued)

(2). Changes in significant construction in progress for the period:

RMB'000

Item	Budget	Opening balance	Increases	Transfer to fixed assets during the period	Transfer to intangible assets	Transfer to investment properties	Transfer from fixed assets	Others	Closing balance	Percentage of actual cost to budget (%)	Project progress	Accumulated capitalised interest	Including: Interest capitalised in the current period	Capitalisation rate of interests (%)	Sources of funding
Overall relocation construction project of Changchun CRRC Railway Vehicles Co., Ltd.	1,238,000	276,990	455,049	(130,148)	-	-	-	-	601,891	59.13	59.13	-	-	-	Self-raised
Lushun project	5,671,380	911,618	201,913	(600,586)	-	-	-	-	512,945	82.42	82.42	-	-	-	Borrowings
R&D and manufacturing technology transformation project of key parts of AC transmission locomotive with heavy axle load	850,000	353,665	129,306	(339,675)	-	-	-	-	143,296	82.00	82.00	8,126	7,505	5.25	Borrowings
Chengcang Base project	600,000	72,831	64,274	-	-	-	-	-	137,105	23.00	23.00	-	-	-	Proceeds/self-raised
CRRC Big Data Centre Construction Project	168,950	24,138	104,343	-	-	-	-	-	128,481	76.05	76.05	-	-	-	Proceeds of shares raising
Construction project of CRRC Songyuan New Energy Equipment Industry Base	689,690	-	480,993	(312,064)	(43,979)	-	-	-	124,950	63.00	63.00	2,799	2,799	2.70	Borrowings
Automobile component supporting construction project	3,337,700	623,253	446,906	(943,374)	(14,508)	-	-	-	112,277	90.00	90.00	-	-	-	Self-raised
Construction of new plant in Shajingyi	1,700,000	1,305,571	64,669	(1,278,700)	-	-	-	-	91,540	93.00	93.00	-	11,972	5.40	Borrowings
CRH high power electric locomotive maintenance project (phase II)	1,700,000	48,977	22,302	(1,495)	-	-	-	-	69,844	57.24	57.24	-	-	-	Self-raised
Project on high-voltage IGBT chip production line transformation and medium and low-voltage module production line expansion	505,000	124,032	52,496	(150,421)	-	-	-	-	26,107	98.00	98.00	-	-	-	Government-grants/self-raised
Others	16,797,782	2,524,427	3,261,818	(3,259,807)	(359,388)	(3,539)	55,329	(56,900)	2,161,940	/	/	46,058	12,008	/	Borrowings, self-raised
Total	31,728,502	6,265,502	5,284,069	(7,016,210)	(417,875)	(3,539)	55,329	(56,900)	4,110,376	/	/	56,983	34,284	/	/

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

VII. NOTES OF CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

20. Construction in progress *(continued)*

Materials for construction of fixed assets

(3). Details of materials for construction of fixed assets

RMB'000

Item	Closing balance			Opening balance		
	Book value	Provision for impairment	Carrying amount	Book value	Provision for impairment	Carrying amount
Specialised materials	8	-	8	4	-	4
Specialised equipment	6,258	-	6,258	61,458	-	61,458
Others	-	-	-	496	-	496
Total	6,266	-	6,266	61,958	-	61,958

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

VII. NOTES OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

21. Right-of-use assets

RMB'000

Item	Plant & buildings	Machinery & equipment	Motor vehicles	Office & other equipment	Total
I. Cost					
1. Opening balance	2,073,235	178,873	67,380	19,550	2,339,038
2. Increases	387,028	104,036	15,699	1,372	508,135
(1) Newly rented	354,885	102,689	13,726	1,279	472,579
(2) Translation differences arising from translation of foreign currency financial statements	32,143	1,347	1,973	93	35,556
3. Decreases	170,933	75,846	1,486	2,450	250,715
(1) Expiry of lease contract	164,560	75,320	1,486	2,442	243,808
(2) Translation differences arising from translation of foreign currency financial statements	6,373	526	–	8	6,907
4. Closing balance	2,289,330	207,063	81,593	18,472	2,596,458
II. Accumulated depreciation					
1. Opening balance	759,919	29,690	37,681	18,014	845,304
2. Increases	459,108	74,548	14,963	1,409	550,028
(1) Provision	435,264	73,072	14,388	1,382	524,106
(2) Translation differences arising from translation of foreign currency financial statements	23,844	1,476	575	27	25,922
3. Decreases	157,907	79,866	1,511	2,365	241,649
(1) Expiry of lease contracts	157,397	79,627	1,511	2,364	240,899
(2) Translation differences arising from translation of foreign currency financial statements	510	239	–	1	750
4. Closing balance	1,061,120	24,372	51,133	17,058	1,153,683
III. Carrying amount					
1. Carrying amount at the end of the period	1,228,210	182,691	30,460	1,414	1,442,775
2. Carrying amount at the beginning of the period	1,313,316	149,183	29,699	1,536	1,493,734

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

VII. NOTES OF CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

22. Intangible assets

(1). Details of intangible assets

RMB'000

Item	Land use rights	Proprietary technology, technical know-how & franchise rights	Software licences	Customer relationship	Backlog orders & technical service preferential contracts	Total
I. Cost						
1. Opening balance	17,113,220	5,050,803	3,655,120	341,759	54,371	26,215,273
2. Increases	355,026	247,701	592,093	25,385	–	1,220,205
(1) Transfer from construction in progress (Note VII.20)	78,137	40,655	299,083	–	–	417,875
(2) Additions	276,463	41,784	275,425	–	–	593,672
(3) Transfer from development expenditure (Note VII.23)	–	157,260	5,448	–	–	162,708
(4) Translation differences arising from translation of foreign currency financial statements	426	8,002	12,137	25,385	–	45,950
3. Decreases	726,206	108,533	44,664	–	52,201	931,604
(1) Disposal	670,785	44,574	36,921	–	52,201	804,481
(2) Translation differences arising from translation of foreign currency financial statements	1,037	9,241	1,366	–	–	11,644
(3) Disposal of subsidiaries	54,384	54,718	6,377	–	–	115,479
4. Closing balance	16,742,040	5,189,971	4,202,549	367,144	2,170	26,503,874
II. Accumulated amortisation						
1. Opening balance	3,741,774	2,822,100	2,501,380	221,788	54,371	9,341,413
2. Increases	386,860	400,362	451,737	18,975	–	1,257,934
(1) Provision	386,771	392,646	445,935	11,771	–	1,237,123
(2) Translation differences arising from translation of foreign currency financial statements	89	7,716	5,802	7,204	–	20,811
3. Decreases	220,746	80,073	20,495	–	52,201	373,515
(1) Disposal	201,242	28,070	13,836	–	52,201	295,349
(2) Translation differences arising from translation of foreign currency financial statements	–	4,096	1,382	–	–	5,478
(3) Disposal of subsidiaries	19,504	47,907	5,277	–	–	72,688
4. Closing balance	3,907,888	3,142,389	2,932,622	240,763	2,170	10,225,832

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

VII. NOTES OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

22. Intangible assets (continued)

(1). Details of intangible assets (continued)

Item	Land use rights	Proprietary technology, technical know-how & franchise rights	Software licences	Customer relationship	Backlog orders & technical service preferential contracts	Total
III. Provision for impairment						
1. Opening balance	-	65,913	1,856	115,085	-	182,854
2. Increases	1,120	-	46	-	-	1,166
(1) Provision	1,120	-	46	-	-	1,166
3. Decreases	-	7,890	1,132	-	-	9,022
(1) Write-off	-	7,890	507	-	-	8,397
(2) Disposal of subsidiaries	-	-	625	-	-	625
4. Closing balance	1,120	58,023	770	115,085	-	174,998
IV. Carrying amount						
1. Carrying amount at the end of the period	12,833,032	1,989,559	1,269,157	11,296	-	16,103,044
2. Carrying amount at the beginning of the period	13,371,446	2,162,790	1,151,884	4,886	-	16,691,006

(2). Details of land use rights of which property right certificates had not been obtained

RMB'000

Item	Carrying amount	Reasons for having not obtained the property right certificates
Project land	357,059	In progress

Other descriptions:

As at 31 December 2022, the Group has intangible assets with a carrying amount equivalent to RMB808,924,000 (31 December 2021: 721,497,000) as collateral.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

VII. NOTES OF CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

23. Development expenditures

RMB'000

Item	Balance at the beginning of the year	Increases		Decreases		Closing balance
		Internal development	Others	Recognised as intangible assets	Transfer to profit or loss	
Development expenditures	521,506	13,509,763	10,583	162,708	13,129,748	749,396

24. Goodwill

(1). Book value of goodwill

RMB'000

Name of investees	Opening balance	Increases	Decreases	Changes in foreign exchange rates	Closing balance
CRRC Zhuzhou Locomotive and its subsidiaries	56,934	–	–	–	56,934
CRRC Tangshan and its subsidiaries	36,379	–	–	–	36,379
CRRC Zhuzhou Institute and its subsidiaries	1,269,563	–	–	(43,599)	1,225,964
Other	21,519	–	(7,670)	–	13,849
Total	1,384,395	–	(7,670)	(43,599)	1,333,126

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

VII. NOTES OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

24. Goodwill (continued)

(2). Provision for impairment losses of goodwill

RMB'000

Name of investees	Opening balance	Increases	Decreases	Changes in foreign exchange rates	Closing balance
CRRC Zhuzhou Locomotive and its subsidiaries	20,156	–	–	–	20,156
CRRC Ziyang and its subsidiaries	1,814	–	(1,814)	–	–
CRRC Zhuzhou Institute and its subsidiaries	1,089,619	–	–	(38,388)	1,051,231
Total	1,111,589	–	(1,814)	(38,388)	1,071,387

As at 31 December 2022, the Group assessed the recoverable amount of the asset group giving rise to SMD goodwill, and identified that SMD goodwill suffered from impairment, the provision amounted to RMB0 for the current period (provision for impairment for 2021: RMB49,879,000). The asset group does not have other assets which are needed for provision for impairment.

The recoverable amount of SMD's goodwill is determined based on the present value of expected future cash flows of the asset group. The management prepares the cash flow forecast for the next five years (budget period) based on the latest financial budget. The discount rate used to calculate the recoverable amount is 13.5% (31 December 2021: 13.5%), and the revenue growth rate of the calculation period is 2.0% (31 December 2021: 2.0%).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

VII. NOTES OF CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

25. Deferred tax assets/deferred tax liabilities

(1). Deferred tax assets before offsetting:

RMB'000

Item	Closing balance		Opening balance	
	Deductible temporary differences	Deferred tax assets	Deductible temporary differences	Deferred tax assets
Expected warranty provisions	8,333,194	1,249,979	7,869,385	1,214,246
Provision for impairment of assets	2,161,625	399,148	2,058,622	399,322
Provision for credit losses	3,729,324	648,485	2,997,486	521,442
Unrealised profit from internal transactions	1,768,204	300,595	1,624,039	276,087
Estimated losses	636,717	97,911	719,509	110,642
Government grants	2,154,978	332,750	2,313,343	357,203
Accrued expenses	1,463,747	264,339	1,162,951	210,018
Unpaid employee salaries	369,408	59,144	189,880	30,401
Deductible tax losses	5,445,828	918,063	2,586,343	387,951
Changes in fair value of investments in other equity instruments	564,633	101,690	605,514	109,053
Changes in fair value of receivables at FVTOCI	138,005	24,194	178,369	31,270
Others	1,577,585	283,965	1,264,589	277,325
Total	28,343,248	4,680,263	23,570,030	3,924,960

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

VII. NOTES OF CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

25. Deferred tax assets/deferred tax liabilities *(continued)*

(2). Deferred tax liabilities before offsetting:

RMB'000

Item	Closing balance		Opening balance	
	Taxable temporary differences	Deferred tax liabilities	Taxable temporary differences	Deferred tax liabilities
Adjustment on fair value of acquisition of subsidiaries	223,018	42,373	395,045	75,058
Depreciation difference due to inconsistency of depreciation period between tax law and accounting	4,421,741	751,696	820,522	139,489
Changes in fair value of investments in other equity instruments	355,803	62,266	413,614	72,383
Gains on changes in fair value during the holding period of the financial assets at fair value through profit or loss	682,220	170,555	324,210	81,053
Others	1,896,636	322,428	521,643	88,679
Total	7,579,418	1,349,318	2,475,034	456,662

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

VII. NOTES OF CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

25. Deferred tax assets/deferred tax liabilities *(continued)*

(3). Deferred tax assets/liabilities after offsetting:

Item	Amount of offsetting of deferred tax assets and liabilities at the end of the period	Balances of deferred tax assets or liabilities after offsetting at the end of the period	Amount of offsetting of deferred tax assets and liabilities at the beginning of the period	RMB'000
				Balances of deferred tax assets or liabilities after offsetting at the beginning of the period
Deferred tax assets	1,049,459	3,630,804	193,156	3,731,804
Deferred tax liabilities	1,049,459	299,859	193,156	263,506

(4). Details of unrecognised deferred tax assets:

Item	Closing balance	RMB'000
		Opening balance
Deductible temporary differences	12,313,251	12,260,793
Deductible tax losses	19,331,268	15,943,474
Total	31,644,519	28,204,267

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

VII. NOTES OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

25. Deferred tax assets/deferred tax liabilities (continued)

- (5). Deductible tax losses, for which no deferred tax assets were recognised, will expire in the following years:

Year	RMB'000	
	Closing balance	Opening balance
2022	–	813,746
2023	3,575,487	3,588,163
2024	2,132,876	2,229,329
2025	1,747,644	1,924,267
2026	2,051,995	2,071,555
2027	3,024,433	1,297,733
2028	905,489	970,668
2029	1,136,623	1,136,623
2030	868,221	869,533
2031	1,041,857	1,041,857
2032	2,846,643	–
Total	19,331,268	15,943,474

26. Other non-current assets

Item	RMB'000	
	Closing balance	Opening balance
Contract assets (Note VII.9)	23,996,712	20,712,780
Prepayment of intangible assets	705,988	696,622
Prepayments of engineering equipment	498,177	506,476
Large deposit certificate	3,943,346	1,540,081
Others	1,914,900	1,161,326
Sub-total	31,059,123	24,617,285
Less: Other non-current assets due within one year (Note VII.10)	339,089	–
Total	30,720,034	24,617,285

As at 31 December 2022, prepayments made to related parties of the Group in the balance of other non-current assets are set out in Note XII.5.

As at 31 December 2022, the Group has contract assets with a carrying amount equivalent to RMB567,992,000 as collateral (31 December 2021: contract assets with a carrying amount equivalent to RMB352,657,000 as collateral for the Group to obtain bank loans).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

VII. NOTES OF CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

27. Short-term borrowings

Category of short-term borrowings:

Item	RMB'000	
	Closing balance	Opening balance
Pledged loans	2,125,703	2,797,613
Credit loans	11,502,027	13,018,034
Total	13,627,730	15,815,647

Description of short-term borrowings classification:

As at 31 December 2022, the annual interest rate of short-term borrowings ranged from 0.12%-9.57% (31 December 2021: 0.12%-9.57%).

As at 31 December 2022, short-term borrowings from related parties of the Group are set out in Note XII.5.

28. Bills payable

Details of bills payable

Item	RMB'000	
	Closing balance	Opening balance
Commercial acceptance bills	1,505,074	365,566
Bank acceptance bills	26,186,229	22,464,626
Total	27,691,303	22,830,192

As at 31 December 2022, details of bills payable due to related parties are set out in Note XII.5.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

VII. NOTES OF CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

29. Accounts payable

Details of accounts payable:

	RMB'000	
Item	Closing balance	Opening balance
Related parties	6,173,252	4,368,091
Third parties	124,784,451	117,738,750
Total	text-align: right;">130,957,703	text-align: right;">122,106,841

Ageing analysis of accounts payable

	RMB'000	
Item	Closing balance	Opening balance
Within 1 year	123,670,940	115,070,002
1-2 years	3,449,524	3,549,291
2-3 years	1,362,084	1,635,316
Over 3 years	2,475,155	1,852,232
Total	text-align: right;">130,957,703	text-align: right;">122,106,841

Other descriptions

The ageing of accounts payable of the Group is classified based on the invoicing date.

As at 31 December 2022, details of accounts payable due to related parties are set out in Note XII.5.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

VII. NOTES OF CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

30. Receipts in advance

Details of receipts in advance:

	RMB'000	
Item	Closing balance	Opening balance
Related parties	2,010	–
Third parties	12,057	22,911
Total	14,067	22,911

As at 31 December 2022, details of receipts payable due to related parties are set out in Note XII.5.

31. Contract liabilities

Details of contract liabilities

	RMB'000	
Item	Closing balance	Opening balance
Sale of goods related (Note 1)	22,866,914	23,496,785
Project contracting services related (Note 2)	874,991	1,911,080
Sub-total	23,741,905	25,407,865
Less: Contract liabilities presented under other non-current liabilities (Note VII.45)	(9,415)	(9,879)
Total	23,732,490	25,397,986

Note 1: As at 31 December 2022, the acceptance and transfer of certain sales of goods of the Group was later than the customer's payment, generating contract liabilities related to the contract on sales of goods.

Note 2: As at 31 December 2022, the Group's contract liabilities related to the project contracting service contracts represented the excess of the settled amount over revenue recognised based on the progress of construction.

As at 31 December 2022, details of current account balances with related parties included in the balance of contract liabilities are set out in Note XII.5.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

VII. NOTES OF CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

32. Deposits from banks and other financial institutions

RMB'000

Item	31 December 2022	31 December 2021
Customer deposits of CRRC Finance	3,153,979	4,601,620
Total	3,153,979	4,601,620

As at 31 December 2022, details of deposits from banks and other financial institutions with related parties are set out in Note XII.5.

33. Employee benefits payable

(1). Details of employee benefits payable:

RMB'000

Item	Opening balance	Increases	Decreases	Closing balance
I. Short-term employee benefits	1,772,785	29,626,022	29,540,835	1,857,972
II. Post-employment benefits-Defined contribution plan	76,516	4,016,418	3,835,972	256,962
III. Labour expenditures	2,299	1,491,881	1,492,282	1,898
IV. Post-employment benefits due within one year-Net liabilities in defined benefit plan (Chinese Mainland)	180,522	152,076	165,737	166,861
V. Post-employment benefits due within one year-Net liabilities in defined benefit plan (other countries and regions)	4,314	19,689	18,126	5,877
Total	2,036,436	35,306,086	35,052,952	2,289,570

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

VII. NOTES OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

33. Employee benefits payable (continued)

(2). Presentation of short-term benefits

RMB'000

Item	Opening balance	Increases	Decreases	Closing balance
I. Salaries, bonuses, allowances and subsidies	378,060	22,420,722	22,338,584	460,198
II. Welfare benefits	393,379	1,645,241	1,619,937	418,683
III. Social insurances	119,168	1,942,805	1,937,280	124,693
Including: Medical insurance	114,688	1,740,510	1,740,960	114,238
Work-related injury insurance	4,767	148,353	142,448	10,672
Maternity insurance	(287)	53,942	53,872	(217)
IV. Housing funds	37,753	2,147,310	2,128,128	56,935
V. Employee union funds and staff education funds	339,903	750,815	675,900	414,818
VI. Others	504,522	719,129	841,006	382,645
Total	1,772,785	29,626,022	29,540,835	1,857,972

(3). Details of defined contribution plan

RMB'000

Item	Opening balance	Increases	Decreases	Closing balance
1. Basic pension insurance	43,870	2,969,906	2,792,691	221,085
2. Unemployment insurance	1,792	122,997	116,520	8,269
3. Enterprise annuity	30,854	923,515	926,761	27,608
Total	76,516	4,016,418	3,835,972	256,962

Other descriptions:

Employees of the Group are required to participate in defined contribution schemes which are administered and operated by the local municipal government. The Group contributes funds which are calculated on certain percentage as agreed by the local municipal government to the scheme. The Group's contributions to the defined contribution plan, including the social pension insurance schemes and the annuity plan, are recognised as expenses when incurred. As at 31 December 2022 and 31 December 2021, there are no forfeited contributions that may be used by the Group to reduce the existing level of contribution (as at 31 December 2021 and 31 December 2020: nil).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

VII. NOTES OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

34. Tax payable

	RMB'000	
Item	Closing balance	Opening balance
VAT	1,721,921	1,211,250
Enterprise income tax	707,485	565,746
Individual income tax	302,798	278,492
City maintenance and construction tax	101,859	79,111
Education surcharges	74,335	54,007
Property tax	52,140	52,241
Land use tax	25,800	25,681
Others	106,732	92,178
Total	3,093,070	2,358,706

35. Other payables

Presented by item

	RMB'000	
Item	Closing balance	Opening balance
Interest payable	13,593	11,276
Dividends payable	535,223	518,336
Other payables	13,315,356	11,610,282
Total	13,864,172	12,139,894

Interest payable

(1). Presented by category

	RMB'000	
Item	Closing balance	Opening balance
Loan interests	13,593	11,276
Total	13,593	11,276

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

VII. NOTES OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

35. Other payables (continued)

Dividends payable

(2). Presented by category

	RMB'000	
Item	Closing balance	Opening balance
Related parties	94,501	73,870
Third parties	440,722	444,466
Total	535,223	518,336

Other payables

(1). Details of other payables by nature are as follows:

	RMB'000	
Item	Closing balance	Opening balance
Borrowings from CRRC Group	3,133,880	1,811,320
Collections on behalf other parties	2,909,110	3,299,908
Payments for equipment and projects	1,626,940	1,478,358
Deposits and securities, housing fund, and public facilities maintenance funds	1,520,002	1,405,306
Technology royalties and research expenditures	497,675	555,335
Utilities, repair, and transportation expenses	304,587	390,166
Others	3,323,162	2,669,889
Total	13,315,356	11,610,282

Other descriptions:

As at 31 December 2022, details of other payables due to related parties are set out in Note XII.5.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

VII. NOTES OF CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

36. Non-current liabilities due within one year

	RMB'000	
Item	Closing balance	Opening balance
Long-term borrowings due within one year(Note VII.38)	801,245	1,763,490
Bonds payable due within one year(Note VII.39)	2,570,537	70,662
Long-term payables due within one year(Note VII.41)	39,063	1,265
Lease liabilities due within one year(Note VII.40)	382,440	395,188
Provisions due within one year (Note VII.43)	2,679,276	2,381,071
Other non-current liabilities due within one year (Note VII.45)	520	1,162
Total	6,473,081	4,612,838

Other descriptions:

As at 31 December 2022, details of current account balances with related parties included in the balance of non-current liabilities due within one year are set out in Note XII.5.

37. Other current liabilities

Details of other current liabilities:

	RMB'000	
Item	Closing balance	Opening balance
Output VAT tax to be transferred and received VAT in advance	2,466,039	2,636,060
Total	2,466,039	2,636,060

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

VII. NOTES OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

37. Other current liabilities (continued)

The movements of short-term debentures payable:

RMB'000

Name of bonds	Par value	Issuing date	Maturity period	Issuance amount	Opening balance	Issuance during the period	Accrued interests at par value	Amortisation of premium or discounts	Current period	Closing balance
CRRC's Phase I Super short-term financing bills in 2022	100 per piece	27 May 2022	29	2,000,000	-	2,000,000	2,781	-	(2,002,781)	-
CRRC's Phase II Super short-term financing bills in 2022	100 per piece	30 May 2022	59	2,000,000	-	2,000,000	5,852	-	(2,005,852)	-
CRRC's Phase III Super short-term financing bills in 2022	100 per piece	28 July 2022	60	3,000,000	-	3,000,000	6,904	-	(3,006,904)	-
CRRC's Phase IV Super short-term financing bills in 2022	100 per piece	1 August 2022	120	3,000,000	-	3,000,000	15,386	-	(3,015,386)	-
CRRC's Phase V Super short-term financing bills in 2022	100 per piece	1 September 2022	105	3,000,000	-	3,000,000	12,686	-	(3,012,686)	-
CRRC's Phase VI Super short-term financing bills in 2022	100 per piece	1 September 2022	28	2,000,000	-	2,000,000	2,117	-	(2,002,117)	-
CRRC's Phase VII Super short-term financing bills in 2022	100 per piece	27 September 2022	90	3,000,000	-	3,000,000	11,244	-	(3,011,244)	-
CRRC's Phase VIII Super short-term financing bills in 2022	100 per piece	28 September 2022	90	2,000,000	-	2,000,000	7,693	-	(2,007,693)	-
CRRC's Phase IX Super short-term financing bills in 2022	100 per piece	10 October 2022	79	3,000,000	-	3,000,000	9,740	-	(3,009,740)	-
CRRC's Phase X Super short-term financing bills in 2022	100 per piece	11 October 2022	79	3,000,000	-	3,000,000	9,740	-	(3,009,740)	-
Zhuzhou Times New Material Technology Co., Ltd.'s Phase I Super short-term financing bills in 2022	100 per piece	29 April 2022	90	200,000	-	200,000	1,282	-	(201,282)	-
Total	/	/	/	26,200,000	-	26,200,000	85,425	-	(26,285,425)	-

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

VII. NOTES OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

38. Long-term borrowings

Long-term borrowings by category

Item	Closing balance	Opening balance
		RMB'000
Credit loans	1,783,915	6,913,459
Pledged loans	4,937,867	2,123,086
Mortgage loans	175,585	181,221
Guaranteed loans	-	-
Total	6,897,367	9,217,766
Less: Long-term borrowings due within one year	(801,245)	(1,763,490)
Including: Credit loans	(81,195)	(970,822)
Pledged loans	(688,033)	(768,140)
Mortgage loans	(32,017)	(24,528)
Guaranteed loans	-	-
Long-term borrowings due after one year	6,096,122	7,454,276
Including: Credit loans	1,702,720	5,942,637
Pledged loans	4,249,834	1,354,946
Mortgage loans	143,568	156,693
Guaranteed loans	-	-

Other descriptions including range of interest rates:

Analysis of long-term borrowings due after one year is as follows:

Subsequent to the balance sheet date	Closing balance	Opening balance
1-2 years	1,796,648	4,862,785
2-5 years	1,449,807	342,111
Over 5 years	2,849,667	2,249,380
Total	6,096,122	7,454,276

As at 31 December 2022, the annual interest rate of long-term borrowings ranged from 0.20%-12.54% (31 December 2021: 0.20%-6.27%).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

VII. NOTES OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

39. Bonds payable

(1). Bonds payable

RMB'000

Item	Closing balance	Opening balance
Corporate bonds	2,570,537	2,570,662
Total	2,570,537	2,570,662
Less: Bonds payable due within one year (Note VII.36)	(2,570,537)	(70,662)
Bonds payable due after one year	–	2,500,000

(2). Movements of bonds payable (excluding other financial instruments classified as financial liabilities, such as preference shares and perpetual bonds):

RMB'000

Name of bonds	Par value	Issuing date	Maturity period	Issuance amount	Opening balance	Issuance during the period	Accrued interests at par value	Amortisation of premium or discounts	Current period	Closing balance
CSR 2013 Corporate Bonds (Phase I)										
(Ten-year Term)	100 per piece	2013-04-22	10 years	1,500,000	1,548,436	–	74,880	–	75,004	1,548,312
CRRC 2020 Phase I Corporate Bonds	100 per piece	2020-03-27	3 years	1,000,000	1,022,226	–	29,500	–	29,501	1,022,225
Total	/	/	/	2,500,000	2,570,662	–	104,380	–	104,505	2,570,537
Less: Bonds payable due within one year (Note VII.36)	/	/	/	/	(70,662)	/	/	/	/	(2,570,537)
Bonds payable due after one year	/	/	/	/	2,500,000	/	/	/	/	–

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

VII. NOTES OF CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

40. Lease liabilities

	RMB'000	
Item	Closing balance	Opening balance
Lease liabilities	1,533,295	1,620,695
Less: Lease liabilities included in non-current liabilities due within one year (Note VII.36)	(382,440)	(395,188)
Lease liabilities due over one year	1,150,855	1,225,507

Other descriptions:

As at 31 December 2022, the lease liability(including the one-year maturity) due to the related parties are set out in Note XII.5.

Analysis of lease liabilities due after one year is as follows:

	RMB'000
Subsequent to the balance sheet date:	Closing balance
1-2 years	343,002
2-5 years	509,603
Over 5 years	580,572
Total undiscounted payments	1,433,177
Less: Unrecognised finance charges	(282,322)
Lease liabilities due over one year	1,150,855

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

VII. NOTES OF CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

41. Long-term payables

Details of long-term payables by nature are as follows:

	RMB'000	
Item	Closing balance	Opening balance
Long-term payables	79,210	24,725
Special payables	1,265	1,265
Total	80,475	25,990
Less: Presented under non-current liabilities due within one year (Note VII.36)	(39,063)	(1,265)
Long-term payables due over one year	41,412	24,725

Long-term payables

(1). Details of long-term payables by nature are as follows:

	RMB'000	
Item	Closing balance	Opening balance
Purchase of fixed assets by instalment, etc.	79,210	24,725
Less: Long-term payables due within one year	(37,798)	–
Long-term payables due over one year	41,412	24,725

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

VII. NOTES OF CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

41. Long-term payables *(continued)*

Special payables

(2). Details of special payables by nature are as follows:

RMB'000

Item	Opening balance	Increases	Decreases	Closing balance
Research & development of the overall solution and prototype system of embedded system of the rail transit equipment	614	–	–	614
Others	651	–	–	651
Total	1,265	–	–	1,265
Less: Special payables due within one year	(1,265)	–	–	(1,265)
Special payables due over one year	/	/	/	/

42. Long-term employee benefits payable

(1). Table of long-term employee benefits payable

RMB'000

Item	Closing balance	Opening balance
I. Post-employment benefits-liabilities in defined benefit plan (Mainland China) (Note 1)	1,397,155	1,443,043
II. Post-employment benefits-liabilities in defined benefit plan (Other countries and regions) (Note 2)	741,199	1,146,169
III. Other long-term benefits	334,331	639,316
Total	2,472,685	3,228,528

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

VII. NOTES OF CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

42. Long-term employee benefits payable *(continued)*

(2). Changes in defined benefit plan (Mainland China)

Present value of the defined benefit plan obligation:

Item	RMB'000	
	Current period	Prior period
I. Opening balance	1,623,565	1,846,809
II. Defined benefit cost recognised in profit or loss	120,155	(36,286)
1. Net interests	44,304	57,722
2. Cost of service in the current year	(2,550)	(5,976)
3. Cost of service in prior years	(1,385)	(9,316)
4. Settlement losses/(gains)	79,786	(78,716)
III. Defined benefit cost recognised in other comprehensive income	(13,967)	6,567
1. Actuarial gains ("-" for losses)	(13,967)	6,567
IV. Other changes	(165,737)	(193,525)
1. Paid benefits	(165,737)	(193,525)
V. Closing balance	1,564,016	1,623,565
Less: Post-employment benefits due within one year–liabilities in defined benefit plan (Note VII.33)	(166,861)	(180,522)
VI. Post-employment benefits due after one year–liabilities in defined benefit plan	1,397,155	1,443,043

Defined benefit plan assets (Mainland China) are not applicable.

Other descriptions:

Note 1: For the Company and other domestic subsidiaries, in addition to the basic pension insurance provided by the local government departments, the Group also provides supplementary pension insurance plans and other comprehensive retirement benefit plans for employees retired before 1 July 2007. These plans include monthly living subsidies for employees after their retirement. The Group no longer provides (pays) any supplementary retirement benefits (including supplementary benefits such as retirement salaries, subsidies, medical care) for employees retired since 1 July 2007.

The Group engaged an independent actuary, Towers Watson (Shenzhen) Consulting Co., Ltd., to estimate the present value of its above retirement benefit plan obligations using the actuarial method based on the expected cumulative welfare unit method. Towers Watson (Shenzhen) Consulting Co., Ltd. is an actuarial institution with professional certification qualifications and a member of the American Academy of Actuaries. The undersigned actuary, Haichuan Wu, is member of the Society of Actuaries and China Association of Actuaries. The plan estimates future cash outflows based on inflation rate and mortality rate assumptions and determines its present value at a discount rate. The discount rate is determined based on the market yield of the national debt that matches the term and currency of the obligations of defined benefit plan on the balance sheet date.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

VII. NOTES OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

42. Long-term employee benefits payable (continued)

(2). Changes in defined benefit plan (Mainland China) (continued)

The defined benefit plan exposes the Group to actuarial risks, including interest rate risk, longevity risk and inflation risk. A decrease in the rate of return of national debt will result in an increase in the present value of the defined benefit plan obligations. The present value of the defined benefit plan obligations is calculated based on the optimal estimate of the mortality rate of the participating employees, and an increase in the life expectancy of the plan members will result in an increase in the liabilities in the plan. In addition, the present value of the defined benefit plan obligation is related to the planned future payment standard, and the payment standard is determined based on the inflation rate. Therefore, the increase in the inflation rate will also result in an increase in the liabilities in the plan.

As at 31 December 2022, significant actuarial assumptions (discount rate and average growth rate of medical cost) used in determining present value of defined benefit plan obligations are as follows:

Item	31 December 2022 (%)	31 December 2021 (%)
Discount rate	2.75	2.75
Average growth rate of medical cost	7.00/12.00/8.00	7.00/12.00/8.00

The following sensitivity analysis is based on the reasonably possible changes in the corresponding assumptions at the end of the year (all other assumptions remain unchanged):

Item	(Decrease)/ Increase in liabilities recognised in defined benefit plan	Increase/ (Decrease) in liabilities recognised in defined benefit plan
Discount rate (increases)/decreases by 1%	(100,930)	117,150
Average growth rate of medical cost increases/(decreases) by 1%	17,770	(15,600)

The above sensitivity analysis is an inference based on the impact of key assumptions on the net defined benefit plan when there is a reasonable change on the balance sheet date. Because some of the assumptions may be relevant and one assumption cannot be changed in isolation, the above sensitivity analysis may not necessarily reflect the actual changes in the present value of the defined benefit plan obligations.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

VII. NOTES OF CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

42. Long-term employee benefits payable *(continued)*

(3) Changes in defined benefit plan (Other countries and regions):

Present value of the defined benefit plan obligation:

	RMB'000	
Item	Current period	Prior period
I. Opening balance	1,233,644	1,398,316
II. Defined benefit cost recognised in profit or loss	18,345	34,774
1. Net interests	15,222	15,144
2. Cost of service in the current year	1,215	19,414
3. Cost of service in prior years	1,908	216
III. Defined benefit cost recognised in other comprehensive income	(401,308)	(177,004)
1. Actuarial gains (Note)	(414,606)	(42,973)
2. Translation differences arising from translation of foreign currency financial statements	13,298	(134,031)
IV. Other changes	(18,720)	(22,442)
1. Paid benefits	(18,720)	(22,442)
V. Closing balance	831,961	1,233,644
Less: Post-employment benefits due within one year-liabilities in defined benefit plan (other countries and regions) (Note VII.33)	(5,877)	(4,314)
VI. Post-employment benefits due after one year-liabilities in defined benefit plan (other countries and regions)	826,084	1,229,330

Note: The present value of the defined benefit plan obligation decreased during the year due to an increase in high quality corporate bond yields in active market.

Plan assets

Item	Current period	Prior period
I. Opening balance	83,161	84,905
II. Additions during the year	–	6,776
III. Decreased during the year	(594)	–
IV Translation differences arising from translation of foreign currency financial statements	2,318	(8,520)
V. Closing balance	84,885	83,161

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

VII. NOTES OF CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

42. Long-term employee benefits payable *(continued)*

(3) Changes in defined benefit plan (Other countries and regions): *(continued)*

Net liabilities of defined benefit plans:

Item (Note 2)	Current period	Prior period
Present value of the defined benefit plan obligation	826,084	1,229,330
Less: plan assets	(84,885)	(83,161)
Net liabilities in defined benefit plan	741,199	1,146,169

Note 2: Post-employment benefits-net liabilities in defined benefit plan (other countries or regions) are based on the liabilities recognised in the pension plan provided by the Group's subsidiary, German Rubber and Plastics Business ("Germany BOGE") and Blue Engineering Co., Ltd. and its subsidiaries ("Blue Group"), and Vossloh Locomotives GmbH and its subsidiaries ("Vossloh AG") to their employees.

The principal pension plan of Germany BOGE provides a defined benefit plan for all eligible employees in Germany. For Germany BOGE, the actuarial valuation of the present value of the defined benefit plan obligations for the most recent period (i.e. the period ended 31 December 2022) was estimated and determined by the third-party evaluation agency, Mercer Deutschland GmbH, based on the expected cumulative benefit unit method. Mercer Deutschland GmbH is an actuarial institution with professional certification qualifications in Germany and a member of the German Association of Actuaries. As at 31 December 2022, the defined benefit plan is in the net liability position of RMB0.696 billion (31 December 2021: net liability of RMB1.092 billion). According to the Pension Plan 2005 ("Rentenordnung 2005") and the Pension Plan 2004 ("Versorgungszusage 2004"), Germany BOGE provides a traditional German pension plan group, including normal and early retirement benefits and benefits for long-term disabled people and survivors of deceased employees.

Germany BOGE paid 10,580,000 Euros and 939,000 Euros to the third party escrow account in 2019 and 2021, respectively, for the plan asset, which is a restricted asset and its fair value at period-end is approximate to its book value. As at 31 December 2022, fair value of the plan asset of Germany BOGE was about RMB 84,885,000 (31 December 2021: about RMB 83,161,000).

As at 31 December 2022, obligations under these defined benefit plans of Germany BOGE are 10.87% (31 December 2021: 7.08%) covered by the plan assets.

No material surplus or deficiency was noted for the abovementioned plan assets.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

VII. NOTES OF CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

42. Long-term employee benefits payable *(continued)*

(3) Changes in defined benefit plan (Other countries and regions): *(continued)*

The Blue Group's post-employment benefit plan is a defined benefit plan for all eligible employees in Italy under the Italian Civil Code 2120 (2120 del codice civile italiano). For Blue Group, the actuarial valuation of the present value of the defined benefit plan obligations for the most recent period (i.e. the period ended 31 December 2022) was estimated and determined by the third-party evaluation agency, MANAGERS & PARTNERS-ACTUARIAL SERVICES. P.A, based on the expected cumulative benefit unit method. MANAGERS & PARTNERS-ACTUARIAL SERVICES.P.A is an actuarial institution with professional certification qualifications in Italy and a member of the Italian Society of Actuaries.

The principal pension plan of Vossloh Group provides a defined benefit plan for all eligible employees in German, including normal and early retirement benefits and benefits for survivors of deceased employees. For Vossloh Group, the actuarial valuation of the present value of the defined benefit plan obligations for the most recent period (i.e. the period ended 31 December 2022) was estimated and determined by the third-party evaluation agency, Lurse Pension & Benefits Consulting GmbH, based on the expected cumulative benefit unit method. Lurse Pension & Benefits Consulting GmbH is an actuarial institution with professional certification qualifications in Germany and a member of the German Association of Actuaries.

As at 31 December 2022, the average period of defined benefit plan obligations is 22 years.

The actuarial valuation of the present value of the defined benefit plan obligations is determined using the expected cumulative benefit unit method. In addition to the assumptions for life expectancy, other significant assumptions are as follows:

Item	31 December	31 December
	2022	2021
	(%)	(%)
Discount rate	3.20-4.25	0.98-1.35
Expected increase in wages and salaries	0.50-3.00	0.50-3.00
Increase in pension	2.20-3.08	1.70-2.81
Volatility	1.00-6.00	1.00-6.00

The expected increase in wages and salaries depends primarily on factors such as inflation, salary standards and the Company's operating conditions.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

VII. NOTES OF CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

43. Provisions

RMB'000

Item	Closing balance	Opening balance	Reason
Warranties for product quality	9,233,920	9,143,215	Agreement on after-sales service
Others	814,371	789,509	Estimated liquidated damages and onerous contracts to be executed etc.
Total	10,048,291	9,932,724	/
Less: Provisions expected to due within one year (Note VII.36)	(2,679,276)	(2,381,071)	/
Provisions due after one year	7,369,015	7,551,653	/

44. Deferred income

Details of deferred income

RMB'000

Item	Opening balance	Increase	Decreases	Closing balance
Government grants related to assets	5,023,815	71,893	375,658	4,720,050
Government grants related to income	1,635,174	486,838	608,374	1,513,638
Total	6,658,989	558,731	984,032	6,233,688

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

VII. NOTES OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

44. Deferred income (continued)

Items related to government grants:

	RMB'000						
Liability	Opening balance	Additional subsidies in the period	Amount recognised in non-operating income during the period	Amount recognised in other income during the period	Other decreases	Closing balance	Related to assets/Related to income
Fund of science and technology projects and innovation enterprise awards	2,011,969	478,369	9,705	641,328	485	1,838,820	Assets/Income
Compensation for demolition	2,470,706	378	26,812	118,771	–	2,325,501	Assets/Income
Land subsidy refund	1,028,458	1,000	8,794	7,119	–	1,013,545	Assets/Income
Infrastructure subsidies	631,117	27,078	34,338	67,426	–	556,431	Assets
Discount on imported products	14,955	–	–	8,012	–	6,943	Income
Others	501,784	51,906	23,890	31,202	6,150	492,448	Assets/Income
Total	6,658,989	558,731	103,539	873,858	6,635	6,233,688	/

45. Other non-current liabilities

	RMB'000	
Item	Closing balance	Opening balance
Contract liabilities	9,415	9,879
Others	77,948	62,775
Less: Other non-current liabilities due within one year (Note VII.36)	(520)	(1,162)
Total	86,843	71,492

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

VII. NOTES OF CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

46. Share capital

RMB'000

Item	Opening balance	Changes during the year (+/-)		Closing balance
		Issuance of new shares	Sub-total	
Total shares	28,698,864	–	–	28,698,864
Shares without restrictions for sales				
1. RMB ordinary shares	24,327,798	–	–	24,327,798
2. Overseas listed ordinary shares	4,371,066	–	–	4,371,066

47. Capital reserve

RMB'000

Item	Opening balance	Increase	Decrease	Closing balance
Share premium	40,482,504	–	–	40,482,504
Other capital reserves (Note)	1,404,689	52,984	586,899	870,774
Total	41,887,193	52,984	586,899	41,353,278

Note: Changes in other capital reserves were mainly due to increases or decreases in capital by non-controlling shareholders of the Company's subsidiaries and the Group's other equity changes in joint ventures and associates.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

VII. NOTES OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

48. Other comprehensive income

RMB'000

Item	Opening balance	Before-tax amount	Current period		Net-of-tax amount attributable to shareholders of the Company	Net-of-tax amount attributable to non-controlling interests	Less: Previously recognised amount transferred to retained earnings	Closing balance
			Less: Reclassification adjustments for amounts transferred to profit or loss	Less: Income tax expense				
I. Other comprehensive income that will not be reclassified to profit or loss	(884,741)	146,625	-	(1,970)	(17,515)	166,110	34	(902,290)
Including: Remeasurement of defined benefit plan	(390,084)	428,573	-	784	249,533	178,256	-	(140,551)
Changes in fair value of investments in other equity instruments	(494,657)	(281,948)	-	(2,754)	(267,048)	(12,146)	34	(761,739)
II. Items that may be reclassified to profit or loss	(392,514)	621,918	-	7,076	607,077	7,765	-	214,563
Including: Other comprehensive income recognised under equity method	(24,152)	(43,756)	-	-	(43,640)	(116)	-	(67,792)
Changes in fair value of other debt investments (Note)	(149,964)	94,169	-	7,076	88,695	(1,602)	-	(61,269)
Credit losses of other debt investments (Note)	398	18	-	-	23	(5)	-	421
Translation differences arising from translation of foreign currency financial statements	(218,796)	606,438	-	-	596,950	9,488	-	378,154
Cash flow hedge reserve	-	(34,951)	-	-	(34,951)	-	-	(34,951)
Total other comprehensive income	(1,277,255)	768,543	-	5,106	589,562	173,875	34	(687,727)

Note: Changes in fair value of other debt investment and credit losses of other debt investments are derived from receivables at FVTOCI.

49. Special reserve

RMB'000

Item	Opening balance	Increase	Decrease	Closing balance
Safety fund	49,957	588,885	588,885	49,957

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

VII. NOTES OF CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

50. Surplus reserve

RMB'000

Item	Opening balance	Increase	Decrease	Closing balance
Statutory surplus reserve	4,844,204	647,708	–	5,491,912
Total	4,844,204	647,708	–	5,491,912

51. Retained earnings

RMB'000

Item	Current period	Prior period
Retained earnings at the beginning of the period	73,717,157	69,736,835
Add: Net profits for the period attributable to shareholders of the Company	11,653,448	10,302,605
Less: Appropriation for statutory surplus reserve	(647,708)	(535,415)
Appropriation to general risk reserve	(39,436)	(91,815)
Dividends to ordinary shares	(5,165,796)	(5,165,796)
Transfer of other comprehensive income to retained earnings	34	12,717
Others	(76,323)	(541,974)
Retained earnings at the end of the period	79,441,376	73,717,157

Note 1: The Company's profit distribution plan for 2021 was approved at the 2021 Annual General Meeting of Shareholders held on 16 June 2022. Based on the total Company's share capital of 28,698,864,000 shares as at 31 December 2021, the annual dividends for 2021 were distributed to all shareholders, and a cash dividend of RMB0.18 (including tax) per share was distributed, totalling approximately RMB5,165,796,000.

The Company's profit distribution plan for 2020 was approved at the 2020 Annual General Meeting of Shareholders held on 18 June 2021. Based on the total Company's share capital of 28,698,864,000 shares as at 31 December 2020, the annual dividends for 2020 were distributed to all shareholders, and a cash dividend of RMB0.18 (including tax) per share was distributed, totalling approximately RMB5,165,796,000.

Note 2: As at 31 December 2022, the balance of the Group's retained earnings included the surplus reserve already appropriated by the subsidiaries of RMB17,789,746,000 (31 December 2021: RMB17,051,135,000).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

VII. NOTES OF CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

52. Revenue and operating costs

(1). Details of revenue and operating costs

RMB'000

Item	Current period		Prior period	
	Revenue	Cost	Revenue	Cost
Principal operating activities	219,415,617	173,180,245	221,101,757	176,077,873
Other operating activities	3,523,020	2,445,532	4,629,998	3,226,019
Total	222,938,637	175,625,777	225,731,755	179,303,892

(2). Category of revenue and operating costs by business type

RMB'000

Item	Current period		Prior period	
	Revenue	Cost	Revenue	Cost
Sale of goods	175,517,151	138,051,078	178,183,831	141,289,146
Rendering of services	46,018,990	37,263,573	45,798,036	37,590,520
Sub-total	221,536,141	175,314,651	223,981,867	178,879,666
Interest income	387,323	91,543	459,951	133,278
Lease income	1,015,173	219,583	1,289,937	290,948
Total	222,938,637	175,625,777	225,731,755	179,303,892

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

VII. NOTES OF CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

52. Revenue and operating costs *(continued)*

(3). Disaggregation of revenue from contracts with customers

	Current period	Prior period
RMB'000		
Rail transportation products and their extended industries		
Categorised by sales region		
Mainland China	197,221,763	204,056,405
Other countries and regions	24,314,378	19,925,462
Total	221,536,141	223,981,867

(4). Description on performance obligations

- (i) Revenue from sales of goods (revenue recognised at a certain time point):

The goods sold by the Group are mainly rail transit equipment and its extension products. The Group recognises revenue when the customer obtains control of the goods, i.e. at the time of acceptance and delivery of the goods.

- (ii) Revenue from rendering of services (revenue recognised within a certain period of time):

The Group's revenue from rendering of services is mainly extended services of railway transportation equipment. The Group recognises the revenue within a certain period of time according to the progress of the performance as the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

VII. NOTES OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

53. Taxes and surcharges

Item	RMB'000	
	Current period	Prior period
City maintenance and construction tax	415,415	460,654
Education surcharges	303,427	326,095
Property tax	374,611	378,138
Land use tax	248,446	266,126
Vehicle and vessel use tax	1,231	1,332
Stamp duty	204,940	178,088
Others	86,616	75,498
Total	1,634,686	1,685,931

54. Selling expenses

Item	RMB'000	
	Current period	Prior period
Expected warranty provisions	3,247,157	3,088,925
Employee benefits	2,469,320	2,117,734
Travel expenses	235,184	255,153
Others	1,772,549	1,802,337
Total	7,724,210	7,264,149

55. Administrative expenses

Item	RMB'000	
	Current period	Prior period
Employee benefits	8,326,273	8,380,482
Depreciation of fixed assets	750,575	816,354
Amortisation of intangible assets	676,253	632,394
Others	3,648,534	3,652,239
Total	13,401,635	13,481,469

For the year ended 2022, the audit expense of RMB29,600,000 (2021: RMB29,600,000) is included in aforementioned administrative expenses.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

VII. NOTES OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

56. Research and development expenses

RMB'000

Item	Current period	Prior period
Employee benefits	5,778,511	5,588,691
Depreciation charge	672,223	684,731
Amortisation of intangible assets	241,905	206,855
Others	6,437,109	6,604,942
Total	13,129,748	13,085,219

57. Financial expenses

RMB'000

Item	Current period	Prior period
Interest expenses	1,036,040	1,052,155
Less: Capitalisation of interest	(34,284)	(70,319)
Interest expenses from lease liabilities	67,450	139,376
Interest income	(986,017)	(822,488)
Exchange gains or losses	(496,865)	94,207
Handling charge of financial institutions	307,963	204,983
Actuarial interest adjustment	78,520	92,131
Others	(316,295)	(309,886)
Total	(343,488)	380,159

58. Other income

RMB'000

Item	Current period	Prior period
VAT refund	224,832	168,610
Scientific and technological project funds	830,566	765,642
Others	737,448	724,445
Total	1,792,846	1,658,697

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

VII. NOTES OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

59. Investment income

	RMB'000	
Item	Current period	Prior period
Income from long-term equity investment accounted for under equity method (Note VII.15)	229,228	103,330
Investment income from disposal of subsidiaries	(160,937)	–
Investment losses from disposal of associates and joint ventures	4,394	4,130
Dividend income from other equity instrument investments during the holding period	60,688	61,547
Investment income from disposal of debt investment	81,795	103,705
Investment income from disposal of financial assets held for trading	152,318	156,554
Derecognition loss of financial assets measured at amortised cost	(215,583)	(332,673)
Gains from disposal of residual equity of subsidiaries remeasured at fair value	1,750	–
Gains from debt restructuring	54,218	182,539
Others	99,058	(36,641)
Total	306,929	242,491

60. Gains from changes in fair value

	RMB'000	
Sources of gains from changes in fair value	Current period	Prior period
Financial assets held for trading	510,146	309,908
Including: Gains on fair value changes of derivative financial instruments	5,538	661
Gains from changes in fair value of investments in equity instruments	336,018	214,577
Others	168,590	94,670
Other non-current financial assets	12,878	–
Financial liabilities held for trading	(33,251)	–
Including: Gains on fair value changes of derivative financial instruments	(33,251)	–
Total	489,773	309,908

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

VII. NOTES OF CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

61. Impairment losses under expected credit loss model

RMB'000		
Item	Current period	Prior period
Losses of credit impairment on bills receivable	(7,738)	4,986
Losses of credit impairment on accounts receivable	413,469	(269,138)
Losses of credit impairment on other receivables	(22,051)	(10,106)
Losses of credit impairment on receivables at FVTOCI	(18)	(7,064)
Losses of credit impairment on long-term receivables	52,771	326,963
Losses of credit impairment on loans and advances	(126,311)	(3,979)
Losses of credit impairment on part of loan commitments and financial guarantee contracts	(149)	147
Others	2,185	(194)
Total	312,158	41,615

62. Asset impairment losses

RMB'000		
Item	Current period	Prior period
Impairment losses of inventories	371,786	487,941
Impairment losses of fixed assets	53,199	27,505
Impairment losses of construction in progress	–	11,201
Impairment losses of long-term equity investments	103,350	267,776
Impairment losses of intangible assets	1,166	625
Impairment losses of goodwill	–	49,879
Impairment losses of contract assets	119,107	54,990
Others	(34,330)	(14,369)
Total	614,278	885,548

63. Gains on disposal of assets

RMB'000		
Item	Current period	Prior period
Gains on disposal of fixed assets	1,907,483	450,942
Gains on disposal of intangible assets	643,038	565,253
Total	2,550,521	1,016,195

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

VII. NOTES OF CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

64. Non-operating income

Details of non-operating income

			RMB'000
Item	Current period	Prior period	Amount recognised in non-recurring profit and loss
Government grants	410,001	750,523	410,001
Liquidated damages, fines and compensation	104,498	75,558	104,498
Unpayable amount	48,582	16,652	48,582
Gains on retirement of assets	26,769	16,689	26,769
Claim income	58,463	164,289	58,463
Others	131,637	445,269	131,637
Total	779,950	1,468,980	779,950

Government grants included in profit or loss

			RMB'000
Item	Current period	Prior period	Related to assets/ Related to income
Compensation for demolition	287,274	337,421	Assets/Income
Land subsidy refund	8,677	15,241	Assets
Infrastructure subsidies	38,944	36,327	Assets
Resettlement subsidies	–	11,384	Income
Subsidy for environmental protection	963	2,976	Income
Others	74,143	347,174	Assets/Income
Total	410,001	750,523	/

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

VII. NOTES OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

65. Non-operating expenses

Item	Current period	Prior period	RMB'000
			Amount recognised in non-recurring profit and loss
Liquidated damages and penalty expenses	20,869	64,653	20,869
Relocation expenditure	446,648	356,686	446,648
Losses on retirement of assets	36,849	55,665	36,849
Donation expenses	21,659	15,903	21,659
Flood control fund	23,443	17,751	23,443
Others	90,516	34,563	90,516
Total	639,984	545,221	639,984

66. Income tax expenses

(1). Table of income tax expenses

Item	Current period	Prior period	RMB'000
Current income tax expenses	1,640,766	1,345,157	
Deferred income tax expenses	126,727	(7,880)	
Total	1,767,493	1,337,277	

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

VII. NOTES OF CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

66. Income tax expenses *(continued)*

(2). Reconciliation of accounting profits and income tax expenses

Item	RMB'000	
	Current period	Prior period
Profit before tax	16,119,668	13,754,823
Income tax expenses at statutory tax rate (25%)	4,029,917	3,438,706
Effect of different tax rates applied by subsidiaries	(1,332,593)	(1,112,150)
Adjustments to income tax of previous periods	77,856	31,124
Effect of income free of tax	(15,172)	(15,387)
Effect of joint ventures and associates	(57,307)	(25,833)
Effect of non-deductible costs, expense and losses	192,423	592,340
Effect of using the deductible losses for which no deferred tax asset was recognised in previous period	(110,241)	(153,950)
Effect of deductible temporary differences or deductible losses for which no deferred tax asset was recognised this period	781,535	459,016
Other tax incentive (Note)	(1,798,925)	(1,876,589)
Income tax expenses	1,767,493	1,337,277

Other descriptions:

Note: Other tax incentives is mainly weighted deduction performed on technology research and development expenditures.

67. Other comprehensive income

Please refer to Note VII. 48.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

VII. NOTES OF CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

68. Items in the cash flow statement

(1). Other cash receipts relating to operating activities

	RMB'000	
Item	Current period	Prior period
Government grants	1,797,861	2,318,515
Interest income	775,797	564,560
Others	557,653	530,194
Total	3,131,311	3,413,269

(2). Other cash payments relating to operating activities

	RMB'000	
Item	Current period	Prior period
Product development, design fees	6,412,501	6,593,568
Expenses for product transportation, packaging and insurance	2,556,252	1,617,116
Marketing expenses	1,050,629	1,128,315
Product quality assurance expenses	604,637	603,281
Administrative office expenses	586,495	691,391
Expenses for water, electricity and kinetic energy, etc.	121,580	133,141
Others	2,740,936	1,920,990
Total	14,073,030	12,687,802

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

VII. NOTES OF CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

69. Supplementary information to the cash flow statement

(1). Supplementary information to the cash flow statement

	RMB'000	
Supplementary information	Current year	Prior year
1. Reconciliation of net profit to cash flows from operating activities:		
Net profit	14,352,175	12,417,546
Add: Impairment losses	614,278	885,548
Credit losses	312,158	41,615
Depreciation of fixed assets and amortisation of investment properties	6,062,620	6,205,532
Depreciation of right-of-use assets	524,106	503,327
Amortisation of intangible assets	1,237,123	1,019,196
Amortisation of long-term deferred expenses	117,499	83,308
Gains from disposal of fixed assets, intangible assets, and other long-term assets	(2,540,441)	(977,219)
Gains from changes in fair value	(489,773)	(309,908)
Financial expenses	605,045	1,112,900
Gains arising from investments	(522,512)	(242,491)
Change in deferred tax assets and liabilities	126,727	(7,880)
(Increase)/Decrease in gross inventories	(1,878,579)	1,115,322
Increase in operating receivables	(12,498,170)	(26,002,303)
Increase in operating payables	17,993,857	24,892,747
Changes in restricted monetary funds	(62,897)	(144,540)
Net cash flows from operating activities	23,953,216	20,592,700
2. Net changes in cash and cash equivalents:		
Closing balance of cash and cash equivalents	47,607,566	43,277,994
Less: Opening balance of cash and cash equivalents	43,277,994	29,840,378
Net increase in cash and cash equivalents	4,329,572	13,437,616

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

VII. NOTES OF CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

69. Supplementary information to the cash flow statement *(continued)*

(2). Composition of cash and cash equivalents

	RMB'000	
Item	Closing balance	Opening balance
I. Cash	47,607,566	43,277,994
Including: Cash on hand	932	1,301
Bank deposits available on demand	47,606,634	43,276,693
II. Closing balance of cash and cash equivalents	47,607,566	43,277,994

70. Assets with restrictive ownership title or right of use

	RMB'000	
Item	Carrying amount as at the end of the year	Reason for restriction
Cash and bank balances	2,541,311	Note VII.1
Bills receivable	10,458,987	Note VII.3
Accounts receivable	857,247	Note VII.4
Receivables at FVTOCI	27,816	Note VII.5
Long-term receivables	2,909,683	Note VII.14
Fixed assets	228,524	Note VII.19
Intangible assets	808,924	Note VII.22
Other non-current assets	567,992	Note VII.26
Total	18,400,484	–

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

VII. NOTES OF CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

71. Foreign-currency monetary items

(1). Foreign-currency monetary items

Item	Foreign currency balance as at the end of the year	Exchange rate	Translated RMB balance as at the end of the year
			RMB'000
Cash and bank balances			
Including: USD	262,730	6.9646	1,829,811
EUR	191,756	7.4229	1,423,388
HKD	679,863	0.8933	607,321
AUD	103,716	4.7138	488,898
MXN	913,515	0.3577	326,764
Others	/	/	915,924
Held-for-trading financial assets			
Including: USD	1,997	6.9646	13,905
Accounts receivable			
Including: USD	363,290	6.9646	2,530,168
EUR	170,519	7.4229	1,265,747
HKD	458,595	0.8933	409,649
AUD	38,409	4.7138	181,052
Others	/	/	430,707
Other receivables			
Including: USD	2,134	6.9646	14,863
EUR	10,668	7.4229	79,189
HKD	63,740	0.8933	56,937
AUD	602	4.7138	2,838
MXN	11,742	0.3577	4,200
Others	/	/	81,019
Other non-current financial assets			
Including: USD	31,000	6.9646	215,903
Long-term receivables (including those due within one year)			
Including: USD	44,605	6.9646	310,656
EUR	5,507	7.4229	40,876
Short-term borrowings			
Including: USD	1,667	6.9646	11,610
EUR	115,110	7.4229	854,450
HKD	87,900	0.8933	78,518
AUD	184	4.7138	867
MXN	348,202	0.3577	124,552
Others	/	/	331,640

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

VII. NOTES OF CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

71. Foreign-currency monetary items *(continued)*

(1). Foreign-currency monetary items *(continued)*

Item	Foreign currency balance as at the end of the year	Exchange rate	Translated RMB balance as at the end of the year
Accounts payables			
Including: USD	169,455	6.9646	1,180,185
EUR	151,637	7.4229	1,125,587
HKD	98,242	0.8933	87,760
AUD	90,918	4.7138	428,568
MXN	302,443	0.3577	108,184
Others	/	/	317,139
Other payables			
Including: USD	100,603	6.9646	700,663
EUR	27,693	7.4229	205,560
HKD	31,377	0.8933	28,029
AUD	21,572	4.7138	101,686
MXN	3,696	0.3577	1,322
Others	/	/	344,119
Long-term borrowings (including those due within one year)			
Including: USD	33,440	6.9646	232,894
EUR	24,560	7.4229	182,310
MXN	4,378,410	0.3577	1,566,067
Lease liabilities (including those due within one year)			
Including: USD	3,241	6.9646	22,573
EUR	38,702	7.4229	287,278
HKD	6,212	0.8933	5,549
AUD	3,513	4.7138	16,559
MXN	24,951	0.3577	8,925
Others	/	/	184,684

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

VII. NOTES OF CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

71. Foreign-currency monetary items *(continued)*

(2). Notes to overseas business entity including disclosures of significant principal place of business, functional currency and basis for determining the functional currency as well as reasons for changes in functional currency for those significant overseas business entity

<u>Name of overseas business entity</u>	<u>Principal place of business</u>	<u>Functional currency</u>
CRRC NEW MATERIAL TECHNOLOGIES GMBH	Germany	EUR
Specialist Machine Developments	Britain	GBP

VIII. CHANGE IN CONSOLIDATION SCOPE

1. Change in consolidation scope due to other reason

Disclose changes to the consolidation scope triggered by other causes (e.g. the establishment of new subsidiaries and liquidation of subsidiaries, etc.) and the relevant information.

On 8 March 2022, Ziyang Intermediate People's Court in Sichuan Province (hereinafter referred to as the "Court") issued a "Civil Ruling" ((2022) Chuan 20 Po Shen No.5) and ruled that it accepted the case regarding the application for bankruptcy liquidation submitted by Sichuan CRRC Yuchai Engine Co., Ltd. (hereinafter referred to as "CRRC Yuchai"); on 24 May 2022, the court issued a "Decision" ((2022) Chuan 20 Po No.1) and appointed Sichuan Senho Law Firm as the administrator of CRRC Yuchai. Since CRRC Yuchai has been fully taken over by the bankruptcy administrator, it is not included in the consolidation scope during this period.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

IX. INTERESTS IN OTHER ENTITIES

1. Interests in subsidiaries

(1). Material non-wholly owned subsidiaries

RMB'000

Name of the subsidiary	Proportion of ownership interest held by non-controlling interests (%)	Profit or loss allocated to non-controlling interests during the year	Dividend declared to non-controlling shareholders during the year	Balance of non-controlling interests at the end of the year
CRRC Times Electric	54.07	1,416,733	365,116	19,305,528
Zhuzhou Times New Material	60.45	86,620	390,633	3,969,750
CRRC Changchun Railway Vehicles Co., Ltd.	6.46	172,331	26,919	2,491,493

(2). Key financial information of significant non-wholly owned subsidiaries

RMB'000

Name of the subsidiary	Balance of the end of year						At the beginning of the year					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
CRRC Times Electric	36,443,205	12,066,350	48,509,555	11,701,912	1,511,912	13,213,824	34,642,982	9,507,763	44,150,745	9,151,242	1,706,858	10,858,100
Zhuzhou Times New Material	11,630,524	5,626,515	17,257,039	8,354,962	2,573,530	10,928,492	11,223,227	5,073,382	16,296,609	8,440,732	2,867,183	11,307,915
CRRC Changchun Railway Vehicles Co., Ltd.	49,258,417	13,823,433	63,081,850	38,207,418	1,459,758	39,667,176	46,654,698	14,044,896	60,699,594	37,007,076	1,559,504	38,566,580

Name of the subsidiary	2022				2021			
	Operating income	Net profit	Total comprehensive income	Cash flows from operating activities	Operating income	Net profit	Total comprehensive income	Cash flows from operating activities
CRRC Times Electric	18,033,779	2,591,973	2,582,685	2,041,235	15,121,167	2,034,607	1,978,350	2,150,255
Zhuzhou Times New Material	15,034,880	250,673	701,638	(655,488)	14,050,619	217,878	172,175	256,369
CRRC Changchun Railway Vehicles Co., Ltd.	26,017,661	1,975,752	1,984,439	1,139,267	30,019,104	2,079,889	2,099,750	2,566,848

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

IX. INTERESTS IN OTHER ENTITIES *(continued)*

2. Equity in associates or joint ventures

(1). Material associates or joint ventures

RMB'000

Name of joint venture or associate	Principal place of business	Registered place	Nature of business	Shareholding percentage (%)		Accounting treatment of investments in joint ventures or associates
				Direct	Indirect	
China United Insurance	Beijing	Beijing	Financial industry	13.0633	–	Equity method

The Group holds 13.0633% voting power of China United Insurance so that the Group has the right to assign one director to the board of directors of China United Insurance, and the Group has substantive power of decision-making participation, therefore has significant influence over China United Insurance.

(2). Key financial information of material associates

RMB'000

	Balance at 31 December 2022/Amount for the current year	Balance at 31 December 2021/Amount for the prior year
China United Insurance		
Total assets	100,541,850	90,471,843
Total liabilities	80,122,111	70,493,972
Non-controlling interests	2,227,627	2,142,427
Equities attributable to shareholders of parent company	18,192,112	17,835,444
Group's share of net assets	2,376,301	2,329,897
Goodwill	2,982,365	2,982,365
Carrying amount of equity investments in associates	5,358,666	5,312,262
Operating income	60,554,738	56,550,010
Net profit	751,923	474,748
Net profit attributable to shareholders of parent company	629,413	428,252
Other comprehensive income attributable to shareholders of parent company	(181,846)	116,666
Total comprehensive income attributable to shareholders of parent company	447,567	544,918
Dividends received from associates in the current year	10,000	10,000

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

IX. INTERESTS IN OTHER ENTITIES *(continued)*

2. Equity in associates or joint ventures *(continued)*

(3). Financial information of immaterial joint ventures and associates

	Balance at 31 December 2022/Amount for the current year	RMB'000 Balance at 31 December 2021/Amount for the prior year
Joint ventures:		
Aggregate carrying amount of investments	4,127,263	4,070,375
Total amounts calculated based on shareholding proportions		
– Net profit	14,166	49,715
– Other comprehensive income	4,687	(3,730)
– Total comprehensive income	18,853	45,985
Associates:		
Total carrying amount of investment	8,774,825	7,821,195
Total amounts calculated based on shareholding proportions		
– Net profit	133,029	(2,329)
– Other comprehensive income	(24,826)	(5,731)
– Total comprehensive income	108,203	(8,060)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

IX. INTERESTS IN OTHER ENTITIES *(continued)*

3. Interests in structured entities that are not included in consolidated financial statements

Other descriptions about Interests in structured entities that are not included in consolidated financial statements:

As at 31 December 2022, the structured entities that are related with the Group but not included in consolidated financial statements are special-purpose trusts, which are mainly engaged in CRRC trust asset-backed notes and manage, operates and handles the trust property for the benefit of the holder of trust asset-backed notes, and makes payments to the holder of trust asset-backed notes according to the trust contract. The Group, as a special-purpose initiator of the trust and asset service institution, only provides collection service according to the agreement and does not charge service fee. The Group holds no share in the special-purpose trust. As at 31 December 2022, the structured entity has total assets of RMB1,282,454,000. The Group didn't provide financial support to the structured entity.

X. RISKS RELATED TO FINANCIAL INSTRUMENTS

The Group's main financial instruments include cash and bank balances, held-for-trading financial assets, bills receivable, accounts receivable, receivables at FVTOCI, a part of other receivables, a part of non-current assets due within one year, a part of other current assets, loans and advances to customers, debt investments, long-term receivables, investments in other equity instruments, other non-current financial assets, other non-current assets, short-term borrowings, borrowings from central bank, deposits from banks and other financial institutions, bills payable, accounts payable, a part of employee benefits payable, other payables, a part of non-current liabilities due within one year, long-term borrowings, bonds payable, lease liabilities, a part of other long-term payables. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure the risks are monitored at a certain level.

The Group adopts sensitivity analysis technique to analyse how the profit and loss for the period and shareholders' equity would have been affected by reasonably possible changes in the relevant risk variables. As it is unlikely that risk variables will change in an isolated manner, and the interdependence among risk variables will have significant effect on the amount ultimately influenced by the changes in a single risk variable, the following are based on the assumption that the change in each risk variable is on a stand-alone basis.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

X. RISKS RELATED TO FINANCIAL INSTRUMENTS *(continued)*

1. Category of financial instruments

(1). Carrying amount of financial assets

RMB'000

Item	31 December 2022				Total
	At FVTPL	At amortised cost	Classified as at FVTOCI	Designated as at FVTOCI	
Cash and bank balances	-	54,861,839	-	-	54,861,839
Held-for-trading financial assets	10,431,092	-	-	-	10,431,092
Bills receivable	-	19,579,587	-	-	19,579,587
Accounts receivable	-	88,987,037	-	-	88,987,037
Receivables at FVTOCI	-	-	6,735,575	-	6,735,575
Other receivables (except for government grant and advance to staffs)	-	2,699,523	-	-	2,699,523
Other current assets (Large deposit certificate)	-	1,360,157	-	-	1,360,157
Loans and advances to customers (including those due within one year)	-	2,280,982	-	-	2,280,982
Debt investments (including those due within one year)	-	236,361	-	-	236,361
Long-term receivables (including those due within one year) (except for finance lease)	-	6,053,663	-	-	6,053,663
Investments in other equity instruments	-	-	-	2,692,227	2,692,227
Other non-current financial assets	215,903	-	-	-	215,903
Other non-current assets	-	3,943,346	-	-	3,943,346
Total	10,646,995	180,002,495	6,735,575	2,692,227	200,077,292

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

X. RISKS RELATED TO FINANCIAL INSTRUMENTS *(continued)*

1. Category of financial instruments *(continued)*

(2). Carrying amount of financial liabilities

RMB'000

Item	31 December 2022		Total
	Financial liabilities at FVTPL	Financial liabilities at carrying amount	
Short-term borrowings	–	13,627,730	13,627,730
Deposits from banks and other financial institutions	–	3,153,979	3,153,979
Financial liabilities held for trading	40,547	–	40,547
Bills payable	–	27,691,303	27,691,303
Accounts payable	–	130,957,703	130,957,703
Employee benefits payable (Except for defined benefit plan)	–	2,116,832	2,116,832
Other payables	–	13,864,172	13,864,172
Lease liabilities (including those due within one year)	–	1,533,295	1,533,295
Long-term borrowings (including those due within one year)	–	6,897,367	6,897,367
Bonds payable (including those due within one year)	–	2,570,537	2,570,537
Long-term payables (including those due within one year) (except for special accounts payable)	–	79,210	79,210
Total	40,547	202,492,128	202,532,675

2. Credit risk

Credit risk represents the risk that the failure to perform obligation by one party of the financial instruments will cause financial loss to the other party.

As at 31 December 2022, the Group's maximum exposure to credit risk which will cause losses of financial assets, contract assets and lease accounts receivables to the Group due to failure to discharge an obligation by the counterparties is arising from:

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

X. RISKS RELATED TO FINANCIAL INSTRUMENTS *(continued)*

2. Credit risk *(continued)*

- (i) The carrying amount of the respective recognized financial assets as stated in the consolidated balance sheet. For financial instruments measured at fair value, the carrying amount reflects the exposure to risks but not the maximum exposure to risks. The maximum exposure to risks would vary according to the future changes in fair value.
- (ii) The amounts of external guarantees disclosed in Note XIII.2.

The Group only has transactions with recognised and reputable third parties. According to the Group's policies, for all the customers that require to make transactions on credit, the Group needs to review the credit of the customers and determines the manner of sales on the basis of customers' credit grading, credit line and credit period. For sales on credit, the payment period and the amount on credit need to be specified in the sales contract, with the payment period not exceeding credit period, and the accumulated amount of credit sales shall not exceed the credit line. For cash on delivery, the goods are not shipped until all the collection procedures are completed, so as to ensure the Group will not be exposed to significant credit loss.

The specific method used by the Group to assess whether the credit risk of financial instruments has increased significantly since initial recognition and the basis for determining that the financial assets are impaired, as well as the policies of immediate write-off of financial assets etc. are set out in Note V.11.

The Group's credit risk exposure to any single financial instrument is limited because the bank deposits are deposited with banks with high credit ratings.

China State Railway Group Co., Ltd. is one of the major customers for the Group (including the China State Railway Group Co., Ltd. it belongs to and other subsidiaries, together as "State Railway Group") accounts for a larger proportion of the Group's revenue, accordingly, the accounts receivable from such customer also account for a larger proportion. The Group's management believes that the customer is of reliable and good reputation, therefore the Group has no significant credit risk in respect of the receivables from this customer. Except for this customer, the Group has no other significant concentration of credit risk.

The Group's major operating activities and corresponding concentration of operating risk are located in Mainland China.

As at 31 December 2022, included in the Group's accounts receivable, the accounts receivable from the top one and top five customers respectively account for 41.9% (31 December 2021: 43.6%) and 50.6% (31 December 2021: 49.0%);

As at 31 December 2022, included in the Group's long-term receivables (including those due within one year), the long-term receivables from top one and top five customers account for 9.8% (31 December 2021: 4.0%) and 49.7% (31 December 2021: 18.4%) respectively.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

X. RISKS RELATED TO FINANCIAL INSTRUMENTS *(continued)*

2. Credit risk *(continued)*

The credit risk exposure of the Group's financial assets and other items

RMB'000

Item	Note VII	Balance at 31 December 2022			Total
		12 months ECLs	Lifetime ECL (no credit loss occurred)	Lifetime ECL (credit loss occurred)	
Financial assets measured at amortised cost					
Cash and bank balances	1	54,861,839	–	–	54,861,839
Bills receivable	3	19,609,173	–	–	19,609,173
Accounts receivable	4	–	89,159,635	4,337,584	93,497,219
Other receivables	7	2,575,631	–	1,387,861	3,963,492
Other current assets	11	1,360,157	–	–	1,360,157
Loans and advances to customers (including those due within one year)	12	1,393,076	901,928	–	2,295,004
Debt investments (including due within one year)	13	236,361	–	–	236,361
Long-term receivables (except for finance lease) (including those due within one year)	14	–	4,730,243	1,971,461	6,701,704
Financial assets classified as at FVTOCI:					
Receivables at FVTOCI	5	6,735,575	–	–	6,735,575
Other items:					
Contract assets (include non-current part)	9	–	48,904,701	745,064	49,649,765
Long-term receivables-finance lease (including those due within one year)	14	–	5,793,003	4,901,255	10,694,258

Note 1: For accounts receivable and contract assets formed under revenue standards as well as finance lease receivables formed under lease standards, the Group adopts simple method to measure the amount of lifetime ECL.

The movements of loss allowance for the Group's bills receivable, accounts receivable, receivables at FVTOCI, other receivables, contract assets, loans and advances to customers, debt investments and long-term receivables are detailed in Note VII.3, VII.4, VII.5, VII.7, VII.9, VII.12, VII.13 and VII.14.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

X. RISKS RELATED TO FINANCIAL INSTRUMENTS *(continued)*

3. Liquidity risk

Liquidity risk represents the risk that the entity encounters shortage of funds when performing the obligation relating to financial liabilities. The Group's objective is to maintain the balance between the continuity and flexibility of financing by comprehensively using multiple financing measures such as settlement with notes, bank borrowing, short-term financing bonds and corporate bonds etc. and adopting proper combination of long-term and short-term financing as well as the method of optimizing financing structure. The Group has obtained bank credit from several commercial banks to meet its need of working capital and capital expenditures. The management has been monitoring the Group's liquidity so as to ensure the Group has sufficient liquidity to repay all the due debts and get maximum benefits from its financial resources.

Maturity analysis of non-derivative financial liabilities and lease liabilities based on undiscounted contract cash flows

RMB'000

Item	31 December 2022				Total
	Within 1 year (inclusive)	1-2 years (inclusive)	2-5 years (inclusive)	Over 5 years	
Short-term borrowings	13,627,730	–	–	–	13,627,730
Deposits from banks and other financial institutions	3,153,979	–	–	–	3,153,979
Bills payable	27,691,303	–	–	–	27,691,303
Accounts payable	130,957,703	–	–	–	130,957,703
Other payables	13,864,172	–	–	–	13,864,172
Long-term borrowings (including due within one year)	882,086	1,937,140	1,819,735	3,229,539	7,868,500
Bonds payable (including due within one year)	2,675,167	–	–	–	2,675,167
Long-term payables (including due within one year) (except for special accounts payable)	38,983	11,761	19,538	10,195	80,477
Lease liabilities (including due within one year)	382,440	343,002	509,603	580,572	1,815,617
Total	193,273,563	2,291,903	2,348,876	3,820,306	201,734,648

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

X. RISKS RELATED TO FINANCIAL INSTRUMENTS *(continued)*

4. Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to the changes in market price. The market risk mainly includes interest rate risk, currency risk and price risk.

(1) Interest rate risk

Interest risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to the changes in market interest rate. The risk of fluctuations in the fair value of the Group's financial instruments due to changes in market interest rates is primarily related to the Group's fixed-rate borrowings, bonds payable, other current assets, and long-term receivables. The risk of fluctuations in the future cash flows of the Group's financial instruments due to changes in market interest rates is primarily related to the Group's liabilities with floating interest rates.

The following table sets out the sensitivity analysis of interest rate risk, reflecting the effect of reasonably possible changes in interest rate on net profit (via effect on variable-rate borrowings) (with effect of capitalisation of borrowing costs considered) under the assumption that all the other variables held constant.

Item	January-December 2022		January-December 2021	
	Increase in 25 point	Decrease in 25 point	Increase in 25 point	Decrease in 25 point
Rate of variable-rate borrowings				
(Decrease)/increase in net profit (RMB'000)	(17,850)	17,850	(22,046)	22,046

(2) Other price risk

The Group's price risk is mainly arising from held-for-trading equity instrument investments and equity instruments at fair value through other comprehensive income. The Group adopts combination of multiple equity securities to mitigate the price risk of investments in equity securities.

(3) Currency risk

Currency risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in foreign exchange rates. The Group's exposure to the currency risk is primarily associated with its operating activities (settled in foreign currency other than the functional currency).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

X. RISKS RELATED TO FINANCIAL INSTRUMENTS *(continued)*

4. Market risk *(continued)*

(3) Currency risk *(continued)*

The Group's operating activities are mainly located in China and most of the transactions are denominated in RMB, except for certain sales, purchases and borrowings which are settled in foreign currency. The fluctuation of the exchange rate between such foreign currency and RMB will affect the Group's operating performance.

The Group tries to mitigate the currency risk to the minimum extent mainly by closely monitoring the changes in market exchange rate and actively adopting responsive measures. In the export business, the Group's policy is to provide quotation based on the expected changes of exchange rate in respect of the external contracts under negotiation; during the negotiation, it is required to specify the range of exchange rate and the risks on the buyer and seller respectively. In import business, the enterprises are required to seize the moment of foreign exchange settlement for import so as to control the currency risk.

(i) Foreign currency financial assets and financial liabilities

RMB'000

Item	31 December 2022	31 December 2021
Foreign currency financial assets:		
Cash and bank balances	5,592,106	6,592,473
Held-for-trading financial assets	13,905	245,095
Accounts receivable	4,244,102	2,421,400
Other receivables	226,670	273,823
Debt investments (including due within one year)	–	518,686
Long-term receivables (including due within one year)	316,952	274,081
Other non-current financial assets	215,903	197,647
Total	10,609,638	10,523,205

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

X. RISKS RELATED TO FINANCIAL INSTRUMENTS *(continued)*

4. Market risk *(continued)*

(3) Currency risk *(continued)*

(i) Foreign currency financial assets and financial liabilities *(continued)*

RMB'000

Item	31 December 2021	31 December 2020
Foreign currency financial liabilities:		
Short-term borrowings	1,401,637	3,083,909
Accounts payable	3,247,423	3,067,186
Other payables	1,381,379	1,527,707
Long-term borrowings (including due within one year)	1,981,271	211,814
Long-term payables (including due within one year) (except for special accounts payable)	–	525
Lease liabilities (including due within one year)	525,568	423,864
Total	8,537,278	8,315,005

The following table sets out the sensitivity analysis on currency risk, reflecting the effect of reasonably possible changes in exchange rate of EUR and USD on net profit under the assumption that all the other variables held constant. As the effect changes in exchange rate of other currencies is not significant, related sensitivity analysis is not presented.

EUR	31 December 2022		31 December 2021	
	Increase	Decrease	Increase	Decrease
Against RMB	7.64%	7.64%	9.53%	9.53%
(Decrease)/Increase in net profit (RMB'000)	3,463	(3,463)	(32,154)	32,154
USD	31 December 2022		31 December 2021	
	Increase	Decrease	Increase	Decrease
Against RMB	12.88%	12.88%	2.36%	2.36%
(Decrease)/Increase in net profit (RMB'000)	254,836	(254,836)	21,474	(21,474)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

X. RISKS RELATED TO FINANCIAL INSTRUMENTS *(continued)*

5. Transfer of financial assets

As at 31 December 2022, the Group endorsed receivables at FVTOCI of RMB7,983,900,000 (31 December 2021: RMB11,324,313,000) to its suppliers to pay the accounts payable; discounted bills receivable of RMB1,315,886,000 (31 December 2021: RMB4,876,277,000) to bank to obtain currency funds. The Group believes that the risk and rewards of the ownership of such endorsed or discounted bills receivable have been substantially transferred to the supplier or discounting bank, and therefore derecognised such endorsed or discounted bills receivable. If the acceptor can't cash such notes, according to relevant laws and regulations of China, the Group is held jointly liable for such bills receivable. The Group believes that as the acceptor is of good reputation, there is minor risk of the acceptor's failure to cash the notes upon maturity. On 31 December 2022, if the acceptor fails to cash such notes upon maturity, i.e. the Group's maximum exposure to loss is equivalent to the amount that the Group should pay the supplier or discounting bank in respect of such endorsed or discounted notes. For all the bills receivable endorsed to suppliers or discounted to bank, the maturity is within one year after the end of reporting year.

As at 31 December 2022, the Group endorsed bills receivable of RMB8,677,483,000 (31 December 2021: RMB7,380,028,000) to its suppliers to pay the accounts payable; discounted bills receivable of RMB1,024,628,000 (31 December 2021: RMB311,669,000) to bank to obtain currency funds. The Group determines that it retains substantially all risk and rewards of the ownership of such endorsed or discounted bills receivable (including relevant risk of default), and therefore continues to recognise such endorsed or discounted bills receivable as well as the carrying amount of relevant accounts payable that have been repaid. After the endorsement or discounting of bills receivable, the Group does not retain any right to use such endorsed or discounted notes, including selling, transferring or pledging such endorsed or discounted notes to any third party.

For the year ended 31 December 2022, the Group transferred accounts receivable of RMB6,191,797,000 (2021: RMB9,035,330,000) to bank to obtain currency funds. The Group determines that it has transferred substantially all the risks and rewards of ownership of such accounts receivable, and therefore derecognises such accounts receivable. The Group's losses arising from derecognition of such accounts receivable are included in investment income amounting to RMB140,102,000 (2021: RMB268,530,000).

For the year ended 31 December 2022, the Group had no securitised accounts receivable (2021: RMB4,382,053,000). In this business, the Group, as assets service institution, only provides collection service according to the agreement and does not charge service fee. The Group believes that it has transferred substantially all the risks and rewards of ownership of such accounts receivable and therefore derecognises such accounts receivable. The Group's losses arising from derecognition of such accounts receivable are not included in investment income (2021: RMB64,143,000).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

X. RISKS RELATED TO FINANCIAL INSTRUMENTS (continued)

6. Capital management

The major objective of the Group's capital management is to ensure the Group's continuing operation, and provide the shareholders with continuous return by establishing a price of products and service that matches the risk level so as to obtain financing at reasonable cost.

The Group reviews and manages its capital structure on a regular basis, aiming to achieve most ideal capital structure and return to shareholders. The factors that the Group takes into consideration include: the Group's future capital demand, capital efficiency, actual and expected profitability, expected cash flows, expected capital expenditures and etc. If the economic conditions change and affect the Group, the Group will adjust the capital structure.

The Group monitors and manages its capital structure using asset-liability proportion. As at 31 December 2022 and 2021, the asset-liability proportion are as follows:

	31 December 2022	31 December 2021
Asset-liability proportion (%)	56.80	57.29

XI. DISCLOSURE OF FAIR VALUE

1. Closing fair value of assets and liabilities measured at fair value

RMB'000

Item	Fair value at 31 December 2022				Valuation techniques and inputs	Significant unobservable inputs
	Level 1 Fair value measurement	Level 2 Fair value measurement	Level 3 Fair value measurement	Total		
I. Recurring fair value measurements						
(1) Held-for-trading financial assets	-	7,226,476	3,204,616	10,431,092		
1. Derivative financial assets	-	6,798	-	6,798	Note 1	/
2. Certificate of deposits, etc.	-	7,219,678	-	7,219,678	Note 3	/
3. Unlisted equity instrument investments	-	-	3,204,616	3,204,616	Note 4	Note 4
(2) Receivables at FVTOCI	-	6,735,575	-	6,735,575	Note 3	/
(3) Investment in other equity instruments	996,284	-	1,695,943	2,692,227		
1. Listed equity instrument investments	996,284	-	-	996,284	Note 2	/
2. Unlisted equity instrument investments	-	-	1,695,943	1,695,943	Note 5	Note 5
(4) Other non-current financial assets	215,903	-	-	215,903		
1. Perpetual bonds etc. investments	215,903	-	-	215,903	Note 1	/
Total assets measured at fair value on a recurring basis	1,212,187	13,962,051	4,900,559	20,074,797		
(5) Held-for-trading financial liabilities	-	40,547	-	40,547		
1. Derivative financial liabilities	-	40,547	-	40,547	Note 1	/
Total liabilities measured at fair value on a recurring basis	-	40,547	-	40,547		

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

XI. DISCLOSURE OF FAIR VALUE *(continued)*

1. Closing fair value of assets and liabilities measured at fair value *(continued)*

Note 1: Discounted cash flow method. Future cash flows are based on forward exchange rate (sourced from the forward exchange rate observed at financial statement date) and estimated contractual forward exchange rate, and discounted using the discounting rate reflecting the credit risk of counterparty.

Note 2: Quoted price (unadjusted) in active market.

Note 3: Discounted cash flow method. Future cash flows are estimated based on expected return and discounted using the discounting rate reflecting the credit risk of counterparty.

Note 4: Discounted cash flow method. Unobservable inputs include revenue growth and system risk factor. The revenue growth is based on the estimate of the management of the investee. The system risk factor is based on the system risk factor of historical stock price of comparative companies.

Note 5: Comparative listed company comparing method and dividends discounting model. The unobservable inputs of the comparative listed company comparing method include liquidity discount. The unobservable inputs of dividends discounting model include expected growth rate and discounting rate.

2. Reconciliation from the opening balances to the closing balances, and sensitivity analysis on unobservable inputs for items measured at recurring Level 3 fair value measurements

RMB'000

Item	Held-for-trading financial assets (unlisted equity instruments investment)	Investments in other equity instruments (unlisted equity instruments investment)
1 January 2022	2,559,873	1,853,360
Additions	570,109	197,968
Disposals	(261,384)	(10,435)
Profits	–	(287,345)
Current gains	336,018	(57,605)
Included in profit or loss	336,018	–
Included in other comprehensive income	–	(57,605)
31 December 2022	3,204,616	1,695,943

For the current year, there is no transfer among level 1, level 2 and level 3 fair value measurements of the Group's financial assets.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

XI. DISCLOSURE OF FAIR VALUE *(continued)*

3. Fair values of financial assets and financial liabilities not measured at fair value

The Group's financial assets and financial liabilities measured at amortised cost are detailed in Note X.1. Except for the items listed below, the management of the Group determines that the carrying amount of these financial assets and financial liabilities in the financial statements approximates the fair value of such assets and liabilities.

RMB'000

Item	Carrying amount		Fair value	
	31 December 2022	31 December 2021	31 December 2022	31 December 2021
Fixed-rate debt investments	236,361	2,002,484	202,007	1,804,422
Fixed-rate long-term receivables	11,343,189	10,774,956	9,294,649	10,550,586
Fixed-rate long-term borrowings	3,820,289	2,334,377	2,483,898	1,646,536
Fixed-rate corporate bonds payable	2,500,000	2,500,000	2,540,605	2,488,016

Of the debt investments, those in listed bonds can be publicly traded in an active market and are attributable to level 1 fair value measurement; and debt investments (exclusive of investments in listed bonds), long-term receivables, long-term borrowings and corporate bonds payable are determined based on discounted cash flows and attributable to level 2 fair value measurement, with the discounting rate reflecting the credit risk of the issuer as the key inputs.

XII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS

1. Parent of the Company

RMB'000

Company name	Registered place	Nature of business	Registered capital	Proportion of ownership interest held by the parent company (%)	Proportion of voting power held by the parent company (%)
CRRC Group	Beijing	Manufacturing	23,000,000.00	51.35	51.35

The ultimate controlling party of the Company is State-owned Assets Supervision and Administration Commission of the State Council (the "SASAC").

2. Subsidiaries of the Company

The Company's subsidiaries are detailed in Note III.2.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

XII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS *(continued)*

3. Joint ventures and associates of the Company

Please see Note IX.3(1) for information of important joint ventures and associates of the Company.

The joint ventures and associates that have transactions with the Group in the current year are as follows:

Name of joint ventures or associates	Relationship with the Company
Qingdao Sifang Faiveley Railway Brake Co., Ltd.	Joint ventures
Changchun Changke Alstom Rail Vehicle Co., Ltd.	Joint ventures
Shenzhen CRRC Railway Vehicle Co., Ltd.	Joint ventures
Changzhou RuiYang Transmission Technology Co., Ltd.	Joint ventures
Shentong CSR (Shanghai) Rail Transit Vehicle Maintenance Co., Ltd.	Joint ventures
Zhuzhou ABC Rail Products Co., Ltd.	Joint ventures
Guangzhou Sifang Rail Transit Equipment Co., Ltd.	Joint ventures
Beijing Sifang Tongchuang Rail Transit Equipment Co., Ltd.	Joint ventures
Shenyang CRRC Rail Transit Equipment Co., Ltd.	Joint ventures
Shenyang CRRC Westinghouse Railway Brake Technology Co., Ltd.	Joint ventures
Dalian Toshiba Locomotive Electric Equipment Co., Ltd.	Joint ventures
Zhuzhou Times Mitsubishi Transportation Equipment Co., Ltd.	Joint ventures
Zhejiang Times Lamp New Energy Co., Ltd.	Joint ventures
Shanghai Shentong Changke Rail Transit Vehicle Co., Ltd.	Joint ventures
Jiangsu Leadrun Manden Casting Co., Ltd.	Joint ventures
Xi'an Sifang Rail Traffic Equipment Co., Ltd.	Joint ventures
Changchun Changke Rail Environmental Protection Equipment Co., Ltd.	Joint ventures
Qingdao Sifang Kawasaki Vehicle Technology Co., Ltd.	Joint ventures
Zhengzhou Times Transport Electrical Equipment Co., Ltd.	Joint ventures
Shanxi Jinlong Sifang Railway Vehicle Equipment Co., Ltd.	Joint ventures
Changshu Zhishui Environmental Protection Water Co., Ltd.	Joint ventures
Shanghai Shentong CRRC Rail Transit Operation Safety Engineering Technology Research Co., Ltd.	Joint ventures
Qingdao Sifang Sri Intellectual Technology Co., Ltd.	Joint ventures
Chengdu Ruiyang Rail Transmission Technology Co., Ltd.	Joint ventures
Guangzhou Qinglan Semiconductor Co., Ltd.	Joint ventures
Wuhu Yunda Rail Transit Construction and Operation Co., Ltd.	Joint ventures
Jinan Sirui Rail Transit Equipment Technology Co., Ltd.	Associates
Chongqing Dynamic Investment Rail Transit Equipment Co., Ltd.	Associates
Shanghai Alstom Transport Electrical Equipment Co., Ltd.	Associates
Shanghai CRRC Voith Transmission Technology Co., Ltd.	Associates

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

XII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS *(continued)*

3. Joint ventures and associates of the Company *(continued)*

Name of joint ventures or associates	Relationship with the Company
Xinyang Amsted Tonghe Wheels Co., Ltd.	Associates
Anhui CRRC Puzhen Urban Rail Transit Operation and Maintenance Technology Co., Ltd.	Associates
Guangzhou Junfa Electric Co., Ltd.	Associates
Zhuzhou Times Engineering Plastics Technology Co., Ltd.	Associates
ABB Datong Traction Transformers Co., Ltd.	Associates
Tianjin Electric Locomotive Co., Ltd.	Associates
Zhuzhou Times Electric Insulation Co., Ltd.	Associates
Beijing Beijiufang Rail Transit Technology Co., Ltd.	Associates
Hunan Honghui Technology Co., Ltd.	Associates
Beijing Nankou SKF Railway Bearing Co., Ltd.	Associates
China Railway Shenyang Railway Equipment Co., Ltd.	Associates
Datong Faiveley Railway Vehicle Equipment Company Limited	Associates
Jiangsu CRRC Digital Technology Co., Ltd.	Associates
Chengdu Changke Xinzhu Rail Transportation Equipment Co., Ltd.	Associates
Knorr-Bremse Nankou Air Supply Unit (Beijing) Co., Ltd.	Associates
Inner Mangolia First Machinery Group Like Plastic Products Co., Ltd.	Associates
Sichuan CRRC Railway Investment Rail Transit Co., Ltd.	Associates
Guangzhou Electric Locomotive Co., Ltd.	Associates
CRRC Ziyang Transmission Co., Ltd.	Associates
Baweitong Technology Co., Ltd.	Associates
Jiangsu Zhongcheng Transportation Equipment Co., Ltd.	Associates
Hunan Times Westinghouse Transportation Equipment Co., Ltd.	Associates
Xi'an Alstom Yongji Electrical Equipment Co., Ltd.	Associates
Qingdao Metro Rail Transit Intelligent Maintenance Co., Ltd.	Associates
Wuxi CRRC Hofer Powertrain Co., Ltd.	Associates
Foshan Gaoming Modern Rail Transport Construction & Investment Co., Ltd.	Associates
Wuxi Times Intelligent Transportation Research Institute Co., Ltd.	Associates
Jinan-Qingdao High-speed Railway Co., Ltd.	Associates
Sichuan Sharing Foundry Co., Ltd.	Associates
Wuhan Digital Design and Manufacturing Innovation Centre Co., Ltd.	Associates
Qingdao Alstom Railway Equipment Co. Ltd.	Associates
Datong Semco Railway Traffic Co., Ltd.	Associates
Zhuzhou National Innovation Railway Technology Co., Ltd.	Associates

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

XII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS *(continued)*

3. Joint ventures and associates of the Company *(continued)*

Name of joint ventures or associates	Relationship with the Company
Shanghai Nanji Track Equipment Technology Development Co., Ltd.	Associates
CRRC Foshan Investment Development Co., Ltd.	Associates
Zhixin Semiconductors Co., Ltd.	Associates
CRRC Zhuzhou Rail Transit Periodical Press Co., Ltd.	Associates
Zhuzhou Times Huaxin New Material Technology Co., Ltd.	Associates
CRRC (Beijing) Transformation and Upgrading Fund Management Co., Ltd.	Associates
Tieke (Beijing) Rail Equipment & Technology Co., Ltd.	Associates
Foshan Zhongshi Zhihui Transportation Technology Co., Ltd.	Associates
Hunan Maglev Transportation Development Co., Ltd.	Associates
Nanjing Metro Air Conditioning Technology Co., Ltd.	Associates
Zhejiang CRRC Shangchi Electric Co., Ltd.	Associates
Urban Rail Innovation Network Centre Co., Ltd.	Associates
Hunan Motor Vehicle Inspection Technology Co., Ltd.	Associates
Nanjing Rail Transit Industry Development Co., Ltd.	Associates
Qiqihar EEE Forging Equipment Co., Ltd.	Associates
Huaneng Panjin Wind Power Co., Ltd.	Associates
Tianjin Line 1 Rail Transit Operation Co., Ltd.	Associates
CRRC CUJEC Railway Equipment Co., Ltd.	Associates
HWI National Innovation (Qingdao) Welding Innovation Centre Co., Ltd.	Associates
Huaneng Tieling Daxing Wind Power Co., Ltd.	Associates
Jiangxi Shangye Shengyilun Electric Co., Ltd.	Associates
CRRC Pioneer Electric (India) Pvt. Ltd.	Associates
Zhuzhou Siemens Traction Equipment Co., Ltd.	Associates
China Resources New Energy (Ordos) Co., Ltd.	Associates
CRRC Times Electric Vehicle Co., Ltd.	Associates

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

XII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS *(continued)*

4. Related party transactions

(1) Purchases and sales of goods, rendering and receipt of services

Purchase of goods/receipt of services

		RMB'000	
Related party	Content of related party transaction	January-December 2022	January-December 2021
Joint ventures of the Group	Purchase of goods	635,288	814,599
Associates of the Group	Purchase of goods	1,476,923	653,232
CRRC Group and its subsidiaries (Note 1)	Purchase of goods	1,065,917	763,849
Joint ventures and associates of CRRC Group and its subsidiaries (Note 2)	Purchase of goods	6,265	34,302
Joint ventures of the Group	Receipt of services	52,057	68,689
Associates of the Group	Receipt of services	94,719	67,925
CRRC Group and its subsidiaries (Note 1)	Receipt of services	46,935	31,593
Joint ventures and associates of CRRC Group and its subsidiaries (Note 2)	Receipt of services	4,066	2,132
Total	/	3,382,170	2,436,321

Note 1: These related party transactions are continuing connected transactions in accordance with Chapter 14A of the Listing Rules by HKEx.

Note 2: Transaction amounts of RMB8,374,000 constituted the continuing connected transactions in accordance with Chapter 14A of the Listing Rules by HKEx.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

XII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS *(continued)*

4. Related party transactions *(continued)*

(1) Purchases and sales of goods, rendering and receipt of services *(continued)*

Sale of goods/rendering of services

		RMB'000	
Related party	Content of related party transaction	January-December 2022	January-December 2021
Joint ventures of the Group	Sale of goods	1,125,482	1,640,283
Associates of the Group	Sale of goods	3,514,252	2,149,784
CRRC Group and its subsidiaries (Note 1)	Sale of goods	1,521,036	1,537,336
Joint ventures and associates of CRRC Group and its subsidiaries (Note 2)	Sale of goods	1,005,232	53,850
Joint ventures of the Group	Rendering of services	21,390	119,244
Associates of the Group	Rendering of services	27,559	35,516
CRRC Group and its subsidiaries (Note 1)	Rendering of services	89,893	41,298
Joint ventures and associates of CRRC Group and its subsidiaries (Note 2)	Rendering of services	4,676,593	3,573,707
Total	/	11,981,437	9,151,018

Note 1: These related party transactions are continuing connected transactions in accordance with Chapter 14A of the Listing Rules by HKEx.

Note 2: Transaction amounts of RMB5,638,668,000 constituted the continuing connected transactions in accordance with Chapter 14A of the Listing Rules by HKEx.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

XII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS *(continued)*

4. Related party transactions *(continued)*

(2) Leases with related parties

The Company as the lessor:

RMB'000

Name of lessee	Type of leased assets	Lease income recognised in current year	Lease income recognised in prior year
Joint ventures of the Group	Fixed assets	2,530	856
Associates of the Group	Fixed assets	15,711	3,771
CRRC Group and its subsidiaries (Note 1)	Fixed assets	4,981	4,370
Joint ventures and associates of CRRC Group and its subsidiaries (Note 2)	Fixed assets	4,828	2,778
Total	/	28,050	11,775

Note 1: These related party transactions are continuing connected transactions in accordance with Chapter 14A of the Listing Rules by HKEx.

Note 2: Transaction amounts of RMB3,808,000 constituted the continuing connected transactions in accordance with Chapter 14A of the Listing Rules by HKEx.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

XII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS *(continued)*

4. Related party transactions *(continued)*

(2) Leases with related parties *(continued)*

The Company as the lessee:

		RMB'000	
Name of lessor	Type of leased assets	Lease income recognised in current year (Note 3)	Lease income recognised in prior year
Joint ventures of the Group	Fixed assets	225	–
CRRC Group and its subsidiaries (Note 1)	Fixed assets	237,293	147,044
Joint ventures and associates of CRRC Group and its subsidiaries (Note 2)	Fixed assets	223	–
Total	/	237,741	147,044

Note 1: These related party transactions are continuing connected transactions in accordance with Chapter 14A of the Listing Rules by HKEx.

Note 2: Transaction amounts of RMB223,000 constituted the continuing connected transactions in accordance with Chapter 14A of the Listing Rules by HKEx.

Note 3: Leasing expenses recognised in 2022 were short-term leases that applied the simplified approach and were charged to current profit or loss.

(3) Guarantees with related parties

The Company as the guarantor

		RMB'000	
The guaranteed company		31 December 2022	31 December 2021
Wuhu Yunda		1,774,400	1,973,149
CRRC E-LOCO SUPPLY (PTY) LTD.		1,800,600	1,752,881
Total		3,575,000	3,726,030

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

XII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS *(continued)*

4. Related party transactions *(continued)*

(3) Guarantees with related parties *(continued)*

The Company as the guarantee holder

RMB'000

Name of guarantor	Content of related party transaction	31 December 2022	31 December 2021
CRRC Group	Performance guarantee	1,800,600	1,752,881
CRRC Group	Bond guarantee	1,500,000	1,500,000
Total	/	3,300,600	3,252,881

(4) Funding from related party

RMB'000

Related party	Amount of borrowing/loan	Inception date	Maturity date	Note
Funds received				
CRRC Group and its subsidiaries	300,000	06/09/2022	05/09/2023	/
CRRC Group and its subsidiaries	22,560	06/09/2022	05/09/2023	/
CRRC Group and its subsidiaries	148,590	06/09/2022	05/09/2023	/
CRRC Group and its subsidiaries	1,000,000	24/10/2022	23/10/2023	/
CRRC Group and its subsidiaries	312,960	05/12/2022	04/12/2023	/
CRRC Group and its subsidiaries	1,100,000	15/12/2022	14/12/2023	/
CRRC Group and its subsidiaries	249,770	27/12/2022	26/12/2023	/
Total	3,133,880	/	/	/

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

XII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (continued)

4. Related party transactions (continued)

(5) Asset transfers/debt restructuring with related parties

RMB'000

Related party	Content of related party transaction	January-December 2022	January-December 2021
Associates of the Group	Purchase of fixed assets from related parties	6,467	–
CRRC Group and its subsidiaries	Purchase of fixed assets from related parties	32,396	–
CRRC Group and its subsidiaries (Note 1)	Increase in Right-of-use assets	636	–
CRRC Group and its subsidiaries	Purchase of intangible assets from related parties	1,456	–
CRRC Group and its subsidiaries	Sales of fixed assets to related parties	–	–
CRRC Group and its subsidiaries	Sales of intangible assets from related parties, etc.	–	429,798
Total	/	40,955	429,798

Note 1: These related party transactions are continuing connected transactions in accordance with Chapter 14A of the Listing Rules by HKEx.

(6) Equity transfer of related parties

During the year, CRRC Beijing Nankou Machinery Co., Ltd., a wholly-owned subsidiary of the Group, acquired 37.81% of the equity interest of Tieceke (Beijing) Rail Equipment Technology Co., Ltd. held by CRRC Beijing Nankou Industrial Co., Ltd. by way of non-public agreement transfer, and the transfer price was RMB202,990,000.

(7) Remuneration of key management personnel

RMB'000

Item	January-December 2022	January-December 2021
Remuneration of key management personnel	11,354	12,242

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

XII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS *(continued)*

4. Related party transactions *(continued)*

(7) Remuneration of key management personnel *(continued)*

(i) Directors', supervisors' and chief executive's emoluments

	RMB'000	
	January- December 2022	January- December 2021
Fees	294	430
Other emoluments:		
Salaries	1,452	1,415
Performance-related bonuses (Note 1)	2,445	2,339
Social security contributions (other than pension scheme contributions) (Note 2)	560	520
Pension scheme contributions (Note 3)	145	130
Total	4,896	4,834

Note1: The performance-related bonuses are determined by the remuneration committee in accordance with the relevant remuneration policies of the Company.

Note2: The social security contributions (other than pension scheme contributions) represent the Company's statutory contributions directly to the PRC government, and are determined based on a certain percentage of the salaries of the directors, supervisors and the chief executive.

Note3: The pension scheme contributions represent the Company's statutory contributions to a defined contribution pension scheme organised by the PRC government, and are determined based on a certain percentage of the salaries of the directors, supervisors and the chief executive.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

XII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS *(continued)*

4. Related party transactions *(continued)*

(7) Remuneration of key management personnel *(continued)*

(i) Directors', supervisors' and chief executive's emoluments *(continued)*

As at 31 December 2022, the names of the directors, supervisors and the chief executive and their emoluments are as follows:

RMB'000

	Fees	Salaries	Performance-related bonuses	Social security contributions (other than pension scheme contributions)	Pension scheme contributions	Total
Executive director:						
Sun Yongcai	-	234	629	112	29	1,004
Lou Qiliang	-	223	598	112	29	962
Wang An(Note 1)	-	-	-	-	-	-
Sub-total	-	457	1,227	224	58	1,966
Non-executive director						
Jiang Renfeng	-	-	-	-	-	-
Sub-total	-	-	-	-	-	-
Independent non-executive directors:						
Shi Jianzhong	100	-	-	-	-	100
Weng Yiran	62	-	-	-	-	62
Wei Mingde	132	-	-	-	-	132
Sub-total	294	-	-	-	-	294
Supervisors:						
Zhao Hu	-	389	454	112	29	984
Chen Zhenhan	-	302	382	112	29	825
Chen Xiaoyi	-	304	382	112	29	827
Sub-total	-	995	1,218	336	87	2,636
Total	294	1,452	2,445	560	145	4,896

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

XII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS *(continued)*

4. Related party transactions *(continued)*

(7) Remuneration of key management personnel *(continued)*

(i) Directors', supervisors' and chief executive's emoluments *(continued)*

Note 1: Executive Director Mr. Wang An's remuneration is charged to the Group.

Note 2: During the reporting period, Sun Yongcai, Lou Qiliang, Wang An, Wang Jun, Wei Yan, Yu Weiping, Li Zheng, Ma Yunshuang and Wang Gongcheng received 2019-2021 tenure incentive income from the company, the details of which are as follows:

Name	Position (Note)	2019-2021 tenure incentive income (thousands of yuan)	Term incentive time
Sun Yongcai	Executive director, Chairman	737	2019.01-2021.12
Lou Qiliang	Executive director, President	676	2019.01-2021.12
Wang An	Executive director	-	2019.01-2021.12
Wang Jun	Vice President	663	2019.01-2021.12
Wei Yan	Vice President	663	2019.01-2021.12
Wei Yuping	Vice President	657	2019.01-2021.12
Li Zheng	Financial Director	474	2019.10-2021.12
Ma Yunshuang	Vice President	310	2020.08-2021.12
Wang gongcheng	Vice President	310	2020.08-2021.12
Total	/	4,490	/

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

XII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (continued)

4. Related party transactions (continued)

(7) Remuneration of key management personnel (continued)

(i) Directors', supervisors' and chief executive's emoluments (continued)

As at 31 December 2021, the names of the directors, supervisors and the chief executive and their emoluments are as follows:

	RMB'000					
	Fees	Salaries	Performance-related bonuses	Social security contributions (other than pension scheme contributions)	Pension scheme contributions	Total
Executive director:						
Liu Hualong (Note 1)	-	-	-	-	-	-
Sun Yongcai	-	221	628	104	26	979
Lou Qiliang	-	199	565	104	26	894
Wang An (Note 2)	-	-	-	-	-	-
Sub-total	-	420	1,193	208	52	1,873
Non-executive director						
Jiang Renfeng	-	-	-	-	-	-
Sub-total	-	-	-	-	-	-
Independent non-executive directors:						
Shi Jianzhong	77	-	-	-	-	77
Weng Yiran (Note 3)	5	-	-	-	-	5
Wei Mingde (Note 3)	21	-	-	-	-	21
Li Guo'an (Note 4)	100	-	-	-	-	100
Xin Dinghua (Note 4)	150	-	-	-	-	150
Zhu Yuanchao (Note 4)	77	-	-	-	-	77
Sub-total	430	-	-	-	-	430
Supervisors:						
Zhao Hu	-	389	429	104	26	948
Chen Zhenhan	-	302	359	104	26	791
Chen Xiaoyi	-	304	358	104	26	792
Sub-total	-	995	1,146	312	78	2,531
Total	430	1,415	2,339	520	130	4,834

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

XII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS *(continued)*

4. Related party transactions *(continued)*

(7) Remuneration of key management personnel *(continued)*

(i) Directors', supervisors' and chief executive's emoluments *(continued)*

Note 1: On 22 March 2021, Mr. Liu Hualong resigned from the position of chairman and his original remuneration was expensed by CRRCG.

Note 2: The remuneration of the new executive director Mr. Wang An was expensed by CRRCG.

Note 3: On 22 December 2021, Mr. Shi Jianzhong, Mr. Weng Yiran and Mr. Wei Mingde were nominated as independent non-executive directors. The disclosure period of aforementioned is December 2021.

Note 4: On 21 December 2021, Mr. Li Guo'an, Mr. Xin Dinghua and Mr Zhu Yuanchao resigned from the position of independent non-executive directors. The disclosure period of aforementioned is from January to December 2021.

(ii) Five highest paid employees

The highest paid employees of the Group during the year are neither directors, supervisors nor chief executive.

Details of the remuneration of the five highest paid employees during the year are as follows:

	Accrued during the period	Accrued during the prior period
Salaries	1,948	1,826
Performance-related bonuses	8,269	9,024
Social security contributions (other than pension scheme contributions)	471	436
Pension scheme contributions	171	169
Total	10,859	11,455

RMB'000

The number of five highest paid employees whose remuneration fell within the following band is as follows:

	2022	2021
HKD2,000,001 to HKD2,500,000	–	–
HKD2,500,001 to HKD3,000,000	5	5

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

XII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS *(continued)*

4. Related party transactions *(continued)*

(8) Other related party transactions

RMB'000

Related party	Nature of related party transaction	Accrued during the period	Accrued during the prior period
Joint ventures of the Group	Financial service and interest income	11,045	–
Associates of the Group	Financial service and interest income	1,088	6,764
CRRC Group and its subsidiaries (Note 1)	Financial service and interest income	175,950	285,026
Joint ventures of the Group	Interest expense	278	78
Associates of the Group	Interest expense	69	295
CRRC Group and its subsidiaries	Interest expense	160,894	118,729
Joint ventures and associates of CRRC Group and its subsidiaries	Interest expense	19	9
Total	/	349,343	410,901

Note 1: Transaction amounts of RMB0 constituted the continuing connected transactions in accordance with Chapter 14A of the Listing Rules by HKEx.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

XII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS *(continued)*

5. Amounts due from/to related parties

(1) Receivables

RMB'000

Item	Related party	Closing balance		Opening balance	
		Carrying amount	Provision for bad and doubtful debts	Carrying amount	Provision for bad and doubtful debts
Bills receivable	Joint ventures of the Group	24,125	–	6,071	–
Bills receivable	Associates of the Group	238,652	559	58,430	457
Bills receivable	CRRC Group and its subsidiaries	16,821	569	14,275	13
Accounts receivable	Joint ventures of the Group	685,610	24,949	684,678	84,995
Accounts receivable	Associates of the Group	1,861,285	14,264	416,342	90,278
Accounts receivable	CRRC Group and its subsidiaries	1,335,692	40,594	838,656	26,915
Accounts receivable	Joint ventures and associates of CRRC Group and its subsidiaries	265,589	6,842	391,394	15,035
Receivables at FVTOCI	Joint ventures of the Group	3,721	–	6,185	6,116
Receivables at FVTOCI	Associates of the Group	413,896	20	57,007	8,313
Receivables at FVTOCI	CRRC Group and its subsidiaries	247,699	–	73,304	1,094
Prepayments	Joint ventures of the Group	138,848	50	143,374	50
Prepayments	Associates of the Group	157,807	–	103,936	–
Prepayments	CRRC Group and its subsidiaries	10,881	–	7,613	229
Other receivables	Joint ventures of the Group	5	–	714	8
Other receivables	Associates of the Group	19,287	327	38,540	645
Other receivables	CRRC Group and its subsidiaries	143,255	7,195	668,464	15,294
Contract assets	Joint ventures of the Group	4,625	50	3,485	25
Contract assets	Associates of the Group	331,444	4,805	836,141	13,709
Contract assets	CRRC Group and its subsidiaries	202,495	3,987	195,346	12,098
Contract assets	Joint ventures and associates of CRRC Group and its subsidiaries	–	–	9,509	–

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

XII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS *(continued)*

5. Amounts due from/to related parties *(continued)*

(1) Receivables *(continued)*

Item	Related party	Closing balance		Opening balance	
		Carrying amount	Provision for bad and doubtful debts	Carrying amount	Provision for bad and doubtful debts
Non-current assets due within one year	Joint ventures of the Group	281,556	599	27,991	975
Non-current assets due within one year	Associates of the Group	251,715	573	–	–
Non-current assets due within one year	CRRC Group and its subsidiaries	2,001,167	2,682	11,021,754	115,926
Long-term receivables	Associates of the Group	412,221	368,316	572,353	528,447
Other non-current assets	Joint ventures of the Group	62,236	1,120	16,553	156
Other non-current assets	Associates of the Group	810,030	4,926	290,047	4,086
Other non-current assets	CRRC Group and its subsidiaries	170,109	172	58,793	102
Other non-current assets	Joint ventures and associates of CRRC Group and its subsidiaries	220,452	220	728,712	728
Total	/	10,311,223	482,819	17,269,667	925,694

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

XII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS *(continued)*

5. Amounts due from/to related parties *(continued)*

(2) Payables

RMB'000

Item	Related party	Carrying amount at the end of the period	Carrying amount at the beginning of the period
Deposits from banks and other financial institutions	Joint ventures of the Group	26,951	19,949
Deposits from banks and other financial institutions	Associates of the Group	37,682	2,574
Deposits from banks and other financial institutions	CRRC Group and its subsidiaries	3,029,384	4,534,516
Deposits from banks and other financial institutions	Joint ventures and associates of CRRC Group and its subsidiaries	59,962	44,580
Bills payable	Joint ventures of the Group	316,314	199,738
Bills payable	Associates of the Group	58,476	25,017
Bills payable	CRRC Group and its subsidiaries	82,961	56,350
Bills payable	Joint ventures and associates of CRRC Group and its subsidiaries	–	3,966
Accounts payable	Joint ventures of the Group	1,685,795	1,263,042
Accounts payable	Associates of the Group	1,813,630	1,266,115
Accounts payable	CRRC Group and its subsidiaries	2,577,955	1,770,531
Accounts payable	Joint ventures and associates of CRRC Group and its subsidiaries	95,872	68,403
Receipts in advance	CRRC Group and its subsidiaries	2,010	–
Contract liabilities	Joint ventures of the Group	2,761	2,344
Contract liabilities	Associates of the Group	148,492	78,152
Contract liabilities	CRRC Group and its subsidiaries	167,228	463,888
Contract liabilities	Joint ventures and associates of CRRC Group and its subsidiaries	519,188	193,584
Other payables	Joint ventures of the Group	11,042	2,137
Other payables	Associates of the Group	57,948	37,292
Other payables	CRRC Group and its subsidiaries	3,334,817	1,952,607
Other payables	Joint ventures and associates of CRRC Group and its subsidiaries	4,909	3,596
Non-current liabilities due within one year	Joint ventures of the Group	–	2
Non-current liabilities due within one year	Associates of the Group	–	4,596
Non-current liabilities due within one year	CRRC Group and its subsidiaries	11,341	56,626
Lease liabilities	Associates of the Group	4,720	–
Lease liabilities	CRRC Group and its subsidiaries	15,235	54,353
Total	/	14,064,673	12,103,958

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

XII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS *(continued)*

6. Related party commitments

RMB'000

Item	Related party	31 December 2022	31 December 2021
Sale of goods to related parties	Joint ventures of the Group	111,466	–
Sale of goods to related parties	Associates of the Group	76,461	62,125
Sale of goods to related parties	CRRC Group and its subsidiaries	2,556	–
Purchase of goods from related parties	Joint ventures of the Group	–	5,975
Purchase of goods from related parties	Associates of the Group	41,057	4,488
Purchase of goods from related parties	CRRC Group and its subsidiaries	1,481	6,091
Purchase of goods from related parties	Joint ventures and associates of CRRC Group and its subsidiaries	–	33
Total	/	233,021	78,712

XIII. COMMITMENTS AND CONTINGENCIES

1. Significant commitments

The nature and amount of significant external commitments existing at the balance sheet date

RMB'000

Item	31 December 2022	31 December 2021
Construction in progress, fixed assets and land use rights	3,399,975	2,596,395
Other intangible assets	10,905	11,034
Total	3,410,880	2,607,429

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

XIII. COMMITMENTS AND CONTINGENCIES *(continued)*

2. Contingencies

(1) Significant contingencies existing at the balance sheet date

RMB'000

Relevant entity	Guarantee holder	Amount of guarantee	Type of guarantee
The Company	Wuhu Yunda	1,774,400	Guarantee for performance, financing and profit or loss
CRRC Zhuzhou Locomotive	CRRC E-LOCO SUPPLY (PTY) LTD.	1,800,600	Guarantee for performance

(2) If there are no significant contingencies, disclose this fact:

The thirtieth meeting of the second session of the Board of Directors held on 18 July 2021 resolved that, CRRC Zhuzhou Locomotive, a wholly-owned subsidiary of the Company, entered into the Entrustment Agreement (the "Entrustment Agreement") and a series of related agreements with Zhuzhou Locomotive Industrial, a wholly-owned subsidiary of CRRC Group, which shall entrust Zhuzhou Locomotive Industrial to manage the 100% equity interest of CRRC E-LOCO SUPPLY (PTY) LTD. ("the Target Company"), and entrust Zhuzhou Locomotive Industrial to exercise all shareholders' rights from the date of the Entrustment Agreement. Based on the Entrustment Agreement, during the Entrustment Period, all operating income or operating losses of the Target Company shall be enjoyed or borne by Zhuzhou Locomotive Industrial, and the rewards and risk of changes in the overall value of the Target Company's interests shall also be enjoyed or borne by Zhuzhou Locomotive Industrial. CRRC Zhuzhou Locomotive shall relinquish all shareholders' rights from the date of the Entrustment Agreement and the Target Company will cease to be consolidated in the consolidated financial statements of the Company and the Target Company will cease to be a subsidiary of the Group. Prior to the Entrustment Agreement, in respect of the performance obligations of the Target Company and its subsidiaries under the Locomotive Supply Contracts, CRRC Zhuzhou Locomotive has provided performance guarantee ("the Guarantee") for the Target Company's subsidiary. Accordingly, CRRC Zhuzhou Locomotive will continue to provide the performance guarantee for the Target Company's subsidiary upon the effective date of the Entrustment Agreement. CRRC Group will provide the Counter Guarantee for the obligations of CRRC Zhuzhou Locomotive under the Guarantee pursuant to the Counter Guarantee Agreement, signed by CRRC Group and CRRC Zhuzhou Locomotive. As at 31 December 2022, the balance of the performance guarantee provided by CRRC Zhuzhou Locomotive for CRRC E-LOCO SUPPLY (PTY) LTD. amounted to RMB 1.801 billion.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

XIV. SUBSEQUENT EVENTS

1. Description of other subsequent events

(1) Profit distribution

On 30 March 2023, the Company held the fourth meeting of the third session of the Board, at which the “2022 Proposal for Profit Distribution Plan of CRRC Corporation Limited” was considered and approved, pursuant to which the Company would distribute cash dividends to all shareholders based on the total share capital registered on the registration date for dividend distribution (the specific date will be clarified in the announcement on the implementation of dividend distribution). As at 31 December 2022, the total share capital of the Company was 28,698,864,088 shares, base on which and calculating at cash dividend of RMB0.20 (tax inclusive) per share, the Company is proposed to distribute cash dividend of RMB5.740 billion (tax inclusive) in aggregate, and the remaining undistributed profit will be carried forward for next year’s distribution. The Company’s cash dividends for the year accounted for 49.25% of the Company’s net profit attributable to shareholders of listed company in 2022. In case from the date of disclosure of announcement on profit distribution plan to the date of registration date for dividend distribution, there are changes in the total share capital of the Company due to the conversion of convertible bonds, repurchase of shares, cancellation of repurchased shares granted under equity incentive schemes, cancellation of repurchased shares due to material asset restructuring, etc., the Company proposes to remain the total distribution amount unchanged, and to adjust the distribution proportion per share accordingly. If the total share capital of the Company changes subsequently, specific adjustments will be announced separately. The profit distribution plan is subject to the consideration and approval at the 2022 annual general meeting of the Company.

(2) Issuance of Super Short-term Financing Bills

As at the disclosure date of this report, the Company issued the following Super Short-term Financing Bills:

On 14 February 2023, the Company issued 2023 First Tranche of Super Short-term Financing Bills in a total amount of RMB4 billion, due on 16 May 2023, not settled yet.

On 30 March 2023, the Company issued 2023 Second Tranche of Super Short-term Financing Bills in a total amount of RMB3 billion, due on 26 December 2023, not settled yet.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

XV. OTHER SIGNIFICANT ITEMS

1. Debt restructuring

As a creditor, the Group performed debt restructuring with certain debtors from January to December 2022 in the following manner:

Types of debt restructuring	Item	Restructured creditor's rights	
		Book value	Gains/(losses) on debt restructuring
Debt restructuring by transferring assets other than financial assets (Note)	Long term receivables (including those due within one year)/accounts receivable	291,228	42,137
Debt restructuring by transferring financial assets	Long-term receivables (including those due within one year)	5,964	11,276
Modify other terms and terminate the recognition of debt	Accounts payable	3,670	805
Total	/	/	54,218

Note: In 2022, some debtors of the Group repaid the creditor's rights held by the Group with houses and buildings. The Group initially recognises the relevant assets according to the fair value of the abandoned relevant creditor's rights and other costs such as taxes attributable to the relevant assets.

2. Segment information

(1) Basis for determining reporting segments and accounting policies

Based on the requirements of operation management, the Group's operating activities are classified in to one separate operating segment, mainly supplying the market with rail transit equipment and extended products and services, therefore the Group has no other operating segment.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

XV. OTHER SIGNIFICANT ITEMS *(continued)*

2. Segment information *(continued)*

(2) Financial information of reporting segments

(i) External revenue

RMB'000

ITEM	Accrued during the period	Accrued during the prior period
Products and services information:		
Rail transit equipment and extended products and services	222,938,637	225,731,755
Total	222,938,637	225,731,755
Geographical information:		
Mainland China	198,557,034	205,697,355
Other countries and regions	24,381,603	20,034,400
Total	222,938,637	225,731,755

(ii) Specified non-current assets

RMB'000

ITEM	31 December 2022	31 December 2021
Mainland China	127,449,001	119,291,864
Other countries and regions	6,117,609	7,774,963
Total	133,566,610	127,066,827

The non-current assets are attributable to the regions where the assets are located, and exclude financial assets, financing lease receivable and deferred tax assets.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

XV. OTHER SIGNIFICANT ITEMS *(continued)*

2. Segment information *(continued)*

(2) Financial information of reporting segments *(continued)*

(iii) Information about major customers

The Group's operating income from major customer China State Railway Group is RMB71,359,152,000 (January-June 2021: RMB80,861,854,000). The Group has no other single customer from which the revenue accounts for over 10% of the Group's operating income.

3. Other significant transactions or events affecting investors' decision-making

(1) Net current assets

	RMB'000	
Item	31 December 2022	31 December 2021
Current assets	290,455,050	279,882,630
Less: Current liabilities	227,403,751	215,556,317
Net current assets	63,051,299	64,326,313

(2) Total assets minus current liabilities

	RMB'000	
Item	31 December 2022	31 December 2021
Total assets	442,140,146	426,826,499
Less: Current liabilities	227,403,751	215,556,317
Total assets less current liabilities	214,736,395	211,270,182

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

XV. OTHER SIGNIFICANT ITEMS *(continued)*

4. Calculation process of basic earnings per share and diluted earnings per share

(1) Basic earnings per share

The basic earnings per share is calculated by dividing the current net profit attributable to the common shareholders of the company by the weighted average number of common shares issued:

Item	2022	2021
Net profit of the year attributable to ordinary shareholders (RMB'000)	11,653,448	10,302,605
Number of ordinary shares issued in the current period (thousand shares)	28,698,864	28,698,864
Basic earnings per share (RMB/share)	0.41	0.36

(2) Diluted earnings per share

Diluted earnings per share is calculated by dividing the adjusted current net profit attributable to the owner of the parent company by the adjusted weighted average number of common shares issued in the current period. In 2021, the Company's diluted potential ordinary shares are 2016 convertible bonds. Assuming that all the Group's outstanding convertible bonds have been converted to ordinary shares at the date of issuance, the earnings per share will decrease and the convertible bonds are diluted.

Item	2022	2021
Net profit of the year attributable to ordinary shareholders (RMB'000)	11,653,448	10,302,605
Plus: impact of convertible bonds (RMB'000)	–	(14,939)
Net profit used to calculate diluted earnings per share (RMB'000)	11,653,448	10,287,666
Number of ordinary shares issued in the current period (thousand shares)	28,698,864	28,698,864
Plus: impact of convertible bonds (thousand shares)	–	53,351
Number of ordinary shares issued in the current period to calculate diluted earnings per share (thousand shares)	28,698,864	28,752,215
Diluted earnings per share (RMB/share)	0.41	0.36

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

XVI. NOTES TO THE COMPANY'S FINANCIAL STATEMENTS

1. Cash at bank and on hand

(1) Cash at bank and on hand

	RMB'000	
Item	31 December 2022	31 December 2021
Deposits with banks	17,252,667	10,655,270
Other monetary funds	501,503	500,047
Total	17,754,170	11,155,317

(2) Cash at bank and on hand with restrictive ownership title or right of use

	RMB'000	
Category	31 December 2022	31 December 2021
Bank acceptance bills deposit	501,503	500,047
Total	501,503	500,047

As at 31 December 2022, there were RMB1,001,588,000 unsecured and unrestricted time deposits with maturity of three months and above (31 December 2021: RMB1,000,000,000).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

XVI. NOTES TO THE COMPANY'S FINANCIAL STATEMENTS *(continued)*

2. Other receivables

Presented by item:

	RMB'000	
Category	Closing balance	Opening balance
Dividends receivable	3,745,736	3,172,821
Other receivables	8,671,753	13,661,103
Total	text-align: right;">12,417,489	text-align: right;">16,833,924

Dividends receivable

	RMB'000	
Item (or investee)	Closing balance	Opening balance
Dividends receivable from subsidiaries	3,745,736	3,172,821
Total	text-align: right;">3,745,736	text-align: right;">3,172,821

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

XVI. NOTES TO THE COMPANY'S FINANCIAL STATEMENTS *(continued)*

2. Other receivables *(continued)*

Other receivables

(1) Analysis by ageing

RMB'000

Ageing	Carrying amount at the end of the period	Opening balance
Within 1 year	8,190,349	13,134,958
1-2 years	22,238	92,765
2-3 years	26,739	271,860
Over 3 years	440,707	173,390
Sub-total	8,680,033	13,672,973
Less: Credit loss allowance	(8,280)	(11,870)
Total	8,671,753	13,661,103

(2) Other receivables categorised by nature

RMB'000

Nature of other receivables	Carrying amount at the end of the period	Carrying amount at the beginning of the period
Transactions between subsidiaries	8,666,004	13,581,596
Others	5,749	79,507
Total	8,671,753	13,661,103

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

XVI. NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (continued)

2. Other receivables (continued)

Other receivables (continued)

(3) Top five entities with the largest balances of other receivables

RMB'000

Name of enterprise	Book value at 31 December 2022	Proportion to total closing balance of other receivables (%)	Balance of loss allowance at 31 December 2022
Top 5 other receivables	4,865,380	56.05	4,865

3. Long-term equity investments

RMB'000

Item	Closing balance			Opening balance		
	Book value	Provision for impairment	Carrying amount	Book value	Provision for impairment	Carrying amount
Investments in subsidiaries	104,311,230	-	104,311,230	100,872,199	-	100,872,199
Investments in joint ventures and associates	6,309,133	-	6,309,133	6,250,426	-	6,250,426
Total	110,620,363	-	110,620,363	107,122,625	-	107,122,625

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

XVI. NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (continued)

3. Long-term equity investments (continued)

(1) Investments in subsidiaries

RMB'000

Investee	Opening balance	Additions during the period	Decrease during the period	Closing balance
CRRC Changchun	11,538,846	399,460	–	11,938,306
CRRC Zhuzhou Institute	11,222,572	705,000	–	11,927,572
CRRC Zhuzhou Locomotive	5,702,786	40,000	–	5,742,786
CRRC Qingdao Sifang	5,078,365	–	(5,078,365)	–
CRRC Tangshan	8,437,469	25,000	–	8,462,469
CRRC Dalian	6,337,241	25,000	–	6,362,241
CRRC Qiqihar Group	7,894,071	900,000	–	8,794,071
CRRC Yangtze River Group	5,674,459	42,050	–	5,716,509
CRRC Investment & Leasing	3,214,106	–	–	3,214,106
CRRC Qishuyan	2,411,044	–	–	2,411,044
CRRC Qishuyan Institute	2,244,296	10,000	–	2,254,296
CRRC Capital Management	2,511,188	–	–	2,511,188
CRRC Nanjing Puzhen	5,085,667	40,000	–	5,125,667
CRRC Hong Kong Capital Management	3,180,486	–	–	3,180,486
CRRC Construction Engineering	845,372	–	–	845,372
CRRC Yongji Electric	2,272,988	20,000	–	2,292,988
CRRC Sifang Institute	3,133,977	20,000	–	3,153,977
CRRC Finance	2,434,613	913,600	–	3,348,213
CRRC Zhuzhou Electric	1,355,677	10,000	–	1,365,677
CRRC Ziyang	1,061,086	–	–	1,061,086
CRRC Beijing Nankou	524,412	203,000	–	727,412
CRRC Datong	1,313,207	–	–	1,313,207
CRRC Dalian R&D	196,206	–	–	196,206
CRRC Dalian Institute	813,907	5,000	–	818,907
CRRC Logistics	630,196	–	–	630,196
CRRC Industrial Institute	228,000	–	–	228,000
CRRC International	682,337	–	–	682,337
CRRC Information Technology	205,295	82,830	–	288,125
CRRC Financial Leasing	2,430,000	–	–	2,430,000
CRRC Sifang Vehicles	593,646	5,078,365	–	5,672,011
Other subsidiaries	1,618,684	–	(1,909)	1,616,775
Total	100,872,199	8,519,305	(5,080,274)	104,311,230

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

XVI. NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (continued)

3. Long-term equity investments (continued)

(2) Investments in joint ventures and associates

RMB'000

Name of investee	Opening balance	Additional investments	Decrease in investments	Changes during the period		Other equity movements	Cash dividend or profits declared	Closing balance
				Investment income or loss under equity-method	Adjustment of other comprehensive income			
I. Joint ventures								
Wuhu Yunda	138,704	-	-	1,198	-	5,454	-	145,356
Sub-total	138,704	-	-	1,198	-	5,454	-	145,356
II. Associates								
China United Insurance	5,312,262	-	-	82,033	(23,617)	(2,012)	(10,000)	5,358,666
Others	799,460	-	-	4,583	-	1,288	(220)	805,111
Sub-total	6,111,722	-	-	86,616	(23,617)	(724)	(10,220)	6,163,777
Total	6,250,426	-	-	87,814	(23,617)	4,730	(10,220)	6,309,133

4. Revenue and operating costs

(1) Details of revenue and operating costs

RMB'000

Item	Accrued during the period		Accrued during the prior period	
	Income	Cost	Income	Cost
Principal operating activities	-	-	-	-
Other operating activities	395,172	4,047	383,387	5,512
Total	395,172	4,047	383,387	5,512

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

XVI. NOTES TO THE COMPANY'S FINANCIAL STATEMENTS *(continued)*

4. Revenue and operating costs *(continued)*

(2) Details of revenue from contracts

RMB'000

Type of contract	Rail transit equipment and extended products and services	Total
By geographical regions		
Mainland China	395,172	395,172
Other countries and regions	–	–
Total	395,172	395,172

5. Investment income

RMB'000

Item	Accrued during the period	Accrued during the prior period
Income from long-term equity investments accounted for using the cost method	6,740,771	5,516,110
Income from long-term equity investments accounted for using the equity method	87,814	58,416
Investment income from disposal of long-term equity investments	9,233	–
Others	6,615	–
Total	6,844,433	5,574,526

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

XVI. NOTES TO THE COMPANY'S FINANCIAL STATEMENTS *(continued)*

6. Supplement to the cash flow statement

(1) Supplement to the cash flow statement

	RMB'000	
Supplementary information	Accrued during the period	Accrued during the prior period
1. Reconciliation of net profit to cash flows from operating activities:		
Net profit	6,477,083	5,354,146
Credit losses	(3,391)	16,670
Depreciation of fixed assets	6,344	5,421
Depreciation of right-of-use assets	12,547	12,491
Amortisation of intangible assets	22,864	20,761
Income from disposal of fixed assets	–	(4)
Losses from disposal of fixed assets	–	9
Financial expenses	5,387	14,964
Investment income	(6,844,433)	(5,574,526)
Decrease in operating receivables	464,393	2,189,867
Increase in operating payables	(217,502)	(115,382)
Net cash flows generated from operating activities	(76,708)	1,924,417
2. Net changes in cash and cash equivalents:		
Closing balance of cash and cash equivalents	16,251,079	9,653,682
Less: Opening balance of cash and cash equivalents	9,653,682	463,875
Net increase in cash and cash equivalents	6,597,397	9,189,807

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

XVI. NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (continued)

6. Supplement to the cash flow statement (continued)

(2) Composition of cash and cash equivalents

Item	Accrued during the period	Accrued during the prior period
I. Cash	16,251,079	9,653,682
Including: Cash on hand	–	–
Bank deposits available on demand	16,251,079	9,653,682
II. Cash equivalents	–	–
III. Closing balance of cash and cash equivalents	16,251,079	9,653,682

XVII. SUPPLEMENTARY INFORMATION

1. Breakdown of non-recurring gain or loss

Item	Amount	Note
Profit or loss on disposal of non-current assets	2,550,521	/
Government grants recognised in profit or loss (other than grants which are closely related to the Company's business and are either in fixed amounts or determined under quantitative methods in accordance with the national standard)	1,972,130	/
Gains or losses from debt restructuring	54,218	/
Restructuring costs, such as staff compensation cost and integration expenses	(90,456)	/
Changes in fair value of financial assets and liabilities held for trading and derivative financial assets and liabilities, and disposal of financial assets and liabilities held for trading, derivative financial assets and liabilities and other debt investments, other than those held for effective hedging related to normal operations	571,664	/
Profit or loss on disposal of subsidiaries' assets	(160,937)	/
Gains from remeasurement of the remaining equity interests to fair value upon disposal of subsidiaries	1,750	/
Other profit and loss items that meet the definition of non recurring profit and loss	444,293	/
Other non-operating income and expenses besides items above	(270,035)	/
Tax effect	(912,078)	/
Effects attributable to minority interests	(478,675)	/
Total	3,682,395	/

RMB'000

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

XVII. SUPPLEMENTARY INFORMATION *(continued)*

1. Breakdown of non-recurring gain or loss *(continued)*

Reason for defining items as non-recurring gain or loss items according to Information Disclosure and Presentation Rules for Companies Making Public Offering of Securities No.1 – Non-recurring Gain or Loss, and reasons for defining non-recurring gain or loss items illustrated in information Disclosure and Presentation Rules for Companies Making Public Offering of Securities No. 1 – Non-recurring Gain or Loss as recurring gain or loss items should be specified.

2. Return on net assets and earnings per share

Profit for the reporting period	Weighted average return on net assets	Earnings per share	
		Basic earnings per share	Diluted earnings per share
Net profit attributable to the Company's ordinary equity shareholders	7.35	0.41	0.41
Net profit excluding extraordinary gain and loss attributable to the Company's ordinary equity shareholders	5.02	0.28	0.28

Chairman of the Board: Sun Yongcai

Reporting date approved by the Board of Directors: 30 March 2023

Definitions

Articles of Association	the Articles of Association of the Company
A Share(s)	the Company's domestic share(s) listed on the Shanghai Stock Exchange
Board	the board of directors of the Company, unless the context requires otherwise
China United Insurance	China United Insurance Holding Corporation (中華聯合保險集團股份有限公司)
CNR	former China CNR Corporation Limited (中國北車股份有限公司)
CNRG	former China Northern Locomotive & Rolling Stock Industry (Group) Corporation (中國北方機車車輛工業集團公司)
CRRC Changchun	CRRC Changchun Railway Vehicles Co., Ltd. (中車長春軌道客車股份有限公司)
CRRC Financial and Securities	CRRC Financial and Securities Investment Co., Ltd. (中車金證投資有限公司)
CRRC Yangtze	CRRC Yangtze Transport Equipment Group Co., Ltd. (中車長江運輸設備集團有限公司)
CRRCG or CRRC GROUP	CRRC GROUP Co., Ltd. (中國中車集團有限公司)
CRRC or Company	CRRC Corporation Limited (中國中車股份有限公司)
CRRC Sifang	CRRC Qingdao Sifang Co., Ltd. (中車青島四方機車車輛股份有限公司)
CRRC Tangshan	CRRC Tangshan Co., Ltd. (中車唐山機車車輛有限公司)
CRRC ZELRI or Zhuzhou Institute	CRRC Zhuzhou Electric Locomotive Research Institute Co., Ltd. (中車株洲電力機車研究所有限公司)
CRRC Zhuzhou Electric	CRRC Zhuzhou Electric Co., Ltd. (中車株洲電機有限公司)
CRRC Zhuzhou	CRRC Zhuzhou Locomotive Co., Ltd. (中車株洲電力機車有限公司)
CSR	former CSR Corporation Limited (中國南車股份有限公司)
CSR and CNR	CSR and CNR
CSRC	China Securities Regulatory Commission (中國證券監督管理委員會)
CSRG	former CSR Group (中國南車集團公司)
Director(s)	director(s) of the Company, unless the context requires otherwise

Definitions

Finance Company	CRRC Finance Co., Ltd. (中車財務有限公司)
Financial Leasing Company	CRRC Financial Leasing Co., Ltd. (中車金融租賃有限公司)
Group	the Company and its subsidiaries
Hong Kong Listing Rules	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
H Share(s)	the Company's foreign share(s) listed on the Stock Exchange
Model Code	Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Hong Kong Listing Rules
Qiqihar Group	CRRC Qiqihar Group Co., Ltd. (中車齊車集團有限公司)
SASAC	State-owned Assets Supervision and Administration Commission of the State Council (國務院國有資產監督管理委員會)
Senior Management	senior management of the Company, unless the context requires otherwise
SFO	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
SSE	Shanghai Stock Exchange
Stock Exchange	The Stock Exchange of Hong Kong Limited
Supervisor(s)	supervisor(s) of the Company, unless the context requires otherwise
Supervisory Committee	the supervisory committee of the Company, unless the context requires otherwise
Times Electric	Zhuzhou CRRC Times Electric Co., Ltd. (株洲中車時代電氣股份有限公司)
Times New Material	Zhuzhou Times New Material Technology Co., Ltd. (株洲時代新材料科技股份有限公司)

Company Profile

CHINESE NAME	中國中車股份有限公司
ENGLISH NAME	CRRC Corporation Limited
REGISTERED OFFICE	No. 16 Central West Fourth Ring Road, Haidian District, Beijing 100036, the PRC
BUSINESS ADDRESS OF THE HEAD OFFICE	No. 16 Central West Fourth Ring Road, Haidian District, Beijing 100036, the PRC
PRINCIPAL PLACE OF BUSINESS IN HONG KONG	Unit H, 41/F., Office Tower, Convention Plaza, No. 1 Harbour Road, Wanchai, Hong Kong
LEGAL REPRESENTATIVE	Sun Yongcai
EXECUTIVE DIRECTORS	Sun Yongcai Lou Qiliang Wang An
NON-EXECUTIVE DIRECTOR	Jiang Renfeng
INDEPENDENT NON-EXECUTIVE DIRECTORS	Shi Jianzhong Weng Yiran Ngai Ming Tak
AUTHORIZED REPRESENTATIVES	Lou Qiliang Xiao Shaoping
JOINT COMPANY SECRETARIES	Wang Jian Xiao Shaoping
SECRETARY TO THE BOARD	Wang Jian
SECURITIES REPRESENTATIVE	Jin Yonggang
TELEPHONE FOR INFORMATION INQUIRY	(8610) 5186 2188
FAX	(8610) 6398 4785
WEBSITE	http://www.crrcgc.cc/
E-MAIL ADDRESS	crrc@crrcgc.cc
H SHARE REGISTRAR	Computershare Hong Kong Investor Services Limited Shops 1712-1716, 17th Floor, Hopewell Centre 183 Queen's Road East Wanchai Hong Kong

Company Profile

PLACES OF LISTING	The Stock Exchange of Hong Kong Limited Shanghai Stock Exchange
STOCK NAME	中國中車(CRRC)
STOCK CODE	1766 (Hong Kong) 601766 (Shanghai)
INDEPENDENT AUDITOR	KPMG Huazhen LLP Certified Public Accountants 8/F, Tower E2, Oriental Plaza 1 East Chang'an Avenue Dongcheng District Beijing, PRC
LEGAL ADVISERS	As to Hong Kong laws: Baker & McKenzie 14th Floor, One Taikoo Place 979 King's Road Quarry Bay Hong Kong As to PRC laws: Jia Yuan Law Firm F408 Ocean Plaza 158 Fuxing Men Nei Avenue Beijing the PRC

