

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



**中国南车**

**株洲南车时代电气股份有限公司**

**ZHUZHOU CSR TIMES ELECTRIC CO., LTD.**

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

**(Stock Code: 3898)**

## **ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2014**

The board of directors (the "Board") of Zhuzhou CSR Times Electric Co., Ltd. (the "Company") is pleased to announce the consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2014, together with the comparative figures in 2013, set out (unless otherwise stated, the figures contained in this announcement are denominated in Renminbi yuan) as follows.

### **Consolidated Statement of Financial Position**

*31 December 2014*

	<i>Notes</i>	<b>31 December 2014</b>	31 December 2013
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and bank balances	5	<b>2,679,867,325</b>	3,136,090,686
Bills receivable		<b>3,184,352,916</b>	2,213,628,831
Trade receivables	6	<b>2,813,878,700</b>	2,693,866,426
Prepayments		<b>147,627,653</b>	98,175,195
Other receivables		<b>79,220,006</b>	58,087,799
Inventories	7	<b>2,207,339,644</b>	1,428,041,311
Current portion of non-current assets		—	609,036
Other current assets	8	<b>3,053,675,472</b>	1,184,179,832
Total current assets		<b>14,165,961,716</b>	10,812,679,116
<b>NON-CURRENT ASSETS</b>			
Available-for-sale financial asset		<b>900,000</b>	900,000
Long-term receivables		<b>22,082,991</b>	31,660,131
Long-term equity investments		<b>237,010,505</b>	232,953,448
Fixed assets	9	<b>1,770,444,529</b>	1,595,275,624
Construction in progress		<b>112,914,938</b>	235,123,615
Intangible assets		<b>268,531,012</b>	233,054,144
Development expenditure		<b>15,092,149</b>	60,690,061
Goodwill		<b>13,770,533</b>	13,770,533
Deferred tax assets		<b>251,382,881</b>	129,399,467
Other non-current assets		<b>66,812,276</b>	52,976,184
Total non-current assets		<b>2,758,941,814</b>	2,585,803,207
<b>TOTAL ASSETS</b>		<b>16,924,903,530</b>	13,398,482,323

# Consolidated Statement of Financial Position (continued)

31 December 2014

	Notes	31 December 2014	31 December 2013
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>CURRENT LIABILITIES</b>			
Short-term borrowings	10	4,385,940	31,172,421
Bills payable		1,569,649,099	928,918,770
Trade payables	11	1,861,391,032	1,749,671,703
Advances from customers		588,010,023	388,087,463
Employee benefits payable		52,112,041	88,860,161
Taxes payable		146,880,754	199,377,520
Other payables		373,833,468	200,627,465
Current portion of non-current liabilities	12	11,315,264	12,189,906
Provisions		329,643,512	129,761,156
Deferred income		49,528,830	91,849,612
Total current liabilities		<u>4,986,749,963</u>	<u>3,820,516,177</u>
<b>NON-CURRENT LIABILITIES</b>			
Long-term borrowings	12	37,492,529	52,179,757
Long-term payables		66,444,529	—
Provisions		480,083,471	209,494,751
Deferred income		168,992,811	150,787,851
Deferred tax liabilities		14,374,351	15,383,539
Total non-current liabilities		<u>767,387,691</u>	<u>427,845,898</u>
Total liabilities		<u>5,754,137,654</u>	<u>4,248,362,075</u>
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	13	1,175,476,637	1,175,476,637
Capital reserve	14	3,352,499,586	3,354,300,202
Other comprehensive income	15	(30,272,682)	(21,995,965)
Special reserve	16	2,920,995	1,148,151
Surplus reserve	17	859,087,844	624,621,343
Retained earnings	18	5,631,283,306	3,882,348,394
Total equity attributable to shareholders of the Parent		<u>10,990,995,686</u>	<u>9,015,898,762</u>
Non-controlling interests		<u>179,770,190</u>	<u>134,221,486</u>
Total shareholders' equity		<u>11,170,765,876</u>	<u>9,150,120,248</u>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<u><u>16,924,903,530</u></u>	<u><u>13,398,482,323</u></u>

**Consolidated Statement of Profit or Loss**  
*For the year ended 31 December 2014*

	Notes	2014	2013
<b>Revenue</b>	19	<b>12,676,196,687</b>	8,855,963,562
Less: Cost of sales	19	<b>7,876,406,252</b>	5,694,547,809
Business taxes and surcharges		<b>99,787,028</b>	75,281,302
Selling expenses		<b>880,906,676</b>	498,498,928
Administrative expenses		<b>1,349,132,921</b>	1,005,151,727
Finance costs	20	<b>(43,013,221)</b>	(27,487,384)
Asset impairment losses	21	<b>148,776,654</b>	8,149,479
Add: Investment income	22	<b>121,607,881</b>	12,578,234
including: share of profits and losses of associates and a joint venture		<b>51,661,839</b>	12,578,234
Operating profit		<b>2,485,808,258</b>	1,614,399,935
Add: Non-operating income	23	<b>271,989,157</b>	90,254,941
including: gain on disposal of non-current assets		<b>739,820</b>	444,998
Less: Non-operating expenses	24	<b>2,883,417</b>	1,074,718
including: loss on disposal of non-current assets		<b>1,507,064</b>	713,310
<b>Total profit</b>		<b>2,754,913,998</b>	1,703,580,158
Less: Income tax expense	25	<b>362,905,380</b>	237,355,271
<b>Net profit</b>		<b>2,392,008,618</b>	1,466,224,887
Including: the acquiree's net profit before a business combination involving an enterprise under common control		—	1,682,415
Net profit attributable to shareholders of the Parent		<b>2,394,818,236</b>	1,467,020,759
Non-controlling interests		<b>(2,809,618)</b>	(795,872)
Other comprehensive income, net of tax			
Other comprehensive income attributable to shareholders of the Parent, net of tax			
Other comprehensive income to be reclassified to profit or loss in subsequent periods			
Exchange fluctuation reserve		<b>(8,276,717)</b>	(1,335,445)
Total other comprehensive income attributable to non-controlling interests, net of tax		<b>(2,707,799)</b>	239,117
<b>Total comprehensive income</b>		<b>2,381,024,102</b>	1,465,128,559
Including:			
Total comprehensive income attributable to shareholders of the Parent		<b>2,386,541,519</b>	1,465,685,314
Total comprehensive income attributable to non-controlling interests		<b>(5,517,417)</b>	(556,755)
Earnings per share (Yuan/Share)	26		
Basic		<b>2.04</b>	1.33
Diluted		<b>2.04</b>	1.33

## Notes:

### 1. CORPORATE INFORMATION

Zhuzhou CSR Times Electric Co., Ltd. (the “Company”) is a joint stock limited company registered in Hunan Province, the People’s Republic of China (the “PRC”). It was jointly established by CSR Zhuzhou Electric Locomotive Research Institute Co., Ltd. (南車株洲電力機車研究所有限公司) (formerly known as CSR Group Zhuzhou Electric Locomotive Research Institute(中國南車集團株洲電力機車研究所)), CSR Qishuyan Locomotive & Rolling Stock Works(中國南車集團戚墅堰機車車輛廠), CSR Zhuzhou Electric Locomotive Co., Ltd. (南車株洲電力機車有限公司) (formerly known as CSR Group Zhuzhou Electric Locomotive Co., Ltd. (中國南車集團株洲電力機車有限公司)), CSR Investment & Leasing Co., Ltd. (南車投資租賃有限公司) (formerly known as New Leap Transportation Equipment Investment & Leasing Co., Ltd. (新力博交通裝備投資租賃有限公司)) and China Railway Large Maintenance Machinery Co., Ltd. Kunming(昆明中鐵大型養路機械集團有限公司) at the date of 26 September 2005. The H shares of the Company were listed on the Stock Exchange of Hong Kong Limited (the “Hong Kong Stock Exchange”). The registered office of the Company is located at Times Road, Shifeng District, Zhuzhou City, Hunan Province, the PRC. The Company and its subsidiaries (together, the “Group”) are principally engaged in the sale and manufacture of train-borne electrical systems and electrical components.

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

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

As at 31 December 2014, the Company had issued an aggregate of 1,175,476,637 shares as share capital.

The Group’s parent and ultimate holding company are CSR Zhuzhou Electric Locomotive Research Institute Co., Ltd. (南車株洲電力機車研究所有限公司) and CSR Group (中國南車集團公司) respectively, both established in the PRC.

## **2. BASIS OF PREPARATION**

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

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

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

## **3. ADOPTION OF NEW AND REVISED ACCOUNTING STANDARDS**

The Ministry of Finance issued Accounting Standards for Business Enterprises No.39 Fair Value Measurement, Accounting Standards for Business Enterprises No.40 Joint Arrangements and revised Accounting Standards for Business Enterprises No.30 Presentation of Financial Statements, Accounting Standards for Business Enterprises No.9 Employee Benefits, Accounting Standards for Business Enterprises No.33 Consolidated Financial Statements and Accounting Standards for Business Enterprises No.2 Long-term equity investments during the period from 1 January to 19 March 2014. The above six Accounting Standards for Business Enterprises are effective from 1 July 2014, and entities listed overseas are encouraged to adopt the above six Accounting Standards for Business Enterprises in advance. As a Hong Kong listed company, the Company has adopted the above six Accounting Standards for Business Enterprises in the preparation of the financial statements for the year 2013 in accordance with the regulation in the transition period.

On 27 March 2014, the Ministry of Finance issued Accounting Standards for Business Enterprises No.41 Disclosure of Interests in Other Entities which is effective on 1 July 2014, and entities listed overseas are encouraged to adopt it in advance. On 11 July 2014, the Ministry of Finance issued Accounting Standards for Business Enterprises No.37 Financial Instruments Disclosure, and required enterprises that have implemented Accounting Standards for Business Enterprises to adopt this accounting standard for the year 2014 and subsequent periods. The Company has adopted the above Accounting Standards for Business Enterprises in the preparation of the financial statements for the six months ended 30 June 2014 and the year 2014. The change of accounting policies by reason of the adoption of the above the accounting standards have been applied to the Company for the current year’s financial statements and no retrospective adjustments have been made to the comparative financial information.

#### 4. CHANGES IN ACCOUNTING ESTIMATES

In 2014, the Group reassessed the useful life of machineries based on actual usage of machineries, and reduced the useful life of machineries from 10 years to 6 years.

Main effects on financial statements for the year 2014 of above changes in accounting estimates are demonstrated as follows:

	<b>Closing balance/ Current year amount before changes in accounting estimates</b>	<b>Changes in accounting estimates</b>	<b>Closing balance/ Current year amount after changes in accounting estimates</b>
Fixed assets	1,851,380,636	(80,936,107)	1,770,444,529
Retained earnings	5,712,219,413	(80,936,107)	5,631,283,306
Net profit	2,472,944,725	(80,936,107)	2,392,008,618
Net profit attributable to shareholders of the Parent	<u>2,475,754,343</u>	<u>(80,936,107)</u>	<u>2,394,818,236</u>

#### 5. CASH AND BANK BALANCES

	<b>31 December 2014</b>	31 December 2013
Cash	<b>44,547</b>	18,163
Cash in bank	<b>2,641,329,027</b>	3,106,611,005
Other cash and bank balances	<b>38,493,751</b>	29,461,518
	<u><b>2,679,867,325</b></u>	<u>3,136,090,686</u>

As at 31 December 2014, the cash and bank balances of RMB21,953,359 (31 December 2013: RMB21,535,606) and RMB16,540,392 (31 December 2013: RMB7,925,912) of the Group are restricted as security deposits for issuance of bank acceptance bills and issuance of bank letters of guarantee respectively.

As at 31 December 2014, the cash and bank balances deposited overseas by the Group were equivalent to RMB10,550,753 (31 December 2013: RMB12,719,813).

Interest income earned on current deposits is calculated by using the current deposit interest rate. The deposit periods for short-term deposits vary from 1 day to 3 months depending on the cash requirements of the Group and earn interest at the respective deposit rates.

## 6. TRADE RECEIVABLES

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

Maturity analysis:

	<b>31 December 2014</b>	31 December 2013
Within 6 months	<b>2,486,167,476</b>	2,359,481,905
6 months to 1 year	<b>165,489,115</b>	232,133,840
1 to 2 years	<b>268,483,688</b>	167,177,563
2 to 3 years	<b>26,923,378</b>	6,688,434
Over 3 years	<b>7,360,713</b>	12,921,980
	<b>2,954,424,370</b>	2,778,403,722
Less: provision for bad debt	<b>118,462,679</b>	52,877,165
	<b>2,835,961,691</b>	2,725,526,557
Less: classified as non-current assets	<b>22,082,991</b>	31,660,131
	<b>2,813,878,700</b>	2,693,866,426

The movements of provision for bad debt are as follows:

	<b>2014</b>	2013
Opening balance	<b>52,877,165</b>	42,917,850
Provision in the current year	<b>71,382,522</b>	13,611,556
Reversal in the current year	<b>(2,754,726)</b>	(3,062,647)
Write-off in the current year	<b>(3,027,791)</b>	(568,834)
Exchange realignment	<b>(14,491)</b>	(20,760)
Closing balance	<b>118,462,679</b>	52,877,165

## 7. INVENTORIES

31 December 2014			
	Gross carrying amount	Impairment provision	Carrying amount
Raw materials	538,111,869	42,738,369	495,373,500
Work in progress and semi-finished products	592,359,138	67,073,295	525,285,843
Finished goods	1,214,975,643	33,524,243	1,181,451,400
Turnover materials	5,578,890	349,989	5,228,901
	<u>2,351,025,540</u>	<u>143,685,896</u>	<u>2,207,339,644</u>
31 December 2013			
	Gross carrying amount	Impairment provision	Carrying amount
Raw materials	486,138,378	43,421,802	442,716,576
Work in progress and semi-finished products	401,127,443	27,459,854	373,667,589
Finished goods	626,594,941	19,965,536	606,629,405
Turnover materials	5,943,605	915,864	5,027,741
	<u>1,519,804,367</u>	<u>91,763,056</u>	<u>1,428,041,311</u>



## 7. INVENTORIES (CONTINUED)

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

### 2014

	Opening balance	Provision	Write-off and reversal	Exchange realignment	Closing balance
Raw materials	43,421,802	7,790,404	(7,998,149)	(475,688)	42,738,369
Work in progress and semi-finished products	27,459,854	57,087,388	(16,247,696)	(1,226,251)	67,073,295
Finished goods	19,965,536	27,204,648	(12,177,745)	(1,468,196)	33,524,243
Turnover materials	915,864	48,844	(614,719)	—	349,989
	<u>91,763,056</u>	<u>92,131,284</u>	<u>(37,038,309)</u>	<u>(3,170,135)</u>	<u>143,685,896</u>

### 2013

	Opening balance	Provision	Write-off and reversal	Exchange realignment	Closing balance
Raw materials	57,633,748	9,608,289	(23,785,512)	(34,723)	43,421,802
Work in progress and semi-finished products	21,523,807	12,782,580	(6,811,551)	(34,982)	27,459,854
Finished goods	60,778,709	6,935,979	(47,730,212)	(18,940)	19,965,536
Turnover materials	1,065,557	165,847	(315,540)	—	915,864
	<u>141,001,821</u>	<u>29,492,695</u>	<u>(78,642,815)</u>	<u>(88,645)</u>	<u>91,763,056</u>

## 8. OTHER CURRENT ASSETS

	31 December 2014	31 December 2013
Bank financial products (Note 1)	3,005,078,548	600,000,000
Entrusted loan (Note 2)	—	500,000,000
Prepaid corporation income tax	895,068	7,503,645
Prepaid value-added tax	46,887,745	53,740,346
Prepaid city maintenance and construction tax	—	9,975,978
Other prepaid tax	814,111	12,959,863
	<u>3,053,675,472</u>	<u>1,184,179,832</u>

Note1: As at 31 December 2014, the bank financial products held by the Group are principal guaranteed and income yielding with yield rates from 3.20% to 5.69% (31 December 2013: 5.45%-6.20%). These bank financial products will expire in succession before 30 June 2015.

Note2: As at 31 December 2013, the Company issued an entrusted loan amounting to RMB500,000,000 to the parent company CSR Zhuzhou Electric Locomotive Research Institute Co., Ltd., through Industrial and Commercial Bank of China. The loan period is from 31 December 2013 to 31 December 2014, and the yielding rate is 5.40%. CSR Zhuzhou Electric Locomotive Research Institute Co., Ltd. had paid back full amount in advance on 2 December 2014.

## 9. FIXED ASSETS

2014

	Buildings	Machinery	Vehicles	Office facilities and others	Total
Cost					
Opening balance	1,120,205,426	1,032,467,691	36,006,915	171,409,609	2,360,089,641
Purchased	6,578,510	35,231,916	3,005,200	25,476,151	70,291,777
Construction in progress	135,953,173	256,843,692	358,811	1,446,442	394,602,118
Sale and disposal	—	(19,298,256)	(3,267,044)	(8,544,385)	(31,109,685)
Other decrease	—	(8,438,294)	—	(20,974,418)	(29,412,712)
Exchange realignment	(1,643,013)	(19,237,109)	(16,470)	—	(20,896,592)
Closing balance	<u>1,261,094,096</u>	<u>1,277,569,640</u>	<u>36,087,412</u>	<u>168,813,399</u>	<u>2,743,564,547</u>
Accumulated depreciation					
Opening balance	171,201,126	423,967,504	21,849,828	102,717,954	719,736,412
Increase	37,008,600	184,602,321	4,765,410	19,929,009	246,305,340
Write-off	—	(14,821,546)	(2,984,936)	(7,223,667)	(25,030,149)
Other decrease	—	(7,503,964)	—	(18,367,841)	(25,871,805)
Exchange realignment	(135,182)	(6,838,547)	—	—	(6,973,729)
Closing balance	<u>208,074,544</u>	<u>579,405,768</u>	<u>23,630,302</u>	<u>97,055,455</u>	<u>908,166,069</u>
Impairment provision					
Opening balance	9,411,739	34,780,638	—	885,228	45,077,605
Increase	1,101,525	21,521,983	—	6,967	22,630,475
Write-off	—	(2,676,299)	—	(77,832)	(2,754,131)
Closing balance	<u>10,513,264</u>	<u>53,626,322</u>	<u>—</u>	<u>814,363</u>	<u>64,953,949</u>
Net carrying amount					
31 December 2014	<u>1,042,506,288</u>	<u>644,537,550</u>	<u>12,457,110</u>	<u>70,943,581</u>	<u>1,770,444,529</u>
31 December 2013	<u>939,592,561</u>	<u>573,719,549</u>	<u>14,157,087</u>	<u>67,806,427</u>	<u>1,595,275,624</u>

## 9. FIXED ASSETS (CONTINUED)

2013

	Buildings	Machinery	Vehicles	Office facilities and others	Total
Cost					
Opening balance	951,506,557	951,127,389	35,070,906	151,249,966	2,088,954,818
Purchased	238,603	28,837,564	1,385,131	21,922,003	52,383,301
Construction in progress	168,697,990	63,712,118	341,880	996,372	233,748,360
Sale and disposal	—	(9,924,635)	(742,020)	(2,755,682)	(13,422,337)
Exchange realignment	(237,724)	(1,284,745)	(48,982)	(3,050)	(1,574,501)
Closing balance	<u>1,120,205,426</u>	<u>1,032,467,691</u>	<u>36,006,915</u>	<u>171,409,609</u>	<u>2,360,089,641</u>
Accumulated depreciation					
Opening balance	138,674,481	346,284,872	17,509,322	85,321,191	587,789,866
Increase	32,502,288	81,230,836	5,048,596	19,680,339	138,462,059
Write-off	—	(3,685,203)	(706,024)	(2,282,115)	(6,673,342)
Exchange realignment	24,357	136,999	(2,066)	(1,461)	157,829
Closing balance	<u>171,201,126</u>	<u>423,967,504</u>	<u>21,849,828</u>	<u>102,717,954</u>	<u>719,736,412</u>
Impairment provision					
Opening balance	9,411,739	36,396,528	—	885,228	46,693,495
Write-off	—	(1,615,890)	—	—	(1,615,890)
Closing balance	<u>9,411,739</u>	<u>34,780,638</u>	<u>—</u>	<u>885,228</u>	<u>45,077,605</u>
Net carrying amount					
31 December 2013	<u>939,592,561</u>	<u>573,719,549</u>	<u>14,157,087</u>	<u>67,806,427</u>	<u>1,595,275,624</u>
31 December 2012	<u>803,420,337</u>	<u>568,445,989</u>	<u>17,561,584</u>	<u>65,043,547</u>	<u>1,454,471,457</u>

Fixed assets held under operating leases are as follows:

	31 December 2014	31 December 2013
Buildings	<u>61,240,498</u>	<u>73,155,348</u>

As at 31 December 2014, the title of fixed assets with a net carrying amount of RMB29,096,352 (31 December 2013: RMB34,861,796) was pledged to secure general banking facilities granted to the Group.

## 9. FIXED ASSETS (CONTINUED)

As at 31 December 2014, the Group was in the process of applying for the title certificates of certain buildings with an aggregate carrying amount of RMB286,026,418 (31 December 2013 : RMB172,492,033). The Company's management is of the view that the Group is entitled to lawfully and validly occupy and use the above-mentioned buildings. The Company's management is also of the opinion that the aforesaid matter would not have any significant impact on the Group's financial position as at 31 December 2014.

## 10. SHORT-TERM BORROWINGS

	31 December 2014	31 December 2013
Credit loans	—	2,799,996
Mortgaged loans	—	2,195,132
Pledged loans	—	1,000,000
Other loans	4,385,940	25,177,293
	<u>4,385,940</u>	<u>31,172,421</u>

As at 31 December 2014, the annual interest rate of the above borrowings is 0-2.82% (31 December 2013: 0-3.31%).

## 11. TRADE PAYABLES

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

	31 December 2014	31 December 2013
Within 3 months	1,327,939,003	1,288,551,535
3 months to 1 year	366,538,133	303,215,820
1 to 2 years	105,588,086	55,258,225
2 to 3 years	38,917,349	91,891,313
Over 3 years	88,852,990	10,754,810
	<u>1,927,835,561</u>	<u>1,749,671,703</u>
Less: classified as long-term payables	66,444,529	—
	<u>1,861,391,032</u>	<u>1,749,671,703</u>

## 12. LONG-TERM BORROWINGS

	<b>31 December 2014</b>	31 December 2013
Mortgaged loans	<b>19,374,169</b>	31,907,716
Other loans (Note)	<b>29,433,624</b>	32,461,947
	<b>48,807,793</b>	64,369,663
Less: Long-term borrowings due within one year	<b>11,315,264</b>	12,189,906
	<b>37,492,529</b>	52,179,757

Maturity analysis:

	<b>31 December 2014</b>	31 December 2013
Due within 1 year	<b>11,315,264</b>	12,189,906
Due within 2 years	<b>36,731,093</b>	11,982,095
Due within 3 to 5 years	<b>761,436</b>	40,197,662
	<b>48,807,793</b>	64,369,663

As at 31 December 2014, the annual interest rate of the above borrowings is 0-6.56% (31 December 2013: 0-6.56%).

Note: Pursuant to the relevant borrowing agreement, the other loans are secured by floating charges over certain assets. The carrying amounts of such assets as at 31 December 2014 and 31 December 2013 are as follows:

	<b>31 December 2014</b>	31 December 2013
Cash and bank balances	<b>4,719,510</b>	4,437,979
Trade receivables	<b>44,713,132</b>	72,680,143
Other receivables	<b>4,758,704</b>	2,239,989
Prepayments	<b>1,384,020</b>	1,329,886
Inventories	<b>76,119,536</b>	70,344,531
Other current assets	<b>15,642</b>	797,732
Fixed assets	<b>160,738,604</b>	145,591,778
Construction in progress	<b>3,793,271</b>	8,828,552
	<b>296,242,419</b>	306,250,590

### 13. SHARE CAPITAL

2014

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

2013

	Opening balance		Increase	Closing balance	
	Carrying amount	Percentage		Carrying amount	Percentage
Registered, issued and paid unrestricted shares:					
State-owned legal person shares	628,147,237	57.93%	—	628,147,237	53.44%
Overseas listed foreign shares	456,108,400	42.07%	91,221,000	547,329,400	46.56%
	<u>1,084,255,637</u>	<u>100.00%</u>	<u>91,221,000</u>	<u>1,175,476,637</u>	<u>100.00%</u>

### 14. CAPITAL RESERVE

2014

	Opening balance	Decrease	Closing balance
Share premium	<u>3,354,300,202</u>	<u>(1,800,616)</u>	<u>3,352,499,586</u>

2013

	Opening balance	Increase	Decrease	Closing balance
Share premium	<u>1,693,508,949</u>	<u>1,684,727,555</u>	<u>(23,936,302)</u>	<u>3,354,300,202</u>

## 15. OTHER COMPREHENSIVE INCOME

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

	1 January 2013	Changes	31 December 2013	Changes	31 December 2014
Exchange fluctuation reserve	<u>(20,660,520)</u>	<u>(1,335,445)</u>	<u>(21,995,965)</u>	<u>(8,276,717)</u>	<u>(30,272,682)</u>

Other comprehensive income attributable to Parent on the statement of profit or loss:

### 2014

Other comprehensive income to be reclassified to profit or loss

	Before Tax	Income tax	After Tax
Exchange fluctuation reserve	<u>(8,276,717)</u>	<u>—</u>	<u>(8,276,717)</u>

### 2013

Other comprehensive income to be reclassified to profit or loss

	Before Tax	Income tax	After Tax
Exchange fluctuation reserve	<u>(1,335,445)</u>	<u>—</u>	<u>(1,335,445)</u>

## 16. SPECIAL RESERVE

### 2014

	Opening balance	Increase	Decrease	Closing balance
Production safety expenses	<u>1,148,151</u>	<u>17,647,640</u>	<u>15,874,796</u>	<u>2,920,995</u>

### 2013

	Opening balance	Increase	Decrease	Closing balance
Production safety expenses	<u>—</u>	<u>17,064,525</u>	<u>15,916,374</u>	<u>1,148,151</u>

## 17. SURPLUS RESERVE

### 2014

	Opening balance	Increase	Closing balance
Statutory surplus reserve	<u>624,621,343</u>	<u>234,466,501</u>	<u>859,087,844</u>

### 2013

	Opening balance	Increase	Closing balance
Statutory surplus reserve	<u>469,062,942</u>	<u>155,558,401</u>	<u>624,621,343</u>

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

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

## 18. RETAINED EARNINGS

	2014	2013
Retained earnings at the end of last year	3,882,348,394	2,952,057,924
Add: A business combination involving an enterprise under common control	<u>—</u>	<u>5,866,554</u>
Retained earnings at the beginning of the year	3,882,348,394	2,957,924,478
Add: Net profit attributable to shareholders of the Parent	2,394,818,236	1,467,020,759
A business combination involving an enterprise under common control	<u>—</u>	<u>(7,548,969)</u>
Less: Appropriation to statutory surplus reserve (Note 1)	234,466,501	155,558,401
Cash dividends paid (Note 2)	<u>411,416,823</u>	<u>379,489,473</u>
Retained earnings at the end of the year	<u>5,631,283,306</u>	<u>3,882,348,394</u>

Note 1: As at 31 December 2014, included in the retained earnings under the Group's consolidated statement of changes in equity, the appropriation to surplus reserve of subsidiaries for the current year which attributable to shareholders of the parent is RMB8,035,076 (31 December 2013: RMB3,856,712).



## 18. RETAINED EARNINGS (CONTINUED)

Note 2: Pursuant to 2013 Annual General Meeting held on 27 June 2014, a final dividend of RMB0.35 was paid on each of the 1,175,476,637 shares in issue in the year 2013, amounting to a total cash dividend of RMB411,416,823. The dividend was paid during the year 2014.

Pursuant to 2012 Annual General Meeting held on 10 June 2013, a final dividend of RMB0.35 was paid on each of the 1,084,255,637 shares in issue in the year 2012, amounting to a total cash dividend of RMB379,489,473. The dividend was paid during the year 2013.

Pursuant to the board of directors' meeting held on 20 March 2015, a proposed final dividend of RMB0.40 was paid on each of the 1,175,476,637 shares in issue, amounting to a total cash dividend of RMB470,190,655. The above proposal needs to be approved at the Annual General Meeting. Before the approval of the general meeting of shareholders, it will not form part of the Company's liabilities, therefore it was not reflected in the current financial statements.

## 19. REVENUE AND COST OF SALES

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

Revenue is stated as follows:

	2014	2013
Revenue from principal operations	12,413,649,348	8,732,681,851
Other operating income	262,547,339	123,281,711
	<u>12,676,196,687</u>	<u>8,855,963,562</u>

Cost of sales is stated as follows:

	2014	2013
Cost of sales from principal operations	7,658,177,276	5,621,160,614
Other operating costs	218,228,976	73,387,195
	<u>7,876,406,252</u>	<u>5,694,547,809</u>

Details of revenue are listed as follows:

	2014	2013
Sale of goods and raw materials	12,384,578,901	8,725,800,551
Maintenance income	229,149,210	103,063,725
Technical service income	44,476,334	3,929,269
Rental income	11,097,935	11,235,640
Others	6,894,307	11,934,377
	<u>12,676,196,687</u>	<u>8,855,963,562</u>

## 20. FINANCE COSTS

	2014	2013
Interest expenses:		
— Interest on bank loans due for full repayment within 5 years	2,801,762	2,785,260
Interest income	(50,943,413)	(20,655,853)
Exchange losses/(gains)	3,772,223	(13,636,288)
Others	1,356,207	4,019,497
	<u>(43,013,221)</u>	<u>(27,487,384)</u>

## 21. ASSET IMPAIRMENT LOSSES

	2014	2013
Bad debt loss	71,053,204	10,554,296
Impairment loss/(reversal of loss) of inventories	55,092,975	(48,922,775)
Impairment loss of goodwill	—	46,517,958
Impairment loss of fixed assets	22,630,475	—
	<u>148,776,654</u>	<u>8,149,479</u>

## 22. INVESTMENT INCOME

	2014	2013
Income from non-listed investments:		
Long-term equity investment income under the equity method	51,661,839	12,578,234
Income from entrusted loans	24,854,795	—
Bank financial product income	45,091,247	—
	<u>121,607,881</u>	<u>12,578,234</u>

## 23. NON-OPERATING INCOME

	2014	2013
Gain on disposal of non-current assets	739,820	444,998
Refunds of value-added tax	173,186,991	68,055,389
Government grants	82,497,544	16,529,825
Unsettled payment	685,380	1,575,525
Penalty income and default compensation income	3,307,108	2,785,775
Others	11,572,314	863,429
	<u>271,989,157</u>	<u>90,254,941</u>

## 24. NON-OPERATING EXPENSES

	2014	2013
Loss on disposal of non-current assets	1,507,064	713,310
Loss on penalties and compensation	1,027,938	217,388
Others	348,415	144,020
	<u>2,883,417</u>	<u>1,074,718</u>

## 25. INCOME TAX EXPENSE

	2014	2013
Current income tax expense		
— Mainland China	485,809,924	270,889,114
— Other countries and regions	682,844	39,694
	<u>486,492,768</u>	<u>270,928,808</u>
Deferred tax expense	(123,587,388)	(33,573,537)
	<u>362,905,380</u>	<u>237,355,271</u>

The Group did not generate assessable profits in Hong Kong and hence no provision was made for Hong Kong profits tax.

## 25. INCOME TAX EXPENSE (CONTINUED)

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

	2014	2013
Total profit	<b>2,754,913,998</b>	1,703,580,158
Income tax expense at statutory tax rate of 25% (Note)	<b>688,728,500</b>	425,895,039
Effect of different income tax rates for overseas entities	<b>769,773</b>	(5,564)
Tax exemption	<b>(277,008,594)</b>	(178,064,276)
Profits and losses attributable to associates and a joint venture	<b>(7,749,276)</b>	(1,886,735)
Income not subject to tax	<b>(242,571)</b>	(556,762)
Income tax benefits on research and development expenditure	<b>(40,454,044)</b>	(26,558,591)
Expenses not deductible for tax	<b>3,845,768</b>	10,225,730
Deductible temporary differences not recognised	<b>8,032,265</b>	6,229,234
Tax losses not recognised	<b>1,543,920</b>	8,383,630
Utilization of tax losses carried forward from previous periods	<b>(1,380,447)</b>	(827,739)
Recognise the un-recognised deductible temporary differences of previous years	<b>(17,302,287)</b>	—
Others	<b>4,122,373</b>	(5,478,695)
Tax expense at the Group's effective tax rate	<b>362,905,380</b>	237,355,271

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

## 26. EARNINGS PER SHARE

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

The calculation of basic earnings per share is as follows:

	2014	2013
<b>Earnings</b>		
Net profit for the year attributable to ordinary shareholders of the Company	<u>2,394,818,236</u>	<u>1,467,020,759</u>
<b>Shares</b>		
Weighted average number of ordinary shares in issue of the Company	<u>1,175,476,637</u>	<u>1,101,000,314</u>
Basic earnings per share (Yuan/share)	<u>2.04</u>	<u>1.33</u>
Diluted earnings per share (Yuan/share)	<u>2.04</u>	<u>1.33</u>

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

## 27. DIVIDENDS

	2014	2013
Proposed final dividend-RMB0.40 per ordinary share (2013: RMB0.35)	<u>470,190,655</u>	<u>411,416,823</u>

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming Annual General Meeting.

## 28. SEGMENT REPORTING

### Operating segments

For management purposes, the Group's operating activities are attributable to a single operating segment, focusing on the provision of rolling stock and its extension products and services in the market. Therefore, no other operating segment is presented.

### Other information

#### Products and services information

#### Revenue from external customers

	2014	2013
Sales of goods and raw materials	12,384,578,901	8,725,800,551
Maintenance income	229,149,210	103,063,725
Technical service income	44,476,334	3,929,269
Rental income	11,097,935	11,235,640
Others	6,894,307	11,934,377
	<u>12,676,196,687</u>	<u>8,855,963,562</u>

### Geographical information

#### Revenue from external customers

	2014	2013
Mainland China	12,379,397,331	8,579,561,711
Other countries and regions	296,799,356	276,401,851
	<u>12,676,196,687</u>	<u>8,855,963,562</u>

Revenue from external customers is analysed by geographic locations where the customers are located.

#### Total non-current assets

	31 December 2014	31 December 2013
Mainland China	2,260,164,962	2,230,244,200
Other countries and regions	224,410,980	193,599,409
	<u>2,484,575,942</u>	<u>2,423,843,609</u>

Non-current assets are analysed by geographic locations where the assets are located, excluding financial assets and deferred tax assets.

## 28. SEGMENT REPORTING (CONTINUED)

### Information of major customers

In 2014, the Group's operating revenue (which accounted for more than 10% of the Group's total revenue) of RMB7,801,176,216 was derived from sales to a single customer, including sales to a group of entities which are known to be under the control of the customer (2013: RMB4,856,311,188 from a single customer, including sales to a group of entities (which are known to be under the control of the customer)).

## 29. OTHER INFORMATION

	31 December 2014	31 December 2013
Net current assets	9,179,211,753	6,992,162,939
Total assets less current liabilities	<u>11,938,153,567</u>	<u>9,577,966,146</u>
	2014	2013
Depreciation	246,305,340	138,462,059
Amortisation of intangible assets	<u>22,046,276</u>	<u>21,900,548</u>

## 30. POST BALANCE SHEET EVENTS

On 5 February 2015, the Company entered into an agreement with the shareholders of Specialist Machine Developments (SMD) Limited ("SMD"), which consist of Inflexion Mirage Limited Partnership and several natural persons, and Specialist Machine Developments (Investment) Limited ("SMD Investment") (a subsidiary of SMD) regarding the Group's acquisition of the entire issued share capital of SMD, a company incorporated in England and Wales. The agreement also stated that the Company shall procure SMD Investment to acquire shareholding of Bywell Holdings Limited ("Bywell Holdings"), a subsidiary of SMD Investment, from several natural persons. After completion, SMD, SMD Investment, and Bywell Holdings and its subsidiaries will become the wholly-owned subsidiaries of the Company.

The consideration payable by the Group in respect of the acquisition includes:

- At completion, the Group shall pay an amount not exceeding GBP108,300,000 (equivalent to approximately RMB1,033,582,710) including but not limited to the price for the relevant share transfers and repayment of shareholders' loans;
- At completion, the Group shall place a retention amount of GBP10,100,000 (equivalent to approximately RMB96,391,370) into an escrow account in the joint names of the Company and the sellers. If the performances of the first financial year and the second financial year of SMD after the completion of the acquisition meet certain performance targets stipulated under the agreement, the Group shall pay additional consideration from the retention amount not exceeding GBP10,100,000 (equivalent to approximately RMB96,391,370);

### **30. POST BALANCE SHEET EVENTS (CONTINUED)**

- Where completion takes place later than 31 March 2015, the Group will be required to pay an additional daily earning amount as agreed under the agreement with respect to the period from 1 April 2015 to and excluding the date of completion (For the period between 1 April 2015 to 30 April 2015, the daily earnings amount is GBP10,000 per day (equivalent to approximately RMB95,437); For the period between 1 May 2015 to 31 May 2015, the daily earnings amount is GBP15,000 per day (equivalent to approximately RMB143,156); For the period between 1 June 2015 to the date of completion, the daily earnings amount is GBP20,000 per day (equivalent to approximately RMB190,874)).

Further, if the performance of the first financial year and the second financial year of SMD as agreed by the Company and the sellers after the completion of the acquisition meet certain more stringent performance targets stipulated under the agreement, the Company shall pay certain additional contingent amount up to GBP7,000,000 (equivalent to approximately RMB66,805,900).

On completion, the Company will repay or procure the repayment of the bank loans owed by SMD and its subsidiaries then outstanding. The outstanding principal and the accrued interest under the bank loans was approximately GBP11,500,000 (equivalent to approximately RMB109,752,550) as of 31 December 2014.

The completion of such acquisition is subject to fulfillment of conditions precedent.

As of the approval date of the financial statements, the acquisition has not been completed.

### **PERFORMANCE REVIEW**

The Group's revenue in 2014 amounted to RMB12,676.2 million (2013: RMB8,856.0 million), representing an increase of 43.1% year-on-year. Net profit attributable to shareholders of the Parent amounted to RMB2,394.8 million (2013: RMB1,467.0 million), representing an increase of 63.2% year-on-year. Basic earnings per share amounted to RMB2.04 (2013: RMB1.33), representing an increase of 53.4% year-on-year.

### **BUSINESS REVIEW**

In 2014, faced with some uncertainties and their effects in the railway market, the Group, adhered to its "efficient organization" and "global operation" strategies, and with its aim to achieve high efficiency and effectiveness and through the synergies of market, research and development, management and other respects, successfully obtained bulk orders in the markets of high-speed railway and mainline railway locomotives, which contributed to the scale of the Company to exceed RMB10 billion.

All business sectors respectively made new breakthroughs in technology, products and markets, which mainly included:

In respect of the traction systems for locomotives, electrical systems for 9600kW electric locomotives with 8 axles and passenger electric locomotives with a speed of 160 km/h were delivered in batches, and electric locomotives for South Africa were delivered. The Company obtained bulk orders in 4400hp diesel locomotives.



## **BUSINESS REVIEW (CONTINUED)**

In respect of the traction systems for electric multiple units, the Group recorded a growth in the delivery to high-speed railway and progressed smoothly in researching and developing electric multiple units with national standards.

In respect of urban railway and metro, the Company's own traction systems continued to lead the domestic market, which consolidated and enhanced its market share. As of the date ended October 2014, the Company accumulatively delivered over 3,000 sets of its own traction systems.

In respect of railway engineering machinery, the Group integrated its resources to make use of its overall advantages in the industry and accelerated new product development, which expanded its market share.

In respect of train operation safety equipment, the Group cultivated a new generation of products.

The sector of parts and components was developing steadily. 8-inch in-house IGBT chip production line was put into production and commenced trial operation, and sample module was approved for downstream production.

During the past year, the Company promoted excellent performance management to continuously promote organizational performance and operation efficiency.

## **OUTLOOK**

As for railway field in 2015, with the constant improvement in railway system and continuous promotion of reform, the merger of CSR Corporation Limited and China CNR Corporation Limited will materially affect the industry of locomotives. Faced with many uncertainties in the market, the Company will persist in its existing strategy to strengthen its core sectors and take advantage of industrial synergies, and insist on the two major lines of "technology" and "market" to provide quality services to customers and steadily expand into the international market.

In the field of traction transmission system of locomotives and electric multiple units, the Company will strengthen its established market and take advantage of its own technology and products to expand potential market and cultivate inter-city market for the promotion of international business; facilitate the development of new train models, such as electric multiple units with national standards and electric multiple units operating at high latitudes and low temperatures, to make use of product synergies and provide good supporting service.

In the field of urban railway and metro, the Company will strengthen its market, reinforce its project implementation and accomplish industrial distribution in order to take advantage of its own technology and industrial synergies as well as promote the emerging industries and value-added services.

## OUTLOOK (CONTINUED)

In the field of railway engineering machinery, the Company will leverage on its overall advantages in both technology and industry, enhance its innovation and integration capabilities to further expand its existing market and cultivate new product market.

In the field of communication and signaling, the Company will promote the industrialization process of new products.

In the field of parts and components sector, the Company will persist in emphasizing both technology development and market expansion, and continuously enrich the product portfolio of IGBT, to accelerate the batch application of its own IGBT products and the industrialization process.

In the field of new sectors, the Company will introduce new mechanism and innovative concept to accelerate the cultivation and development of marine engineering and other new sectors.

Looking ahead to the coming year, the Group is confident in expanding its competitive edges in all business sectors while consolidating its status in the industry and making efforts to develop the business, thereby creating greater value for all shareholders.

## MANAGEMENT DISCUSSION AND ANALYSIS

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

### Revenue

	2014 (RMB million)	2013 (RMB million)
Locomotives power converters, auxiliary power supply equipment and Control systems	3,704.3	2,906.2
Electric Multiple Units power converters, auxiliary power supply equipment and control systems	4,759.1	2,315.1
Metropolitan rail transportation equipment power converters, auxiliary power supply equipment and control systems	1,207.6	955.7
Railway maintenance vehicles related products	1,148.6	1,102.9
Train operation safety equipment	574.6	571.0
Power semiconductor modules	430.2	522.9
Other products	851.8	482.2
<b>Total revenue</b>	<b>12,676.2</b>	<b>8,856.0</b>

## **Revenue (Continued)**

The Group's revenue increased by RMB3,820.2 million or 43.1% from RMB8,856.0 million for the year ended 31 December 2013 to RMB12,676.2 million for the year ended 31 December 2014.

In 2014, other than a small decrease in the revenue from power semiconductor modules, other product series recorded increases in revenue at various growth levels. Among these, the strongest growth in revenue was from electric multiple units power converters, auxiliary power supply equipment and control systems with an increase of RMB2,444.0 million. Such increase was mainly due to the delivery of electric multiple units electrical systems for 4M4T and 6M2T. The second strongest growth in revenue was recorded in locomotives power converters, auxiliary power supply equipment and control systems with an increase of RMB798.1 million, mainly due to the delivery of locomotives electrical systems for 9600kW and 160KM. The third strongest growth in revenue was recorded in other products with an increase of RMB369.6 million, mainly due to the delivery of products such as sensors and the comprehensive performance test platform for train units.

## **Cost of sales**

The Group's cost of sales increased by 38.3% from RMB5,694.5 million for the year ended 31 December 2013 to RMB7,876.4 million for the year ended 31 December 2014. The increase in the cost of sales was mainly due to the combined effects of the growth in the Group's revenue and the change of product sales mix.

## **Gross profit**

The Group's gross profit increased by 51.8% from RMB3,161.5 million for the year ended 31 December 2013 to RMB4,799.8 million for the year ended 31 December 2014. The Group's gross profit margin increased from 35.7% for the year ended 31 December 2013 to 37.9% for the year ended 31 December 2014. The change in gross profit margin was mainly due to the change of product sales mix.

## **Selling expenses**

Selling expenses of the Group increased by 76.7% from RMB498.5 million for the year ended 31 December 2013 to RMB880.9 million for the year ended 31 December 2014. Selling expenses increased with increases in business operations.

### **Administrative expenses**

The Group's administrative expenses increased by 34.2% from RMB1,005.2 million for the year ended 31 December 2013 (representing 11.4% of the Group's revenue for the whole year) to RMB1,349.1 million for the year ended 31 December 2014 (representing 10.6% of the Group's revenue for the whole year). The increase in administrative expenses was due to the increase in business operations and in research and development costs of the Group in 2014. However, as strict control was exercised over expenses by the Group, the share of the Group's administrative expenses in the full year revenue decreased by 0.8 percentage point as compared to last year.

### **Finance costs**

The Group's finance costs decreased from negative RMB27.5 million for the year ended 31 December 2013 to negative RMB43.0 million for the year ended 31 December 2014. The decrease in finance costs was mainly due to the increase in interest income during the year.

### **Asset impairment losses**

The Group's asset impairment losses increased from RMB8.1 million for the year ended 31 December 2013 to RMB148.8 million for the year ended 31 December 2014. In 2014, the Group made impairment provisions of RMB71.4 million for trade receivables with signs of impairment and also made impairment provisions of RMB92.1 million for inventories with signs of impairment.

### **Investment income**

The Group's investment income increased from RMB12.6 million for the year ended 31 December 2013 to RMB121.6 million for the year ended 31 December 2014. The increase in investment income was mainly due to the increase in bank financial product income.

### **Non-operating income**

The Group's non-operating income increased from RMB90.3 million for the year ended 31 December 2013 to RMB272.0 million for the year ended 31 December 2014. The increase in non-operating income was due to the increase in the one-off government grants during the year.

### **Non-operating expenses**

The Group's non-operating expenses increased from RMB1.1 million for the year ended 31 December 2013 to RMB2.9 million for the year ended 31 December 2014. The increase in non-operating expenses was due to the increase in compensations in the current year as compared to last year.

## **Total profit**

The Group's total profit increased by 61.7% from RMB1,703.6 million for the year ended 31 December 2013 to RMB2,754.9 million for the year ended 31 December 2014. The increase in total profit was mainly due to the increase in revenue. The Group's sales profit margins for the years ended 31 December 2013 and 31 December 2014 were 19.2% and 21.7% respectively.

## **Income tax expense**

The Group's income tax expense increased by 52.9% from RMB237.4 million for the year ended 31 December 2013 to RMB362.9 million for the year ended 31 December 2014.

The Company, Ningbo CSR Times Sensor Technology Co., Ltd., Zhuzhou Times Electronics Technology Co., Ltd. and Zhuzhou Times Equipment Technology Co., Ltd. were accredited as high and new technology enterprises and received approvals from the relevant government authorities, and they were subject to the preferential corporate income tax rate of 15%.

Baoji CSR Times Engineering Machinery Co., Ltd. and Kunming CSR Electric Equipment Co., Ltd. were subject to the preferential tax policy of the Development of West Region, and they were entitled to be taxed at the preferential corporate income tax rate of 15%.

Beijing CSR Times Information Technology Co., Ltd. and Shenyang CSR Times Transportation Equipment Co., Ltd. were subject to the corporate income tax rate of 25%.

The effective income tax rates of the Group for the years ended 31 December 2013 and 31 December 2014 were 13.9% and 13.2% respectively.

## **Net profit attributable to shareholders of the Parent**

Net profit attributable to shareholders of the Parent increased by 63.2% from RMB1,467.0 million for the year ended 31 December 2013 to RMB2,394.8 million for the year ended 31 December 2014. The increase in the net profit attributable to shareholders of the Parent was mainly due to the increase in revenue.

### **Non-controlling interests**

Non-controlling interests decreased by RMB2.0 million from negative RMB0.8 million for the year ended 31 December 2013 to negative RMB2.8 million for the year ended 31 December 2014. The decrease in non-controlling interests was mainly due to the decrease in net profit from the Group's non-wholly owned subsidiaries as compared to last year.

### **Earnings per share**

Earnings per share increased by RMB0.71 from RMB1.33 for the year ended 31 December 2013 to RMB2.04 for the year ended 31 December 2014.

### **Liquidity and source of capital**

#### **Cash flows and working capital**

The Group's needs for working capital were mainly satisfied by cash generated from operations. The net decrease in cash and cash equivalents of the Group amounted to RMB470.6 million for the current year.

#### **Net cash flows from operating activities**

The Group's net cash flows from operating activities increased from RMB726.0 million for the year ended 31 December 2013 to RMB2,056.7 million for the year ended 31 December 2014, which was mainly due to the significant increase in the cash received from sale of goods or rendering of services by the Group as compared to last year.

#### **Net cash flows from investing activities**

For the year ended 31 December 2014, the Group's net cash from investing activities was approximately negative RMB2,128.4 million. The cash outflow item in investing activities was mainly the cash paid for acquisition of investments of RMB4,500.0 million.

#### **Net cash flows from financing activities**

For the year ended 31 December 2014, the Group's net cash flows from financing activities was approximately negative RMB397.9 million. The cash outflow item in financing activities was mainly the amount of RMB411.9 million of cash paid for distribution of dividend or profits and for interest expenses.

## Liquidity

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

## Commitments

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

	<b>31 December 2014 (RMB million)</b>	<b>31 December 2013 (RMB million)</b>
Capital commitments:		
Contracted but not provided for	<b>110.5</b>	214.0
Authorised but not contracted for	<b>645.2</b>	315.7
	<b>755.7</b>	529.7
Investment commitments:		
Authorised but not contracted for	—	91.1
Contracted but not fulfilled	<b>22.5</b>	—
	<b>22.5</b>	91.1

## Indebtedness

The Group's indebtedness as at the dates indicated is set out as follows:

	<b>31 December 2014 (RMB million)</b>	<b>31 December 2013 (RMB million)</b>
Short-term borrowings	<b>4.4</b>	31.2
Long-term borrowings (inclusive of amounts due within one year)	<b>48.8</b>	64.4
Total	<b>53.2</b>	95.6

## Pledge

As at 31 December 2014, the Group pledged its fixed assets with a net carrying amount of RMB29.1 million (31 December 2013: RMB34.9 million) to obtain bank borrowings.

**Pledge (continued)**

As at 31 December 2014, the Group pledged its intangible assets with a net carrying amount of RMB16.8 million (31 December 2013: RMB17.8 million) to obtain bank borrowings.

**Gearing ratio**

The Group monitors capital management by using the gearing ratio, which is net debt divided by the adjusted capital plus net debt. The Group's policy is to maintain the gearing ratio below 20%. Net debt includes all borrowings, bills payable, trade payables, receipts in advance, employee benefits payable, taxes payable (excluding income tax payable), other payables and long-term payables, less cash and cash equivalents. Capital includes equity attributable to owners of the parent. The Group's gearing ratio was 4.0% as at 31 December 2013 and 15.2% as at 31 December 2014.

**Contingent liabilities**

The Group is not involved in any material litigation, and to the best of the Group's knowledge, there is no pending or potential material litigation in which the Group will be involved.

**Market risks**

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

**Policy risk**

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

**Post balance sheet events**

On 5 February 2015, the Company entered into an agreement with the shareholders of Specialist Machine Developments (SMD) Limited ("SMD"), which consist of Inflexion Mirage Limited Partnership and several natural persons, and Specialist Machine Developments (Investment) Limited ("SMD Investment") (a subsidiary of SMD) regarding the Group's acquisition of the entire issued share capital of SMD, a company incorporated in England and Wales. The agreement also stated that the Company shall procure SMD Investment to acquire shareholdings of Bywell Holdings Limited ("Bywell Holdings"), a subsidiary of SMD Investment, from several natural persons. After completion, SMD, SMD Investment, and Bywell Holdings and its subsidiaries will become the wholly-owned subsidiaries of the Company.

The consideration payable by the Group in respect of the acquisition includes:

- At completion, the Group shall pay an amount not exceeding GBP108,300,000 (equivalent to approximately RMB1,033,582,710) including but not limited to the price for the relevant share transfers and repayment of shareholders' loans;



## **Post balance sheet events (continued)**

- At completion, the Group shall place a retention amount of GBP10,100,000 (equivalent to approximately RMB96,391,370) into an escrow account in the joint names of the Company and the sellers. If the performances of the first and the second financial year of SMD after the completion of the acquisition meet certain performance targets stipulated under the agreement, the Group shall pay additional consideration from the retention amount not exceeding GBP10,100,000 (equivalent to approximately RMB96,391,370);
- Where completion takes place later than 31 March 2015, the Group will be required to pay an additional daily earnings amount as agreed under the agreement with respect to the period from 1 April 2015 to and excluding the date of completion (For the period between 1 April 2015 to 30 April 2015, the daily earnings amount is GBP10,000 per day (equivalent to approximately RMB95,437); For the period between 1 May 2015 to 31 May 2015, the daily earnings amount is GBP15,000 per day (equivalent to approximately RMB143,156); For the period between 1 June 2015 to the date of completion, the daily earnings amount is GBP20,000 per day (equivalent to approximately RMB190,874)).

Further, if the performance of the first financial year and the second financial year of SMD as agreed by the Company and the sellers after the completion of the acquisition meet certain more stringent performance targets stipulated under the agreement, the Company shall pay certain additional contingent amount up to GBP7,000,000 (equivalent to approximately RMB66,805,900).

On completion, the Company will repay or procure the repayment of the bank loans owed by SMD and its subsidiaries then outstanding. The outstanding principal and the accrued interest under the bank loans was approximately GBP11,500,000 (equivalent to approximately RMB109,752,550) as of 31 December 2014.

The completion of such acquisition is subject to fulfillment of conditions precedent. For details, please refer to the discloseable transaction announcement of the Company dated 5 February 2015 for details.

Through the acquisition, the Company will extend its core technology in the electric transmission and control of rail transit to the areas of deepsea robots and other deepsea high-end equipment, which can quickly fill the gaps in the deepsea robots industry in China at the time being and may enable the Company to quickly get access to the applied technologies, market, management team and experience required for designing and manufacturing the deepsea marine machinery. The Company will further explore other areas of deepsea equipment in order to establish its leading position as a designer and manufacturer of deepsea marine machinery. The acquisition is in line with the state's key national industrial policies on the encouraged sectors and has significant strategic value and broad prospects for development.

As of the date of this announcement, the acquisition has not been completed.

## **Proposed distribution of final dividends**

The Board of the Company proposed to distribute a cash dividend of RMB0.40 per share (inclusive of applicable tax) for the year.

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

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

The proposed dividend to be distributed is subject to the approval of the shareholders at the annual general meeting to be held on 5 June 2015. If approved, the final dividends are expected to be distributed on or about 17 July 2015 to shareholders whose name are registered in the list of shareholders on 16 June 2015.

## **Closure of register**

In order to ascertain the shareholder capacity to attend the forthcoming annual general meeting to be held on 5 June 2015, the register of members of the Company will be temporarily closed from 6 May 2015 to 5 June 2015 (both days inclusive), during which no transfer of shares will be registered. In order to attend the annual general meeting and vote in the meeting, all transfer documents of the holders of H shares of the Company must be lodged at the Company's H share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on 5 May 2015.

## **Closure of register (continued)**

In order to ascertain the entitlements of the shareholders to receive the final dividend, the register of members of the Company will be temporarily closed from 11 June 2015 to 16 June 2015 (both days inclusive), during which no transfer of shares will be registered. All transfer documents together with the relevant share certificates and form of transfer must be delivered to the Company's H share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on 10 June 2015.

## **Purchase, redemption or sale of listed securities of the Company**

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

## **CORPORATE GOVERNANCE REPORT**

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

### **I. Corporate Governance Practices**

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

During the year ended 31 December 2014, the Company has fully complied with all the code provisions as set out in the Corporate Governance Code ("CG Code") and Corporate Governance Report, contained in Appendix 14 of the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (the "Listing Rules") except for Code Provisions A.6.7 and E.1.2 as set out below.

Mr. Ding Rongjun, the chairman and executive director of the Company, did not attend the extraordinary shareholders' meeting and the annual general meeting due to his other important commitments that deviated the requirements of Code Provision A.6.7 and E.1.2.

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

## **I. Corporate Governance Practices (continued)**

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

## **II. Securities Transactions by Directors**

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

Having made specific inquiries in relation to the compliance with Model Code for securities transactions by the Directors, the Company confirmed that all Directors have complied with the relevant standards for securities transactions by Directors set out in the Model Code during the reporting period.

## **REVIEW BY THE AUDIT COMMITTEE**

The Company's annual results for the year ended 31 December 2014 and this results announcement have been reviewed and confirmed by the audit committee of the Board.

By Order of the Board  
**Zhuzhou CSR Times Electric Co., Ltd.**  
**Ding Rongjun**  
*Chairman*

Zhuzhou, China, 20 March 2015

*As at the date of this announcement, our Chairman of the Board and Executive Director is Ding Rongjun, our Vice-chairman of the Board and Executive Director is Deng Huijin, our other Executive Director are Li Donglin and Yan Wu, our Non-executive Director is Ma Yunkun, and our Independent Non-executive Directors are Gao Yucai, Chan Kam Wing, Clement, Pao Ping Wing and Liu Chunru.*