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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 UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2015

The board of directors (the “Board”) of Zhuzhou CSR Times Electric Co., Ltd. (the “Company”) is pleased to announce the unaudited interim consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2015 which have been prepared in accordance with the “Accounting Standards for Business Enterprises” issued by the China Ministry of Finance and set out (unless otherwise stated, the figures contained in this announcement are denominated in Renminbi) as below:

Consolidated Statement of Financial Position 30 June 2015

ASSETS	Note	30 June 2015 (Unaudited)	31 December 2014 (Audited)
CURRENT ASSETS			
Cash and bank balances	4	3,930,417,655	2,679,867,325
Bills receivable		1,480,638,238	3,184,352,916
Trade receivables	5	4,569,828,152	2,813,878,700
Prepayments		211,184,092	147,627,653
Other receivables		201,262,072	79,220,006
Inventories	6	3,525,839,219	2,207,339,644
Other current assets	7	2,291,656,562	3,053,675,472
Total current assets		16,210,825,990	14,165,961,716
NON-CURRENT ASSETS			
Available-for-sale financial asset		900,000	900,000
Long-term receivables		23,174,915	22,082,991
Long-term equity investments		274,683,416	237,010,505
Fixed assets	8	1,752,590,558	1,770,444,529
Construction in progress		166,287,984	112,914,938
Intangible assets		685,714,826	268,531,012
Development expenditure		15,737,660	15,092,149
Goodwill		600,699,778	13,770,533
Deferred tax assets		274,195,734	251,382,881
Other non-current assets		68,208,521	66,812,276
Total non-current assets		3,862,193,392	2,758,941,814
TOTAL ASSETS		20,073,019,382	16,924,903,530

Consolidated Statement of Financial Position (continued)

30 June 2015

	Note	30 June 2015 (Unaudited)	31 December 2014 (Audited)
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES			
Short-term borrowings	9	80,248,805	4,385,940
Bills payable		1,288,956,771	1,569,649,099
Trade payables	10	2,637,570,274	1,861,391,032
Advances from customers		622,792,400	588,010,023
Employee benefits payable		167,641,939	52,112,041
Taxes payable		243,677,979	146,880,754
Dividends payable		470,190,655	—
Other payables		424,695,910	373,833,468
Current portion of non-current liabilities	11	19,622,294	11,315,264
Provisions		319,059,982	329,643,512
Deferred income		49,777,204	49,528,830
Total current liabilities		6,324,234,213	4,986,749,963
NON-CURRENT LIABILITIES			
Long-term borrowings	12	904,359,698	37,492,529
Long-term payables		93,338,286	66,444,529
Provisions		519,515,223	480,083,471
Deferred income		195,736,355	168,992,811
Other non-current liabilities		6,418,498	—
Deferred tax liabilities		103,549,443	14,374,351
Total non-current liabilities		1,822,917,503	767,387,691
Total liabilities		8,147,151,716	5,754,137,654
SHAREHOLDERS' EQUITY			
Share capital	13	1,175,476,637	1,175,476,637
Capital reserve	14	3,352,123,130	3,352,499,586
Other comprehensive income	15	(22,857,609)	(30,272,682)
Special reserve	16	3,033,938	2,920,995
Surplus reserve	17	984,257,722	859,087,844
Retained earnings	18	6,255,751,858	5,631,283,306
Total equity attributable to shareholders of the Parent		11,747,785,676	10,990,995,686
Non-controlling interests		178,081,990	179,770,190
Total shareholders' equity		11,925,867,666	11,170,765,876
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		20,073,019,382	16,924,903,530

Consolidated Statement of Profit or Loss

For the six months ended 30 June 2015

	Note	For the six months ended 30 June 2015 (Unaudited)	For the six months ended 30 June 2014 (Unaudited)
Revenue	19	5,722,961,086	5,180,417,557
Less: Cost of sales	19	3,460,354,609	3,323,807,389
Business taxes and surcharges		36,579,048	30,092,963
Selling expenses		243,417,182	274,798,214
Administrative expenses		678,970,492	494,247,703
Finance costs	20	(45,259,183)	(9,945,580)
Asset impairment losses	21	55,855,484	166,778,816
Add: Investment income including: share of profits of associates and joint ventures	22	72,799,724	71,788,935
		35,038,335	32,016,196
Operating profit		1,365,843,178	972,426,987
Add: Non-operating income including: gains on disposal of non-current assets	23	71,131,275	80,603,880
		277,906	287,517
Less: Non-operating expenses including: losses on disposal of non-current assets	24	5,501,480	1,167,657
		131,598	509,143
Total profit	25	1,431,472,973	1,051,863,210
Less: Income tax expense	26	211,523,560	196,930,626
Net profit		1,219,949,413	854,932,584
Net profit attributable to shareholders of the Parent		1,219,829,085	857,455,315
Non-controlling interests		120,328	(2,522,731)
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		7,415,073	7,875,844
Total other comprehensive income attributable to non-controlling interests, net of tax		(241,035)	2,379,287
Total comprehensive income		1,227,123,451	865,187,715
Including:			
Total comprehensive income attributable to shareholders of the Parent		1,227,244,158	865,331,159
Total comprehensive losses attributable to non-controlling interests		(120,707)	(143,444)
Earnings per share (Yuan/Share)	27		
Basic		1.04	0.73
Diluted		1.04	0.73

Notes:

1. BASIC INFORMATION OF THE GROUP

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., CSR Qishuyan Locomotive & Rolling Stock Works, CSR Zhuzhou Electric Locomotive Co., Ltd., CSR Investment & Leasing Co., Ltd. and CRCC High-tech Equipment Corporation Limited (formerly known as China Railway Large Maintenance Machinery Co., Ltd. Kunming) 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 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 30 June 2015, the Company had issued an aggregate of 1,175,476,637 shares as share capital.

The Group’s parent and controlling shareholder of the parent are CSR Zhuzhou Electric Locomotive Research Institute Co., Ltd. and CRRC Corporation Limited (CSR Corporation Limited merged with China CNR Corporation Limited and renamed as CRRC Corporation Limited) 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 are prepared in accordance with the Accounting Standards for Business Enterprises No. 32 Interim Financial Reporting issued by the China Ministry of Finance. The financial statements do not include all the information and disclosure required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements for the year ended 31 December 2014. The accounting policies and estimates adopted in the preparation of the financial statement are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2014.

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-month ended 30 June 2014 and the year 2014. The changes of accounting policies by reason of the adoption of the above accounting standards have been applied and no retrospective adjustment have been made to the comparative financial information.

4. CASH AND BANK BALANCES

	30 June 2015 (Unaudited)	31 December 2014 (Audited)
Cash	61,291	44,547
Cash in bank	3,877,524,208	2,641,329,027
Other cash and bank balances	52,832,156	38,493,751
	3,930,417,655	2,679,867,325

As at 30 June 2015, the cash and bank balances of RMB35,669,279 (unaudited) (31 December 2014: RMB21,953,359 (audited)) and RMB17,162,877 (unaudited) (31 December 2014: RMB16,540,392 (audited)) of the Group are restricted as security deposits for issuance of bank acceptance bills and for issuance of bank letters of guarantee respectively.

As at 30 June 2015, the cash and bank balances deposited overseas by the Group were equivalent to RMB69,882,558 (unaudited) (31 December 2014: RMB10,550,753 (audited)).

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.

5. TRADE RECEIVABLES

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

Maturity analysis:

	30 June 2015 (Unaudited)	31 December 2014 (Audited)
Within 6 months	3,435,241,966	2,486,167,476
6 months to 1 year	1,007,673,495	165,489,115
1 to 2 years	263,276,565	268,483,688
2 to 3 years	30,165,097	26,923,378
Over 3 years	7,213,862	7,360,713
	4,743,570,985	2,954,424,370
Less: Provision for bad debt	150,567,918	118,462,679
	4,593,003,067	2,835,961,691
Less: Classified as long-term receivables	23,174,915	22,082,991
	4,569,828,152	2,813,878,700

5. TRADE RECEIVABLES (CONTINUED)

The movements of provision for bad debt are as follows:

	For the six months ended 30 June 2015 (Unaudited)	2014 (Audited)
Opening balance	118,462,679	52,877,165
Business combination not under common control	2,655,697	—
Transferred-in in the current period/year	166,380	—
Provision in the current period/year	40,908,360	71,382,522
Reversal in the current period/year	(11,766,047)	(2,754,726)
Write-off in the current period/year	(24,171)	(3,027,791)
Exchange realignment	165,020	(14,491)
Closing balance	<u>150,567,918</u>	<u>118,462,679</u>

6. INVENTORIES

	30 June 2015 (unaudited)		
	Gross carrying amount	Impairment provision	Carrying amount
Raw materials	1,009,495,472	82,177,588	927,317,884
Semi-finished products	483,889,402	26,536,867	457,352,535
Work in progress	422,790,967	4,405,243	418,385,724
Finished goods	1,622,974,229	59,797,570	1,563,176,659
Assets under construction contract	151,743,877	—	151,743,877
Turnover materials	9,222,931	1,360,391	7,862,540
	<u>3,700,116,878</u>	<u>174,277,659</u>	<u>3,525,839,219</u>

	31 December 2014 (audited)		
	Gross carrying amount	Impairment provision	Carrying amount
Raw materials	538,111,869	42,738,369	495,373,500
Semi-finished products	322,321,916	46,266,599	276,055,317
Work in progress	270,037,222	20,806,696	249,230,526
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>

6. INVENTORIES (CONTINUED)

Summary of the completed but not yet invoiced assets under construction contract included in the closing balance of inventories are listed as below:

	Aggregate cost incurred	Aggregate margin recognised	Amount invoiced
30 June 2015 (<i>unaudited</i>)	<u>1,030,664,406</u>	<u>224,723,331</u>	<u>1,103,643,860</u>

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

For the six months ended 30 June 2015 (*unaudited*)

	Opening balance	Provision	Business combination not under common control	Reversal	Exchange realignment	Closing balance
Raw materials	42,738,369	25,084,846	13,933,010	—	421,363	82,177,588
Semi-finished products	46,266,599	7,468,928	—	(27,198,660)	—	26,536,867
Work in progress	20,806,696	140,917	—	(13,077,419)	(3,464,951)	4,405,243
Finished goods	33,524,243	27,752,917	—	(112,254)	(1,367,336)	59,797,570
Turnover materials	349,989	1,023,091	—	(12,689)	—	1,360,391
	<u>143,685,896</u>	<u>61,470,699</u>	<u>13,933,010</u>	<u>(40,401,022)</u>	<u>(4,410,924)</u>	<u>174,277,659</u>

2014 (*audited*)

	Opening balance	Provision	Reversal and write-off	Exchange realignment	Closing balance
Raw materials	43,421,802	7,790,404	(7,998,149)	(475,688)	42,738,369
Semi-finished products	9,543,851	37,222,546	(499,798)	—	46,266,599
Work in progress	17,916,003	19,864,842	(15,747,898)	(1,226,251)	20,806,696
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>

7. OTHER CURRENT ASSETS

	30 June 2015 (Unaudited)	31 December 2014 (Audited)
Bank financial products (Note)	2,091,465,151	3,005,078,548
Corporation income tax retained	19,267	895,068
Value-added tax retained	193,179,762	46,887,745
Urban maintenance and construction tax retained	6,828,036	—
Other tax retained	164,346	814,111
	<u>2,291,656,562</u>	<u>3,053,675,472</u>

Note: As at 30 June 2015, the bank financial products held by the Group are principal guaranteed and income yielding with yield rates from 4.20% to 4.90% (unaudited) (31 December 2014: 3.20% to 5.69% (audited)). These bank financial products will expire in succession before 18 November 2015.

8. FIXED ASSETS

For the six months ended 30 June 2015 (unaudited)

	Buildings	Machinery	Vehicles	Office facilities and others	Total
Cost					
Opening balance	1,261,094,096	1,277,569,640	36,087,412	168,813,399	2,743,564,547
Business combination not under common control	41,586,090	16,990,888	—	—	58,576,978
Purchase	3,663,401	13,762,715	3,237,147	4,717,183	25,380,446
Construction in progress	10,837,931	9,356,659	—	—	20,194,590
Sale and disposal	(9,564,516)	(4,980,647)	(360,362)	(1,232,404)	(16,137,929)
Exchange realignment	2,384,105	2,048,297	—	—	4,432,402
Closing balance	<u>1,310,001,107</u>	<u>1,314,747,552</u>	<u>38,964,197</u>	<u>172,298,178</u>	<u>2,836,011,034</u>
Accumulated depreciation					
Opening balance	208,074,544	579,405,768	23,630,302	97,055,455	908,166,069
Increase	20,973,043	78,456,223	2,598,624	9,080,682	111,108,572
Write-off	(9,556)	(4,338,474)	(306,937)	(907,558)	(5,562,525)
Exchange realignment	33,681	149,294	—	—	182,975
Closing balance	<u>229,071,712</u>	<u>653,672,811</u>	<u>25,921,989</u>	<u>105,228,579</u>	<u>1,013,895,091</u>
Impairment provision					
Opening balance	10,513,264	53,626,322	—	814,363	64,953,949
Increase	—	4,501,301	3,443	613,949	5,118,693
Write-off	—	(547,257)	—	—	(547,257)
Closing balance	<u>10,513,264</u>	<u>57,580,366</u>	<u>3,443</u>	<u>1,428,312</u>	<u>69,525,385</u>
Net carrying amount					
Closing balance	<u>1,070,416,131</u>	<u>603,494,375</u>	<u>13,038,765</u>	<u>65,641,287</u>	<u>1,752,590,558</u>
Opening balance	<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>

8. FIXED ASSETS (CONTINUED)

2014 (audited)

	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
Purchase	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					
Closing balance	<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>
Opening balance	<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>

The amount of depreciation provided for the six months ended 30 June 2015 was RMB111,108,572 (unaudited) (six months ended 30 June 2014: RMB77,909,847 (unaudited)). For the six months ended 30 June 2015, the cost of fixed assets transferred from constructions in progress was RMB20,194,590 (unaudited) (six months ended 30 June 2014: RMB82,301,524 (unaudited)).

9. SHORT-TERM BORROWINGS

	30 June 2015 (Unaudited)	31 December 2014 (Audited)
Credit loans	1,415,174	—
Other loans (Note)	78,833,631	4,385,940
	80,248,805	4,385,940

As at 30 June 2015, the annual interest rate of the above borrowings is 2.00%-7.33% (unaudited) (31 December 2014 (audited): 0.00%-2.82%).

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 30 June 2015 and 31 December 2014 are as follows:

	30 June 2015 (Unaudited)	31 December 2014 (Audited)
Cash and bank balances	23,918,406	4,719,510
Trade receivables	131,659,515	44,713,132
Other receivables	16,809,912	4,758,704
Prepayments	31,319,914	1,384,020
Inventories	306,155,430	76,119,536
Other current assets	17,329,991	15,642
Long-term equity investments	2,634,577	—
Fixed assets	208,765,916	160,738,604
Construction in progress	11,666,079	3,793,271
Deferred tax assets	639,509	—
	750,899,249	296,242,419

10. TRADE PAYABLES

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

	30 June 2015 (Unaudited)	31 December 2014 (Audited)
Within 3 months	2,219,519,338	1,327,939,003
3 months to 1 year	297,000,320	366,538,133
1 to 2 years	97,470,662	105,588,086
2 to 3 years	23,811,624	38,917,349
Over 3 years	93,106,616	88,852,990
	2,730,908,560	1,927,835,561
Less: Classified as long-term payables	93,338,286	66,444,529
	2,637,570,274	1,861,391,032

11. CURRENT PORTION OF NON-CURRENT LIABILITIES

	30 June 2015 (Unaudited)	31 December 2014 (Audited)
Long-term borrowings due within one year	11,475,910	11,315,264
Other non-current liabilities due within one year	8,146,384	—
	<u>19,622,294</u>	<u>11,315,264</u>

12. LONG-TERM BORROWINGS

	30 June 2015 (Unaudited)	31 December 2014 (Audited)
Credit loans	945,328	—
Mortgaged loans	14,933,380	19,374,169
Guaranteed loans	899,956,900	—
Other loans	—	29,433,624
	<u>915,835,608</u>	<u>48,807,793</u>
Less: Long-term borrowings due within one year	<u>11,475,910</u>	<u>11,315,264</u>
	<u>904,359,698</u>	<u>37,492,529</u>

Maturity analysis:

	30 June 2015 (Unaudited)	31 December 2014 (Audited)
Due within 1 year	11,475,910	11,315,264
Due within 2 years	3,866,439	36,731,093
Due within 3 to 5 years	900,493,259	761,436
	<u>915,835,608</u>	<u>48,807,793</u>

As at 30 June 2015, the annual interest rate of the above borrowings is 0.00%-6.56% (unaudited) (31 December 2014 (audited): 0.00%-6.56%).

13. SHARE CAPITAL

For the six months ended 30 June 2015 (*unaudited*)

	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>

2014 (*audited*)

	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>

14. CAPITAL RESERVE

For the six months ended 30 June 2015 (*unaudited*)

	Opening balance	Decrease	Closing balance
Share premium	<u>3,352,499,586</u>	<u>(376,456)</u>	<u>3,352,123,130</u>

2014 (*audited*)

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

15. OTHER COMPREHENSIVE INCOME

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

	1 January 2014 (Audited)	Changes (Audited)	31 December 2014 (Audited)	Changes (Unaudited)	30 June 2015 (Unaudited)
Exchange fluctuation reserve	<u>(21,995,965)</u>	<u>(8,276,717)</u>	<u>(30,272,682)</u>	<u>7,415,073</u>	<u>(22,857,609)</u>

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

For the six months ended 30 June 2015 (unaudited)

Other comprehensive income to be reclassified as gain or loss

	Before Tax	Income tax	After Tax
Exchange fluctuation reserve	<u>7,415,073</u>	<u>—</u>	<u>7,415,073</u>

For the six months ended 30 June 2014 (unaudited)

Other comprehensive income to be reclassified as profit or loss

	Before Tax	Income tax	After Tax
Exchange fluctuation reserve	<u>7,875,844</u>	<u>—</u>	<u>7,875,844</u>

16. SPECIAL RESERVE

For the six months ended 30 June 2015 (unaudited)

	Opening balance	Increase	Decrease	Closing balance
Production safety expenses	<u>2,920,995</u>	<u>7,844,096</u>	<u>(7,731,153)</u>	<u>3,033,938</u>

2014 (audited)

	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>

17. SURPLUS RESERVE

For the six months ended 30 June 2015 (*unaudited*)

	Opening balance	Increase	Closing balance
Statutory surplus reserve	<u>859,087,844</u>	<u>125,169,878</u>	<u>984,257,722</u>

2014 (*audited*)

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

	For the six months ended 30 June 2015 (<i>Unaudited</i>)	2014 (<i>Audited</i>)
Retained earnings at the end of last year	5,631,283,306	3,882,348,394
Add: Net profit attributable to shareholders of the Parent	1,219,829,085	2,394,818,236
Less: Appropriation to statutory surplus reserve	125,169,878	234,466,501
Cash dividends paid	<u>470,190,655</u>	<u>411,416,823</u>
Retained earnings at the end of the period/year	<u>6,255,751,858</u>	<u>5,631,283,306</u>

The 2014 scheme of profit distribution of the Company has been reviewed and approved in the 2014 Annual General Meeting held on 5 June 2015, pursuant to which a final dividends of RMB0.40 (including tax) was paid on each of the 1,175,476,637 shares in issue, amounting to a total cash dividends of RMB470,190,655 (unaudited).

The 2013 scheme of profit distribution of the Company has been reviewed and approved in the 2013 Annual General Meeting held on 27 June 2014, pursuant to which a final dividends of RMB0.35 (including tax) was paid on each of the 1,175,476,637 shares in issue, amounting to a total cash dividends of RMB411,416,823 (audited).

The board of directors do not recommend the payment of an interim dividends (six months ended 30 June 2014: nil).

19. REVENUE AND COST OF SALES

Revenue, also the Group's turnover, includes the net invoiced value of goods sold after deducting returns and trade discounts, the value of services rendered, amount determined by proper proportion of construction contract, and the total rental income received.

Revenue is stated as follows:

	For the six months ended 30 June 2015 (Unaudited)	For the six months ended 30 June 2014 (Unaudited)
Revenue from principal operations	5,625,159,398	5,112,414,604
Other operating income	97,801,688	68,002,953
	<u>5,722,961,086</u>	<u>5,180,417,557</u>

Cost of sales is stated as follows:

	For the six months ended 30 June 2015 (Unaudited)	For the six months ended 30 June 2014 (Unaudited)
Cost of sales from principal operations	3,382,679,238	3,272,597,274
Other operating costs	77,675,371	51,210,115
	<u>3,460,354,609</u>	<u>3,323,807,389</u>

Details of revenue are listed as follows:

	For the six months ended 30 June 2015 (Unaudited)	For the six months ended 30 June 2014 (Unaudited)
Sale of goods and materials	5,585,491,440	5,097,814,037
Revenue from construction contracts	77,061,083	—
Maintenance income	47,671,031	75,829,555
Technical service income	3,787,962	1,003,560
Rental income	5,567,133	2,789,804
Others	3,382,437	2,980,601
	<u>5,722,961,086</u>	<u>5,180,417,557</u>

20. FINANCE COSTS

	For the six months ended 30 June 2015 (Unaudited)	For the six months ended 30 June 2014 (Unaudited)
Interest expenses		
– Interest on bank loans due for full repayment within 5 years	3,113,926	2,002,927
Less: Interest income	33,730,436	20,579,012
Exchange (gains)/losses	(20,437,630)	7,283,524
Others	5,794,957	1,346,981
	<u>(45,259,183)</u>	<u>(9,945,580)</u>

21. ASSET IMPAIRMENT LOSSES

	For the six months ended 30 June 2015 (Unaudited)	For the six months ended 30 June 2014 (Unaudited)
Bad debt losses	29,667,114	72,846,054
Impairment losses of inventories	21,069,677	92,067,072
Impairment losses of fixed assets	5,118,693	1,865,690
	<u>55,855,484</u>	<u>166,778,816</u>

22. INVESTMENT INCOME

	For the six months ended 30 June 2015 (Unaudited)	For the six months ended 30 June 2014 (Unaudited)
Income from non-listed investments:		
Long-term equity investments income under the equity method	35,038,335	32,016,196
Bank financial product income	37,761,389	39,772,739
	<u>72,799,724</u>	<u>71,788,935</u>

23. NON-OPERATING INCOME

	For the six months ended 30 June 2015 (Unaudited)	For the six months ended 30 June 2014 (Unaudited)
Gains on disposal of non-current assets	277,906	287,517
Refunds of value-added tax	43,259,595	71,829,916
Government grants	21,498,994	6,191,956
Unsettled payment	1,622,331	299,678
Penalty income and default compensation income	433,059	105,421
Others	4,039,390	1,889,392
	71,131,275	80,603,880

24. NON-OPERATING EXPENSES

	For the six months ended 30 June 2015 (Unaudited)	For the six months ended 30 June 2014 (Unaudited)
Losses on disposal of non-current assets	131,598	509,143
Losses on penalties and compensation	1,355,668	652,060
Others	4,014,214	6,454
	5,501,480	1,167,657

25. TOTAL PROFIT

The costs and expenses by nature of the Group are as follows:

	For the six months ended 30 June 2015 (Unaudited)	For the six months ended 30 June 2014 (Unaudited)
Consumption of raw materials and semi-finished products	2,978,430,708	2,937,217,144
Inventory movements of finished goods and work in progress	(560,752,331)	(1,009,520,284)
Staff costs	579,703,035	488,205,894
Depreciation	111,108,572	77,909,847
Amortisation	24,580,046	10,885,996
Provision for product quality warranties	123,480,184	205,687,469
Research and development expense	414,194,688	288,624,263

26. INCOME TAX EXPENSE

	For the six months ended 30 June 2015 (Unaudited)	For the six months ended 30 June 2014 (Unaudited)
Current income tax expense		
– Mainland China	235,087,221	227,332,524
– Other countries and regions	1,592,595	19,051
	<u>236,679,816</u>	<u>227,351,575</u>
Deferred tax expense	(25,156,256)	(30,420,949)
	<u>211,523,560</u>	<u>196,930,626</u>

27. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the net profit for the period attributable to ordinary shareholders of the Company divided by the weighted average number of ordinary shares in issue.

The calculation of basic earnings per share is as follows:

	For the six months ended 30 June 2015 (Unaudited)	For the six months ended 30 June 2014 (Unaudited)
Earnings		
Net profit for the period attributable to ordinary shareholders of the Company	<u>1,219,829,085</u>	<u>857,455,315</u>
Shares		
Weighted average number of ordinary shares in issue of the Company	<u>1,175,476,637</u>	<u>1,175,476,637</u>
Basic earnings per share (Yuan/share)	<u>1.04</u>	<u>0.73</u>
Diluted earnings per share (Yuan/share)	<u>1.04</u>	<u>0.73</u>

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

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

	For the six months ended 30 June 2015 (Unaudited)	For the six months ended 30 June 2014 (Unaudited)
Rolling stock and its extension products and services	5,722,961,086	5,180,417,557

Geographical information

Revenue from external customers

	For the six months ended 30 June 2015 (Unaudited)	For the six months ended 30 June 2014 (Unaudited)
Mainland China	5,460,526,756	5,047,787,556
Other countries and regions	262,434,330	132,630,001
	5,722,961,086	5,180,417,557

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

Total non-current assets

	30 June 2015 (Unaudited)	31 December 2014 (Audited)
Mainland China	2,268,646,741	2,260,164,962
Other countries and regions	1,295,276,002	224,410,980
	3,563,922,743	2,484,575,942

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

For the six months ended 30 June 2015, the Group's operating revenue (which accounted for more than 10% of the Group's total revenue) of RMB2,711,275,868 (unaudited) was derived from sales to a single customer (including sales to a group of entities which are known to be under the control of that customer) (six months ended 30 June 2014: RMB3,567,596,935 (unaudited) from two customers).

29. OTHER FINANCIAL INFORMATION

	30 June 2015 (Unaudited)	31 December 2014 (Audited)
Net current assets	9,886,591,777	9,179,211,753
Total assets less current liabilities	13,748,785,169	11,938,153,567
	For the six months ended 30 June 2015 (Unaudited)	For the six months ended 30 June 2014 (Unaudited)
Depreciation	111,108,572	77,909,847
Amortisation	24,580,046	10,885,996

MANAGEMENT DISCUSSION AND ANALYSIS

The following discussion and analysis should be read in conjunction with the unaudited interim financial statements of the Group and the notes related thereon set out in this interim report.

BUSINESS REVIEW AND OUTLOOK

In the first half of 2015, the railway industry continued to deepen its transformation. CSR Corporation Limited merged with China CNR Corporation Limited and renamed as CRRC Corporation Limited (“CRRC”, together with its subsidiaries, the “CRRC Corporation Group”) and is ready to embrace a new era of the locomotive industry. Railway construction has been making steady progress and the main network of high-speed railway has completed gradually, bringing new vitality to the railway transportation market. The urban railway market continued to thrive.

In respect of the traction systems for locomotives, the Group actively expanded its market and completed its delivery to the international market as planned.

In respect of the traction systems for electric multiple units, the Group continued to deliver existing orders smoothly as planned and debuted its prototypes of national standardized electric multiple units.

In respect of the metro market, the Group continued to maintain a positive momentum and strengthened its efforts in market expansion and delivered its existing contracts smoothly.

In respect of railway engineering machinery, the Group continued to promote research and development of new products and commenced a new business of railway measurement. The inspection and evaluation of a new generation of LKJ has been completed and will proceed to evaluation of on-site operation.

In respect of parts and components, the IGBT business achieved ongoing improvements and continued to promote product identification and expanded its product series, and accelerated the development of IGBT power module market and broaden and strengthen the parts and components segment through the collaboration with laminated busbars and sensors.

In April 2015, the Group tapped into the maritime engineering business through acquisition of the deepsea robots business and completion of the acquisition of 100% equity in Specialist Machine Deveopments (SMD) Limited (“SMD”).

Since 2015, the Company continued to enhance its management systematically by implementing a series of highly effective measures covering various areas, including cost control, procedure management, industry development, technology innovation and quality control.

BUSINESS REVIEW AND OUTLOOK (CONTINUED)

The establishment of CRRC will help to build up the premium image of ‘Made in China’ for the general railway transportation industry. Entering the second half of 2015, both the domestic and international market are full of uncertainties with a new competition landscape and situation. Under such circumstances, the Company will continue its commitment to develop the railway transportation business and strive for business growth, seek to better serve its customers and plan and expedite the development of new industries.

In the field of locomotives, the Group will actively focus on new demands, properly deliver existing orders and explore market opportunities; in the field of electric multiple units, the Group will complete delivery of orders on-hand on schedule and follow up new market opportunities, and take the initiative to conduct further testing on electric multiple units with national standards and push forward the inter-city electric multiple units project; in the field of metro, the Group will step up its efforts to capture more market opportunities and actively expand into related products markets; in the field of railway engineering machinery, the Group will expedite the application of new technologies, secure new markets and develop innovative business models. The Group will steadily promote the industrialization of IGBT, expedite product certification as well as promote product seriation, which laid a foundation for the Group’s development. The Group will also plan and push forward its development in the maritime engineering equipment market.

REVENUE

	For the six months ended 30 June	
	2015	2014
	(RMB million)	(RMB million)
Locomotive power converters, auxiliary power supply equipment and control systems	841.4	715.5
Electric multiple unit power converters, auxiliary power supply equipment and control systems	2,418.4	2,830.2
Metropolitan rail transportation equipment power converters, auxiliary power supply equipment and control systems	836.6	503.7
Railway maintenance vehicles related products	734.6	529.4
Train operation safety equipment	249.1	209.8
Key electric part and component products	295.8	261.6
Marine engineering products and others	347.1	130.2
Total revenue	<u>5,723.0</u>	<u>5,180.4</u>

The Group’s revenue increased by RMB542.6 million from RMB5,180.4 million for the six months ended 30 June 2014 to RMB5,723.0 million for the six months ended 30 June 2015, representing a growth rate of 10.5%.

REVENUE (continued)

In the first half of 2015, other than a decrease in the revenue from electric multiple unit power converters, auxiliary power supply equipment and control systems, the Group's other product series all recorded increases in revenue at various growth levels. Among these, the strongest growth in revenue was from metropolitan rail transportation equipment power converters, auxiliary power supply equipment and control systems with an increase of RMB332.9 million compared with last year. Such increase was mainly due to the delivery of metropolitan rail transportation equipment power converters, auxiliary power supply equipment and control systems such as Fuzhou line 1 and Nanchang line 1. The second strongest growth in revenue was recorded in marine engineering products and other products with an increase of RMB216.9 million. Such increase was mainly due to the delivery of products such as marine engineering products and comprehensive performance testing platform for train units.

COST OF SALES

The Group's cost of sales increased by RMB136.6 million from RMB3,323.8 million for the six months ended 30 June 2014 to RMB3,460.4 million for the six months ended 30 June 2015. The increase in cost of sales was mainly due to the combined effects of the increase in the Group's revenue and the change of product sales mix.

GROSS PROFIT

As a result of the above factors, the Group's gross profit increased by RMB406.0 million from RMB1,856.6 million for the six months ended 30 June 2014 to RMB2,262.6 million for the six months ended 30 June 2015. The Group's gross profit margin increased from 35.8% for the six months ended 30 June 2014 to 39.5% for the six months ended 30 June 2015. The change in gross profit margin was mainly due to the change of product sales mix and our continuous efforts to reduce cost.

SELLING EXPENSES

The Group's selling expenses decreased by RMB31.4 million from RMB274.8 million for the six months ended 30 June 2014 to RMB243.4 million for the six months ended 30 June 2015. The decrease in selling expenses was mainly due to the Group's stringent control over expenses.

ADMINISTRATIVE EXPENSES

The Group's administrative expenses increased by RMB184.8 million from RMB494.2 million for the six months ended 30 June 2014 to RMB679.0 million for the six months ended 30 June 2015. The increase in administrative expenses was mainly due to the increase in business operations and increase in research and development expenses of the Group in the first half of 2015.

FINANCE COSTS

The Group's finance costs decreased by RMB35.4 million from negative RMB9.9 million for the six months ended 30 June 2014 to negative RMB45.3 million for the six months ended 30 June 2015. The decrease in finance costs was mainly due to the fluctuation of exchange rates.

ASSET IMPAIRMENT LOSSES

The Group's asset impairment losses decreased by RMB110.9 million from RMB166.8 million for the six months ended 30 June 2014 to RMB55.9 million for the six months ended 30 June 2015. The decrease in asset impairment losses of the Group was mainly due to a decrease in the provision for impairment loss of inventories and provision for bad debts made by the Group as compared to the same period of last year.

INVESTMENT INCOME

The Group's investment income increased by RMB1.0 million from RMB71.8 million for the six months ended 30 June 2014 to RMB72.8 million for the six months ended 30 June 2015. The increase in investment income was mainly due to an increase in the investment income from the Group's joint venture.

NON-OPERATING INCOME

The Group's non-operating income decreased by RMB9.5 million from RMB80.6 million for the six months ended 30 June 2014 to RMB71.1 million for the six months ended 30 June 2015. The decrease in non-operating income was mainly due to a decrease in the refunds of value-added tax as compared to the same period of last year.

NON-OPERATING EXPENSES

The Group's non-operating expenses increased by RMB4.3 million from RMB1.2 million for the six months ended 30 June 2014 to RMB5.5 million for the six months ended 30 June 2015. The increase in non-operating expenses was mainly due to an increase in the expenses of damages as compared to the same period of last year.

TOTAL PROFIT

The Group's total profit increased by RMB379.6 million from RMB1,051.9 million for the six months ended 30 June 2014 to RMB1,431.5 million for the six months ended 30 June 2015. The increase in total profit was mainly due to an increase in revenue and a decrease in asset impairment losses. The Group's sales profit margins for the six months ended 30 June 2014 and for the six months ended 30 June 2015 were 20.3% and 25.0%, respectively.

INCOME TAX EXPENSE

The Group's income tax expense increased by RMB14.6 million from RMB196.9 million for the six months ended 30 June 2014 to RMB211.5 million for the six months ended 30 June 2015.

The Company, Zhuzhou Times Equipment Technology Co., Ltd., Ningbo CSR Times Sensor Technology Co., Ltd. and Zhuzhou Times Electronics Technology Co., Ltd. were accredited as high-tech enterprises and received approval from the relevant government authority that 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 in China, and they were entitled to be taxed at the preferential corporate income tax rate of 15%.

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

The effective income tax rates of the Group for the six months ended 30 June 2014 and six months ended 30 June 2015 were 18.7% and 14.8%, respectively.

NET PROFIT ATTRIBUTABLE TO THE SHAREHOLDERS OF THE PARENT

Net profit attributable to the shareholders of the Parent increased by RMB362.3 million from RMB857.5 million for the six months ended 30 June 2014 to RMB1,219.8 million for the six months ended 30 June 2015. The Group's sales net profit margins for the six months ended 30 June 2014 and for the six months ended 30 June 2015 were 16.6% and 21.3%, respectively.

NON-CONTROLLING INTERESTS

Non-controlling interests increased by RMB2.6 million from negative RMB2.5 million for the six months ended 30 June 2014 to RMB0.1 million for the six months ended 30 June 2015. The increase in non-controlling interests was mainly due to the decrease in losses incurred by the Group's non-wholly owned subsidiaries during this Reporting Period as compared to the same period of last year.

EARNINGS PER SHARE

Earnings per share increased by RMB0.31 from RMB0.73 for the six months ended 30 June 2014 to RMB1.04 for the six months ended 30 June 2015.

LIQUIDITY AND SOURCE OF CAPITAL

Cash flow and working capital

The Group's needs for working capital were mainly satisfied by cash generated from operations. For the six months ended 30 June 2015, the Group's cash and cash equivalents were RMB3,892.8 million. The net cash and cash equivalents of the Group increased by RMB1,244.9 million, which was mainly due to an increase in net cash inflows from operating activities and net cash inflows from financing activities of the Group in the first half of 2015.

Net cash inflow from operating activities

For the six months ended 30 June 2015, the Group's net cash inflow from operating activities was approximately RMB632.1 million, and cash inflow items of operating activities were mainly cash receipts of RMB5,427.9 million from sale of goods or rendering of services.

Net cash outflow from investing activities

For the six months ended 30 June 2015, the Group's net cash outflow from investing activities was approximately RMB289.0 million. Cash outflow items of investing activities were mainly cash payments of RMB1,074.8 million for acquisition of subsidiaries.

Net cash inflow from financing activities

For the six months ended 30 June 2015, the Group's net cash inflow from financing activities was approximately RMB902.4 million. Cash inflow items of financing activities were mainly cash received from borrowings of RMB945.5 million.

Liquidity

The Group adopts the capital budget management which is in line with the Group's credit policies to manage its capital through management of receipt and payments of funds. 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:

	30 June 2015 (Unaudited) (RMB million)	31 December 2014 (Audited) (RMB million)
Capital commitments:		
Contracted but not provided for	107.8	110.5
Authorised but not contracted for	672.4	645.2
	780.2	755.7
Investment commitments:		
Contracted but not fulfilled	72.5	22.5
Authorised but not contracted for	935.6	—
	1,008.1	22.5

Borrowings

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

	30 June 2015 (Unaudited) (RMB million)	31 December 2014 (Audited) (RMB million)
Short-term borrowings	80.2	4.4
Long-term borrowings (inclusive of long-term borrowings due within one year)	915.8	48.8
Total	996.0	53.2

The Group's mainly borrowings were floating rate loans.

Maturity analysis:

	30 June 2015 (Unaudited) (RMB million)	31 December 2014 (Audited) (RMB million)
Due within 1 year	91.7	15.7
Due within 2 years	3.9	36.7
Due within 3 to 5 years	900.4	0.8
	996.0	53.2

As at 30 June 2015, the annual interest rate of the above borrowings is 0.00%-7.33% (unaudited) (31 December 2014: 0.00%-6.56% (audited)).

Pursuant to the relevant borrowing agreement, the loans amounted to RMB78.8 million (unaudited) on 30 June 2015 (31 December 2014 (audited): RMB33.8 million) are secured by floating charges over certain assets. The carrying amounts of such assets as at 30 June 2015 and 31 December 2014 were RMB750.9 million and RMB296.2 million, respectively.

Pledge

As at 30 June 2015, the Group pledged its fixed assets with a carrying amount of RMB28.9 million (31 December 2014: RMB29.1 million) to obtain bank borrowings.

As at 30 June 2015, the Group pledged its intangible assets with a carrying amount of RMB16.8 million (31 December 2014: RMB16.8 million) to obtain bank borrowings.

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business growth and maximize shareholders' value.

The Group manages its capital structure and makes adjustment to it in light of changes in economic conditions and the risk characteristics of underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements.

The Group monitors capital management by using the gearing ratio, which is net debt divided by the adjusted capital plus net debt. Net debt includes the net amount of all borrowings, bills payable, trade payables, advances from customers, employee benefits payable, taxes payable (excluding income tax payable), dividends payable and other payables less cash and cash equivalents. The Group's gearing ratio was 15.2% as at 31 December 2014 and 19.8% as at 30 June 2015.

Business combination not involving entities under common control

The Group acquired 100% share of SMD and its subsidiaries (“SMD Group”) from independent third parties, through its subsidiary, CSR Times Electric (Hong Kong) Co., Ltd. by means of cash. On 9 April 2015, the Group obtained control of SMD Group and the acquisition date was determined as 9 April 2015.

The Group has engaged KPMG Advisory (China) Limited, an independent appraiser, to evaluate the allocation of purchase price of SMD Group. As of the approval date of the financial statements, the valuation has not been completed. The Group determines the fair value of net identifiable assets and contingent consideration according the periodic valuation, and will make adjustment according to the finalised outcome afterwards.

The total consideration of this transaction is GBP120.1 million (equivalent to approximately RMB1,098.5 million) (unaudited), including the amount GBP102.8 million (equivalent to approximately RMB940.0 million) (unaudited) to repay the loans then outstanding of SMD Group on the acquisition date and the amount GBP17.3 million (equivalent to approximately RMB158.5 million) (unaudited) as the consideration of the equity interest, which includes cash considerations paid amounted to GBP15.8 million (equivalent to approximately RMB145.2 million) (unaudited) and the fair value of contingent consideration amounted to GBP1.5 million (equivalent to approximately RMB13.3 million) (unaudited).

Pursuant to the purchase agreement, if the performances of the first financial year (2015) and the second financial year (2016) of SMD Group after the completion of the acquisition meet certain performance targets stipulated under the purchase agreement, the Group shall pay contingent consideration up to GBP10.1 million (equivalent to approximately RMB92.3 million) (unaudited) using the retention amount of escrow account paid on the acquisition date. Further, if the performances of the first financial year (2015) and the second financial year (2016) of SMD Group after the completion of the acquisition meet certain more stringent performance targets stipulated under the purchase agreement, the Group shall pay certain additional contingent consideration up to GBP7.0 million (equivalent to approximately RMB64.0 million) (unaudited). On the acquisition date, the fair value of contingent consideration amounted to GBP1.5 million (equivalent to approximately RMB13.3 million) (unaudited).

Contingent liabilities

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

There is no other contingencies which should be disclosed except for the event presented below.

Contingent liabilities (continued)

On 9 April 2015, the Group acquired SMD Group. The fair value of the contingent consideration was GBP1.5 million (equivalent to approximately RMB13.3 million) (unaudited). Due to the effect of the exchange rate fluctuations and discounting periods, the fair value of the contingent consideration is reevaluated to RMB14.6 million (unaudited) on 30 June 2015. The Group has engaged KPMG Advisory (China) Limited, an independent appraiser, to evaluate the fair value of the contingent consideration.

Market risks

The Group is subject to various market risks, including foreign exchange risk and inflation risk in the ordinary course of business. Details of these risks are set out in the notes to financial statements.

Foreign currency risk

The businesses of the Group are principally located in China. While most of the transactions of the Group are denominated in RMB, certain of its sales and purchases are denominated in foreign currencies including the Great British pound, Japanese yen and United States dollar. Fluctuations of exchange rates of RMB against such foreign currencies can affect the Group's results of operations.

As at 30 June 2015, the borrowings of the Group were settled in foreign currencies such as the Great British Pound and Euros. Fluctuations of exchange rates of RMB against such foreign currencies can affect the Group's results of operations.

Policy risk

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

Post balance sheet events

The Company has been notified by its controlling shareholders, CRRC, that the two largest shareholders of CRRC, CSR Group (中國南車集團公司) ("CSRG") and China Northern Locomotive and Rolling Stock Industry (Group) Corporation (中國北方機車車輛工業集團公司) ("CNRG"), have entered into a merger agreement on 5 August 2015. Pursuant to such merger agreement, CNRG will merge with CSRG by way of absorption, CSRG will be de-registered, CNRG will be renamed as "CRRC Group" (中國中車集團公司) and all assets, liabilities, businesses, employees, contracts, qualifications and all other rights and obligations of CSRG will be held by the post-merger corporation (the "Merger"). After the Merger, the post-merger corporation, CRRC Group, will directly hold 54.18% equity interest in CRRC, indirectly hold 0.34% equity interest in CRRC through CSR Capital Company, and indirectly hold 1.39% equity interest in CRRC through Beijing CNR Investment Co., Ltd.

OTHER INFORMATION

I. CORPORATE GOVERNANCE

1. CORPORATE GOVERNANCE

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

During the Reporting Period ended 30 June 2015, the Company has fully complied with all the code provisions of the Corporate Governance Code and Corporate Governance Report contained in Appendix 14 of the Listing Rules, except for code provision A.6.7 as set out below.

Mr. Ma Yunkun, a non-executive Director of the Company, did not attend the Annual General Meeting due to his other important commitments and therefore deviated from the requirement of code provision A.6.7.

2. 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.

3. Board of Directors

The Board currently consists of nine Directors, among whom Mr. Ding Rongjun is the Chairman of the Board and an executive Director, Mr. Deng Huijin is the Vice Chairman and an executive Director; Mr. Li Donglin and Mr. Yan Wu are executive Directors; Mr. Ma Yunkun is a non-executive Director; and Messrs. Gao Yucai, Chan Kam Wing, Clement, Pao Ping Wing and Ms. Liu Chunru are independent non-executive Directors.

The number of members of the Board is one less than the number required by the Articles for the time being, the Company hopes to search for a suitable candidate to fill the vacancy as soon as possible.

3. Board of Directors (continued)

The Directors have strictly complied with their undertakings, and have been honest, trust-worthy and diligent in the performance of their duties. The number of Directors and the composition of the Board complied with the requirements of the relevant laws and regulations. There was no nonworking relationship between the members of the Board (especially between the Chairman and the General Manager), including financial, business, family or any other material relevant relationship.

4. Supervisory Committee

The Supervisory Committee currently consists of four supervisors, among whom Mr. Xiong Ruihua is the chairman of the Supervisory Committee, Messrs. Pang Yiming and Zhou Guifa are employee supervisors, and Mr. Geng Jianxin is an external independent supervisor.

The number of members of the Supervisory Committee of the Company is one less than the number required by the Articles for the time being, the Company hopes to search for a suitable candidate to fill the vacancy as soon as possible.

5. Audit Committee

The Company's Audit Committee was established in October 2005. It currently consists of five Directors, four of whom are independent non-executive Directors. The members of the Audit Committee are Mr. Chan Kam Wing, Clement, Mr. Pao Ping Wing, Mr. Gao Yucai, Ms. Liu Chunru and Mr. Ma Yunkun. Mr. Chan Kam Wing, Clement is the chairman of the Audit Committee.

The main responsibilities of the Audit Committee are to consider and supervise financial reporting processes and internal control procedures of the Company, to guide and supervise internal audits, and to make suggestions on the appointment or change of external auditor.

The Company's Audit Committee discussed the accounting principles adopted by the Group with the management, and has reviewed the Group's unaudited financial report for the six months ended 30 June 2015 prepared based on the PRC Accounting Standards and was satisfied that the unaudited results complied with applicable accounting standards, the relevant regulatory and legal requirements and that adequate disclosure had been made.

II. INTERNAL CONTROL

The Company has a sound organization system of internal control. The Board is responsible for the establishment, improvement and effective implementation of the internal control system. Guided by the Audit Committee and the Risk Control Committee of the Board, the Audit and Risk Control Department carries out inspection, supervision and evaluation for internal controls of the Company in respect of important control functions such as financial control, operational control, compliance control and risk management, supervise and timely rectifies internal control deficiencies and effectively controls operating risks.

During the Reporting Period, the Company's internal control system was proved to be stable and reliable and the Company continued to deepen its risk management. During the first half of the year, the Company, relied on its new group-based audit management model, aimed at audit value-added services and put great emphasis on the close-circuit management of internal control, to ensure full implementation of rectification for internal control deficiencies. The Company also continued to deepen its risk management and implemented specific measures to tackle and avoid material risk events. Special audits on items such as services and procurement were carried out in various aspects to enhance management, reduce cost and achieve higher cost-effectiveness. The Company can ensure to withstand charges in business and external environment from financial, operational and risk management perspectives, so as to safeguard the Company's assets and interests of shareholders.

III. INTERESTS AND SHORT POSITIONS OF DIRECTORS, SUPERVISORS AND THE GENERAL MANAGER IN THE SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2015, none of the Directors, supervisors, the general manager of the Company or their respective associates had any personal, family, corporate or other interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Part XV of the SFO, or were required to be recorded in a register kept pursuant to section 352 of the SFO, or were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

IV. PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

V. DISTRIBUTION OF DIVIDENDS

1. Distribution plan and implementation of 2014 final dividends

Having been considered and approved by shareholders of the Company at the Annual General Meeting, the Company has distributed a cash dividend of RMB0.40 per share (inclusive of applicable taxes) as final dividend for 2014 to all shareholders whose names appeared on the register of members of the Company on 16 June 2015, based on the Company's total share capital of 1,175,476,637 shares in issue, a total amount of approximately RMB470.2 million was paid. Implementation of the dividend distribution plan was completed before the approval of this interim report.

2. 2015 interim profit distribution plan

The Board did not recommend the distribution of interim dividend for the six months ended 30 June 2015.

VI. CONNECTED TRANSACTIONS

During the Reporting Period, the Company has strictly complied with the relevant requirements in respect of connected transactions under Chapter 14A of the Listing Rules, and has established a set of mechanism to protect non-controlling shareholders' interests. The auditor of the Company has provided quarterly reports to independent non-executive Directors on transactions conducted between the Group and CSRG Group (as defined below) and CRRC Corporation Group. In addition, the independent non-executive Directors have conducted quarterly reviews on the terms of the framework agreement for mutual supply of products and ancillary services entered into between the Company (on behalf of itself and/or its subsidiaries) and the CSR Group (on behalf of itself and/or its subsidiaries but excluding the Group) (the "CSRG Group") on 12 August 2013 for a term of three years commencing from 1 January 2014 to 31 December 2016, and the review opinions regarding such transactions (including the same type of transactions between the Company and CRRC (on behalf of itself and/or its subsidiaries but excluding the Group)) would be disclosed to shareholders by way of announcements.

VII. EMPLOYEES AND TRAINING

As at 30 June 2015, the Company had 6,683 employees, and the total amount of remuneration for the six months ended 30 June 2015 was approximately RMB579.7 million. The Group's remuneration policy for its employees takes into account the individuals' position, work performance, qualifications and competence. The Group offers salary increments and bonuses to employees with outstanding performance. The bonus scheme is discretionary and is determined by the Directors with reference to the performance of the staff and the Group's operation results.

VII. EMPLOYEES AND TRAINING (CONTINUED)

The Company approved the share appreciation rights scheme (the “Scheme”) at the annual general meeting of 2012, and approved an aggregate of approximately 9,868,000 units of share appreciation rights (“SARs”) to a total of up to 262 eligible recipients, subject to the satisfaction of the granting conditions. During the Reporting Period, no SARs were granted by the Company to the eligible recipients under the Scheme.

During the Reporting Period, the Company launched series of program through grouping and classification of talents, including Team Building of Human Resources Department, Training for IPD Project Managers, English Training for International Talent Group, Training for Middle to Senior Management of Leading Enterprises. The two internal training programs, namely Happy Learning Class (樂學講堂) and Expert Forum (專家講壇), continued to hold two to three classes each month and the results of these classes were satisfactory. Combining with its need to formulate strategies pursuant to the 13th Five Year Plan, the Company has strived to promote its development as a learning-based organization. The learning program has five intakes (10 industrial units in total) in the form of learning through action, focusing on the formulation of strategies pursuant to the 13th Five Year Plan.

VIII. UPDATE ON CERTAIN EVENTS

On 5 February 2015, the Company entered into an agreement with the shareholders of SMD and SMD’s wholly-owned subsidiary Specialist Machine Developments (Investment) Limited (“SMD Investment”) regarding the Group’s acquisition of the entire issued share capital of SMD. The agreement also stated that the Company shall procure SMD Investment to acquire shareholdings of SMD Investment’s subsidiary Bywell Holdings Limited (“Bywell Holdings”) from several natural persons. After completion, SMD, SMD Investment, and Bywell Holdings and its subsidiaries will become the wholly-owned subsidiaries of the Company.

HK Electric, a wholly-owned subsidiary of the Company, as the purchaser has completed the abovesaid acquisition on 9 April 2015. For details of the acquisition, please refer to the discloseable transaction announcements of the Company dated 5 February 2015 and 9 April 2015.

IX. REVIEW BY THE AUDIT COMMITTEE

The Company’s unaudited interim results for the six months ended 30 June 2015 and this results announcement have been reviewed and confirmed by the Audit Committee of the Company.

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

Zhuzhou, China, 18 August 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 directors 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.