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株洲中车时代电气股份有限公司

ZHUZHOU CRRC 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 2015

The board of directors (the "Board") of Zhuzhou CRRC Times Electric Co., Ltd. (the "Company") (formerly know as Zhuzhou CSR Times Electric Co., Ltd.) is pleased to announce the annual consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2015, together with the comparative figures in 2014, 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 2015

	Notes	31 December 2015	31 December 2014
ASSETS			
CURRENT ASSETS			
Cash and bank balances	3	3,403,680,982	2,679,867,325
Bills receivable		3,944,289,710	3,184,352,916
Trade receivables	4	3,967,858,997	2,813,878,700
Prepayments		194,032,905	147,627,653
Other receivables		154,434,789	79,220,006
Inventories	5	3,069,080,313	2,207,339,644
Other current assets	6	3,269,523,254	3,053,675,472
Total current assets		18,002,900,950	14,165,961,716
NON-CURRENT ASSETS			
Available-for-sale financial asset		900,000	900,000
Long-term receivables		11,178,796	22,082,991
Long-term equity investments		221,873,090	237,010,505
Fixed assets	7	1,762,830,047	1,770,444,529
Construction in progress		209,114,557	112,914,938
Intangible assets		689,151,256	268,531,012
Development expenditure		663,534	15,092,149
Goodwill		575,023,668	13,770,533
Deferred tax assets		279,780,338	251,382,881
Other non-current assets		58,910,923	66,812,276
Total non-current assets		3,809,426,209	2,758,941,814
TOTAL ASSETS		21,812,327,159	16,924,903,530

Consolidated Statement of Financial Position (continued)

31 December 2015

	Notes	31 December 2015	31 December 2014
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES			
Short-term borrowings	8	53,636,349	4,385,940
Bills payable		1,733,675,268	1,569,649,099
Trade payables	9	2,432,533,665	1,861,391,032
Advances from customers		888,730,895	588,010,023
Employee benefits payable		50,365,378	52,112,041
Interests payable		2,504,772	—
Taxes payable		250,178,115	146,880,754
Other payables		295,070,864	373,833,468
Current portion of non-current liabilities	10	16,207,531	11,315,264
Provisions		367,927,119	329,643,512
Deferred income		59,304,497	49,528,830
Total current liabilities		<u>6,150,134,453</u>	<u>4,986,749,963</u>
NON-CURRENT LIABILITIES			
Long-term borrowings	11	1,025,396,909	37,492,529
Long-term payables		116,298,371	66,444,529
Provisions		514,732,436	480,083,471
Deferred income		228,974,815	168,992,811
Deferred tax liabilities		100,187,611	14,374,351
Total non-current liabilities		<u>1,985,590,142</u>	<u>767,387,691</u>
Total liabilities		<u>8,135,724,595</u>	<u>5,754,137,654</u>
SHAREHOLDERS' EQUITY			
Share capital	12	1,175,476,637	1,175,476,637
Capital reserve	13	3,352,123,130	3,352,499,586
Other comprehensive income	14	(41,391,233)	(30,272,682)
Special reserve	15	7,520,445	2,920,995
Surplus reserve	16	1,149,501,481	859,087,844
Retained earnings	17	7,829,036,380	5,631,283,306
Total equity attributable to shareholders of the Parent		<u>13,472,266,840</u>	<u>10,990,995,686</u>
Non-controlling interests		<u>204,335,724</u>	<u>179,770,190</u>
Total shareholders' equity		<u>13,676,602,564</u>	<u>11,170,765,876</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		<u><u>21,812,327,159</u></u>	<u><u>16,924,903,530</u></u>

Consolidated Statement of Profit or Loss
For the year ended 31 December 2015

	Notes	2015	2014
Revenue	18	14,144,718,451	12,676,196,687
Less: Cost of sales	18	8,607,645,651	7,876,406,252
Business taxes and surcharges		100,136,151	99,787,028
Selling expenses		647,335,609	880,906,676
Administrative expenses		1,606,261,381	1,349,132,921
Finance costs	19	(25,324,901)	(43,013,221)
Asset impairment losses	20	60,878,850	148,776,654
Add: Investment income	21	121,206,269	121,607,881
including: share of profits and losses of associates and joint ventures		55,125,209	51,661,839
Operating profit		3,268,991,979	2,485,808,258
Add: Non-operating income	22	181,119,015	271,989,157
including: gains on disposal of non-current assets		464,406	739,820
Less: Non-operating expenses	23	4,766,854	2,883,417
including: losses on disposal of non-current assets		1,529,475	1,507,064
Total profit		3,445,344,140	2,754,913,998
Less: Income tax expense	25	475,641,534	362,905,380
Net profit		2,969,702,606	2,392,008,618
Net profit attributable to shareholders of the Parent		2,958,357,366	2,394,818,236
Non-controlling interests		11,345,240	(2,809,618)
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		(11,118,551)	(8,276,717)
Total other comprehensive income attributable to non-controlling interests, net of tax		87,787	(2,707,799)
Total comprehensive income		2,958,671,842	2,381,024,102
Including:			
Total comprehensive income attributable to shareholders of the Parent		2,947,238,815	2,386,541,519
Total comprehensive income attributable to non-controlling interests		11,433,027	(5,517,417)
Earnings per share (Yuan/Share)	26		
Basic		2.52	2.04
Diluted		2.52	2.04

Notes:

1. BASIC INFORMATION OF THE GROUP

Zhuzhou CRRC Times Electric Co., Ltd. (the “Company”) (formerly known as Zhuzhou CSR Times Electric Co., Ltd., has completed the change of business registration on 10 March 2016) is a joint stock limited company registered in Hunan Province, the People’s Republic of China (the “PRC”). It was jointly established by CRRC Zhuzhou Institute Co., Ltd. (中車株洲電力機車研究所有限公司) (formerly known as CSR Zhuzhou Electric Locomotive Research Institute Co., Ltd. (南車株洲電力機車研究所有限公司)), CRRC Changzhou Qishuyan Locomotive & Rolling Stock Works (中車集團常州戚墅堰機車車輛廠) (formerly known as CSRG Qishuyan Locomotive & Rolling Stock Works(中國南車集團戚墅堰機車車輛廠)), CRRC Zhuzhou Locomotive Co., Ltd. (中車株洲電力機車有限公司) (formerly known as CSR Zhuzhou Electric Locomotive Co., Ltd. (南車株洲電力機車有限公司)), CRRC Investment & Leasing Co., Ltd. (中車投資租賃有限公司) (formerly known as CSR Investment & Leasing Co., Ltd. (南車投資租賃有限公司)) and CRCC High-Tech Equipment Corporation Limited (中國鐵建高新裝備股份有限公司) (formerly known as 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 2015, the Company had issued an aggregate of 1,175,476,637 shares as share capital.

As at 31 December 2015, the Group’s parent and ultimate holding company are CRRC Zhuzhou Institute Co., Ltd. and CRRC Group (中國中車集團有限公司) (China Northern Locomotive & Rolling Stock Industry (Group) Corporation (中國北方機車車輛工業集團公司) merged with CSR Group(中國南車集團公司) and renamed as CRRC Group) respectively, both established in the PRC.

2. BASIS OF PREPARATION

These 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. CASH AND BANK BALANCES

	31 December 2015	31 December 2014
Cash	27,689	44,547
Cash in bank	3,343,218,944	2,641,329,027
Other cash and bank balances	60,434,349	38,493,751
	<u>3,403,680,982</u>	<u>2,679,867,325</u>

As at 31 December 2015, the cash and bank balances of RMB27,191,259 (31 December 2014: RMB21,953,359) and RMB33,243,090 (31 December 2014: RMB16,540,392) 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 31 December 2015, the cash and bank balances deposited overseas by the Group were equivalent to RMB31,646,603 (31 December 2014: RMB10,550,753).

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.

4. TRADE RECEIVABLES

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

Maturity analysis:

	31 December 2015	31 December 2014
Within 6 months	3,404,460,665	2,486,167,476
6 months to 1 year	377,744,586	165,489,115
1 to 2 years	231,568,326	268,483,688
2 to 3 years	57,626,321	26,923,378
Over 3 years	22,942,456	7,360,713
	4,094,342,354	2,954,424,370
Less: Provision for bad debt	115,304,561	118,462,679
	3,979,037,793	2,835,961,691
Less: Classified as non-current assets	11,178,796	22,082,991
	3,967,858,997	2,813,878,700

The movements of provision for bad debt are as follows:

	2015	2014
Opening balance	118,462,679	52,877,165
Business combination not involving entities under common control	2,655,697	—
Provision in the current year	45,018,090	71,382,522
Reversal in the current year	(49,399,822)	(2,754,726)
Write-off in the current year	(1,605,191)	(3,027,791)
Exchange realignment	173,108	(14,491)
Closing balance	115,304,561	118,462,679

5. INVENTORIES

31 December 2015			
	Gross carrying amount	Impairment provision	Carrying amount
Raw materials	851,565,834	87,489,682	764,076,152
Semi-finished products	391,748,807	68,173,883	323,574,924
Work in progress	433,089,208	13,132,550	419,956,658
Finished goods	1,566,005,513	45,321,444	1,520,684,069
Assets under construction contract	27,435,581	—	27,435,581
Turnover materials	14,855,575	1,502,646	13,352,929
	<u>3,284,700,518</u>	<u>215,620,205</u>	<u>3,069,080,313</u>
31 December 2014			
	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>

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
31 December 2015	<u>769,604,566</u>	<u>123,346,458</u>	<u>865,515,443</u>

5. INVENTORIES (CONTINUED)

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

2015

	Opening balance	Provision	Business combination not involving entities under common control	Reversal and write-off	Exchange realignment	Closing balance
Raw materials	42,738,369	36,467,886	10,417,215	(2,739,251)	605,463	87,489,682
Semi-finished products	46,266,599	59,472,594	—	(37,565,310)	—	68,173,883
Work in progress	20,806,696	5,787,320	—	(13,384,851)	(76,615)	13,132,550
Finished goods	33,524,243	28,625,168	—	(16,728,981)	(98,986)	45,321,444
Assets under construction contract	—	—	2,741,940	(2,881,410)	139,470	—
Turnover materials	349,989	1,152,657	—	—	—	1,502,646
	<u>143,685,896</u>	<u>131,505,625</u>	<u>13,159,155</u>	<u>(73,299,803)</u>	<u>569,332</u>	<u>215,620,205</u>

2014

	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>

6. OTHER CURRENT ASSETS

	31 December 2015	31 December 2014
Bank financial products (Note)	3,210,864,995	3,005,078,548
Value-added tax retained	52,428,299	46,887,745
Other tax retained	6,229,960	1,709,179
	<u>3,269,523,254</u>	<u>3,053,675,472</u>

Note: As at 31 December 2015, the bank financial products held by the Group are with expected yield rates from 2.00% to 4.05% (31 December 2014: 3.20%-5.69%). These bank financial products will expire in succession before 2 July 2016.

7. FIXED ASSETS

2015

	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
Purchase	6,316,475	43,729,490	6,481,811	37,430,350	93,958,126
Construction in progress	13,167,354	51,853,978	—	4,244,605	69,265,937
Business combination not involving entities under common control	41,586,090	16,990,888	—	—	58,576,978
Sale and disposal	(52,777)	(30,575,462)	(1,017,683)	(3,225,101)	(34,871,023)
Other decrease	(3,619,761)	(6,051,656)	—	—	(9,671,417)
Exchange realignment	2,406,937	4,627,424	(5,315)	(2,163)	7,026,883
Closing balance	<u>1,320,898,414</u>	<u>1,358,144,302</u>	<u>41,546,225</u>	<u>207,261,090</u>	<u>2,927,850,031</u>
Accumulated depreciation					
Opening balance	208,074,544	579,405,768	23,630,302	97,055,455	908,166,069
Increase	42,081,006	141,334,329	5,071,205	22,306,166	210,792,706
Write-off	(9,556)	(19,807,406)	(966,800)	(2,899,721)	(23,683,483)
Exchange realignment	36,130	1,392,426	(3,332)	6,709	1,431,933
Closing balance	<u>250,182,124</u>	<u>702,325,117</u>	<u>27,731,375</u>	<u>116,468,609</u>	<u>1,096,707,225</u>
Impairment provision					
Opening balance	10,513,264	53,626,322	—	814,363	64,953,949
Increase	—	5,110,212	—	3,660	5,113,872
Write-off	—	(1,737,030)	—	(18,032)	(1,755,062)
Closing balance	<u>10,513,264</u>	<u>56,999,504</u>	<u>—</u>	<u>799,991</u>	<u>68,312,759</u>
Net carrying amount					
31 December 2015	<u>1,060,203,026</u>	<u>598,819,681</u>	<u>13,814,850</u>	<u>89,992,490</u>	<u>1,762,830,047</u>
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>

7. FIXED ASSETS (CONTINUED)

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
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					
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>

7. FIXED ASSETS (CONTINUED)

Fixed assets held under operating leases are as follows:

	31 December 2015	31 December 2014
Buildings	<u>56,719,315</u>	<u>61,240,498</u>

As at 31 December 2015, the title of fixed assets with a net carrying amount of RMB29,286,996 (31 December 2014: RMB29,096,352) was pledged to secure general banking facilities granted to the Group.

As at 31 December 2015, the Group was in the process of applying for the title certificates of certain buildings with an aggregate carrying amount of RMB150,692,125 (31 December 2014: RMB286,026,418). 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 2015.

8. SHORT-TERM BORROWINGS

	31 December 2015	31 December 2014
Other loans (referring to 11. Long-term borrowings –other loans (Note) for details)	<u>53,636,349</u>	<u>4,385,940</u>

As at 31 December 2015, the annual interest rate of the above borrowings is 0-3.5% (31 December 2014: 0-2.82%).

9. TRADE PAYABLES

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

	31 December 2015	31 December 2014
Within 3 months	2,040,064,264	1,327,939,003
3 months to 1 year	248,500,553	366,538,133
1 to 2 years	110,121,469	105,588,086
2 to 3 years	41,094,530	38,917,349
Over 3 years	<u>109,051,220</u>	<u>88,852,990</u>
	2,548,832,036	1,927,835,561
Less: Classified as long-term payables	<u>116,298,371</u>	<u>66,444,529</u>
	<u>2,432,533,665</u>	<u>1,861,391,032</u>

10. CURRENT PORTION OF NON-CURRENT LIABILITIES

	31 December 2015	31 December 2014
Long-term borrowings due within one year	9,294,334	11,315,264
Other non-current liabilities due within one year	6,913,197	—
	<u>16,207,531</u>	<u>11,315,264</u>

Long-term borrowings due within one year are as follows:

	31 December 2015	31 December 2014
Mortgaged loans	8,720,840	10,561,558
Other loans	573,494	753,706
	<u>9,294,334</u>	<u>11,315,264</u>

11. LONG-TERM BORROWINGS

	31 December 2015	31 December 2014
Trusted loans	100,188,000	—
Mortgaged loans	9,909,050	19,374,169
Guaranteed loans	924,020,699	—
Other loans (Note)	573,494	29,433,624
	<u>1,034,691,243</u>	<u>48,807,793</u>
Less: Long-term borrowings due within one year	9,294,334	11,315,264
	<u>1,025,396,909</u>	<u>37,492,529</u>

Maturity analysis:

	31 December 2015	31 December 2014
Due within 1 year	9,294,334	11,315,264
Due within 1 to 2 years	1,188,210	36,731,093
Due within 2 to 5 years	936,520,699	761,436
Due more than 5 years	87,688,000	—
	<u>1,034,691,243</u>	<u>48,807,793</u>

As at 31 December 2015, the annual interest rates of the above borrowings are 0-4.92% (31 December 2014: 0-6.56%).

11. LONG-TERM BORROWINGS (CONTINUED)

Note: Pursuant to the relevant borrowing agreements, the other loans are entitled to priority to be repaid with certain assets if the Group is incapable of repayment. The carrying amounts of such assets as at 31 December 2015 and 31 December 2014 are as follows:

	31 December 2015	31 December 2014
Cash and bank balances	6,618,851	4,719,510
Trade receivables	153,269,517	44,713,132
Other receivables	4,193,920	4,758,704
Prepayments	44,073,503	1,384,020
Inventories	179,400,406	76,119,536
Other current assets	15,870	15,642
Long-term equity investments	1,909,873	—
Fixed assets	195,160,854	160,738,604
Construction in progress	9,906,652	3,793,271
	<u>594,549,446</u>	<u>296,242,419</u>

12. SHARE CAPITAL

2015

	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

	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>

13. CAPITAL RESERVE

2015

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

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>

14. OTHER COMPREHENSIVE INCOME

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

	1 January 2014	Changes	31 December 2014	Changes	31 December 2015
Exchange fluctuation reserve	<u>(21,995,965)</u>	<u>(8,276,717)</u>	<u>(30,272,682)</u>	<u>(11,118,551)</u>	<u>(41,391,233)</u>

Amount incurred of other comprehensive income on the statement of profit or loss:

2015

Other comprehensive income to be reclassified to profit or loss

	Before tax	Income tax	After tax	Attributable to Parent	Attributable to non- controlling interests
Exchange fluctuation reserve	<u>(11,030,764)</u>	<u>—</u>	<u>(11,030,764)</u>	<u>(11,118,551)</u>	<u>87,787</u>

2014

Other comprehensive income to be reclassified to profit or loss

	Before tax	Income tax	After tax	Attributable to Parent	Attributable to non- controlling interests
Exchange fluctuation reserve	<u>(10,984,516)</u>	<u>—</u>	<u>(10,984,516)</u>	<u>(8,276,717)</u>	<u>(2,707,799)</u>

15. SPECIAL RESERVE

2015

	Opening balance	Increase	Decrease	Closing balance
Production safety expenses	<u>2,920,995</u>	<u>33,611,332</u>	<u>29,011,882</u>	<u>7,520,445</u>

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>

16. SURPLUS RESERVE

2015

	Opening balance	Increase	Closing balance
Statutory surplus reserve	<u>859,087,844</u>	<u>290,413,637</u>	<u>1,149,501,481</u>

2014

	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.

17. RETAINED EARNINGS

	2015	2014
Retained earnings at the beginning of the year	5,631,283,306	3,882,348,394
Add: Net profit attributable to shareholders of the Parent	2,958,357,366	2,394,818,236
Less: Appropriation to statutory surplus reserve (Note 1)	290,413,637	234,466,501
Cash dividends paid (Note 2)	470,190,655	411,416,823
	<u>7,829,036,380</u>	<u>5,631,283,306</u>
Retained earnings at the end of the year	<u>7,829,036,380</u>	<u>5,631,283,306</u>

Note 1: As at 31 December 2015, 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 attributable to shareholders of the Parent is RMB14,358,371 (31 December 2014: RMB8,035,076).

Note 2: Pursuant to 2014 Annual General Meeting held on 5 June 2015, a final dividend of RMB0.40 was paid on each of the 1,175,476,637 shares in issue in the year 2014, amounting to a total cash dividend of RMB470,190,655. The dividend was paid during the year 2015.

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 the board of directors' meeting held on 24 March 2016, a proposed final dividend of RMB0.45 will be paid on each of the 1,175,476,637 shares in issue, amounting to a total cash dividend of RMB528,964,487. 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 year financial statements.

18. 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:

	2015	2014
Revenue from principal operations	13,878,928,954	12,413,649,348
Other operating income	265,789,497	262,547,339
	<u>14,144,718,451</u>	<u>12,676,196,687</u>

Cost of sales is stated as follows:

	2015	2014
Cost of sales from principal operations	8,435,641,192	7,658,177,276
Other operating costs	172,004,459	218,228,976
	<u>8,607,645,651</u>	<u>7,876,406,252</u>

Details of revenue are listed as follows:

	2015	2014
Sale of goods and raw materials	13,802,270,031	12,384,578,901
Revenue from construction contracts	144,028,853	—
Maintenance income	101,095,381	229,149,210
Technical service income	67,932,453	44,476,334
Rental income	14,158,071	11,097,935
Others	15,233,662	6,894,307
	<u>14,144,718,451</u>	<u>12,676,196,687</u>

19. FINANCE COSTS

	2015	2014
Interest expenses	21,467,379	2,801,762
Less: Interest capitalised	(139,972)	—
Interest income	(63,057,594)	(50,943,413)
Exchange losses	6,564,943	3,772,223
Financial institutions commissions	9,234,811	5,185,446
Others	605,532	(3,829,239)
	<u>(25,324,901)</u>	<u>(43,013,221)</u>

20. ASSET IMPAIRMENT LOSSES

	2015	2014
Bad debt (reversal of loss)/loss	(5,322,254)	71,053,204
Impairment loss of inventories	61,087,232	55,092,975
Impairment loss of fixed assets	5,113,872	22,630,475
	<u>60,878,850</u>	<u>148,776,654</u>

21. INVESTMENT INCOME

	2015	2014
Income from non-listed investments:		
Long-term equity investment income under the equity method	55,125,209	51,661,839
Income from entrusted loans	—	24,854,795
Bank financial product income	66,081,060	45,091,247
	<u>121,206,269</u>	<u>121,607,881</u>

22. NON-OPERATING INCOME

	2015	2014
Gain on disposal of non-current assets	464,406	739,820
Refunds of value-added tax	98,426,766	173,186,991
Government grants	62,613,483	82,497,544
Unsettled payment	1,214,508	685,380
Penalty income and default compensation income	742,870	3,307,108
Others	17,656,982	11,572,314
	<u>181,119,015</u>	<u>271,989,157</u>

23. NON-OPERATING EXPENSES

	2015	2014
Losses on disposal of non-current assets	1,529,475	1,507,064
Losses on penalties and compensation	1,632,548	1,027,938
Others	1,604,831	348,415
	<u>4,766,854</u>	<u>2,883,417</u>

24. EXPENSES BY NATURE

The supplementary information to the cost of sales, selling expenses and administrative expenses of the Group classified by nature is as follows:

	2015	2014
Consumption of raw materials and semi-finished products	7,793,608,156	7,608,438,463
Inventory movements of finished goods and work in progress	(514,081,856)	(730,928,757)
Staff costs	1,342,336,966	1,076,657,884
Depreciation	210,792,706	246,305,340
Amortisation	72,312,434	22,046,276
Provision for product quality warranties	347,426,224	661,470,202
Research and development expense	<u>957,684,879</u>	<u>826,234,647</u>

25. INCOME TAX EXPENSE

	2015	2014
Current income tax expense		
— Mainland China	516,773,571	485,809,924
— Other countries and regions	86,971	682,844
	<u>516,860,542</u>	<u>486,492,768</u>
Deferred tax expense	(41,219,008)	(123,587,388)
	<u>475,641,534</u>	<u>362,905,380</u>

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

	2015	2014
Total profit	<u>3,445,344,140</u>	<u>2,754,913,998</u>
Income tax expense at statutory tax rate of 25% (Note)	861,336,035	688,728,500
Effect of different income tax rates for overseas entities	2,257,296	769,773
Effect of preferential tax rate applicable to the Company and its certain subsidiaries	(347,197,901)	(277,008,594)
Profits and losses attributable to associates and joint ventures	(8,235,105)	(7,749,276)
Income not subject to tax	(4,255,113)	(242,571)
Income tax benefits on research and development expenditure	(43,778,673)	(40,454,044)
Expenses not deductible for tax	7,215,549	3,845,768
Deductible temporary differences not recognised	12,084,012	8,032,265
Tax losses not recognised	4,349,206	1,543,920
Utilisation of tax losses carried forward from previous periods	(1,427,208)	(1,380,447)
Recognise the un-recognised deductible temporary differences of previous years	—	(17,302,287)
Others	(6,706,564)	4,122,373
Tax expense at the Group's effective tax rate	<u>475,641,534</u>	<u>362,905,380</u>

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:

	2015	2014
Earnings		
Net profit for the year attributable to ordinary shareholders of the Company	<u><u>2,958,357,366</u></u>	<u><u>2,394,818,236</u></u>
Shares		
Weighted average number of ordinary shares in issue of the Company	<u><u>1,175,476,637</u></u>	<u><u>1,175,476,637</u></u>
Basic earnings per share (Yuan/share)	<u><u>2.52</u></u>	<u><u>2.04</u></u>
Diluted earnings per share (Yuan/share)	<u><u>2.52</u></u>	<u><u>2.04</u></u>

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

27. DIVIDENDS

	2015	2014
Proposed final dividend-RMB0.45 per ordinary share (2014: RMB0.40)	<u><u>528,964,487</u></u>	<u><u>470,190,655</u></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

	2015	2014
Railway transportation equipment and relevant products and services	<u>14,144,718,451</u>	<u>12,676,196,687</u>

Geographical information

Revenue from external customers

	2015	2014
Mainland China	13,615,740,296	12,379,397,331
Other countries and regions	<u>528,978,155</u>	<u>296,799,356</u>
	<u>14,144,718,451</u>	<u>12,676,196,687</u>

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

28. SEGMENT REPORTING (CONTINUED)

Total non-current assets

	31 December 2015	31 December 2014
Mainland China	2,267,095,444	2,260,164,962
Other countries and regions	1,250,471,631	224,410,980
	<u>3,517,567,075</u>	<u>2,484,575,942</u>

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

Information of major customers

In 2015, the Group's operating revenue (which accounted for more than 10% of the Group's total revenue) of RMB7,871,218,911 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 (2014: RMB7,801,176,216 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 2015	31 December 2014
Net current assets	11,852,766,497	9,179,211,753
Total assets less current liabilities	<u>15,662,192,706</u>	<u>11,938,153,567</u>

	31 December 2015	31 December 2014
Depreciation	210,792,706	246,305,340
Amortisation of intangible assets	<u>72,312,434</u>	<u>22,046,276</u>

PERFORMANCE REVIEW

The Group's revenue in 2015 amounted to RMB14,144.7 million (2014: RMB12,676.2 million), representing an increase of 11.6% year-on-year. Net profit attributable to shareholders of the Parent amounted to RMB2,958.4 million (2014: RMB2,394.8 million), representing an increase of 23.5% year-on-year. Basic earnings per share amounted to RMB2.52 (2014: RMB2.04), representing an increase of 23.5% year-on-year.

BUSINESS REVIEW

In 2015, the railway industry continued to deepen its reform. CSR Corporation Limited merged with China CNR Corporation Limited and was renamed as CRRC Corporation Limited ("CRRC") to embrace the new landscape of the rolling stock industry. Meanwhile, high-speed railway construction has been making continuous progress and railway transportation has taken consideration into both safety and efficiencies. In view of the changes in the market environment, the Group adhered to its "efficient organisation" and "global operation" strategies and focused on the core values and synergies, aiming to achieve solid progress in various businesses.

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

- The three main business sectors of locomotives, the "EMU" and urban transit continued to deliver strong performance and contributed approximately three-quarter of the Company's revenue for the year:
 - * In the field of the traction systems for locomotives, projects including 6 axle passenger/freight locomotives, 8 axles freight locomotives as well as locomotives for South Africa and Thailand were delivered in batches, and the locomotives offerings of the Company has become more diversified.

BUSINESS REVIEW (CONTINUED)

- * In the field of the traction systems for EMU, the market demand was still vigorous with smooth progress in deliveries. The China Standard EMU were in the evaluation stage and the permanent-magnet drive technology for electric multiple units was under research and development.
- * In the field of urban transit, the Company's own traction systems continued to lead the domestic market, the new technology platform was successfully applied in several batch-deliver project in the market. On the other hand, the Company steadily pushed forward its market expansion based on the "City Management" strategy, which has also promoted the synergic development of the relevant industries.
- In respect of railway engineering machinery, the integration of resources has provided the Group with advantages as a whole and the promotion of both technology and products has resulted in market growths.
- In respect of train operation safety equipment, the Group cultivated the new generation of products and successfully secured new orders for metro signaling.
- In respect of parts and components, the IGBT business achieved ongoing improvements. Some of the products have been applied in batches and product identification continued to proceed. The Company has also accelerated the development of IGBT power module market and expanded the parts and components segment through the collaboration with laminated busbars and sensors.

In April 2015, the Group acquired the deepsea robot business and completed the acquisition of 100% equity interests in Specialist Machine Developments (SMD) Limited of England. In the second half of 2015, the Company has consolidated its business strategies and management for a better development base.

During the past year, the Company promoted excellent performance management to continuously improve organisational performance and operation efficiency, laying a solid foundation for the governing system with continuous development.

OUTLOOK

2016 is the first year of the 13th Five-Year Plan. The Company will persist in its existing strategy to advocate its "Strive for Success" culture and step up its efforts in various businesses based on the three major themes of "strengthening the existing main business sectors, cultivating emerging industries with business growth, building up a platform of multinational operation", striving to provide quality services to its customers.

OUTLOOK (CONTINUED)

In the field of railways, the scale of investments in railway construction during the 13th Five-Year Plan period will remain at a considerably high level with continuous development of the railway transportation industry. 2016 will be the first complete year upon the brand new start of CRRC. The Company will fully leverage the advantages of CRRC to maintain a broad vision and enhance cooperation, so as to strengthen its leading position in the industry. The Company will remain vigilant even amid favorable business environment and keep an open mind to learn from the excellent practices to enhance the competitiveness of the railway transportation industry. Meanwhile, the railway industry will undergo deepened reform, resulting in more new changes in the market and thus a number of uncertainties.

In the field of traction system of locomotives and EMU, the Company will put emphasis on and cope with the adjustments and changes of the market, and take advantage of its own technology and products to expand potential market and cultivate inter-city market and strive for international business. It will also push forward the development of value-added services for products and facilitate the development and testing of various projects, such as the China Standard EMU and the cold weather EMU projects.

In the field of urban transit, the Company will continue to maintain a leading position in the market and strive to become a system solution provider which serves customers by way of “City Management”. It will also promote and reinforce its project implementation, optimize industrial layout and collaboratively promote the development of relevant industrial chain.

In the field of railway engineering machinery, the Company will make use of its overall advantages in both technology and industry to strengthen industrial synergies and remain innovative in launching and marketing its products. While strengthening its presence in established market, it will also strive to tap into emerging markets, expand its business scale and enhance efficiencies.

In the field of safety equipment and signaling, the Company will promote the certification of its own security computer platform, reinforce its project implementation and actively expand its market coverage.

In the field of parts and components sector, the Company will continuously promote qualification and seriation of IGBT products, expedite the marketization process of IGBT, strengthen its efforts in the expansion of the power module.

OUTLOOK (CONTINUED)

In the field of new industries, the Company will steadily promote new industries including marine engineering while focusing on the Group's core technologies with innovative concepts for active expansion.

Looking ahead to the coming year, the Group is confident in making use of its advantages in the industry while consolidating its status in the industry and making efforts to develop its businesses, thereby creating greater value for the 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

	2015 <i>(RMB million)</i>	2014 <i>(RMB million)</i>
Locomotive power converters, auxiliary power supply equipment and control systems	3,559.2	3,704.3
Electric multiple unit power converters, auxiliary power supply equipment and control systems	4,951.3	4,759.1
Metropolitan rail transportation equipment power converters auxiliary power supply equipment and control systems	1,873.1	1,207.6
Railway maintenance vehicles related products	1,495.3	1,148.6
Train operation safety equipment	560.6	574.6
Key electric part and component products	645.5	630.7
Marine engineering products and others	1,059.7	651.3
Total revenue	14,144.7	12,676.2

Revenue (continued)

The Group's revenue increased by RMB1,468.5 million or 11.6% from RMB12,676.2 million for the year ended 31 December 2014 to RMB14,144.7 million for the year ended 31 December 2015.

In 2015, other than a decrease in the revenue from locomotive 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 RMB665.5 million as compared with last year. Such increase was mainly due to the delivery of products such as Wuhan line 3 and Fuzhou line 1. The second strongest growth in revenue was recorded in marine engineering products and other products with an increase of RMB408.4 million as compared with last year. Such increase was mainly due to the income from the marine engineering products which were newly acquired in 2015. The third strongest growth in revenue was recorded in railway maintenance vehicles related products with an increase of RMB346.7 million as compared with last year. Such increase was mainly due to the delivery of products such as Railway Vehicle and Operation Car.

Cost of sales

The Group's cost of sales increased by 9.3% from RMB7,876.4 million for the year ended 31 December 2014 to RMB8,607.6 million for the year ended 31 December 2015. 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 15.4% from RMB4,799.8 million for the year ended 31 December 2014 to RMB5,537.1 million for the year ended 31 December 2015. The Group's gross profit margin increased from 37.9% for the year ended 31 December 2014 to 39.1% for the year ended 31 December 2015. The increase in gross profit margin was mainly due to the Group's continuous efforts to reduce cost and enhance efficiency.

Selling expenses

Selling expenses of the Group decreased by 26.5% from RMB880.9 million for the year ended 31 December 2014 to RMB647.3 million for the year ended 31 December 2015. The decrease in selling expenses was mainly due to the Group's continuous efforts to reduce cost and enhance efficiency.

Administrative expenses

The Group's administrative expenses increased by 19.1% from RMB1,349.1 million for the year ended 31 December 2014 to RMB1,606.3 million for the year ended 31 December 2015. The increase in administrative expenses was due to the increase in research and development costs of the Group in 2015.

Finance costs

The Group's finance costs increased by RMB17.7 million from negative RMB43.0 million for the year ended 31 December 2014 to negative RMB25.3 million for the year ended 31 December 2015. The increase in finance costs was mainly due to the increase in interest expense during the year.

Asset impairment losses

The Group's asset impairment losses decreased by 59.1% from RMB148.8 million for the year ended 31 December 2014 to RMB60.9 million for the year ended 31 December 2015. The decrease in asset impairment losses was due to the decrease in provision for bad debts made by the Group during 2015 as compared to last year.

Investment income

The Group's investment income decreased by RMB0.4 million from RMB121.6 million for the year ended 31 December 2014 to RMB121.2 million for the year ended 31 December 2015.

Non-operating income

The Group's non-operating income decreased by 33.4% from RMB272.0 million for the year ended 31 December 2014 to RMB181.1 million for the year ended 31 December 2015. The decrease in non-operating income was due to the decrease in the one-off government grants during the year.

Non-operating expenses

The Group's non-operating expenses increased by 65.5% from RMB2.9 million for the year ended 31 December 2014 to RMB4.8 million for the year ended 31 December 2015. 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 25.1% from RMB2,754.9 million for the year ended 31 December 2014 to RMB3,445.3 million for the year ended 31 December 2015. 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 2014 and 31 December 2015 were 21.7% and 24.4% respectively.

Income tax expense

The Group's income tax expense increased by 31.1% from RMB362.9 million for the year ended 31 December 2014 to RMB475.6 million for the year ended 31 December 2015.

The Company, Ningbo CRRC Times Sensor Technology Co., Ltd. (formerly known as Ningbo CSR Times Senior 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%.

The effective income tax rates of the Group for the years ended 31 December 2014 and 31 December 2015 were 13.2% and 13.8% respectively.

Net profit attributable to shareholders of the Parent

Net profit attributable to shareholders of the Parent increased by 23.5% from RMB2,394.8 million for the year ended 31 December 2014 to RMB2,958.4 million for the year ended 31 December 2015. 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 increased by RMB14.1 million from negative RMB2.8 million for the year ended 31 December 2014 to RMB11.3 million for the year ended 31 December 2015. The increase in non-controlling interests was mainly due to the increase in net profit from the Group's non-wholly owned subsidiaries during the year as compared to last year.

Earnings per share

Earnings per share increased by RMB0.48 from RMB2.04 for the year ended 31 December 2014 to RMB2.52 for the year ended 31 December 2015.

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 increase in cash and cash equivalents of the Group amounted to RMB703.3 million for the current year.

Net cash inflows from operating activities

The Group's net cash inflows from operating activities decreased by RMB432.4 million from RMB2,056.7 million for the year ended 31 December 2014 to RMB1,624.3 million for the year ended 31 December 2015, which was mainly due to the significant increase in the cash paid for purchases of goods and receiving of services by the Group as compared to last year.

Net cash outflows from investing activities

For the year ended 31 December 2015, the Group's net cash outflows from investing activities was approximately RMB1,481.2 million. The cash outflow item in investing activities was mainly the cash paid for acquisition of investments of RMB5,289.0 million and the cash paid for acquisition of subsidiaries of RMB1,074.8 million.

Net cash inflows from financing activities

For the year ended 31 December 2015, the Group's net cash inflows from financing activities was approximately RMB558.7 million. The cash inflow item in financing activities was mainly the cash received from bank borrowings of RMB1,078.7 million

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:

	31 December 2015 (RMB million)	31 December 2014 (RMB million)
Contracted but not provided for		
Capital commitments	87.7	110.5
Investment commitments	—	22.5
	<u>87.7</u>	<u>133.0</u>

Indebtedness

The following table sets out the Group's indebtedness as at the dates indicated:

	31 December 2015 (RMB million)	31 December 2014 (RMB million)
Short-term borrowings	53.6	4.4
Long-term borrowings (inclusive of amounts due within one year)	<u>1,034.7</u>	<u>48.8</u>
Total	<u>1,088.3</u>	<u>53.2</u>

The Group's borrowings were mainly floating rate loans.

Indebtedness (continued)

Maturity analysis:

	31 December 2015 (RMB million)	31 December 2014 (RMB million)
Due within 1 year	62.9	15.7
Due within 1 to 2 years	1.2	36.7
Due within 2 to 5 years	936.5	0.8
Due more than 5 years	87.7	—
	<u>1,088.3</u>	<u>53.2</u>

As at 31 December 2015, the annual interest rates of the above borrowings are 0-4.92% (31 December 2014: 0-6.56%).

Pursuant to the relevant borrowing agreements, the loans amounted to RMB54.2 million on 31 December 2015(31 December 2014:RMB33.8 million)are entitled to priority to be repaid with certain assets if the Group is incapable of repayment. The carrying amounts of such assets as at 31 December 2015 and 31 December 2014 were RMB594.5 million and RMB296.2 million).

Pledge

As at 31 December 2015, the Group pledged its fixed assets with a carrying amount of RMB29.3 million (31 December 2014: RMB29.1 million) to obtain bank borrowings.

As at 31 December 2015, the Group pledged its land use rights with a carrying amount of RMB17.0 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 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 made no changes in the objectives and processes for managing capital during the years ended 31 December 2015 and 31 December 2014.

Capital management (continued)

The Group monitors capital 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 30%. Net debt includes all borrowings, bills payable, trade payables, receipts in advance, employee benefits payable, interests 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 15.2% as at 31 December 2014 and 19.9% as at 31 December 2015.

Business combinations not involving entities under common control

The Group acquired 100% share of Specialist Machine Developments (SMD) Limited ("SMD") together with its subsidiaries ("SMD Group") from independent third parties, through its subsidiary, CSR Times Electric (Hong Kong) Co., Limited paying by 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 an independent appraiser to evaluate the allocation of purchase price of SMD Group. The Group determined the fair value of net identifiable assets and contingent consideration according to the finalised valuation. On the acquisition date, the fair value of intangible assets of SMD Group was GBP48.1 million (equivalent to approximately RMB439.6 million), including technical know-how, trademarks, backlog orders and service contracts and so on. The fair value of intangible assets was calculated by the method of discounted cash flow. On the acquisition date, the goodwill arising from business combinations not involving entities under common control was amounting to GBP58.6 million (equivalent to approximately RMB535.9 million).

The total consideration of this transaction is GBP120.2 million (equivalent to approximately RMB1,098.5 million at acquisition date), including the amount of GBP102.8 million (equivalent to approximately RMB940.0 million at acquisition date) to repay the loans then outstanding on behalf of SMD Group on the acquisition date and the amount of GBP17.4 million ((equivalent to approximately RMB158.5 million at acquisition date) as the consideration of the equity interest, which includes cash considerations that have been paid amounted to GBP15.9 million (equivalent to approximately RMB145.2 million at acquisition date) and the fair value of contingent consideration amounted to GBP1.5 million (equivalent to approximately RMB13.3 million at acquisition date)).

Business combinations not involving entities under common control (continued)

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 acquisition date 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 at acquisition date) by using the retention amount of escrow account paid on the acquisition date. Furthermore, if the performances of the first financial year (2015) and the second financial year (2016) of SMD Group after the acquisition date 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 at acquisition date). On the acquisition date, the fair value of contingent consideration amounted to GBP1.5 million (equivalent to approximately RMB13.3 million at acquisition date). As at 31 December 2015, SMD Group did not achieve the performance target stipulated in the purchase agreement, the contingent consideration amounting to GBP0.8 million (equivalent to approximately RMB7.9 million as at 31 December 2015) is recognised as non-operating profit.

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.

Other than the under disclosed, the Group has no contingencies which should be disclosed.

As at 9 April 2015, the fair value of contingent consideration is GBP1.5 million (equivalent to approximately RMB13.3 million). Due to the impact of exchange realignments and discounting periods, as at 31 December 2015, the fair value of contingent consideration is revalued at RMB14.8 million. As at 31 December 2015, the contingent consideration due within one year amounting to GBP0.8 million (equivalent to approximately RMB7.9 million) is not required to be repaid as the performance of the first financial year after the acquisition date did not meet the performance target stipulated under the purchase agreement. Therefore, it is recognised in the profit and loss of current year. The Group has engaged an independent appraiser to evaluate the fair value contingent consideration.

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.

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, Euros and United States dollar. Fluctuations of exchange rates of RMB against such foreign currencies can affect the Group's results of operations.

As at 31 December 2015, the borrowings amounted to RMB988.1 million 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 changes in the construction policies of the railway market by the Chinese government.

Proposed distribution of final dividends

The Board of the Company proposed to distribute a cash dividend of RMB0.45 per share (inclusive of applicable tax) for 2015.

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 organisations which are all considered as non-resident enterprise shareholders), the Company will distribute the relevant dividends after deducting corporate income tax of 10%.

Proposed distribution of final dividends (continued)

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.

Pursuant to the relevant requirements under the Notice on the Tax Policies Related to the Pilot Program of the Shanghai-Hong Kong Stock Connect (關於滬港股票市場交易互聯互通機制試點有關稅收政策的通知) (Caishui [2014] No. 81), for dividends received by domestic investors from investing in H shares listed on the Stock Exchange through Shanghai-Hong Kong Stock Connect, the company of such H shares shall withhold and pay individual income tax at the rate of 20% on behalf of the investors. For dividends received by domestic securities investment funds from investing in H shares listed on the Stock Exchange through Shanghai-Hong Kong Stock Connect, the tax payable shall be the same as that for individual investors. The company of such H shares will not withhold and pay the income tax of dividends for domestic enterprise investors and those domestic enterprise investors shall report and pay the relevant tax themselves.

The proposed dividend to be distributed is subject to the approval of the shareholders at the annual general meeting to be held on 23 June 2016.

If approved, the final dividends are expected to be distributed on or about 5 August 2016 to shareholders whose name are registered in the list of shareholders on 4 July 2016.

Closure of register

In order to ascertain the entitlements of shareholders to attend the forthcoming annual general meeting to be held on 23 June 2016, the register of members of the Company will be temporarily closed from 24 May 2016 to 23 June 2016 (both days inclusive), during which no transfer of shares will be registered. In order to be eligible to attend the annual general meeting and vote at 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, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong not later than 4:30 p.m. on 23 May 2016.

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 29 June 2016 to 4 July 2016 (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 share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on 28 June 2016.

Purchase, redemption or sale of listed securities of the Company

During the year ended 31 December 2015, there was no purchase, redemption or sale of any listed securities of the Company by the Company or any of its subsidiaries.

CORPORATE GOVERNANCE PRACTICES

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 2015, the Company has fully complied with all the code provisions as set out in the Corporate Governance Code and Corporate Governance Report ("CG Code"), contained in Appendix 14 of the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (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 that deviated the requirement of Code Provision A.6.7.

The Board and the management of the Company make every effort to comply with the CG Code in order to protect and enhance the interests of the 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 to 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 improve its corporate governance mechanism, exercise discipline in the fulfilment of corporate duties, and strengthen the disclosure of information.

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 securities transactions of the directors of the Company.

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 year ended 31 December 2015.

REVIEW BY THE AUDIT COMMITTEE

The Company's annual results for the year ended 31 December 2015 and this results announcement have been reviewed and confirmed by the audit committee of the Company.

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

Zhuzhou, China, 24 March 2016

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 Liu Ke'an and Yan Wu, our non-executive Director is Ma Yunkun, and our independent non-executive Directors are Chan Kam Wing, Clement, Pao Ping Wing and Liu Chunru.