



ANNUAL REPORT
2015



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)



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Notes:

1. The financial data in this Annual Report are prepared under PRC Accounting Standards;
2. This Annual Report is prepared in Chinese and English. In the event of any inconsistency between the Chinese version and the English version, the Chinese version shall prevail.

Financial Highlights

CONSOLIDATED STATEMENT OF PROFIT OR LOSS HIGHLIGHTS

	Year Ended 31 December				
	2015 RMB'000	2014 RMB'000	2013 RMB'000	2012 RMB'000	2011 RMB'000
Revenue	14,144,718	12,676,197	8,855,964	7,248,863	7,124,775
Operating profit	3,268,992	2,485,808	1,614,400	1,282,527	1,270,105
Total profit	3,445,344	2,754,914	1,703,580	1,403,781	1,380,922
Net profit	2,969,703	2,392,009	1,466,225	1,225,189	1,187,036
Net profit attributable to shareholders of the Parent	2,958,357	2,394,818	1,467,021	1,223,789	1,184,443
Non-controlling interests	11,345	(2,809)	(796)	1,400	2,593
Basic earnings per share (RMB Yuan/share)	RMB2.52	RMB2.04	RMB1.33	RMB1.13	RMB1.09

CONSOLIDATED STATEMENT OF FINANCIAL POSITION HIGHLIGHTS

	As at 31 December				
	2015 RMB'000	2014 RMB'000	2013 RMB'000	2012 RMB'000	2011 RMB'000
Total assets	21,812,327	16,924,904	13,398,482	9,657,458	8,654,179
Total liabilities	8,135,725	5,754,138	4,248,362	3,338,630	3,216,495
Net assets	13,676,602	11,170,766	9,150,120	6,318,828	5,437,684

Chairman's Report

Dear Shareholders,

I am pleased to present the annual report of the Company for the year ended 31 December 2015. On behalf of the Board of Directors, I would like to express my sincere gratitude to all shareholders for your continual support and care.

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 merged with CNR and was renamed as 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 into consideration 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 segments have respectively made new breakthroughs in technology, products and markets, which mainly included:

Chairman's Report

Business Review (continued)

- The three main business segments of locomotives, the electric multiple units ("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-axles 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;
 - * In the field of the traction systems for EMU, the market demand was still vigorous with smooth progress in deliveries. The China Standard EMUs 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 railway and metro, the Company's own traction systems continued to lead the domestic market, the new technology platform was successfully applied in several batch-delivered projects 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 SMD 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 continued to promote excellent performance management, continuously improved organizational performance and operation efficiency, thereby 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 decided 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.

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.

Outlook (continued)

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 railway and metro, 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 and strengthen its efforts in the expansion of power modules.

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.

Ding Rongjun

Chairman of the Board

Zhuzhou, Hunan, the PRC

24 March 2016

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 this Annual Report.

Revenue

	2015 (RMB million)	2014 (RMB million)
Locomotives	3,559.2	3,704.3
Electric Multiple Units	4,951.3	4,759.1
Metropolitan rail transportation equipment	1,873.1	1,207.6
Railway maintenance machineries 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

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 locomotives, 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 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 machineries 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.

Management Discussion and Analysis

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 of trade receivables 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.

Management Discussion and Analysis

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 Times, Times Electronics and Times Equipment 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 Times and Kunming Electric 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.

Management Discussion and Analysis

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
	<hr/> <hr/> <hr/>	<hr/> <hr/> <hr/>
	87.7	133.0

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)	1,034.7	48.8
Total	<hr/> <hr/> <hr/>	<hr/> <hr/> <hr/>
	1,088.3	53.2

The Group's borrowings were mainly floating rate loans.

Management Discussion and Analysis

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	—
	1,088.3	53.2

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 respectively.

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.

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.

Management Discussion and Analysis

Business combinations not involving entities under common control

The Group acquired 100% share of SMD Group from independent third parties, through its subsidiary, HK Electric 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)).

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 from GBP0 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.

Management Discussion and Analysis

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.

Directors, Supervisors and Senior Management

Directors



Ding Rongjun, aged 55, Chairman of the Board and an executive Director, and also the chairman of the strategy committee and nomination committee of the Company. Mr. Ding is a director of Zhuzhou Siemens and the chairman of the board of directors of Shiling. Mr. Ding joined CRRC ZELRI in August 1984 and has held the positions of deputy director and project manager of the scientific research department, deputy director, deputy chief engineer and chief engineer of CRRC ZELRI. Mr. Ding served as the president of the Company from September 2005 to December 2007, deputy general manager of CRRC ZELRI from December 2007 to December 2008, general manager of CRRC ZELRI from December 2008 to July 2009. He has been an executive director, the general manager and deputy Party secretary of CRRC ZELRI from July 2009 to November 2015. He has been the chairman of the board of directors and deputy Party secretary of CRRC ZELRI since December 2015. Mr. Ding graduated from Southwest Jiaotong University with a bachelor's degree in Electric Locomotive in 1984, from Changsha Railway Institute with a master's degree in Traffic Information and Control in 1998, from Hunan University with a master's degree in Management Science and Engineering in 1999 and from Central South University with a doctor's degree in Intelligent Control and Pattern Recognition in 2008. Mr. Ding was elected as a member of the Chinese Academy of Engineering in December 2011. Mr. Ding has been an executive Director of the Company since September 2005, and the Chairman of the Board since December 2007.



Deng Huijin, aged 59, Vice Chairman of the Board and an executive Director, and also a member of the risk management committee of the Company. Mr. Deng is a director of Times New Materials. Mr. Deng joined CRRC ZELRI in 1982 and has held various positions as assistant engineer, engineer and senior engineer. He served as the deputy director of CRRC ZELRI from November 1995 to December 2005, deputy Party secretary, secretary of Party discipline inspection commission and chairman of the labour union of CRRC ZELRI from December 2005 to November 2008, and has been the Party secretary and deputy general manager of CRRC ZELRI from December 2008 to November 2015. He has been the vice chairman of the board of directors and Party secretary of CRRC ZELRI since December 2015. Mr. Deng graduated from Dalian Railway Institute with a bachelor's degree in Engineering in 1982. Mr. Deng was appointed as a non-executive Director of the Company since August 2009 and was re-designated as an executive Director of the Company on 25 March 2014. He has been the Vice Chairman of the Board since April 2010.

Directors, Supervisors and Senior Management



Li Donglin, aged 49, prior to 12 January 2016, was an executive Director and general manager of the Company and a member of the strategy committee of the Company. Mr. Li is the chairman of the board of directors of Dynex. Mr. Li joined CRRC ZELRI in July 1989 and has held the positions of deputy chief engineer, deputy general manager of the rail transport department, director of the manufacturing centre, deputy general manager of the sales and marketing centre of CRRC ZELRI. Mr. Li served as the chief marketing officer of the Company from September 2005 to December 2007, vice president and Party secretary of the Company from December 2007 to December 2009. Mr. Li has been a director, general manager and deputy Party secretary of CRRC ZELRI since December 2015, and has been the chairman of the board of directors of Times New Materials since February 2016. Mr. Li graduated from Southwest Jiaotong University with a bachelor's degree in Electric Traction and Drive Control in 1989. Mr. Li has been appointed as the general manager of the Company in January 2010. In April 2010, he was appointed as an executive Director of the Company. On 12 January 2016, Mr. Li resigned as the executive Director, the general manager and the member of the strategy committee of the Company.



Liu Ke'an, aged 45, an executive Director and general manager and also a member of the strategy committee of the Company. Mr. Liu is a director of Dynex and the chairman of the board of directors of Hunan CSR Wabtec. Mr. Liu is a professorate senior engineer. He joined CRRC ZELRI in August 1994 and has held various positions as engineer, the chief engineer, senior engineer and the chief designer of CRRC ZELRI. Mr. Liu has held various positions such as director of the drive technology department of technology centre, director of systems project department of the technology centre, deputy director and director of the technology centre of the Company since September 2005. He was an employee representative supervisor of the Company from December 2007 to January 2010, the chief technology officer of the Company from January 2010 to June 2012 and the vice general manager and the chief engineer of the Company from June 2012 to January 2016. Mr. Liu also served as the general manager of semi-conductor department of the Company from January 2014 to February 2016. Mr. Liu graduated from the Department of Electrical Engineering of Tongji University with a bachelor's degree in Engineering majoring in Industrial Electrical Automation in 1994 and graduated from Zhongnan University of Economics and Law with a master's degree in Corporate Management in 2008. Mr. Liu has served as an executive Director and general manager of the Company since January 2016.



Yan Wu, aged 49, an executive Director, vice general manager and secretary to the Board and also a member of the risk management committee of the Company. Mr. Yan is an executive director of HK Electric, Times Australia, Times USA, Times Brasil. Mr. Yan is a senior engineer. He joined CRRC ZELRI in 1992. Mr. Yan graduated from Northwestern Polytechnical University with a bachelor's degree in Electro-Technology in 1989 and a master's degree in Aircraft Navigation and Control in 1992. Mr. Yan served as the director of the technical standards department of the Company from September 2005 to December 2007, and as the director of the securities and legal affairs department of the Company from January 2007 to January 2014. Mr. Yan had been the general secretary of the National Electric Traction Equipment and System Standardization Technical Committee from September 2005 to November 2011. Mr. Yan was appointed as the secretary to the Board of the Company in December 2007 and vice general manager of the Company in June 2012. He has been a non-executive Director of the Company since December 2010 and was re-designated as an executive Director of the Company on 25 March 2014.

Directors, Supervisors and Senior Management



Ma Yunkun, aged 62, a non-executive Director and a member of the audit committee of the Company. Mr. Ma has more than 10 years of experience in business management. Mr. Ma held the positions of deputy director of Kunming Machine Factory from 1994 to 2003, vice chairman of the board of directors and general manager of CRCCE from 2003 to 2004, chairman of the board of directors and general manager of CRCCE from 2004 to January 2010 and chairman of the board of directors and Party secretary of CRCCE from January 2010 to January 2015. He has served as a director of CRCCE since January 2015. Mr. Ma has been a non-executive Director of the Company since September 2005.



Gao Yucai, aged 75, prior to 23 March 2016, was an independent non-executive Director and a member of the strategy committee, the audit committee and the remuneration committee of the Company. Mr. Gao is a senior engineer and has more than 20 years of experience in the urban rail transportation industry. Mr. Gao was the deputy director of the Beijing Public Utility Bureau from 1983 to 1990 and the general manager of Beijing Metro Corporation from 1990 to 2001. Mr. Gao was a commissioner of the China Communication and Transportation Association ("CCTA") and director of the urban rail transportation committee of CCTA. Mr. Gao graduated from the PLA Engineering Institute (its predecessor is Harbin Institute of Military Engineering) in 1966. Mr. Gao was appointed as an independent non-executive Director of the Company in November 2006. On 23 March 2016, Mr. Gao resigned as an independent non-executive Director and a member of the strategy committee, the audit committee and the remuneration committee of the Company.



Chan Kam Wing, Clement, aged 58, an independent non-executive Director and also the chairman of the audit committee and a member of the risk management committee of the Company. Mr. Chan is a certified public accountant in Hong Kong, a member of the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the Institute of Chartered Accountants in England and Wales. Mr. Chan possesses the appropriate financial management expertise as required by the Listing Rules. Mr. Chan has been the managing director of BDO Limited since May 2009. Mr. Chan was the Asia Pacific regional director and the board member of Horwath International from 1996 to April 2009, during which Mr. Chan was the managing director of Horwath Hong Kong CPA Limited. Mr. Chan was elected as a council member of the HKICPA from 2007 to 2014, during which he was elected as the vice president of the HKICPA from 2012 to 2013, and was further elected as the president of HKICPA in 2014. In addition, he is actively involved in the work and matters of the technical and industry monitoring committees of the HKICPA. From 2010 to 2013, Mr. Chan was appointed as the chairman of the financial reporting standards committee of the HKICPA and was responsible for research, editing and promulgation of the Hong Kong Financial Reporting Standards. Mr. Chan has also been elected as the chairman of the Asian-Oceanian Standard Setters Group in 2014 and 2015 and attends various international conferences on the setting of accounting standards on behalf of Hong Kong. Mr. Chan obtained a bachelor's degree in Accounting and a master's degree in Commerce from the United Kingdom and Australia, respectively. Mr. Chan has been an independent non-executive Director of the Company since September 2005.

Directors, Supervisors and Senior Management



Pao Ping Wing, aged 69, an independent non-executive Director and also the chairman of the remuneration committee and a member of the audit committee and the nomination committee of the Company. Since 1987, Mr. Pao has been appointed as the independent non-executive director of various companies listed on the Stock Exchange. Mr. Pao has substantial experiences in corporate governance. Mr. Pao is an independent non-executive director of Oriental Press Group Limited, Sing Lee Software (Group) Limited, Maoye International Holdings Limited, Capital Environment Holdings Limited, Soundwill Holdings Limited, HL Technology Group Limited and JC GROUP HOLDINGS LTD.. Mr. Pao was appointed as a Justice of Peace in 1987. Mr. Pao was appointed by the Hong Kong government as a member of the Town Planning Board, the Advisory Council on the Environment, the Hong Kong Housing Authority and the Land Development Corporation. Mr. Pao obtained a master's degree in Science of Human Settlement Planning and Development. Mr. Pao has been an independent non-executive Director of the Company since September 2005.



Liu Chunru, aged 45, an independent non-executive Director and a member of the audit committee, nomination committee and remuneration committee of the Company. Ms. Liu is a certified assets valuer. Ms. Liu was the vice president of Beijing China Enterprise Appraisal Co., Ltd. and the president of Zhongfa International Appraisal Co., Ltd. She has been the vice chairman of the board of Beijing Zhuoxindhua Appraisal Co., Ltd. since September 2012. Ms. Liu graduated from Chongqing University with a bachelor's degree in Engineering in 1994 and graduated from Tsinghua University with a master's degree in Business Administration in 2008. Ms. Liu was a supervisor of the Company from September 2005 to April 2008. Ms. Liu has been an independent non-executive Director of the Company since June 2008.

Supervisors



Xiong Ruihua, aged 47, supervisor and Chairman of the Supervisory Committee. Mr. Xiong is a senior economist. Mr. Xiong joined CRRC ZELRI in 1993 and has held various positions as secretary of the Communist Youth League, deputy director, acting director, and director of the Audit Department of CRRC ZELRI. He served as the chief financial officer and secretary of the board of Times New Materials from February 2004 to November 2007, deputy secretary of Party discipline inspection commission and director of the audit and supervision committee of CRRC ZELRI from December 2007 to November 2008, deputy secretary of Party discipline inspection commission of CRRC ZELRI from December 2008 to December 2009, deputy officer and director of the Audit and Risk Department of CSR from January 2010 to December 2011, Party secretary and deputy general manager of Times New Materials from January 2012 to November 2013 and the vice general manager and chief financial officer of CRRC ZELRI since December 2013. Mr. Xiong has been a director of Times New Materials since April 2014. Mr. Xiong graduated with a bachelor's degree in Accounting from Hunan University, and obtained his master's degree in Enterprise Management and Information Systems from Wuhan University in May 2009. Mr. Xiong has been a supervisor of the Company since June 2014.

Directors, Supervisors and Senior Management



Pang Yiming, aged 52, supervisor. Mr. Pang is the general manager of the printed circuit business division of the Company. Mr. Pang joined CRRC ZELRI in October 1982 and held positions of assistant to the general manager of the manufacturing centre of CRRC ZELRI and deputy general manager of Times Electronics, the chief production officer and director of the production department of Times Electronics. Mr. Pang served as assistant to the director and deputy general manager of the marketing management department of the marketing centre of the Company from January 2007 to January 2009, director of the marketing management department of the Company from January 2009 to December 2009, and director of the operation management department of the Company from January 2010 to December 2011. Mr. Pang has been the general manager of the printed circuit business division of the Company since January 2012. Mr. Pang graduated from Central South University in 2004 after a three-year study in management and engineering. Mr. Pang has been an employee representative supervisor of the Company since September 2005.



Zhou Guifa, aged 52, supervisor. Mr. Zhou is a professorate senior engineer. He joined CRRC ZELRI in 1985 and has held various positions as engineer, senior engineer and professorate senior engineer at the R&D centre of CRRC ZELRI and the technology centre of the Company. Mr. Zhou served as the chief technology officer of Shanghai branch of the technology centre of the Company from September 2005 to December 2006, and has been the chief scientist of the Company since January 2007 and the chief technical expert of CSR since 2011. Mr. Zhou graduated from Dalian Railway Institute with a bachelor's degree in Engineering in 1985, obtained a master's degree in Engineering from the Central South University in 1997 and a doctor's degree in Engineering from the Tongji University in 2009. Mr. Zhou has been an employee representative supervisor of the Company since January 2010.



Geng Jianxin, aged 62, independent supervisor. Mr. Geng has been a teacher at the Department of Accounting of Renmin University of China since 1993 and now a professor and a doctoral supervisor. Mr. Geng graduated from Zhejiang Metallurgy and Economics College in 1981 majoring in Accounting. He worked as an assistant accountant for a geophysics exploration company of the Ministry of Metallurgical Industry from 1981 to 1984 and for the Taxation Bureau of Baoding, Hebei from 1984 to 1985. He obtained a master's degree in economics from Zhongnan University of Economics and Law in 1988 and worked as a lecturer and assistant professor at Hebei Institute of Economics and Business from 1988 to 1990. He obtained a doctor's degree in administration from the Department of Accounting of the Renmin University of China in 1993. Mr. Geng has been an independent supervisor of the Company since June 2011.

Directors, Supervisors and Senior Management

Senior Management

Li Donglin, aged 49, prior to 12 January 2016, an executive Director and general manager of the Company. Biographical details of Mr. Li are set out above.

Liu Ke'an, aged 45, executive Director and general manager. Biographical details of Mr. Liu are set out above.



Du Jinsong, aged 50, Party secretary and vice general manager. Mr. Du is a director of Hangzhou Electric and the chairman of the board of directors of Qingdao Electric. Mr. Du is a senior engineer. He joined CRRC ZELRI in 1989 and has held various positions as group leader, director of the production department, vice director in charge of production, executive vice director and deputy general manager of the manufacturing centre of CRRC ZELRI. He served as deputy general manager of the marketing centre of CRRC ZELRI from March 2002 to March 2004, deputy general manager and secretary of Party general branch of power electronic business unit of CRRC ZELRI from March 2004 to December 2004, deputy general manager and Party branch secretary, executive deputy general manager and Party branch secretary of engineering centre of CRRC ZELRI from December 2004 to August 2006, the general manager and vice secretary of Party general branch of wind power unit of CRRC ZELRI from August 2006 to December 2011. Mr. Du graduated from East China Jiaotong University with a bachelor's degree in Electric Traction and Drive Control in 1989 and Changsha Railway Institute with a certificate of post graduation in Traffic Information and Control in 1999. He later graduated from Hunan University with a postgraduate certificate in Business Administration in 2001. Mr. Du has been the Party secretary and vice general manager of the Company since January 2012.



Chen Jian, aged 44, vice general manager. Mr. Chen is a director of Shenyang Times, Kunming Electric, Times Information, Shanghai Shentong CRRC Railway Transportation and Operational Safety Engineering Technology Research Co., Ltd. and the chairman of the board of directors of Guangzhou Times. Mr. Chen is a senior engineer. He joined CRRC ZELRI in August 1995 and has held various positions as director of market department of the marketing centre of CRRC ZELRI and the general manager of Zhuzhou Jierui Electronics Engineering Company Limited(株洲傑瑞電氣工程有限公司) and deputy general manager of Times Electronics. Mr. Chen has held various positions as the general manager of the marketing centre of the Company and general manager of Times Electronics since July 2005, and vice chief economist of the Company from January 2009 to December 2009. Mr. Chen was the general manager of Baoji Times from April 2009 to January 2010. He was the chief marketing officer of the Company from January 2010 to June 2012. Mr. Chen graduated from Tongji University with a bachelor's degree in Electronic Equipment and Metrological Technology in July 1995, and obtained a master's degree in Business Administration from Central South University in December 2006. Mr. Chen has been vice general manager of the Company since June 2012.

Directors, Supervisors and Senior Management



Liu Daxi, aged 51, vice general manager. Mr. Liu is a director of Times Electronics, Shiling and the chairman of the board of directors of Baoji Times. Mr. Liu is a senior engineer. He joined CRRC ZELRI in July 1988. He has worked for the trial production department, the electrical equipment factory and the manufacturing centre of CRRC ZELRI. He has successively held various positions as deputy director and director of the engineering department of electrical equipment factory, deputy director of the electrical equipment factory, deputy director, director and general manager of the manufacturing centre. Mr. Liu served as deputy chief economist of the Company from January 2008 to December 2009 and the chief production officer of the Company from January 2010 to June 2012. He graduated from Beijing Jiaotong University in July 1988 with a bachelor's degree in Electric Traction and Drive Control, and studied the MBA programme at Business School of Central South University from June 2003 to April 2005. He undertook a programme in leadership in manufacturing technology at the George Washington University in the United States from November 2003 to December 2003 and studied the programme for chief operation officer at Fudan University from September 2006 to March 2007. Mr. Liu has been the vice general manager of the Company since June 2012.



Tan Yongneng, aged 46, chief administration officer and chairman of the labour union. Mr. Tan is a director of Qingdao Electric. He joined CRRC ZELRI in July 1990, and has successively held various positions as director of general manager's office of Times Electronics, director of department of Party and mass affairs and director of Party office of CRRC ZELRI. He was director of department of Party and mass affairs and director of department of auditing of the Company from December 2004 to December 2005, director of department of Party and mass affairs and director of Party office of CRRC ZELRI from December 2005 to December 2007, and director of administration office and director of secretary office of decision-making committee of CRRC ZELRI from January 2008 to January 2010. Mr. Tan graduated from Xiangtan University majoring in Electrical Technology in July 1995. He attended the on-the-job postgraduate programme in Psychology and Human Resources of Peking University in 2000, and obtained a certificate of graduation by completing the full postgraduate programme in July 2002. He attended the on-the-job MBA programme of Business School of Central South University in 2003 and obtained a certificate of graduation by completing the full postgraduate programme in July 2005. Mr. Tan has been the chief administration officer and the chairman of the labour union of the Company since January 2010.

Directors, Supervisors and Senior Management



Niu Jie, aged 48, vice general manager. Mr. Niu is a director of Shanghai CSR Railway, and an executive director of Times Equipment and Ningbo Times and the vice chairman of the board of directors of Baoji Times. Mr. Niu is an engineer. He joined CRRC ZELRI in October 1994 and served as director of the production department of the PCB plant, sales director of the production and operation division and vice general manager of the marketing centre of CRRC ZELRI. He was deputy general manager of the marketing centre of the Company from September 2005 to December 2006 and the general manager of the locomotives business department of the marketing centre of the Company from January 2007 to December 2008. Mr. Niu was a technician and office director of the loading and unloading machinery plant of Lanzhou Railway Bureau from February 1988 to October 1994. He was deputy chief economist of the Company from January 2010 to June 2012 and was the general manager of the locomotives business department of the Company from January 2009 to May 2013. Mr. Niu graduated from Central South University in June 2003 with an undergraduate certificate of graduation in machinery design, manufacturing and automation. Mr. Niu has been vice general manager of the Company since June 2012.

Yan Wu, aged 49, executive Director, vice general manager and secretary to the Board. Biographical details of Mr. Yan are set out above.



Zhang Hua, aged 40, vice general manager and chief financial officer. Ms. Zhang is a director of Zhuzhou Siemens and a supervisor of Baoji Times. Ms. Zhang is a senior accountant and a Certified Public Accountant of China. Ms. Zhang joined CRRC ZELRI in 1998 and acted as accountant and accounting manager. She served as a director of financial assets department of CRRC ZELRI from January 2005 to November 2007, the chief financial officer of Times New Materials from December 2007 to December 2009 and vice general manager and the chief financial officer of Times New Materials from January 2010 to May 2013. Ms. Zhang graduated from Xiangtan University in June 1998 with a bachelor's degree in Economics and graduated from Hunan University with a master's degree in Professional Accounting in November 2012. Ms. Zhang has been vice general manager and the chief financial officer of the Company since May 2013.

Directors, Supervisors and Senior Management

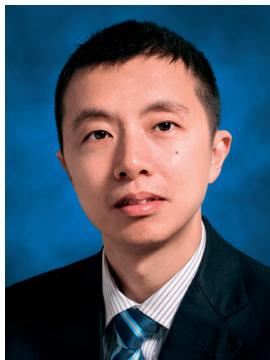


Yan Changqi, aged 48, vice general manager. Mr. Yan is a director of Shanghai CSR Railway, Qingdao Electric, Yueqing CSR Railway and Shiling. Mr. Yan is a senior engineer. He joined CRRC ZELRI in August 1991 and has held various positions as director of the sales division of the marketing centre of CRRC ZELRI, deputy director of Foreign Economic Cooperation Office (FECO), vice general manager of the marketing centre, chief marketing officer of Times Electronics and chief marketing officer of the passenger car electric business division. Mr. Yan served as the general manager of the EMU business division of the Company from January 2007 to December 2009, vice chief economist of the Company from January 2010 to January 2013, assistant to general manager and general manager of the EMU business division of the Company from February 2013 to May 2013, and assistant to general manager and general manager of the railway business division of the Company from May 2013 to January 2016. Mr. Yan graduated with a bachelor's degree in Machinery Manufacturing Technology and Equipment (機械製造工藝及設備) from Xi'an Jiaotong University in July 1991. Mr. Yan has been vice general manager of the Company since January 2016.



Yu Liu, aged 51, vice general manager. Mr. Yu is a director of Guangzhou Times and Hangzhou Electric. Mr. Yu is an engineer. He joined CRRC ZELRI in June 1999 and has held various positions as director of the marketing division of the production operations department, director of the marketing division for urban railway equipment and vice general manager of the business division for urban railway equipment. He has been the general manager of the business division for urban railway of the Company from September 2005 to December 2009, vice chief economist and general manager of the business division for urban railway of the Company from January 2010 to January 2013, assistant to general manager and general manager of the business division for urban railway of the Company from February 2013 to February 2016. Mr. Yu graduated with a master's degree in Software Engineering from Wuhan University in July 2009. Mr. Yu has been vice general manager of the Company since January 2016.

Directors, Supervisors and Senior Management



Shang Jing, aged 39, vice general manager and chief engineer. Mr. Shang is a senior engineer. He joined CRRC ZELRI in July 2003 and has held the position as an engineer at the R&D centre. He served as engineer at the R&D centre, director and deputy director of the industrial drive division of the Company from September 2005 to May 2011, and deputy director and director of the foundation and platform research and development centre of CRRC ZELRI Research Institute from June 2011 to February 2015, respectively. He was also the vice chief engineer and director of the foundation and platform research and development centre of CRRC ZELRI Research Institute from February 2015 to January 2016. Mr. Shang graduated with a bachelor's degree in Mechanical and Electrical Engineering and a master's degree in Power System and Automation from Southwest Jiaotong University in July 2000 and April 2003 respectively. Mr. Shang has been vice general manager and chief engineer of the Company since January 2016.



Tang Tuong Hock, Gabriel, aged 63, company secretary. Mr. Tang has been a member of the Institute of Chartered Accountants in England and Wales since 1981 and is also a member of the Chartered Association of Certified Accountants in the United Kingdom. Mr. Tang has more than 20 years of experience in accounting and management in various industries. He was appointed as qualified accountant and joint company secretary of the Company from July 2006 to June 2011. Mr. Tang has served as the company secretary and the authorised representative of the Company since July 2011.

Corporate Governance Report

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

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 of the CG Code, except for code provision A.6.7 as set out below.

Mr. Ma Yunkun, a non-executive Director, did not attend the Company's 2014 annual general meeting held on 5 June 2015 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 Company's shareholders. As the Company continues to grow, the Company will monitor and revise its corporate governance policy on an ongoing basis, in order to ensure the relevant policy will be in compliance with the general regulations and standards required by shareholders.

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 to the Listing Rules as the code of conduct for Directors' securities transactions.

Having made specific inquiries of all Directors in relation to the compliance with the Model Code, the Company confirmed that all Directors have complied with the required standards set out in the Model Code during the reporting period.

Corporate Governance Report

III. Board of Directors

1. Composition of the Board

According to the Articles, the Board of Directors shall comprise ten Directors, with one Chairman, one Vice Chairman and eight Directors, among which three or more shall be independent non-executive Directors.

As at the date of this report, the Board consists of eight Directors, among whom Mr. Ding Rongjun is the Chairman of the Board and an executive Director; Mr. Deng Huijin is the Vice Chairman of the Board and an executive Director; Messrs. Liu Ke'an and Yan Wu are the other two executive Directors; Mr. Ma Yunkun is the non-executive Director; and Messrs. Chan Kam Wing, Clement, Pao Ping Wing and Ms. Liu Chunru are the three independent non-executive Directors.

Mr. Li Donglin resigned as the executive Director, member of the strategy committee and general manager of the Company on 12 January 2016 due to the normal change in job position. Mr. Liu Ke'an has been appointed as the executive Director, member of the strategy committee and general manager of the Company with effect from 12 January 2016.

Mr. Gao Yucai resigned as the independent non-executive Director, member of the strategy committee, member of the audit committee and member of the remuneration committee of the Company on 23 March 2016 due to personal reason.

The number of members of the Board of Directors is two less than the number required by the Articles for the time being. The Company hopes to search for suitable persons to fill the vacancies as soon as possible.

The Company has entered into service contracts with all Directors and except for Mr. Liu Ke'an, the service contracts provided for a term of three years. The term of Mr. Liu Ke'an's director service contract commenced from 12 January 2016 and ended at the conclusion of the Company's 2015 annual general meeting to be held on 23 June 2016. He will offer himself for re-election at the annual general meeting. All Directors re-elected at general meetings will continue to serve as Directors, whose service contracts shall remain valid. Upon each re-election, the Directors shall serve a term of three years or such other shorter period as may be decided at the general meetings. The period of notice of termination of the Directors' service contracts generally given by either party shall not be less than three months.

The Directors have strictly complied with their undertakings, and have been honest, trust-worthy and diligent in the performance of their duties. Except as mentioned above that the number of Board members does not accord with that prescribed under the Articles, the number of Board members and the composition of the Board of the Company have complied with relevant laws and regulatory requirements. Other than working relationship, there is no other relationship among the members of the Board (especially the Chairman and the general manager), including any financial, business, family or other material relevant relationship.

The Directors have distinguished themselves in their respective fields of expertise, and have exhibited high standards of personal and professional ethics and integrity. All Directors have devoted sufficient time and attention to the Company's affairs. The Board believes that the ratio of executive Directors to non-executive Directors is reasonable and adequate to provide checks and balances that safeguard the interests of the shareholders and the Company as a whole.

The Company has received the annual confirmation letters from Messrs. Chan Kam Wing, Clement, Pao Ping Wing and Ms. Liu Chunru of their independence as required under Rule 3.13 of the Listing Rules, and considers that they are still independent as of the date of this report.

Corporate Governance Report

2. Board Meetings and Directors' Attendances at Board Meetings

During the reporting period, the Company held eight Board meetings and one general meeting.

The following is the attendance record of the Directors at the Board meetings and the general meeting held during the reporting period.

Name	Title	Attendances at the Board meetings	Attendances at the general meeting
Ding Rongjun	Chairman of the Board and Executive Director	8/8	1/1
Deng Huijin	Vice Chairman of the Board and Executive Director	8/8	1/1
Li Donglin (Note1)	Executive Director	8/8	1/1
Yan Wu	Executive Director	8/8	1/1
Ma Yunkun	Non-Executive Director	8/8	0/1
Gao Yucai (Note2)	Independent Non-Executive Director	8/8	1/1
Chan Kam Wing, Clement	Independent Non-Executive Director	8/8	1/1
Pao Ping Wing	Independent Non-Executive Director	8/8	1/1
Liu Chunru	Independent Non-Executive Director	8/8	1/1

Note 1: Mr. Li Donglin resigned as the executive Director of the Company on 12 January 2016.

Note 2: Mr. Gao Yucai resigned as the non-executive Director of the Company on 23 March 2016.

3. Directors' Continuous Training and Development Program

Pursuant to the CG Code, all Directors should participate in continuous professional development program to develop and refresh their knowledge and skills. This is to ensure that their contribution to the Board remains fully informed and relevant.

All Directors of the Company have received regular briefings and updates on the Group's business, operations, risk management and corporate governance matters, and have been provided with material information on new laws and ordinances or changes to important laws and ordinances applicable to the Group. All Directors are required to provide the Company with their respective training records pursuant to the CG Code.

During the reporting period, the Company has provided the Directors with appropriate and continuous training and professional development courses, including appointing the Company's legal advisers to conduct briefing sessions on the amendments to the Listing Rules to the Directors. The Company also appointed the auditor of the Company to conduct briefing sessions on audit and financial knowledge. All Directors attended the relevant trainings, and were aware of and read the relevant documents. The Company has received from each of the Directors the confirmation on attending continuous professional trainings.

In addition to the above, Mr. Pao Ping Wing, an independent non-executive Director, attended trainings relating to connected transactions, directors' responsibilities, the CG Code, the Environmental, Social and Governance Reporting Guide of the Listing Rules, the revised Listing Rules, etc. arranged by other organizers; and Mr. Chan Kam Wing, Clement, an independent non-executive Director, attended trainings relating to new accounting standards and the revised Listing Rules arranged by other organizers.

Corporate Governance Report

4. Operation of the Board

The Board of Directors is responsible to the general meetings of shareholders in relation to the leadership and control of the Company. The Board is responsible for formulating the Group's overall development strategies, reviewing and monitoring the Group's business performance, and preparing and reviewing its financial statements. The Board delegates the day-to-day management, administration and operation of the Group to the management. The delegated functions are reviewed by the Board periodically to ensure that they accommodate the needs of the Group.

The Board convenes regular and ad hoc meetings in accordance with legal procedures and complies strictly with relevant laws and regulations and the Articles in the exercise of its authority, with an emphasis on protecting the interests of the Company and all of its shareholders.

All Directors are given no less than 14 days' notice of regular Board meetings and are generally given reasonable prior notice of Board meetings other than regular meetings.

The secretary to the Board records and prepares documents concerning matters that are discussed during the Board meetings. The minutes of every Board meeting are circulated to all Directors for their review. After the Board minutes have been finalized, the minutes will be signed by all Directors who have attended the meeting, the secretary to the Board and the person(s) recording at the meeting and will be permanently kept as an important record of the Company at the Company's domicile.

The Board of Directors is responsible to the general meetings of shareholders and it principally exercises the following powers:

- (1) to convene general meetings of shareholders and to report its work at general meetings;
- (2) to implement the resolutions of general meetings;
- (3) to make decisions on business plans and investment plans of the Company;
- (4) to draw up annual financial budget and final budgetary reports;
- (5) to draw up profit distribution plans and plans for making up for losses;
- (6) to draw up plans for the material investments, material acquisitions or disposals, mergers, split or dissolution of the Company; and
- (7) to draw up proposals for any amendments to the Articles.

All Directors have access to the advice and services of the company secretary. The Company provides all Directors with the necessary information and data to enable them to make scientific, timely and prudent decisions. Any Director can request the general manager to request, or through the general manager request, the Company's relevant department to provide him/her with any necessary information and explanation to enable him/her to make scientific, timely and prudent decisions. If any of the independent non-executive Directors considers necessary, an independent institution can be engaged to provide independent opinions to assist his/her decision-making. The Company is responsible for arranging the engagement of independent institution at the Company's costs.

When voting on the connected transaction of the Company, Director(s) with interest in the connected transaction shall abstain from voting. If a resolution cannot be passed due to the concerned Director(s) abstaining from voting, the resolution will be submitted directly to the shareholders at general meeting for consideration.

The Company has arranged appropriate liability insurance policies for Directors, supervisors and senior management members, for the purpose of covering their liability arising out of the Group's corporate activities.

5. Committees of the Board

The Company has established strategy, audit, risk management, remuneration and nomination committees under the Board. The function of each committee is to study specific issues in its area of expertise and to provide opinions and suggestions for consideration by the Board.

a. Strategy committee

The Company's strategy committee was established in October 2005. From 1 January 2015 to 31 December 2015, the strategy committee comprised of two executive Directors, namely Messrs. Ding Rongjun and Li Donglin and an independent non-executive Director, namely Mr. Gao Yucai with Mr. Ding Rongjun as the chairman of the committee. Mr. Li Donglin resigned as the member of the strategy committee on 12 January 2016 while Mr. Liu Ke'an was appointed as the member of the strategy committee on the same day. Mr. Gao Yucai resigned as the member of the strategy committee on 23 March 2016. Currently, the strategy committee consists of two executive Directors, namely Messrs. Ding Rongjun and Liu Ke'an with Mr. Ding Rongjun as the chairman of the committee. The number of member of the strategy committee of the Company is one less than the number prescribed under the working rules of the strategy committee for the time being. The Company hopes to search for a suitable person to fill the vacancy as soon as possible.

The main responsibilities of the strategy committee are:

- (1) to provide study reports to the Board in respect of government policies and industry trends;
- (2) to conduct strategic research concerning the Group;
- (3) to review and assess material investments and financial plans; and
- (4) to review material capital expenditure projects.

The strategy committee of the Company held one meeting during the reporting period, at which all the members attended the meeting. Main issues discussed at the meeting were work report of the strategy committee and annual investment plan of the Company, etc.

b. Audit committee

The Company's audit committee was established in October 2005. From 1 January 2015 to 31 December 2015, the audit committee comprised of one non-executive Director, Mr. Ma Yunkun and four independent non-executive Directors, namely Messrs. Gao Yucai, Chan Kam Wing, Clement, Pao Ping Wing and Ms. Liu Chunru with Mr. Chan Kam Wing, Clement as the chairman of the committee. Mr. Gao Yucai resigned as the member of the audit committee on 23 March 2016. Currently, the audit committee consists of four Directors, including one non-executive Director and three independent non-executive Directors. The committee's members are Messrs. Chan Kam Wing, Clement, Pao Ping Wing, Ms. Liu Chunru and Mr. Ma Yunkun. Mr. Chan Kam Wing, Clement is the audit committee's chairman. Mr. Chan has appropriate professional qualifications and related financial management expertise.

The main responsibilities of the audit committee are: to consider and supervise the financial reporting processes and internal control procedures of the Company, to exercise its authority to guide and supervise internal audits and to make recommendations on the appointment or change of external auditor. The terms of reference of the audit committee are posted on the Company's website and the Hong Kong Stock Exchange's HKExnews website.

The audit committee of the Company held four meetings during the reporting period, at which all members attended the meetings. The committee mainly discussed issues concerning the Company's annual results, interim results, quarterly results, connected transactions, internal audit and internal controls related issues, etc. at the meetings.

Corporate Governance Report

b. Audit committee (continued)

The following table shows the record of attendance of the audit committee members:

Audit committee member	Attendances at the meetings held during the year ended 31 December 2015
Chan Kam Wing, Clement	4/4
Pao Ping Wing	4/4
Gao Yucai (Note)	4/4
Liu Chunru	4/4
Ma Yunkun	4/4

Note: Mr. Gao Yucai resigned as the member of the audit committee of the Company on 23 March 2016.

The Company has established an audit and risk management department with relatively independent internal audit functions. The audit and risk management department is under the guidance and supervision of the audit committee, and reports its work to the audit committee.

c. Risk management committee

The Company's risk management committee was established in June 2006. It currently consists of three Directors, including two executive Directors and an independent non-executive Director. The members of the risk management committee are Messrs. Deng Huijin, Chan Kam Wing, Clement and Yan Wu. Mr. Deng Huijin is the chairman of the risk management committee.

The main responsibility of the risk management committee is to establish, assess and revise risk management strategies.

During the reporting period, the risk management committee of the Company held one meeting, which was attended by all members of the risk management committee. At such meeting, the committee mainly discussed issues concerning corporate governance report and internal control of the Company.

d. Remuneration committee

The Company's remuneration committee was established in October 2005. Its name was changed to nomination and remuneration committee on 27 June 2008. On 29 March 2012, it was approved that the nomination committee and remuneration committee be separated into two committees and renamed as nomination committee and remuneration committee respectively. From 1 January 2015 to 31 December 2015, the remuneration committee comprised of three independent non-executive Directors, namely Messrs. Gao Yucai, Pao Ping Wing and Ms. Liu Chunru with Mr. Pao Ping Wing as the chairman of the committee. Mr. Gao Yucai resigned as a member of the remuneration committee on 23 March 2016. Currently the remuneration committee consists of two independent non-executive Directors. The committee members are Mr. Pao Ping Wing and Ms. Liu Chunru. Mr. Pao Ping Wing is the chairman of the remuneration committee.

Corporate Governance Report

d. Remuneration committee (continued)

The number of member of the remuneration committee of the Company is one less than the number prescribed under the working rules of the remuneration committee for the time being. The Company hopes to search for a suitable person to fill the vacancy as soon as possible.

The main responsibilities of the remuneration committee are to review the terms of the remuneration packages of individual Directors and senior management, and to make recommendations to the Board. The terms of reference of the remuneration committee are posted on the Company's website and the Hong Kong Stock Exchange's HKExnews website.

The remuneration committee has adopted the manner set out under the code provision B.1.2(c)(ii) to make recommendations to the Board on the remuneration packages of individual executive Director and senior management.

For the year ended 31 December 2015, the remuneration of senior management fell within the following bands:

Remuneration banding (Hong Kong Dollars)	Number
HKD1,000,000 or below	1
HKD1,000,001 – HKD2,000,000	9

Further details required to be disclosed in respect of the remuneration of Directors, supervisors, general manager and five highest paid employees under Appendix 16 to the Listing Rules are set out in Note X.5(16) and Note XIII.3(3).

The remuneration committee of the Company held two meetings during the reporting period, at which all members attended the meetings. Remuneration of the Directors and the senior management and other matters were the main issues discussed at the meetings. The following table shows the record of attendance of the remuneration committee members:

Remuneration committee member	Attendances at the meetings held during the year ended 31 December 2015
Pao Ping Wing	2/2
Gao Yucai (Note)	2/2
Liu Chunru	2/2

Note: Mr. Gao Yucai resigned as the member of the remuneration committee of the Company on 23 March 2016.

Corporate Governance Report

e. Nomination committee

The nomination and remuneration committee was separated and changed its name to nomination committee and remuneration committee respectively as approved by the Board on 29 March 2012. It currently consists of three Directors, including an executive Director and two independent non-executive Directors. The committee's members are Messrs. Ding Rongjun and Pao Ping Wing and Ms. Liu Chunru. Mr. Ding Rongjun is the chairman of the nomination committee.

The main responsibilities of the nomination committee are to be responsible for nomination and appraisal of Directors and senior management members and to make recommendations to the Board on any related adjustments. The terms of reference of the nomination committee are posted on the Company's website and the Hong Kong Stock Exchange's HKExnews website.

The procedures for shareholders of the Company to nominate a candidate for election as a director are available on the Company's website.

During the reporting period, the Company held two nomination committee meetings at which all members attended the meetings. Re-appointment of senior management and implementation of the board diversity policy were the main issues discussed at such meetings. The following table shows the record of attendance of the nomination committee members:

Nomination committee member	Attendances at the meetings held during the year ended 31 December 2015
Ding Rongjun	2/2
Pao Ping Wing	2/2
Liu Chunru	2/2

f. Corporate governance functions

The Board is responsible for the following corporate governance functions:

- i. to draw up and review the Company's corporate governance policy and practices and make recommendations;
- ii. to review and monitor the training and professional development on an ongoing basis of the Directors and senior management members;
- iii. to review and monitor the Company's policies and practices on compliance, laws and regulations;
- iv. to draw up, review and monitor any code of conduct and compliance manual, where appropriate, applicable to employees and Directors; and
- v. to review the Company's compliance with the CG Code and the disclosure in the corporate governance report as set out in the annual report of the Company.

IV Chairman and General Manager

The offices of the Chairman and the general manager of the Company are held by different persons. Mr. Ding Rongjun is the Chairman. From 1 January 2015 to 31 December 2015, Mr. Li Donglin was the general manager of the Company. Mr. Li Donglin resigned as the general manager and Mr. Liu Ke'an was appointed as the general manager of the Company both effective on 12 January 2016. Currently Mr. Liu Ke'an is the general manager of the Company. The division of responsibilities between the Chairman and the general manager has been clearly established and set out in writing. The Chairman is responsible for leadership of the Board and chairing Board meetings while the general manager is responsible for the Company's day-to-day operations.

According to the Articles, the Chairman exercises the following powers:

- (1) to convene and preside at general meetings, and to preside at Board meetings;
- (2) to supervise and check the implementation of Board resolutions;
- (3) to sign the securities issued by the Company; and
- (4) other powers granted by the Board.

The general manager is responsible to the Board of Directors. The general manager and the management team under his leadership have the following powers:

- (1) to be in charge of the Company's production, operation and management and to organise the implementation of the Board's resolutions;
- (2) to organise the implementation of the Company's annual business plan and investment plan;
- (3) to establish plans for establishment of the Company's internal management structure;
- (4) to establish the Company's basic management system;
- (5) to formulate the basic rules and regulations of the Company;
- (6) to propose the appointment or removal of vice general manager, chief officers and assistants to the general manager of the Company;
- (7) to appoint or remove management personnel other than those required to be appointed or removed by the Board; and
- (8) to draft plans for the wages, benefits, incentives and penalties of employees, to determine the appointment and removal, promotion and demotion, salary increment and decrement, appointment, employment, termination of employment of employees.

V Non-executive Directors

According to the Articles, the non-executive Directors are elected at general meetings for a term of three years. Upon expiry of terms of office, non-executive Directors are eligible for re-election.

Corporate Governance Report

VI Board diversity policy

The Board has adopted a board diversity policy effective on 11 October 2013. When determining the composition of the Board, the Company seeks to achieve board diversity through the consideration of a number of aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. All appointments of the Board will be based on meritocracy, and candidates will be considered against objective criteria, having due regard to the benefits of diversity of the Board. Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The ultimate decision will be based on merits of the candidates and the contribution that they may bring to the Board.

The Board has set measurable objectives (including the aforesaid measurable objectives) to implement the policy and the nomination committee is responsible for reviewing such objectives from time to time to ensure their appropriateness and monitoring the progress made towards achieving those objectives, and reviewing the policy, as appropriate, to ensure its continued effectiveness from time to time.

During the year under review, the nomination committee has considered the board diversity policy and whether the Board has the appropriate balance of skills, experience and diversity of perspectives necessary to enhance the effectiveness of the Board and to maintain high standards of corporate governance. After due consideration, the nomination committee has concluded that the current composition of the Board is a balanced and diversified combination that suits the business development of the Company and satisfies the board diversity policy for the year under review.

VII Nomination of Directors

In accordance with the Articles, Directors are elected at general meetings. Written notice of intention to nominate a candidate for appointment as director and the candidate's consent to be nominated must be given to the Company after the notice of the general meeting has been issued and at least seven days prior to the holding of the general meeting.

VIII Remuneration of the Auditor

Ernst & Young Hua Ming LLP (the "Ernst & Young Hua Ming") is the auditor of the Company. As at 31 December 2015, the service provided by Ernst & Young Hua Ming and the remuneration are as follows:

		For the year ended 31 December 2015 (RMB'000)
Service provided:		

Audit Service	4,444
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IX Directors' Responsibilities in respect of the Financial Reports

The Directors confirm that they are responsible for the preparation of financial reports, and to give a true and fair view of the Group's financial position and operating results for the financial year ended 31 December 2015.

The Directors also confirm that there were no material uncertainties which may materially affect the ability of the Company to carry on as a going-concern.

X Company Secretary

Mr. Tang Tuong Hock, Gabriel was appointed as the company secretary of the Company in July 2006. Biographical details of Mr. Tang are set out under the section headed "Directors, Supervisors and Senior Management".

Mr. Tang took no less than 15 hours of relevant professional training during the financial year ended 31 December 2015 as required under Rule 3.29 of the Listing Rules.

XI Constitution

For the year ended 31 December 2015, there was no amendment to the Articles of the Company.

XII Internal Control

The Board is responsible for the establishment, improvement and effective implementation of risk management and internal control systems as well as carrying out supervision on the effectiveness of the risk management and internal control systems of the Company and its subsidiaries. The Company has a sound organization system of internal control and has established the audit and risk management department with internal audit functions. Guided by the Board, the audit committee and the risk management committee, the audit and risk management department carries out supervision and evaluation for internal controls of the Company and its branches and subsidiaries in respect of important control functions such as financial control, operation control, compliance control and risk prevention and management, supervises and timely rectifies internal control deficiencies and effectively controls operating risks.

The Company continues to strengthen internal control systems and further enhances its control capability by deeply developing internal control evaluation and comprehensive risk management. At present, the Company has a relatively sound internal control and management system. Through the integration and optimization of management systems, the Company has strengthened the control capability of the Group and satisfactorily controlled the risk points across various businesses. On this basis, the Company implements internal control evaluation, quarterly precaution alert, annual risk identification and response. The Company has developed its risk database by formulating plans, collecting risk information and organizing review by professional risk management group. It has also organized response measures, tracking and inspection against risks, thereby developing a constant mechanism for internal control and risk management.

Corporate Governance Report

XII Internal Control (continued)

During the reporting period, as the Company always pursues risk prevention and control as its core concept and the improvement in corporate governance structure as its goal, it implemented enhanced service and procurement management, conducted special audits on aspects including procurement of materials and achieved the whole-process supervision on important engineering projects. The Company will report the results of control to the Board through annual reports on internal control and working reports on risk management. The management of the Company will then review the work results of internal control and risk management. The annual risk evaluation indicated that there were no material risks occurred in the Company and the risks were under control. The Company has had no material control failure during the year with annual internal control evaluation to ensure the effective operation of internal control systems. The Company has effective procedures in relation to financial reporting and compliance with requirements of the Listing Rules.

Through the review on risk management and internal control systems once a year, the Company considers that those risk management and internal control systems are effective and sufficient to allow the constant maintenance and improvement of the Company's internal control activities and ensure the Company's ability to withstand changes in internal business and external environment from financial, operational and risk management perspectives, so as to safeguard the Company's asset and interests of shareholders.

XIII Shareholders' Rights

1. Convening extraordinary general meetings

In accordance with the Articles and the rules of procedures of general meetings, shareholder(s) who individually or jointly holding 10% or more of the Company's issued shares carrying voting rights may request to convene an extraordinary general meeting in writing and set out the business to be transacted in the requisition. Such meeting shall be held within two months after the deposit of such requisition. If within 30 days after the Board has received such written requisition, the Board fails to give a notice to convene such meeting, such shareholder(s) himself/herself (themselves) may do so within four months from the date the Board has received such requisition.

2. Enquires to the Board

To ensure effective communication between the Board and the shareholders, the Company adopted a shareholders' communication policy (the "Policy") on 29 March 2012. Under the Policy, the Company's information shall be communicated to the shareholders mainly through general meetings (including annual general meetings), the Company's financial reports (interim reports and annual reports), and its corporate communications posted on the Company's website and the Stock Exchange's HKExnews website.

Shareholders may at any time make a request for the Company's information to the extent such information is publicly available. Any relevant questions shall be first directed to the company secretary at the Company's principal place of business in Hong Kong or the Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

3. Putting proposals to general meetings

Shareholder(s) who individually or jointly holding 3% or more of the Company's total shares carrying voting rights is (are) entitled to put forward their proposals to an annual general meeting. Besides, shareholder(s) may also follow the procedures set out in item 1 above for putting forward proposals at extraordinary general meetings. The Company shall include the proposed matters which are within the scope of authority of the general meetings in the agenda of the meeting.

XIV Investor Relation

The Company places great emphasis on communication with investors and has established a specialised department to handle affairs regarding investor relation. When investors come to visit the Company, reception and site visit will be arranged by designated staff. The Company actively participates in various meetings concerning investor relation and organises management to conduct overseas roadshows, so as to enable investors to have better understanding about the Company.

During the reporting period, the Company has disclosed all necessary information to the shareholders in compliance with the Listing Rules and the Articles, and has reported to shareholders and investors through various formal channels, which include (1) publishing quarterly reports, interim reports and annual reports; (2) holding annual general meetings and extraordinary general meetings to provide a platform for shareholders to express their opinions and to communicate with the Board; (3) holding press conference and investors conferences from time to time; (4) organising the management to conduct overseas roadshows; (5) publishing corporate communications such as announcements and circulars on the Company's website and the Stock Exchange's HKEXnews website; and (6) responding to the queries from shareholders and investors in a timely manner.

The Company will continue to improve its relationship with investors, so as to further enhance the Company's transparency.

Directors' Report

The Board is pleased to present the Directors' Report and the audited financial statements of the Group for the year ended 31 December 2015.

The Company's business activities

The Group is mainly engaged in the research, development, manufacture and sale of locomotive train power converters, control systems and other train-borne electrical systems, as well as the development, manufacture and sale of urban railway train electrical systems. In addition, the Group is also engaged in the design, manufacture and sale of electric components for the railway industry, urban railway industry and non-railway purposes.

There was no material changes in the nature of the Group's key business during the reporting period.

Business model and direction of strategy

In line with the strategy of "efficient organisation" and "global operation" and adhering to the market-oriented principle of development, the Company strives to create sustainable value for the shareholders and achieve sustainable development for the Company.

Sales revenue of products is the major income source of the Company. The key strategic development directions are:

1. Relying on CRRC's brand to consolidate and enhance the leading position in railway transportation

By fully leveraging the overwhelming advantage of CRRC's brand and opportunities from industrial integration, the Company will consolidate its position in the railway transportation industry. It will also actively establish a platform for the repair and maintenance industry in order to accelerate the change of "product + service". Meanwhile, the Company will explore opportunities for research and practice of new models such as the general contracting of electro-mechanical system, as well as the innovation of industrial development model.

2. Striving for innovation in models to foster competitive advantages of emerging industries

The Company will continue to develop a new incentive system and gather its strength for the rapid expansion of emerging industries, including the passenger vehicle industry, semiconductor industry and sensor industry. It will also actively expand certain industries such as the industrial robot industry and high-end medical equipment industry.

3. Integrating global resources to create a multi-national platform for operational development

By closely following the "One Belt, One Road" strategy of the PRC and the pace of CRRC's multi-national operation, the Company will take the chance of "seeking collaboration with overseas partners to go abroad" and actively "go out" with the opportunity of the PRC high-speed railway diplomacy, thereby strengthening the layout of its overseas marketing network and the construction of platform for overseas resources and integrating global resources to expand its business so as to enhance its multi-national operational index and brand influence.

4. Enhancing its capability in capital operation and cross-industry operation under the traction of "double-effect"

Adhering to the operational concepts of "high efficiency" and "high effectiveness", the Company established a highly-effective operation system to improve its core competitiveness. It also insists on the combination of asset operation and capital operation with a view to further enhancing the Company's capability in cross-industry operation.

Results and dividends

Results of the Group for the year ended 31 December 2015, prepared in accordance with PRC Accounting Standards, are set out on page 57 to page 68 of this Annual Report.

The Company had profit attributable to shareholders (before proposed final dividend) of RMB7,587.9 million as at 31 December 2015. The Board proposed distribution of a cash dividend of RMB0.45 per share (applicable tax inclusive) for the year. 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.

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 closed from 24 May 2016 to 23 June 2016 (both days inclusive), during which no transfer of shares will be registered.

In order to ascertain the entitlements of the shareholders to receive the final dividend, the register of members of the Company will be closed from 29 June 2016 to 4 July 2016 (both days inclusive), during which no transfer of shares will be registered.

In respect of the distribution of dividends, dividends for domestic shares will be distributed and paid in Renminbi, while dividends for H shares will be declared in Renminbi and paid in Hong Kong Dollars (the Hong Kong Dollars equivalent shall be calculated at the average midpoint exchange rate of Renminbi to Hong Kong Dollars announced by the People's Bank of China for five working days prior to the declaration of dividend at the 2015 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 names are registered on the register of members on 4 July 2016.

For investors of the Shanghai Stock Exchange (including enterprises and individuals) investing in the H shares of the Company listed on the Stock Exchange (the "Southbound Trading"), the Company has entered into the Agreement on Distribution of Cash Dividends of H shares for Southbound Trading (港股通H股股票現金紅利派發協議) with the Shanghai Branch of China Securities Depository and Clearing Corporation Limited, pursuant to which, the Shanghai Branch of China Securities Depository and Clearing Corporation Limited, as the nominee of the holders of H shares for Southbound Trading, will receive all cash dividends distributed by the Company and distribute the cash dividends to the relevant investors of H shares of Southbound Trading through its depositary and clearing system.

The record date and the date of distribution of dividends and other arrangements for the investors of Southbound Trading will be the same as those for the holders of H shares of the Company.

Financial Highlights

Fixed assets

Details of the changes in the fixed assets of the Group during the year are set out in Note 5.11 to the financial statements.

Short-term borrowings

Details of the Group's short-term borrowings as at 31 December 2015 are set out in Note 5.19 to the financial statements.

Long-term borrowings

Details of the Group's Long-term borrowings as at 31 December 2015 are set out in Note 5.29 to the financial statements.

Share capital

During the reporting period, the number of issued shares of the Company was 1,175,476,637 shares.

Directors' Report

Share appreciation rights scheme

As announced by the Company in its announcement dated 28 March 2013 and the circular dated 23 April 2013 (the "Circular"), the H Share appreciation rights scheme of the Company (the "Scheme") was approved by the State-owned Assets Supervision and Administration Commission of the State Council of the PRC ("SASAC") in February 2013. The Scheme was considered and approved by the shareholders at the annual general meeting held on 10 June 2013 (the "2012 AGM"), which came into effect on 10 June 2013. The Scheme shall be automatically terminated after seven years from the date on which the Scheme was approved by the shareholders in the 2012 AGM.

The purpose of the Scheme is to establish a long-term incentive mechanism that links the remuneration of the Eligible Participants (as defined below) with the Company's business results in order to promote the Company's long-term development and to maximize the shareholders' value. Pursuant to the Scheme, share appreciation rights ("SARs") will be granted to the Directors (excluding independent non-executive Directors and external Directors), senior management, core technical staff and key management staff (the "Eligible Participants") who contribute substantially to the realization of the Company's strategic missions.

The Eligible Participants who are granted with such incentive do not actually hold the shares, and do not have any rights as shareholders such as voting rights or rights to dividends. Under the Scheme, each SAR is linked with one H share of the Company and the SAR is to be settled by way of cash. Therefore, this does not affect the total number of H Shares outstanding and will not have any dilution effect on the shares of the Company. The SARs granted pursuant to the Scheme is valid for seven years from the date of grant. Upon expiry of the valid term, all unexercised SARs shall automatically lapse. After two years from the date of grant, if the Company and each Eligible Participant fulfil the conditions as set out in the Scheme, the SARs shall become effective and exercisable in batches as described in the Scheme.

Under the Scheme, the exercise price of the SARs shall be determined by the Board which, in principle, shall be the highest of the following three prices:

- (a) the closing price of the H shares of the Company on the Stock Exchange on the date of grant;
- (b) the average closing price of the H shares of the Company on the Stock Exchange for five consecutive trading days prior to the date of grant; and
- (c) the nominal value of the H shares of the Company.

Pursuant to the terms of the Scheme, upon exercise of the SARs, the Company shall calculate the cash gains from the exercise of the SARs and pay to the Eligible Participants in the manner as set out in the Scheme.

The proposed grant of an aggregate of approximately 9,868,000 units of SARs to a total of not more than 262 Eligible Participants, subject to the satisfaction of the conditions of grant, has already been approved by the shareholders of the Company at the 2012 AGM. For details of the Scheme, please refer to the Circular.

During the reporting period, no SARs were granted by the Company to the Eligible Participants under the Scheme.

Pre-emptive rights

There are no provisions for pre-emptive rights under the Company Law of the PRC or in the Articles which oblige the Company to offer new shares on a pro-rata basis to its existing shareholders.

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.

Shareholders' equity

Details of the changes in the shareholders' equity of the Company and the Group during the year are set out in the statement of changes in equity and the consolidated statement of changes in equity respectively.

Profit distributable to shareholders

As at 31 December 2015, the Company's profit distributable to shareholders calculated in accordance with relevant regulations amounted to approximately RMB7,587.9 million, of which RMB529.0 million has been proposed to be paid as final dividend for the year.

Major customers and suppliers

The percentage of revenue for sales of goods attributable to the Group's five largest customers during the year was approximately 60.6% of the Group's total revenue for the year.

CRRC Sifang is the largest customer of the Group. The percentage of the Group's revenue for sale to CRRC Sifang was approximately 26.7% of the Group's total revenue during the year. CRRC owned 97.81% interest in CRRC Sifang.

CRRC Zhuzhou is one of the Group's five largest customers. CRRC owned 100% interest in CRRC Zhuzhou.

Shiling is one of the Group's five largest customers. The Company owned 50% interest in Shiling.

Saved as disclosed above, none of the Directors, their close associates or any shareholders (so far as is known to the Directors having more than 5% interest in the share capital of the Company), had any interest in any of the Group's five largest customers during the year.

The percentage of purchases attributable to the Group's five largest suppliers was 33.5% of the Group's total purchases during the year.

Shiling is the largest supplier of the Group, and the percentage of the purchase attributable to purchase from Shiling was approximately 17.3% of the Group's total purchases during the year. The Company owned 50% interest in Shiling.

Saved as disclosed above, none of the Directors, their close associates or those shareholders (so far as is known to the Directors having more than 5% interest in the share capital of the Company), had any interest in any of the Group's five largest suppliers during the year.

Directors' Report

Directors and supervisors

The Directors and supervisors of the Company during the year and up to the date of this report were:

Executive Directors

Ding Rongjun – Chairman of the Board

Deng Huijin – Vice Chairman of the Board

Li Donglin (resigned on 12 January 2016)

Liu Ke'an (appointed on 12 January 2016)

Yan Wu

Non-executive Director

Ma Yunkun

Independent non-executive Directors

Gao Yucai (resigned on 23 March 2016)

Chan Kam Wing, Clement

Pao Ping Wing

Liu Chunru

Supervisors

Xiong Buihua-Chairman of the Supervisory Committee

Pang Yiming – employee representative supervisor

Zhou Guifa – employee representative supervisor

Geng Jianxin – independent supervisor

Composition of the Supervisory Committee

According to the Articles, the Supervisory Committee shall comprise five supervisors, of which three supervisors are representatives of shareholders and two supervisors are representatives of employees.

As at the date of this report, the Supervisory Committee comprised four supervisors, of which Mr. Xiong Ruihua is the Chairman of the Supervisory Committee, Messrs. Pang Yiming and Zhou Guifa are the employee representative supervisors, and Mr. Geng Jianxin is the independent supervisor. The number of members of the Supervisory Committee is one less than the number required by the Articles for the time being. The Company hopes to search for a suitable person to fill the vacancy as soon as possible.

Biographies of Directors and supervisors

Details of the biographies of the Directors and supervisors of the Company are set out on page 13 to page 22 of this annual report.

Positions held by Directors, supervisors and senior management

Details of positions held by Directors, supervisors and senior management of the Company in entities of the substantial shareholders and other entities are set out in page 13 to page 22 of this annual report.

Service contracts with Directors and supervisors

The Company has entered into service contracts with all Directors and supervisors and except Mr. Liu Ke'an, the service contracts provided for a term of three years. The term of Mr. Liu Ke'an's director service contract commenced from 12 January 2016 and ended at the conclusion of the Company's 2015 annual general meeting to be held on 23 June 2016. He will offer himself for re-election at the annual general meeting. The service contracts with all Directors and supervisors shall continue for a term of three years or for a shorter period as may be decided upon at the respective re-elections of the Directors and supervisors at the general meeting or the employees' representative committee meeting of the Company (as the case may be). Notice of termination of the Directors' service contracts given by either party shall not be less than three months.

None of the Directors nor supervisors has a service contract with the Company which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

Directors' and supervisors' interests in contracts

During the year and as at 31 December 2015, none of the Directors nor supervisors had a material interest, whether directly or indirectly, in any contract of significance to the business of the Group to which the Company, its holding Company or any of its subsidiaries was a party.

Directors' interests in competing business

During the year and as at 31 December 2015, none of the Directors, directly or indirectly, had an interests in any business which competes or may compete with the business of the Company and/or its subsidiaries.

Interests and short positions of Directors, supervisors and the general manager in the shares and debentures

During the year and as at 31 December 2015, none of the Directors, supervisors and 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 Securities and Futures Ordinance (the "SFO")), required to be notified to the Company and the Stock Exchange pursuant to Part XV of the SFO, or any interests or short positions in the shares required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or any personal, family, corporate or other interests or short positions required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

Directors' Report

Directors' and supervisors' rights to acquire shares or debentures

At no time during the year were rights to acquire benefits by means of the acquisition of shares or debentures of the Company granted to any Directors, supervisors or their respective spouse or children under 18 years of age, or were any such rights exercised by them, or was the Company, its holding company or any of its subsidiaries a party to any arrangement to enable the Directors and supervisors to acquire such rights in any other body corporate.

Employees and remuneration policy

The Group's remuneration policy for its employees takes into account the individuals' post value, work performance and competence. The Group rewards employees having outstanding performance with salary increments and bonuses. The bonus plan is discretionary and is determined by the Directors with reference to the performance of the staff and the Group's operation results. The Group places great emphasis on the provision of on-the-job-training and development to its employees. Each staff member is required to participate in trainings organised by the Group and its department prior to the commencement of his or her employment. The Company formulates training plans according to its staff position and career development needs and releases its annual training plan at the beginning of year pursuant to which all departments need to organise staff training. The management and other employees are required to undertake training for enhancing work ability as specified by the Group. The Company has established channels for career development of employees. Employees have opportunities of promotion and development according to the orders of different positions within the Company. As at 31 December 2015, the Group had 6,967 full-time employees, and the total amount of remuneration (including salaries and allowances) for employees in 2015 was approximately RMB1,342.3 million.

The remuneration of Directors and supervisors is proposed by the Board and subject to approval by shareholders of the Company at the general meetings, taking into consideration their respective experience, level of responsibilities within the Group, performance of the Company as well as remuneration benchmark in the industry and the market situation. Details of the remunerations of Directors and supervisors are set out in Note XIII.3(3) to the financial statements.

The Company approved the share appreciation rights scheme at the annual general meeting of 2012. Details of the scheme are set out in the paragraph headed "Share appreciation rights scheme" above.

Structure of share capital

The Company's share capital structure as at 31 December 2015 was as follows:

Shareholder	Type	As at 31 December 2015	
		Number of shares	Approximate % of issued share capital
CRRC ZELRI	Domestic share	589,585,699	50.16%
ZELRI (Hong Kong)	H share	1,710,500	0.14%
Qishuyan Works	Domestic share	9,380,769	0.80%
CRRC Investment & Leasing	Domestic share	9,380,769	0.80%
CRRC Zhuzhou	Domestic share	10,000,000	0.85%
CRCCE	Domestic share	9,800,000	0.83%
Shares in public circulation	H share	545,618,900	46.42%
Total		1,175,476,637	100%

Substantial shareholders

Interests and short positions in the shares and relevant underlying shares of the Company or any of its associated corporations pursuant to the disclosure requirements in Divisions 2 and 3 of Part XV of the SFO as at 31 December 2015 were as follows:

Name of substantial shareholder	Number of shares held	Capacity	Approximate % of Domestic Share share capital	Approximate % of H Share share capital	Approximate % of issued share capital
CRRC ZELRI (Note 1)	589,585,699	(Long position) Beneficial owner	93.86%	—	50.16%
	1,710,500	(Long position) Interest in controlled entity	—	0.31%	0.14%
CRRC (Note 2)	608,966,468	(Long position) Interest in controlled entity	96.95%	—	51.81%
	1,710,500	(Long position) Interest in controlled entity	—	0.31%	0.14%
CRRC Group (Note 3)	618,347,237	(Long position) Interest in controlled entity	98.44%	—	52.60%
	1,710,500	(Long position) Interest in controlled entity	—	0.31%	0.14%
Schroders Plc	43,973,573	(Long position) Investment manager	—	8.03%	3.74%
Fortis Investment Management SA (Note 4)	23,544,000	(Long position) Investment manager	—	5.16%	2.00%

Directors' Report

Substantial shareholders (continued)

Notes:

- (1) CRRC ZELRI held its interests in the 1,710,500 H shares of the Company through its wholly-owned subsidiary ZELRI (Hong Kong).
- (2) CRRC is interested in 100% of the registered capital of CRRC ZELRI, CRRC Zhuzhou and CRRC Investment & Leasing. Accordingly, CRRC is deemed under the SFO to be interested in the shares held by each of CRRC ZELRI, CRRC Zhuzhou and CRRC Investment & Leasing.
- (3) CRRC Group is directly and indirectly interested in 55.91% of the shares of CRRC, and is interested in 100% in the registered capital of Qishuyan Works. Accordingly, CRRC Group is deemed under the SFO to be interested in the shares held by each of CRRC and Qishuyan Works.
- (4) As stated in the corporate substantial shareholders notification filed by Fortis Investment Management SA, it holds interests in the shares of the Company through its wholly-owned corporations.

Continuing connected transactions

Transactions conducted between the Group and the following parties constitute continuing connected transactions of the Company under the Listing Rules. During the reporting period, details of the Group's continuing connected transactions were as follows:

Non-exempt continuing connected transactions

The following transactions constitute non-exempt continuing connected transactions of the Group and thus are subject to reporting, announcement and independent shareholders' approval requirements under the Listing Rules.

Mutual Supply Agreement with the CRRC Group

The Company and 中國中車集團公司(CRRC Group) (together with its subsidiaries but excluding the Group, "CRRCG") entered into a mutual supply framework agreement on 12 August 2013 for the mutual supply of certain products, parts and components, technical services, after-sales services, management services and other related services, and related facilities for research and development, production and testing purposes between the Group and CRRCG for a term of three years from 1 January 2014 and ending on 31 December 2016. Please refer to the Company's announcement dated 12 August 2013 and the Company's circular dated 30 August 2013 for the relevant details. The Company had obtained the approval from relevant independent shareholders at the extraordinary general meeting held on 29 October 2013.

For the year ended 31 December 2015, the amount payable by the Group to CRRCG for the products and services supplied by CRRCG under the 2014-16 CRRC Group Mutual Supply Agreement amounted to RMB1,535.2 million, and the amount payable by CRRCG to the Group for the products and services supplied by the Group under the 2014-16 CRRC Group Mutual Supply Agreement amounted to RMB7,859.5 million, both were within the annual caps of continuing connected transactions for the financial year ended 31 December 2015 approved by independent shareholders of the Company at the extraordinary general meeting held on 29 October 2013.

The Financial Services Framework Agreement with CSR Finance

On 2 April 2014, the Company and CSR Finance entered into the Financial Services Framework Agreement, pursuant to which CSR Finance agreed to provide the Group with deposit services, loan services and other financial services subject to the terms and conditions provided therein. The agreement shall be valid for a term commencing from 2 April 2014 and ending on 31 December 2016. Please refer to the Company's announcement dated 2 April 2014 for details.

For the year ended 31 December 2015, the maximum daily amount of the Group's deposits with CSR Finance under the Financial Services Framework Agreement was RMB337.9 million, which is within the maximum daily caps of continuing connected transaction for the financial year ended 31 December 2015 provided for by the Financial Services Framework Agreement. For the year ended 31 December 2015, the Group did not receive the loan services and other financial services provided by CSR Finance.

Mutual Supply Agreement with Qingdao Electric

The Company and Qingdao Electric (together with its subsidiaries and their respective associates, the "Qingdao Electric Group") entered into a Mutual Supply Agreement on 2 July 2014 for the mutual supply of certain products, parts and components, technical services, after-sales services, management services and other related services, and related facilities for research and development, production and testing purposes between the Group and Qingdao Electric Group for a term from 30 May 2014 to 31 December 2016. Please refer to the Company's announcement dated 2 July 2014 for details.

For the year ended 31 December 2015, the amount payable by the Group to Qingdao Electric Group for the products and services supplied by Qingdao Electric Group under the 2014-16 Qingdao Electric Mutual Supply Agreement was RMB0.3 million, and the amount payable by the Qingdao Electric Group to the Group for the products and services supplied by the Group under the 2014-16 Qingdao Electric Mutual Supply Agreement was RMB1.5 million, both were within the annual caps of continuing connected transactions for the financial year ended 31 December 2015 provided for by the 2014-16 Qingdao Electric Mutual Supply Agreement.

The High Power IGBT Lease Agreement with CRRC ZELRI

On 14 March 2014, the Company entered into a memorandum of understanding with CRRC ZELRI in relation to the high power IGBT production line, pursuant to which the Company was granted (1) the right of trial run of the high power IGBT Production Line and (2) the right of first refusal for the leasing or purchase of the high power IGBT Production Line (pending the parties' conclusion of a definitive agreement). Please refer to the Company's announcement dated 14 March 2014 for details.

On 25 September 2014, the Semiconductor Business Unit of the Company (as lessee) (which is a subordinate legal entity of the Company subject to independent audit) entered into the high power IGBT Lease Agreement with CRRC ZELRI (as lessor) for the leasing of the high power IGBT production line consisting of the relevant properties, premise and ancillary facilities and equipment located at the intersection of Boya Lu, Tianxin, Zhuzhou, Hunan Province, the PRC (the "IGBT" production line) for a term from 1 September 2014 to (i) the expiration of three (3) years, or (ii) the date of completion of the transfer of the high power IGBT production line, or (iii) such other date as may be agreed by the parties, whichever is earlier. Please refer to the Company's announcement dated 25 September 2014 for details.

Directors' Report

The High Power IGBT Lease Agreement with CRRC ZELRI (continued)

For the year ended 31 December 2015, the amount of rental paid by the Semiconductor Business Unit of the Company to CRRC ZELRI under the high power IGBT Lease Agreement was RMB184.8 million, which was within the caps of continuing connected transactions for the financial year ended 31 December 2015 provided for by the high power IGBT Lease Agreement.

The First Lease Agreement with CRRC ZELRI

On 1 January 2015, the Company (as lessor) and CRRC ZELRI (as lessee) entered into the First Lease Agreement, pursuant to which, the Company leased the eleventh, fourteenth and fifteenth floors of the Shidai Technology Building and ancillary facilities, all of which are located at Times Road, Shifeng District, Zhuzhou, Hunan Province, PRC, to CRRC ZELRI. The lease term was from 1 January 2015 to 31 December 2015. Please refer to the Company's announcement dated 12 June 2015 for details.

For the year ended 31 December 2015, the amount of rental paid by CRRC ZELRI to the Company under the First Lease Agreement was RMB1.2 million, which was within the caps of continuing connected transactions for the financial year ended 31 December 2015 provided for by the First Lease Agreement.

The Second Lease Agreement with CRRC ZELRI Wind Power Business Unit

On 1 January 2015, the Company (as lessor) and CRRC ZELRI Wind Power Business Unit (as lessee) entered into the Second Lease Agreement, pursuant to which, the Company leased the first to fifth floors of the wind power office building, the second floor of the transformer workshop and ancillary facilities to CRRC ZELRI Wind Power Business Unit, all of which are located at Tianxin Commercial & Science Park Centre, Shifeng District, Zhuzhou, Hunan Province, PRC. The lease term was from 1 January 2015 to 31 December 2015. Please refer to the Company's announcement dated 12 June 2015 for details.

For the year ended 31 December 2015, the amount of rental paid by CRRC ZELRI Wind Power Business Unit to the Company under the Second Lease Agreement was RMB0.8 million, which was within the caps of continuing connected transactions for the financial year ended 31 December 2015 provided for by the Second Lease Agreement.

The Third Lease Agreement with CRRC ZELRI

On 1 January 2015, the Company (as lessor) and CRRC ZELRI (as lessee) entered into the Third Lease Agreement, pursuant to which, the Company leased the first to fifth floors of the Sales and Operations Building and ancillary facilities, all of which are located at 169 Times Road, Shifeng District, Zhuzhou, Hunan Province, PRC, to CRRC ZELRI. The lease term was from 1 January 2015 to 12 January 2015. Please refer to the Company's announcement dated 12 June 2015 for details.

For the year ended 31 December 2015, the amount of rental paid by CRRC ZELRI to the Company under the Third Lease Agreement was RMB1.6 million, which was within the caps of continuing connected transactions for the financial year ended 31 December 2015 provided for by the Third Lease Agreement.

The Fourth Lease Agreement with Traction Inspection

On 12 June 2015, the Company (as lessor) and Traction Inspection (as lessee) entered into the Fourth Lease Agreement, pursuant to which, the Company leased the city rail factory, electric locomotive workshop, machinery workshop and ancillary facilities to Traction Inspection, all of which are located at Maotang Ao, Shifeng District, Zhuzhou, Hunan Province, PRC. The lease term was from 26 March 2015 to 25 March 2016. Please refer to the Company's announcement dated 12 June 2015 for details.

For the year ended 31 December 2015, the amount of rental paid by Traction Inspection to the Company under the Fourth Lease Agreement was RMB6.1 million, which was within the caps of continuing connected transactions for the financial year ended 31 December 2015 provided for by the Fourth Lease Agreement.

Annual review of continuing connected transactions

The Board has engaged the auditor of the Company to perform certain procedures in respect of the continuing connected transactions of the Group. The auditor has issued its unqualified letter containing its findings and conclusions in respect of the continuing connected transactions to the Board in accordance with the Rule 14A.56 of the Listing Rules. The Company provided a copy of the said letter to the Stock Exchange. The Directors (including independent non-executive Directors) have reviewed and confirmed that the continuing connected transactions of the Group comply with the agreed procedures and principles and the Group's continuing connected transactions above:

- (1) are entered into in the ordinary and usual course of business of the Group;
- (2) are entered into on normal commercial terms or if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to the Group than those available to or from (as the case may be) independent third parties;
- (3) are conducted in accordance with the agreements governing such transactions, and the terms are fair, reasonable and in the interests of the Company and the Company's shareholders as a whole; and
- (4) did not exceed the caps of continuing connected transactions for the financial year ended 31 December 2015 provided for by the continuing connected transactions agreements above.

Related party transactions

Details of the related party transactions undertaken by the Group during the year are set out in Note 10 to the financial statements. The Company has complied with the applicable requirements under the Listing Rules for those related party transactions which constituted non-exempt connected transactions/continuing connected transactions under the Listing Rules. Other related party transactions either did not constitute connected transactions/continuing connected transactions or constituted connected transactions/continuing connected transactions but were exempted from all disclosure and independent shareholders' approval requirements under the Listing Rules.

Directors' Report

Mechanism for protecting non-controlling interests

To protect non-controlling interests, the Company has established and implemented certain governance measures, which include:

- (i) Interested directors should declare their respective interests, and would not attend and vote at the Board meeting in respect of the connected transactions in which they are interested. Accordingly, Mr. Ding Rongjun and Mr. Deng Huijin did not attend and vote at the Board meeting in respect of the connected transactions between the Group and CRRCG.
- (ii) An independent professional management team of the Group responsible for negotiating and reviewing the terms of transactions with the suppliers and customers (including CRRCG) has been established. The members of the management team include the staff of the Group with relevant techniques and sales expertise, and the terms of duties of the management team allow it to make independent business judgments. The management team reports to the Board, while the Board is accountable to the shareholders of the Company as a whole.
- (iii) The Company's auditor has provided quarterly reports to the independent non-executive Directors on all transactions conducted between the Group and CRRCG.
- (iv) When making purchases, the Group has endeavoured to obtain tenders or quotations from a number of independent suppliers, and select successful bidders (where applicable) based on objective standards such as the price and quality of products, delivery schedule and services.
- (v) Subject to (i) above, all independent non-executive Directors have attended the Board meetings for deciding whether the Group should conduct special transactions with CRRCG.
- (vi) The terms for the supply and purchase arrangements entered into between the Group and CRRCG are subject to quarterly review by the independent non-executive Directors, and opinions regarding such transactions are disclosed by the Company to shareholders by way of announcements. Independent non-executive Directors may request an independent party having at least 10 years' experience in the locomotive and rolling stock manufacturing industry to participate in assessing the terms of the sales and purchases agreements, and to provide their findings to the independent non-executive Directors.

Non-competition and indemnity deeds

The Company entered into non-competition and indemnity deeds with the Parent Group and CRRCG (excluding the Parent Group) on 30 November 2006 (the "Non-Competition and Indemnity Deeds"). The Parent Group and CRRCG (excluding the Parent Group) respectively undertook not to carry on businesses that are in competition with the Company's businesses.

During the reporting year, CSR merged with CNR and formed CRRC; China Northern Locomotive & Rolling Stock Industry (Group) Corporation merged with CSR Group and formed CRRC Group. As certain businesses of the subsidiaries of CNR overlap with that of the Group, there are certain business overlaps between CRRCG and the Group. Accordingly, CSR Group issued an undertaking letter regarding the avoidance of competition with Zhuzhou CSR Times Electric Co., Ltd. (the "Undertaking Letter") to the Company on 30 December 2014, in which it provided non-competition undertakings as follows:

- (1) the post-merger company will grant Times Electric a call option, pursuant to which, Times Electric will be entitled to elect, at its own discretion, when to request the post-merger company to sell the competing businesses of the post-merger company to Times Electric;
- (2) the post-merger company will further grant Times Electric a pre-emptive right, pursuant to which, if the post-merger company proposes to sell the competing business to an independent third party, the post-merger company shall offer to Times Electric the competing business first on the same conditions, and the sale to the third party may only be effected after Times Electric refuses to purchase the competing business;
- (3) the decision of Times Electric to exercise the aforesaid option and the pre-emptive right to purchase shall be made by the independent non-executive directors of Times Electric;
- (4) the exercise of the aforesaid option and the pre-emptive right to purchase will be subject to the applicable regulatory and disclosure requirements and shareholders' approval at the general meeting in the places of listing of the post-merger company and Times Electric respectively;
- (5) the aforesaid non-competition undertaking will be effective from the date of issuance to the time when Times Electric is delisted or the post-merger company ceases to be an indirect controlling shareholder of Times Electric.

The independent non-executive Directors of the Company have reviewed the compliance issue of the Non-Competition and Indemnity Deeds with the Parent Group and the CRRCG (excluding the Parent Group) for the year ended 31 December 2015, and reviewed relevant information provided by the Parent Group and the CRRCG (excluding the Parent Group). The independent non-executive Directors were of the opinion that (1) the Parent Group complied with the relevant terms of the Non-Competition and Indemnity Deeds in 2015. The Parent Group carried on its businesses independent of the Group's businesses, having different technology applications and different customers, which would not be in competition with that of the Group. (2) Before the merger, CSRG Group (excluding the Parent Group) complied with the relevant terms of the Non-Competition and Indemnity Deeds. After the merger, owing to the businesses of CNR, there are certain business overlaps between CRRCG (excluding the Parent Group) and the Group in certain business areas. Both CRRCG and the Group are working on the resolutions in accordance with the aforesaid Undertaking Letter. (3) The Board of Directors of the Company operated and managed the Company's businesses independently in the interests of the Company and its shareholders as a whole.

Directors' Report

Sufficiency of public float

According to publicly available information and as far as the Directors were aware, as at the date of this report, there was a sufficient public float of the Company's issued shares as required under the Listing Rules.

Post Balance Sheet Events

On 24 March 2016, the 8th meeting of the fourth session of the Board of the Company approved the profit distribution plan for 2015 to distribute cash dividends of RMB528,964,487 in total to all shareholders, equivalent to the distribution of RMB0.45 per share (tax inclusive) based on the total number of 1,175,476,637 shares of the Company.

Taxation

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%.

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 exempt from individual income tax on dividend and bonus from foreign-invested enterprises in the PRC. As the Company is a foreign-invested joint stock limited company, the individual shareholders who hold the H shares of the Company and appear 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 Hong Kong 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.

Save as disclosed above, for the year ended 31 December 2015, no foreign shareholder who is non-PRC resident is liable to individual or corporate income tax, capital gains tax, stamp duty or estate duty of the PRC in relation to their holding of H shares of the Company. Shareholders are urged to consult their tax advisers regarding the applicable PRC and Hong Kong tax laws and other tax consequences of owning and disposing of H shares of the Company.

Management Contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into by the Group or existed during the reporting period.,.

Environmental Policy and Performance

The Group upholds the philosophy of respect for employees and environmental protection and integrate the safety and environmental protection concept to all production and operational activities of the Company in the pursuit of a pollution-free, disaster-free environment and protection for the legitimate interests of its employees, creating a positive social image and seeking for sustainable development of the Company.

The Company obtained the certification of ISO14001 environmental management system in 2006. Through the process control under the environmental management system, such as performance monitoring, internal audit, supervision and checking, management review, etc., the operational performance of the Company's environmental management system has improved continuously.

In the process of production, the Group always advocates the "Green" concept and vigorously promotes the use of environmental-friendly materials and environmental-friendly technologies so as to create environmentally-friendly green products for the society. Meanwhile, the Group has complied with the relevant laws, regulations and statutes, and timely obtained, updated and conveyed the relevant environmental protection regulations and standards. The Company conducted its day-to-day internal environmental protection management based on these new regulations and standards, actively fulfilled its corporate environmental protection obligations and implemented the principles and policies of national energy saving and emission reduction, and therefore achieved significant progress in the aspects of environmental management.

Compliance with Laws and Regulations

The Group has worked out the compliance procedures to ensure observance of the applicable laws, rules and regulations that have a significant impact on it. The securities and legal affairs department of the Company is responsible for supervising the policies and practices for compliance with laws and supervision by reviewing the same regularly. The relevant employees and subsidiaries will be notified from time to time of any material change in the applicable laws, rules and regulations.

The Group has abided by relevant applicable rules and regulations of the jurisdiction in which the Group operates in all material aspects and has obtained relevant qualifications required for the provision of services. During the year and as far as the Company is aware, there was no material breach of or non-compliance with applicable laws and regulations by the Group that has a significant impact on its business and operations.

Directors' Report

Relationship with Employees, Customers and Suppliers

The Group provides a harmonious and professional working environment to employees and ensures that all of them are reasonably remunerated. The Company regularly reviews and updates its policies on remuneration and benefits, training as well as occupational health and safety. Details of the employees of the Company are set out in "Employees and remuneration policy".

The Group also recognises the importance of maintaining good relationship with business partners to achieve its long-term goals. It has always strived to cooperate with customers and suppliers to create and share value. In the course of operation, the Company pays close attention to various stakeholders such as the customers and suppliers, continuously strengthens exchanges and communication with them, with a view to fully understand and listen to their appeals and makes responses positively based on the actual circumstances of the Company.

Auditor

The financial statements for the year have been audited by Ernst & Young Hua Ming LLP, and a resolution will be put forward at the forthcoming annual general meeting to re-appoint Ernst & Young Hua Ming LLP as the Company's auditor.

By order of the Board

Ding Rongjun

Chairman of the Board

Zhuzhou, Hunan, PRC

24 March 2016

Supervisory Committee's Report

During the reporting period, pursuant to the Company Law of PRC, the Articles, the Listing Rules and the Rules of Meetings of the Supervisory Committee, members of the Supervisory Committee performed their duties prudently and effectively with respect to the supervision of the Company's operations and business activities in accordance with applicable rules and regulations in order to safeguard shareholders' and the Company's interests.

I. Meetings of the Supervisory Committee held during the reporting period

1. During the year, the Company held two Supervisory Committee meetings. The notices, convening, holding and passing of resolutions of the meetings were in compliance with the requirements of the relevant laws and regulations and the Articles. Contents of review mainly included the 2014 working report of the Supervisory Committee, the 2014 financial report, the 2014 annual report, the 2015 interim report and connected transactions etc.
2. During the year, members of the Supervisory Committee attended all general meetings and Board meetings of the Company in person or by ways of telecommunication.

II. Independent opinion of the Supervisory Committee

1. The Company carried on its operations lawfully

In 2015, in accordance with applicable laws and regulations, the Supervisory Committee reviewed the procedures adopted in the convening, passing of resolutions, decision-making procedures, results of voting of the Company's general meetings and the Board meetings, implementation of resolutions of general meetings by the Board, the performance of duties of senior management and the management system of the Company. The Supervisory Committee is of the opinion that the Directors and senior management of the Company had diligently performed their responsibilities and in compliance with the applicable laws and regulations. During the reporting period, no breaches of laws or regulations which were materially prejudicial to the Company or the interests of shareholders were discovered.

2. Financial reports give a true and accurate view

The Supervisory Committee seriously and thoroughly reviewed the Group's financial system and financial position. The Supervisory Committee considers that the Group's 2015 financial report is true and accurate and presents the financial position and operating results fairly, and Ernst & Young Hua Ming has issued an unqualified audit opinion.

3. Connected transactions

The Supervisory Committee considers that the connected transactions between the Group and CRRRG during the year were entered into in the ordinary and usual course of our business. The transactions were on the principles of openness, fairness and justness and were entered into in the interests of the Group and the shareholders as a whole. After its review, the Supervisory Committee considers that the Group's transactions in 2015 were in compliance with the relevant laws and regulations of the PRC and is not aware of any impairment to the Company's and shareholders' interest by means of connected transactions, and the total value of continuing connected transactions was within the 2015 aggregate annual caps approved by the independent shareholders at the extraordinary general meeting held on 29 October 2013.

Supervisory Committee's Report

4. The implementation of non-competition and indemnity deeds

The Supervisory Committee is of the opinion that (1) the Parent Group complied with the relevant terms of the Non-Competition and Indemnity Deeds in 2015. The Parent Group carried on its businesses independent of the Group's businesses, having different technology applications and different customers, which would not be in competition with that of the Group. (2) Before the merger, CSR Group (excluding the Parent Group) complied with the relevant terms of the Non-Competition and Indemnity Deeds. After the merger, owing to the businesses of CNR, there are certain business overlaps between CRRCG (excluding the Parent Group) and the Group in certain business areas. Both CRRCG and the Group are working on the resolutions in accordance with the aforesaid Undertaking Letter. (3) The Board of Directors of the Company operated and managed the Company's businesses independently in the interests of the Company and its shareholders as a whole.

5. The implementation of resolutions of the general meeting

During the year, members of the Supervisory Committee attended eight Board meetings and one general meeting. There were no objections to the various reports and resolutions submitted by the Board for consideration at the general meetings. The Board of Directors had seriously carried out resolutions of the general meeting.

Xiong Ruihua

Chairman of the Supervisory Committee

Zhuzhou, Hunan, PRC

24 March 2016

Auditors' Report



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Ernst & Young Hua Ming (2016) Shen Zi No. 60467257_A01

To the shareholders of Zhuzhou CRRC Times Electric Co., Ltd.:

We have audited the accompanying financial statements of Zhuzhou CRRC Times Electric Co., Ltd., which comprise the consolidated and company statements of financial position as at 31 December 2015, and the consolidated and company statements of profit or loss, statements of changes in equity and statements of cash flows for the year then ended, and the notes to the financial statements.

1. MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Management of Zhuzhou CRRC Times Electric Co., Ltd. is responsible for the preparation and fair presentation of these financial statements. This responsibility includes: (1) preparing and fairly presenting the financial statements in accordance with Accounting Standards for Business Enterprises; (2) designing, implementing and maintaining internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

2. AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with China Standards on Auditing. Those standards require that we comply with the Code of Ethics for Chinese Certified Public Accountants and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider the internal control relevant to the entity's preparation and fair presentation of financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Auditors' Report

3. OPINION

In our opinion, the financial statements present fairly, in all material respects, the consolidated and company financial position of Zhuzhou CRRC Times Electric Co., Ltd. as at 31 December 2015 and the consolidated and company financial performance and cash flows for the year then ended in accordance with Accounting Standards for Business Enterprises.

Ernst & Young Hua Ming LLP

Chinese Certified Public Accountant: Zhang Yiqiang

Beijing, the People's Republic of China

Chinese Certified Public Accountant: Liu Xin

24 March 2016

Consolidated Statement of Financial Position

31 December 2015

Renminbi Yuan

ASSETS	Note V	31 December	31 December	
		2015	2014	
CURRENT ASSETS				
Cash and bank balances	1	3,403,680,982	2,679,867,325	
Bills receivable	2	3,944,289,710	3,184,352,916	
Trade receivables	3	3,967,858,997	2,813,878,700	
Prepayments	4	194,032,905	147,627,653	
Other receivables	5	154,434,789	79,220,006	
Inventories	6	3,069,080,313	2,207,339,644	
Other current assets	7	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	8	900,000	900,000	
Long-term receivables	9	11,178,796	22,082,991	
Long-term equity investments	10	221,873,090	237,010,505	
Fixed assets	11	1,762,830,047	1,770,444,529	
Construction in progress	12	209,114,557	112,914,938	
Intangible assets	13	689,151,256	268,531,012	
Development expenditure	14	663,534	15,092,149	
Goodwill	15	575,023,668	13,770,533	
Deferred tax assets	16	279,780,338	251,382,881	
Other non-current assets	17	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	

The notes set out on page 69 to page 211 are components of these financial statements.

Consolidated Statement of Financial Position

31 December 2015

Renminbi Yuan

LIABILITIES AND SHAREHOLDERS' EQUITY	Note V	31 December 2015	31 December 2014
CURRENT LIABILITIES			
Short-term borrowings	19	53,636,349	4,385,940
Bills payable	20	1,733,675,268	1,569,649,099
Trade payables	21	2,432,533,665	1,861,391,032
Advances from customers	22	888,730,895	588,010,023
Employee benefits payable	23	50,365,378	52,112,041
Interest payable		2,504,772	—
Taxes payable	24	250,178,115	146,880,754
Other payables	25	295,070,864	373,833,468
Current portion of non-current liabilities	26	16,207,531	11,315,264
Provisions	27	367,927,119	329,643,512
Deferred income	28	59,304,497	49,528,830
Total current liabilities		6,150,134,453	4,986,749,963
NON-CURRENT LIABILITIES			
Long-term borrowings	29	1,025,396,909	37,492,529
Long-term payables	30	116,298,371	66,444,529
Provisions	27	514,732,436	480,083,471
Deferred income	28	228,974,815	168,992,811
Deferred tax liabilities	16	100,187,611	14,374,351
Total non-current liabilities		1,985,590,142	767,387,691
Total liabilities		8,135,724,595	5,754,137,654
SHAREHOLDERS' EQUITY			
Share capital	32	1,175,476,637	1,175,476,637
Capital reserve	33	3,352,123,130	3,352,499,586
Other comprehensive income	34	(41,391,233)	(30,272,682)
Special reserve	35	7,520,445	2,920,995
Surplus reserve	36	1,149,501,481	859,087,844
Retained earnings	37	7,829,036,380	5,631,283,306
Total equity attributable to shareholders of the Parent		13,472,266,840	10,990,995,686
Non-controlling interests		204,335,724	179,770,190
Total shareholders' equity		13,676,602,564	11,170,765,876
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		21,812,327,159	16,924,903,530

The notes set out on page 69 to page 211 are components of these financial statements.

The financial statements are signed by the following persons:

Legal Representative:

Ding Rongjun

Chief Financial Officer:

Zhang Hua

Head of Accounting Department:

Liu Zehua

Consolidated Statement of Profit or Loss

For the year ended 31 December 2015

Renminbi Yuan

	Note V	2015	2014
Revenue	38	14,144,718,451	12,676,196,687
Less: Cost of sales	38	8,607,645,651	7,876,406,252
Business taxes and surcharges	39	100,136,151	99,787,028
Selling expenses		647,335,609	880,906,676
Administrative expenses	40	1,606,261,381	1,349,132,921
Finance costs	41	(25,324,901)	(43,013,221)
Asset impairment losses	42	60,878,850	148,776,654
Add: Investment income	43	121,206,269	121,607,881
including: share of profits and losses of associates and joint ventures	43	55,125,209	51,661,839
Operating profit		3,268,991,979	2,485,808,258
Add: Non-operating income	44	181,119,015	271,989,157
including: gains on disposal of non-current assets	44	464,406	739,820
Less: Non-operating expenses	45	4,766,854	2,883,417
including: losses on disposal of non-current assets	45	1,529,475	1,507,064
Total profit	46	3,445,344,140	2,754,913,998
Less: Income tax expense	47	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	34		
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)	48		
Basic		2.52	2.04
Diluted		2.52	2.04

The notes set out on page 69 to page 211 are components of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2015

Renminbi Yuan

	Attributable to shareholders of the Parent							Total shareholders' equity
	Share capital	Capital reserve	Special reserve	Surplus reserve	Retained earnings	Other comprehensive income	Sub-total	Non-controlling interests
2015								
I. At beginning of the year	1,175,476,637	3,352,499,586	2,920,995	859,087,844	5,631,283,306	(30,272,682)	10,990,995,686	179,770,190 11,170,765,876
II. Movements during the year								
(i) Total comprehensive income	-	-	-	-	2,958,357,366	(11,118,551)	2,947,238,815	11,433,027 2,958,671,842
(ii) Capital contribution and withdrawal by shareholders								
1. Capital contribution by non-controlling shareholders	-	-	-	-	-	-	-	14,700,000 14,700,000
2. Others	-	(376,456)	-	-	-	-	(376,456)	376,456 -
(iii) Profit appropriation								
1. Transfer to surplus reserve	-	-	-	290,413,637	(290,413,637)	-	-	-
2. Dividends paid	-	-	-	-	(470,190,655)	-	(470,190,655)	(1,943,949) (472,134,604)
(iv) Special reserve								
1. Accrued during the year	-	-	33,611,332	-	-	-	33,611,332	522,086 34,133,418
2. Paid during the year	-	-	(29,011,882)	-	-	-	(29,011,882)	(522,086) (29,533,968)
III. Closing balance	<u>1,175,476,637</u>	<u>3,352,123,130</u>	<u>7,520,445</u>	<u>1,149,501,481</u>	<u>7,829,036,380</u>	<u>(41,391,233)</u>	<u>13,472,266,840</u>	<u>204,335,724</u> <u>13,676,602,564</u>
2014								
I. At beginning of the year	1,175,476,637	3,354,300,202	1,148,151	624,621,343	3,882,348,394	(21,995,965)	9,015,898,762	134,221,486 9,150,120,248
II. Movements during the year								
(i) Total comprehensive income	-	-	-	-	2,394,818,236	(8,276,717)	2,386,541,519	(5,517,417) 2,381,024,102
(ii) Capital contribution and withdrawal by shareholders								
1. Capital contribution by non-controlling shareholders	-	-	-	-	-	-	-	52,000,000 52,000,000
2. Acquisition of non-controlling interest	-	(13,534)	-	-	-	-	(13,534)	(29,725) (43,259)
3. Premium on capital injection to a non-wholly owned subsidiary	-	(1,192,555)	-	-	-	-	(1,192,555)	1,192,555 -
4. Others	-	(594,527)	-	-	-	-	(594,527)	594,527 -
(iii) Profit appropriation								
1. Transfer to surplus reserve	-	-	-	234,466,501	(234,466,501)	-	-	-
2. Dividends paid	-	-	-	-	(411,416,823)	-	(411,416,823)	(2,691,236) (414,108,059)
(iv) Special reserve								
1. Accrued during the year	-	-	17,647,640	-	-	-	17,647,640	451,544 18,099,184
2. Paid during the year	-	-	(15,874,796)	-	-	-	(15,874,796)	(451,544) (16,326,340)
III. Closing balance	<u>1,175,476,637</u>	<u>3,352,499,586</u>	<u>2,920,995</u>	<u>859,087,844</u>	<u>5,631,283,306</u>	<u>(30,272,682)</u>	<u>10,990,995,686</u>	<u>179,770,190</u> <u>11,170,765,876</u>

The notes set out on page 69 to page 211 are components of these financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2015

Renminbi Yuan

	Note V	2015	2014
1. Cash flows from operating activities			
Cash received from sale of goods or rendering of services		12,184,853,436	10,557,913,114
Refunds of taxes		124,246,331	178,119,072
Cash received relating to other operating activities		217,550,954	250,175,592
Sub-total of cash inflows from operating activities		12,526,650,721	10,986,207,778
Cash paid for goods and services		(6,210,986,258)	(5,295,472,100)
Cash paid to and on behalf of employees		(1,320,422,973)	(1,107,198,977)
Cash paid for all types of taxes		(1,499,779,377)	(1,444,559,290)
Cash paid relating to other operating activities		(1,871,124,626)	(1,082,271,479)
Sub-total of cash outflows from operating activities		(10,902,313,234)	(8,929,501,846)
Net cash flows from operating activities	49	1,624,337,487	2,056,705,932
2. Cash flows from investing activities			
Cash received from disposal or returns of investments		5,080,000,000	2,600,000,000
Cash received from returns on investments		69,294,613	75,867,494
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		8,367,409	2,637,153
Cash received relating to other investing activities		98,420,000	31,220,000
Sub-total of cash inflows from investing activities		5,256,082,022	2,709,724,647
Cash paid for acquisitions of fixed assets, intangible assets and other long-term assets		(281,184,533)	(338,170,950)
Cash paid for acquisition of investments		(5,289,000,000)	(4,500,000,000)
Cash paid for acquisition of subsidiaries		(1,074,807,066)	—
Cash paid relating to other investing activities	49	(92,311,980)	—
Sub-total of cash outflows from investing activities		(6,737,303,579)	(4,838,170,950)
Net cash flows used in investing activities		(1,481,221,557)	(2,128,446,303)

The notes set out on page 69 to page 211 are components of these financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2015

Renminbi Yuan

	Note V	2015	2014
3. Cash flows from financing activities			
Cash received from capital contribution		14,700,000	52,000,000
including: cash received from non-controlling shareholders of subsidiaries		14,700,000	52,000,000
Cash received from borrowings		1,078,737,841	3,507,315
		<hr/>	<hr/>
Sub-total of cash inflows from financing activities		1,093,437,841	55,507,315
Cash repayment of borrowings		(47,623,577)	(41,557,905)
Cash paid for distribution of dividend or profits and for interest expenses		(487,097,211)	(411,881,597)
		<hr/>	<hr/>
Sub-total of cash outflows from financing activities		(534,720,788)	(453,439,502)
Net cash flows (used in)/from financing activities		558,717,053	(397,932,187)
		<hr/>	<hr/>
4. Effect of foreign exchange rate changes on cash and cash equivalents		1,470,606	(913,272)
5. Net increase/(decrease) in cash and cash equivalents		703,303,589	(470,585,830)
Add: Cash and cash equivalents at beginning of year		2,647,816,044	3,118,401,874
		<hr/>	<hr/>
6. Cash and cash equivalents at end of year	49	3,351,119,633	2,647,816,044
		<hr/>	<hr/>

The notes set out on page 69 to page 211 are components of these financial statements.

Statement of Financial Position

31 December 2015

Renminbi Yuan

ASSETS	Note XIV	31 December	31 December	
		2015	2014	
CURRENT ASSETS				
Cash and bank balances	1	2,766,793,280	2,214,865,319	
Bills receivable	2	3,757,478,113	2,994,220,756	
Trade receivables	3	3,960,552,913	3,031,699,178	
Dividends receivable	4	—	30,000,000	
Prepayments	5	100,498,608	128,503,809	
Other receivables	6	275,084,311	196,460,126	
Inventories	7	2,288,246,413	1,730,480,968	
Other current assets	8	2,945,113,050	2,699,227,291	
Total current assets		16,093,766,688	13,025,457,447	
NON-CURRENT ASSETS				
Available-for-sale financial asset		900,000	900,000	
Long-term receivables	9	3,337,685	19,847,943	
Long-term equity investments	10	1,686,522,346	1,294,059,234	
Fixed assets	11	1,150,101,328	1,206,542,349	
Construction in progress	12	164,177,021	118,891,409	
Intangible assets	13	186,368,407	115,660,593	
Deferred tax assets	14	249,179,656	222,587,213	
Other non-current assets		50,833,733	90,235,103	
Total non-current assets		3,491,420,176	3,068,723,844	
TOTAL ASSETS		19,585,186,864	16,094,181,291	

The notes set out on page 69 to page 211 are components of these financial statements.



Statement of Financial Position

31 December 2015

Renminbi Yuan

LIABILITIES AND SHAREHOLDERS' EQUITY	Note XIV	31 December 2015	31 December 2014
CURRENT LIABILITIES			
Bills payable	15	1,406,211,382	1,385,936,394
Trade payables	16	2,254,604,272	1,702,604,422
Advances from customers	17	775,880,975	512,415,169
Employee benefits payable		34,065,740	39,821,157
Interest payable		139,972	—
Taxes payable	18	191,742,372	113,121,711
Other payables	19	301,045,016	422,236,768
Provisions	20	334,500,647	323,041,323
Deferred income	21	58,097,585	47,471,918
Total current liabilities		5,356,287,961	4,546,648,862
NON-CURRENT LIABILITIES			
Long-term borrowings	22	100,188,000	—
Long-term payables	16	116,298,371	66,444,529
Provisions	20	508,165,648	474,472,283
Deferred income	21	209,261,055	149,672,139
Total non-current liabilities		933,913,074	690,588,951
Total liabilities		6,290,201,035	5,237,237,813
SHAREHOLDERS' EQUITY			
Share capital		1,175,476,637	1,175,476,637
Capital reserve		3,378,010,293	3,378,010,293
Special reserve		4,096,637	—
Surplus reserve		1,149,501,481	859,087,844
Retained earnings		7,587,900,781	5,444,368,704
Total shareholders' equity		13,294,985,829	10,856,943,478
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		19,585,186,864	16,094,181,291

The notes set out on page 69 to page 211 are components of these financial statements.

Statement of Profit or Loss

For the year ended 31 December 2015

Renminbi Yuan

	Note XIV	2015	2014
Revenue	23	12,444,446,515	11,588,016,101
Less: Cost of sales	23	7,666,862,138	7,366,292,423
Business taxes and surcharges	24	81,449,794	86,949,612
Selling expenses		511,158,852	803,468,303
Administrative expenses		1,162,130,860	1,070,973,457
Finance costs	25	(31,149,089)	(39,398,750)
Asset impairment losses	26	67,620,368	115,201,095
Add: Investment income	27	232,606,080	239,417,589
including: share of profits and losses of associates and a joint venture	27	32,952,712	15,057,057
Operating profit		3,218,979,672	2,423,947,550
Add: Non-operating income	28	130,595,581	255,176,167
including: gains on disposal of non-current assets	28	299,429	501,510
Less: Non-operating expenses	29	3,068,878	1,803,294
including: losses on disposal of non-current assets	29	1,302,682	1,236,870
Total profit		3,346,506,375	2,677,320,423
Less: Income tax expense	30	442,370,006	332,655,409
Net profit		2,904,136,369	2,344,665,014
Other comprehensive income, net of tax		—	—
Total comprehensive income		2,904,136,369	2,344,665,014

The notes set out on page 69 to page 211 are components of these financial statements.

Statement of Changes in Equity

For the year ended 31 December 2015

Renminbi Yuan

	Share capital	Capital reserve	Special reserve	Surplus reserve	Retained earnings	Total shareholders' equity
2015						
I. At beginning of the year	1,175,476,637	3,378,010,293	–	859,087,844	5,444,368,704	10,856,943,478
II. Movements during the year						
(i) Total comprehensive income	–	–	–	–	2,904,136,369	2,904,136,369
(ii) Profit appropriation						
1. Transfer to surplus reserve	–	–	–	290,413,637	(290,413,637)	–
2. Dividend paid	–	–	–	–	(470,190,655)	(470,190,655)
(iii) Special reserve						
1. Accrued during the year	–	–	23,295,752	–	–	23,295,752
2. Paid during the year	–	–	(19,199,115)	–	–	(19,199,115)
III. Closing balance	<u>1,175,476,637</u>	<u>3,378,010,293</u>	<u>4,096,637</u>	<u>1,149,501,481</u>	<u>7,587,900,781</u>	<u>13,294,985,829</u>

	Share capital	Capital reserve	Special reserve	Surplus reserve	Retained earnings	Total shareholders' equity
2014						
I. At beginning of the year	1,175,476,637	3,378,010,293	–	624,621,343	3,745,587,014	8,923,695,287
II. Movements during the year						
(i) Total comprehensive income	–	–	–	–	2,344,665,014	2,344,665,014
(ii) Profit appropriation						
1. Transfer to surplus reserve	–	–	–	234,466,501	(234,466,501)	–
2. Dividend paid	–	–	–	–	(411,416,823)	(411,416,823)
(iii) Special reserve						
1. Accrued during the year	–	–	11,428,244	–	–	11,428,244
2. Paid during the year	–	–	(11,428,244)	–	–	(11,428,244)
III. Closing balance	<u>1,175,476,637</u>	<u>3,378,010,293</u>	<u>–</u>	<u>859,087,844</u>	<u>5,444,368,704</u>	<u>10,856,943,478</u>

The notes set out on page 69 to page 211 are components of these financial statements.

Statement of Cash Flows

For the year ended 31 December 2015

Renminbi Yuan

	Note XIV	2015	2014
1. Cash flows from operating activities			
Cash received from sale of goods or rendering of services		10,321,111,007	9,147,374,867
Refunds of taxes		101,184,881	175,417,890
Cash received relating to other operating activities		154,264,382	251,230,746
Sub-total of cash inflows from operating activities		10,576,560,270	9,574,023,503
Cash paid for goods and services		(5,632,812,364)	(5,320,460,027)
Cash paid to and on behalf of employees		(829,004,206)	(683,483,717)
Cash paid for all types of taxes		(1,216,500,734)	(1,298,917,503)
Cash paid relating to other operating activities		(1,400,876,499)	(586,150,250)
Sub-total of cash outflows from operating activities		(9,079,193,803)	(7,889,011,497)
Net cash flows from operating activities	31	1,497,366,467	1,685,012,006
2. Cash flows from investing activities			
Cash received from disposal or returns of investments		4,740,000,000	2,600,000,000
Cash received from returns on investments		182,568,847	250,650,806
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		2,506,930	2,153,140
Cash received relating to other investing activities		97,420,000	30,020,000
Sub-total of cash inflows from investing activities		5,022,495,777	2,882,823,946
Cash paid for acquisitions of fixed assets, intangible assets and other long-term assets		(226,504,469)	(284,092,072)
Cash paid for acquisition of investments		(5,389,510,400)	(4,426,000,000)
Sub-total of cash outflows from investing activities		(5,616,014,869)	(4,710,092,072)
Net cash flows used in investing activities		(593,519,092)	(1,827,268,126)

The notes set out on page 69 to page 211 are components of these financial statements.



Statement of Cash Flows

For the year ended 31 December 2015

Renminbi Yuan

	Note XIV	2015	2014
3. Cash flows from financing activities			
Cash received from borrowings		100,188,000	—
Sub-total of cash inflows from financing activities		100,188,000	—
Cash paid for distribution of dividends or profits and for interest expenses		(466,190,655)	(406,388,599)
Sub-total of cash outflows from financing activities		(466,190,655)	(406,388,599)
Net cash flows used in financing activities		(366,002,655)	(406,388,599)
4. Effect of foreign exchange rate changes on cash and cash equivalents		1,640,959	(220,003)
5. Net increase/(decrease) in cash and cash equivalents		539,485,679	(548,864,722)
Add: Cash and cash equivalents at beginning of year		2,214,865,319	2,763,730,041
6. Cash and cash equivalents at end of year	31	2,754,350,998	2,214,865,319

The notes set out on page 69 to page 211 are components of these financial statements.

Notes to Financial Statements

31 December 2015

Renminbi Yuan

I. 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, refer to Note V.32.

As at 31 December 2015, the Group's parent and ultimate holding company are CRRC Zhuzhou Institute Co., Ltd. and CRRC Group (中國中車集團公司) (China Northern Locomotive and Rolling Stock Industry (Group) Corporation merged with CSR Group and renamed as CRRC Group) respectively, both established in the PRC.

The financial statements were approved by the board of directors of the Company on 24 March 2016. According to the Articles of Association of the Company, the financial statements will be submitted to the general meeting for consideration.

The consolidation scope of the consolidated financial statements is determined on the basis of control. Amendments for current period refer to Note VI.

Notes to Financial Statements

31 December 2015

Renminbi Yuan

II. Basis of Preparation

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

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

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

III. Significant Accounting Policies and Estimates

1. Statement of compliance with Accounting Standards for Business Enterprises

The financial statements present fairly and completely, the financial position of the Group and the Company as at 31 December 2015 and the financial performance and cash flows for the year then ended in accordance with Accounting Standards for Business Enterprises.

2. Accounting period

The accounting period of the Group is from 1 January to 31 December of each calendar year.

3. Functional currency

The Group's functional and presentation currency is Renminbi ("RMB"). Unless otherwise stated, the unit of the currency is RMB yuan.

The subsidiaries, joint ventures and associates of the Group may determine their own functional currencies based on their specific economic environments. In the preparation of the financial statements, their functional currencies shall be translated into RMB.

4. Business combinations

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

Business combinations involving entities under common control

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

Notes to Financial Statements

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III. Significant Accounting Policies and Estimates (continued)

4. Business combinations (continued)

Business combinations involving entities under common control (continued)

Assets and liabilities that are obtained by the acquirer in a business combination involving enterprises under common control (including the goodwill generated by the ultimate holding party in the acquisition of the acquiree) shall be measured at their carrying amounts at the combination date as recorded by the acquiree. The difference between the carrying amount of the net assets obtained and the carrying amount of the consideration paid for the combination (or the aggregate face value of shares issued as consideration) shall be adjusted to share premium under capital surplus. If the capital surplus is not sufficient to absorb the difference, any excess shall be adjusted against retained earnings.

Business combinations not involving entities under common control

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

The acquirer shall measure the acquiree's identifiable assets, liabilities and contingent liabilities acquired in the business combination at their fair values on the acquisition date.

Goodwill is initially recognised at cost being the excess of the aggregate fair value of the consideration transferred (or the fair value of the equity securities issued) and any fair value of the acquirer's previously held equity interest in the acquiree over the net identifiable assets acquired at the acquisition date. After initial recognition, goodwill is measured at cost less any accumulated impairment losses. In the event that the sum of the fair value of the consolidation consideration paid (or the fair value of the equity securities issued) and the fair value of the equity interests in the acquiree held before the date of acquisition is less than the share of the fair value of the net identifiable assets of the acquiree acquired in the consolidation, the measurement of the fair value of the various identifiable assets, liabilities and contingent liabilities of the acquiree acquired and the fair value of the consolidation consideration paid (or the fair value of the equity securities issued) and the fair value of the equity interests in the acquiree held before the date of acquisition shall first be reviewed. If the sum of this consideration and other items mentioned above is lower than the fair value of the net identifiable assets acquired, the difference is, after reassessment, recognised in profit or loss of the current period.

Notes to Financial Statements

31 December 2015

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III. Significant Accounting Policies and Estimates (continued)

5. Consolidated financial statements

The consolidation scope of the consolidated financial statements is determined on the basis of control, including the financial statements for the year ended 31 December 2015 of the Company and all of its subsidiaries. A subsidiary is an entity that is controlled by the Company (including enterprise, divided part of the investee and a structured entity that is controlled by the Company).

In the preparation of the consolidated financial statements, when the accounting policies of a subsidiary are different from those of the Company, the Company shall make adjustments to the financial statements of the subsidiary based on its own accounting policies. All intra-group assets, liabilities, equities, revenues, expenses and cash flows resulting from intra-group transactions are eliminated on consolidation in full.

Where the amount of losses of a subsidiary attributable to non-controlling shareholders exceeds the opening balance of owners' equity attributable to non-controlling shareholders of the subsidiary, the excess shall still be allocated against non-controlling interests.

For subsidiaries acquired through business combinations not involving entities under common control, the operating results and cash flows of the acquiree shall be included in the consolidated financial statements, from the date on which the Group obtains control, till the Group ceases to have control on it. While preparing the consolidated financial statements, the acquirer shall adjust the subsidiary's financial statements, on the basis of the fair values of the identifiable assets, liabilities and contingent liabilities recognised on the acquisition date.

For subsidiaries acquired through business combinations involving entities under common control, the operating results and cash flows of the acquiree shall be included in the consolidated financial statements from the beginning of the period in which the combination occurs. While preparing the comparative financial statements, adjustments are made to related items in the financial statements for the prior period as if the reporting entity established through combination had been in existence since the ultimate holding party began to exercise control.

The Group shall reassess whether it controls an investee if facts and circumstances indicate that there are changes to one or more of elements of control.

Notes to Financial Statements

31 December 2015

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III. Significant Accounting Policies and Estimates (continued)

6. Joint arrangement classification and joint operation

Joint arrangement is classified as joint operation and joint venture. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture.

The Group recognises in relation to its interest in a joint operation: its assets, including its share of any assets held jointly; its liabilities, including its share of any liabilities incurred jointly; its revenue from the sale of its share of the output arising from the joint operation; its share of the revenue from the sale of the output by the joint operation; and its expenses, including its share of any expenses incurred jointly.

7. Cash and cash equivalents

Cash comprises the Group's cash on hand and deposits that can be readily withdrawn on demand. Cash equivalents are short-term highly liquid investments held by the Group that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

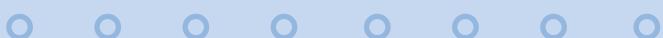
8. Foreign currency transactions and foreign currency translation

The Group translates the amounts of foreign currency transactions occurred into its functional currency.

Foreign currency transactions are initially recorded using the functional currency rates ruling at the transaction dates. At the balance sheet date, foreign currency monetary items are translated using the spot exchange rate at the balance sheet date. All the resulting exchange differences are taken to profit or loss, except for those relating to foreign currency borrowings specifically for the construction and acquisition of qualifying assets, which are capitalised in accordance with the principle of capitalisation of borrowing costs. Non-monetary foreign currency items measured at historical cost shall still be translated at the spot exchange rate prevailing on the transaction date, and the amount denominated in the functional currency is not changed. Non-monetary foreign currency items measured at fair value are translated at the spot exchange rate prevailing at the date on which the fair values are determined. The exchange difference thus resulted are recognised in profit or loss or as other comprehensive income of the current period.

For foreign operations, the Group translates their functional currency amounts into RMB in preparing the financial statements as follows: asset and liability items in the statement of financial position are translated using the spot exchange rates at the balance sheet date, and equity items other than "retained earnings" are translated using the spot exchange rates at the dates of transactions; revenue and expense items in the statement of profit or loss are translated using the average exchange rate for the period during which the transactions occur. The resulted exchange differences are recognised in other comprehensive income and presented as a separate component of equity in the statement of financial position. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation recognised is profit or loss of the current period. If the disposal only involves a portion of a particular foreign operation, the component of other comprehensive income relating to that particular foreign operation recognised is profit or loss of the current period on a pro-rata basis.

Foreign currency cash flows and the cash flows of foreign subsidiaries are translated using the average exchange rate for the period during which the cash flows occur. The effect of exchange rate changes on cash is separately presented as an adjustment item in the statement of cash flows.



Notes to Financial Statements

31 December 2015

Renminbi Yuan

III. Significant Accounting Policies and Estimates (continued)

9. Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Recognition and derecognition of financial instruments

The Group recognises a financial asset or a financial liability when it becomes a party to the contractual provisions of a financial instrument.

The Group derecognises a financial asset (or part of a financial asset, or part of a group of similar financial assets), that is to be written off from the accounts and the statement of financial position when the following criteria are met:

- (1) the rights to receive cash flows from the financial asset have expired,
- (2) the Group has transferred its rights to receive cash flows from the financial asset, or has an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; and either (a) has transferred substantially all the risks and rewards of the financial asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the financial asset.

If the underlying obligation of a financial liability has been fulfilled or discharged or cancelled or has expired, the financial liability is derecognised. If an existing financial liability is replaced by the same creditor with a new financial liability that has substantially different terms, or if the terms of an existing financial liability are substantially revised, such replacement or revision is accounted for as the derecognition of the original liability and the recognition of a new liability, and the resulted difference is recognised in profit or loss of the current period.

Regular way purchase or sale of financial assets are recognised and derecognised using trade date accounting or settlement date accounting. Regular way purchase or sale of financial assets refers to that the financial assets are delivered to or by the Group under the terms of a contract within a period as specified by law or general practice. The trade date and settlement date are the dates that an asset is delivered to or by the Group.

Classification and measurement of financial assets

The Group's financial assets are, on initial recognition, classified into the following categories: financial assets at fair value through profit or loss, other current assets, loans and receivables, available-for-sale financial asset and derivatives designated as effective hedging instruments. A financial asset is initially recognised at fair value. In the case of financial assets at fair value through profit or loss, relevant transaction costs are directly charged to profit or loss of the current period; transaction costs relating to financial assets of other categories are included in the value initially recognised.



Notes to Financial Statements

31 December 2015

Renminbi Yuan

III. Significant Accounting Policies and Estimates (continued)

9. Financial instruments (continued)

Classification and measurement of financial assets (continued)

Subsequent measurement of a financial asset is determined by its category:

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and those designated upon initial recognition as financial assets at fair value through profit or loss. A financial asset held for trading is the financial asset that meets one of the following conditions: 1) the financial asset is acquired for the purpose of selling it in the short term; 2) the financial asset is a part of a portfolio of identifiable financial instruments that are collectively managed, and there is objective evidence indicating that the enterprise recently manages this portfolio for the purpose of short-term profits; 3) the financial asset is a derivative, except for a derivative that is designated as an effective hedging instrument, or a financial guarantee contract, or a derivative that is linked to and must be settled by delivery of an unquoted equity instrument (without a quoted price from an active market) whose fair value cannot be reliably measured. For such kind of financial assets, fair values are adopted for subsequent measurement. All the realised or unrealised gains or losses on these financial assets are recognised in profit or loss of the current period. Dividend income or interest income relating to financial assets at fair value through profit or loss is charged to profit or loss of the current period.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity date that an entity has the positive intention and ability to hold to maturity. Such kind of financial assets are subsequently measured at amortised cost using the effective interest method. Gains or losses arising from amortisation or impairment and derecognition are recognised in profit or loss of the current period.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such kind of financial assets are subsequently measured at amortised cost using the effective interest method. Gains or losses arising from amortisation or impairment are recognised in the profit or loss of the current period.

Available-for-sale financial assets

Available-for-sale financial assets are those non-derivative financial assets that are designated as available for sale or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss. After initial recognition, available-for-sale financial asset are measured at fair value. The premium/discount is amortised using the effective interest method and recognised as interest income or expense. A gain or loss arising from a change in the fair value of an available-for-sale financial asset is recognised as other comprehensive income in capital surplus, except for impairment losses and foreign exchange gains and losses resulted from monetary financial assets which are recognised in profit or loss, until the financial asset is derecognised or determined to be impaired, at which time the accumulated gain or loss previously recognised is transferred to profit or loss of the current period. Interest and dividends relating to an available-for-sale financial asset are recognised in profit or loss of the current period.

Investments in equity instruments, which do not have quoted prices in an active market and whose fair values cannot be reliably measured, are measured at cost.

Notes to Financial Statements

31 December 2015

Renminbi Yuan

III. Significant Accounting Policies and Estimates (continued)

9. Financial instruments (continued)

Classification and measurement of financial liabilities

The Group's financial liabilities are, on initial recognition, classified into financial liabilities at fair value through profit or loss, other financial liabilities or derivatives designated as effective hedging instruments. For financial liabilities at fair value through profit or loss, relevant transaction costs are directly recognised in profit or loss of the current period, and transaction costs relating to other financial liabilities are included in the initial recognition amounts.

The subsequent measurement of a financial liability is determined by its category:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and those designated upon initial recognition as financial liabilities at fair value through profit or loss. A financial liability held for trading is the financial liability that meets one of the following criteria: 1) the financial liability is assumed for the purpose of repurchasing it in the short term; 2) the financial liability is a part of a portfolio of identifiable financial instruments that are collectively managed, and there is objective evidence indicating that the enterprise recently manages this portfolio for the purpose of short-term profits; 3) the financial liability is a derivative, except for a derivative that is designated as effective hedging instrument, or a financial guarantee contract, or a derivative that is linked to and must be settled by delivery of an unquoted equity instrument (without a quoted price in an active market) whose fair value cannot be reliably measured. For such kind of financial liabilities, fair values are adopted for subsequent measurement. All the realised or unrealised gains or losses on these financial liabilities are recognised in profit or loss in the current period.

Other financial liabilities

After initial recognition, such kind of financial liabilities are measured at amortised costs by using the effective interest method.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial positions if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on the net basis, or to realise the assets and settle the liabilities simultaneously.

Impairment of financial assets

The Group assesses at the balance sheet date the carrying amount of every financial asset. If there is objective evidence indicating that a financial asset may be impaired, a provision is provided for the impairment. Objective evidence that a financial asset is impaired is one or more events that occur after the initial recognition of the asset and have an impact (which can be reliably estimated) on the expected future cash flows of the financial asset. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows.

Notes to Financial Statements

31 December 2015

Renminbi Yuan

III. Significant Accounting Policies and Estimates (continued)

9. Financial instruments (continued)

Impairment of financial assets (continued)

Financial assets carried at amortised cost

If an impairment loss on a financial asset has been incurred, the carrying amount of the asset is reduced to the present value of expected future cash flows through the use of allowance account (excluding future credit losses that have not been incurred). The amount reduced is recognised in profit or loss. The present value of expected future cash flows is discounted at the financial asset's original effective interest rate (i.e., effective interest rate computed on initial recognition) and includes the value of any related collateral. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. For Loans and receivables, if no collectable future cash flows are expected and all related collateral is sold or transferred in to the Group, then loans and receivables with related allowances are written off.

For a financial asset that is individually significant, the asset is individually assessed for impairment, and the amount of impairment is recognised in profit or loss if there is objective evidence of impairment. For a financial asset that is not individually significant, it is included in a group of financial assets with similar credit risk characteristics and collectively assessed for impairment. If no objective evidence of impairment incurs for an individually assessed financial asset (whether the financial asset is individually significant or not individually significant), it is included in a group of financial assets with similar credit risk characteristics and collectively assessed for impairment again. Assets for which an impairment loss is individually recognised is not included in a group of financial assets with similar credit risk characteristics and collectively assessed for impairment.

If subsequent to the Group's recognition of an impairment loss on a financial asset carried at amortised cost, there is objective evidence of a recovery in value of the financial asset and the recovery is related to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed and recognised in profit or loss. However, the reversal shall not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment loss not been recognised at the date the impairment is reversed.

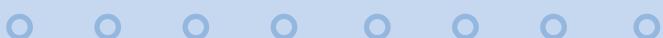
Available-for-sale financial asset

If there is objective evidence that an available-for-sale financial asset is impaired, the accumulated loss arising from decline in fair value previously recognised in other comprehensive income is transferred out and recognised in profit or loss. The accumulated loss that transferred out from other comprehensive income is the difference between the acquisition cost (net of any principal repayment and amortisation) and the current fair value, less any impairment loss on the financial asset previously recognised in profit or loss.

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of profit or loss – is removed from other comprehensive income and recognised in the statement of profit or loss. Impairment losses on equity instruments classified as available for sale are not reversed through the statement of profit or loss. Increases in their fair value after impairment are recognised directly in other comprehensive income.

The determination of what is "significant" or "prolonged" requires judgement. In making this judgement, the Group evaluates, among other factors, the extent or duration to which the fair value of an investment is less than its cost.

In the case of available-for-sale debt instruments of which the impairment losses have been recognised would incur an increase in fair value in the subsequent accounting period, and objectively have relevance with events after the recognition of impairment in gross value, the impairment losses recognised previously are reversed in profit or loss.



Notes to Financial Statements

31 December 2015

Renminbi Yuan

III. Significant Accounting Policies and Estimates (continued)

9. Financial instruments (continued)

Impairment of financial assets (continued)

Financial assets carried at cost

If there is objective evidence that such an asset is impaired, the difference between its carrying amount and the present value of expected future cash flows which are discounted at the current market interest rate is recognised as an impairment loss in profit or loss. Once an impairment loss is recognised, it cannot be reversed.

Transfer of financial assets

The financial asset is derecognised if the Group transfers substantially all the risks and rewards of ownership of the financial asset; the financial asset is not derecognised if the Group retains substantially all the risks and rewards of ownership of the financial asset.

If the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, the transaction is accounted for as follows: (i) if the Group has not retained control, the financial asset is derecognised and any resulting assets or liabilities are recognised; or (ii) if the Group has retained control, the financial asset is recognised to the extent of its continuing involvement in the transferred financial asset and an associated liability is recognised.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

10. Inventories

Inventories include raw materials, semi-finished products, work in progress, finished goods, assets under construction contract and turnover materials.

Inventories are initially carried at actual cost. Cost of inventories comprises all costs of purchase, costs of conversion and other costs. The actual cost of inventories transferred out is determined by using the weighted average method. Turnover materials include low value consumables and packing materials, which are amortised by using the immediate write-off method.

The Group adopts a perpetual inventory system.

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

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale and relevant taxes. The provision for decline in value of raw materials, semi-finished products, work in progress and finished goods is made on an individual basis. For items of inventories that relate to a product line that is produced and marketed in the same geographical area, have the same or similar end uses or purposes, and cannot be practicably evaluated separately from other items, provision for decline in value of inventories can be determined on an aggregate basis.

Notes to Financial Statements

31 December 2015

Renminbi Yuan

III. Significant Accounting Policies and Estimates (continued)

11. Long-term equity investments

Long-term equity investments include investments in subsidiaries, joint ventures and associates.

A long-term equity investment is recorded at its initial investment cost on acquisition. For a long-term equity investment acquired through a business combination involving entities under common control, the initial investment cost of the long-term equity investment is the acquirer's share of the carrying amount of acquiree's equity at the combination date in the consolidated financial statements of ultimate holding party; the difference between the carrying amount of the net assets obtained and the carrying amount of the consideration paid for the combination shall be adjusted to share premium under capital surplus (if the capital surplus is not sufficient to absorb the difference, any excess shall be adjusted against retained earnings). The other comprehensive income before combination date is accounted for in the disposal of such investment under the same accounting basis applied by the acquiree in direct disposal of relevant assets and liabilities. The shareholders' equity recognised due to acquiree's movements other than net profits, other comprehensive income, and distribution of profits is recognised in profit or loss of the current period during disposal. If the investment remains to be classified as long-term equity investment after disposal, the equity is carried forward pro rata. If the investment is reclassified as financial instruments after disposal, the equity is carried forward entirely. For a long-term equity investment through a business combination involving entities not under common control, the initial investment cost of the long-term equity investment is the cost of combination (for a business combination not involving enterprises under common control achieved in stages that involves multiple exchange transactions, the initial investment cost is carried at the aggregate of the carrying amount of the acquirer's previously held equity interest in the acquiree and the new investment cost incurred on the acquisition date). The cost of combination is the aggregate of the fair values, at the acquisition date, of the assets given, liabilities incurred or assumed, and equity securities issued by the acquirer, in exchange for control of the acquiree. Other comprehensive income recognised using equity method that consists of the initial investment cost before the date of acquisition should be accounted for in the disposal of such investment under the same accounting basis applied by the acquiree in direct disposal of relevant assets and liabilities. The shareholders' equity recognised due to acquiree's movements other than net profits, other comprehensive income, and distribution of profits is recognised in profit or loss of the current period during disposal. If the investment remains to be classified as long-term equity investment after disposal, the equity is carried forward pro rata. If the investment is reclassified as financial instruments after disposal, the equity is carried forward entirely. The fair value change accumulated due to the recognition of other comprehensive income in processing previously held equity investment as financial instrument before acquisition date is entirely recognised in profit or loss at current period when switch to cost method. For a long-term equity investment acquired other than through a business combination, the initial investment cost is determined as follows: for a long-term equity investment acquired by paying cash, the initial investment cost is the actual purchase price paid and those costs, taxes and other necessary expenditures directly attributable to the acquisition of the long-term equity investment; for a long-term equity investment acquired by the issue of equity securities, the initial investment cost is the fair value of the securities issued.

For a long-term equity investment where the Company can exercise control over the investee, the long-term investment is accounted for using the cost method in the Company's financial statements. Control is the power over an investee. An investor must have exposure or rights to variable returns from its involvement with the investee, and the ability to use its power over the investee to affect the amount of the investor's returns.

Notes to Financial Statements

31 December 2015

Renminbi Yuan

III. Significant Accounting Policies and Estimates (continued)

11. Long-term equity investments (continued)

Under the cost method, the long-term equity investment is measured at its initial investment cost. The cost of long-term equity investment is adjusted if capital is contributed or withdrawn. The cash dividend or profit distribution declared by the investee is recognised as investment income for the period.

The equity method is adopted when the Group has joint control, or exercises significant influence on the investee. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control with other parties over those policies.

Under the equity method, where the initial investment cost of a long-term equity investment exceeds the investing enterprise's interest in the fair values of the investee's identifiable net assets at the acquisition date, no adjustment is made to the initial investment cost. Where the initial investment cost is less than the investing enterprise's interest in the fair values of the investee's identifiable net assets at the acquisition date, the difference is charged to profit or loss of the current period, and the cost of the long-term equity investment is adjusted accordingly.

Under the equity method, the Group recognises its share of the net profits or losses and other comprehensive income made by the investee as investment income or losses and other comprehensive income respectively, and adjusts the carrying amount of the investment accordingly. The Group recognises its share of the investee's net profits or losses after making appropriate adjustments to the investee's net profits and losses based on the fair value of the investee's identifiable assets at the acquisition date, using the Group's accounting policies and periods, and eliminating the portion of the profits or losses arising from internal transactions with its joint ventures and associates, attributable to the investing entity according to its share ratio (but impairment losses for assets arising from internal transactions shall be recognised in full), except for the disposal of assets that consist of operations. The carrying amount of the investment is reduced based on the Group's share of any profit distributions or cash dividends declared by the investee. The Group's share of net losses of the investee is recognised to the extent the carrying amount of the investment together with any long-term interests that in substance form part of its net investment in the investee is reduced to zero, except that the Group has the obligations to assume additional losses. The Group adjusts the carrying amount of the long-term equity investment for any changes in shareholders' equity of the investee (other than net profits or losses, other comprehensive income, and profit distribution) and includes the corresponding adjustments in the shareholders' equity of the Group.

On disposal of a long-term equity investment, the difference between the proceeds actually received and the carrying amount is recognised in profit or loss of the current period; for a long-term equity investment ceased to be accounted for using the equity method, the other comprehensive income relevant to equity method is processed under the same accounting basis applied by the acquiree in direct disposal of relevant assets and liabilities. Changes in shareholders' equity of the investee (other than net profits or losses, other comprehensive income, and profit distribution) should be recognised as profit or loss of the current period; for a long-term equity investment remains to be accounted for using the equity method, the other comprehensive income originally accounted for using the equity method is processed under the same accounting basis applied by the acquiree in direct disposal of relevant assets and liabilities, and is transferred to profit or loss of the current period according to the proportion disposed of. Any changes in the shareholders' equity of the investee (other than net profits or losses, other comprehensive income, and profit distribution) included in the shareholders' equity of the Group is transferred to profit or loss of the current period on a pro-rata basis according to the proportion disposed of.

Notes to Financial Statements

31 December 2015

Renminbi Yuan

III. Significant Accounting Policies and Estimates (continued)

12. Fixed assets

A fixed asset is recognised only when the economic benefits associated with the asset will probably flow into the Group and the cost of the asset can be measured reliably. Subsequent expenditure incurred for a fixed asset that meets the recognition criteria shall be included in the cost of the fixed asset, and the carrying amount of the component of the fixed asset that is replaced shall be derecognised. Otherwise, such expenditure shall be recognised in the profit or loss for the period in which it is incurred.

Fixed assets are initially measured at cost. The cost of a purchased fixed asset comprises the purchase price, relevant taxes and any directly attributable expenditure for bringing the asset to working condition for intended use.

Depreciation is calculated using the straight-line method. The estimated useful lives, estimated residual value rates and annual depreciation rates of each category of fixed asset are presented as follows:

	Useful life	Estimated residual value rate	Annual depreciation rate
Buildings	20-45 years	5%	2.11%-4.75%
Machinery	6 years	5%	15.83%
Vehicles	5 years	5%	19.00%
Office facilities and others	5 years	5%	19.00%

The Group reviews the useful life and estimated net residual value of a fixed asset and the depreciation method applied at least at each financial year-end, and makes adjustments if necessary.

13. Construction in progress

The cost of construction in progress is determined according to the actual expenditure incurred for the construction, including all necessary construction expenditure incurred during the construction period, borrowing costs that shall be capitalised before the construction gets ready for its intended use and other relevant expenses.

Construction in progress is transferred to fixed assets when the asset is ready for its intended use.

Notes to Financial Statements

31 December 2015

Renminbi Yuan

III. Significant Accounting Policies and Estimates (continued)

14. Borrowing costs

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

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

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

- (1) expenditures for the asset are being incurred;
- (2) borrowing costs are being incurred; and
- (3) activities relating to the acquisition, construction or production of the asset that are necessary to prepare the asset for its intended use or sale have commenced.

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

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

- (1) Where funds are borrowed for a specific purpose, the amount of interest to be capitalised is the actual interest expense incurred on that borrowing for the period less any bank interest earned from depositing the borrowed funds before being used on the asset or any investment income on the temporary investment of those funds.
- (2) Where funds are borrowed for a general purpose, the amount of interest to be capitalised on such borrowings is determined by applying a weighted average interest rate to the weighted average of the excess amounts of accumulated expenditure on the asset over and above the amounts of specific-purpose borrowings.

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

Notes to Financial Statements

31 December 2015

Renminbi Yuan

III. Significant Accounting Policies and Estimates (continued)

15. Intangible assets

An intangible asset shall be recognised only when it is probable that the economic benefits associated with the asset will flow to the enterprise and the cost of the asset can be measured reliably. Intangible assets are measured initially at cost. However, intangible assets acquired in a business combination with a fair value that can be measured reliably are recognised separately as intangible assets and measured at fair value.

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

The useful lives of the intangible assets are as follows:

	Useful life
Land use rights	40-50 years
Software licenses	3-10 years
Patents, licenses and technical know-how	5-10 years
Trademarks	20 years
Backlog orders and service contracts	Over the service providing periods

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

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

An intangible asset with an indefinite useful life is tested for impairment annually, irrespective of whether there is any indication that it may be impaired. Such asset is not amortised, but its useful life is reassessed in each accounting period. If there is evidence indicating that the useful life of the intangible asset is finite, it is accounted for using the above accounting policies applicable to intangible assets with finite useful lives.

The Group classifies the expenditure on an internal research and development project into expenditure on the research phase and expenditure on the development phase. Expenditure on the research phase of an internal research and development project is recognised in profit or loss for the period in which it is incurred. Expenditure on the development phase is capitalised when the Group can demonstrate all of the following: (i) the technical feasibility of completing the intangible asset so that it will be available for use or sale; (ii) the intention to complete the intangible asset and use or sell it; (iii) how the intangible asset will generate probable future economic benefits. Among other things, the Group can demonstrate the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset; (iv) the availability of adequate technical, financial and other resources to complete the development and the ability to use or sell the intangible asset; and (v) its ability to measure reliably the expenditure attributable to the intangible asset during its development phase. Expenditure on the development phase that does not meet the above criteria is recognised in profit or loss for the period in which it is incurred.

Notes to Financial Statements

31 December 2015

Renminbi Yuan

III. Significant Accounting Policies and Estimates (continued)

16. Impairment of assets

The Group determines the impairment of assets, other than the impairment of inventories, deferred income taxes, financial assets, using the following methods:

The Group assesses at the balance sheet date whether there is any indication that an asset may be impaired. If any indication exists that an asset may be impaired, the Group estimates the recoverable amount of the asset and performs test for impairment. Goodwill arising from a business combination and an intangible asset with an indefinite useful life are tested for impairment at least at each year-end, irrespective of whether there is any indication that the asset may be impaired. Intangible assets that have not been ready for intended use are tested for impairment each year.

The recoverable amount of an asset is the higher of its fair value less costs to sell and the present value of the future cash flow expected to be derived from the asset. The Group estimates the recoverable amount on an individual basis. If it is not possible to estimate the recoverable amount of the individual asset, the Group determines the recoverable amount of the asset group to which the asset belongs. Identification of an asset group is based on whether major cash inflows generated by the asset group are largely independent of the cash inflows from other assets or asset groups.

When the recoverable amount of an asset or asset group is less than its carrying amount, the carrying amount is reduced to the recoverable amount. The reduction in carrying amount is treated as impairment loss and recognised in profit or loss of the current period. A provision for impairment loss of the asset is recognised accordingly.

For the purpose of impairment testing, the carrying amount of goodwill acquired in a business combination is allocated from the acquisition date on a reasonable basis, to each of the related asset groups; if it is impossible to allocate to the related asset groups, it is allocated to each of the related sets of asset groups. Each of the related asset groups or sets of asset groups is an asset group or set of asset group that is able to benefit from the synergies of the business combination and shall not be larger than a reportable segment determined by the Group.

In testing an asset group or a set of asset groups to which goodwill has been allocated for impairment, if there is any indication of impairment, the Group firstly tests the asset group or set of asset groups excluding the amount of goodwill allocated for impairment, compares the recoverable amount with the carrying amount and recognise impairment loss if any. After that, the Group tests the asset group or set of asset groups including goodwill for impairment, the carrying amount (including the portion of the carrying amount of goodwill allocated) of the related asset group or set of asset groups is compared to its recoverable amount. If the carrying amount of the asset group or set of asset groups is higher than its recoverable amount, the amount of the impairment loss firstly reduces the carrying amount of the goodwill allocated to the asset group or set of asset groups, and then reduces the carrying amount of other assets (other than the goodwill) within the asset group or set of asset groups, pro rata on the basis of the carrying amount of each asset.

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

Notes to Financial Statements

31 December 2015

Renminbi Yuan

III. Significant Accounting Policies and Estimates (continued)

17. Employee benefits

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

Short-term benefits

The actual short-term benefits occurred during the accounting period that employees provide services is recognised as liability in the costs of the relevant assets or profit or loss of the current period.

Benefits after demission (Defined contribution plan)

The employees of the Group participate in pension insurance and unemployment insurance which are managed by the local government, along with supplementary pension, and the relevant expenditure is recognised, when incurred, in the costs of the relevant assets or profit or loss of the current period.

Termination benefits

The Group recognises a liability and expenses for termination benefits at the earlier of the following dates: a) when the Group can no longer withdraw the offer of those benefits; and b) when the Group recognises costs for a restructuring and involves the payment of termination costs.

18. Provisions

Except for contingent consideration transferred and contingent liability assumed in business combinations not involving entities under common control, the Group recognises an obligation related to a contingency as a provision when all of the following conditions are satisfied:

- (1) the obligation is a present obligation of the Group;
- (2) it is probable that an outflow of economic benefits from the Group will be required to settle the obligation; and
- (3) the amount of the obligation can be measured reliably.

A provision is initially measured at the best estimate of the expenditure required to settle the related present obligation, with comprehensive consideration of factors such as the risks, uncertainty and time value of money relating to a contingency. The carrying amount of a provision is reviewed at the balance sheet date. If there is clear evidence that the carrying amount does not reflect the current best estimate, the carrying amount is adjusted to the best estimate.

The contingent consideration acquired from the acquiree in business combinations is measured at fair value. After the initial recognition, the contingent consideration is measured at the higher of recognised amount of contingent consideration and initial recognised amount deducting the accumulated amortisation recognised by the revenue recognition principles.

Notes to Financial Statements

31 December 2015

Renminbi Yuan

III. Significant Accounting Policies and Estimates (continued)

19. Revenue

Revenue is recognised only when it is probable that the associated economic benefits will flow into the Group, its amount can be measured reliably, and all of the following conditions are satisfied.

Revenue from the sales of goods

The Group recognises revenue when it has transferred to the buyer the significant risks and rewards of ownership of the goods; the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold; the associated costs incurred or to be incurred can be measured reliably. The amount of revenue arising from the sale of goods is determined in accordance with the consideration received or receivable from the buyer under contract or agreement, except where the consideration received or receivable under contract or agreement is not fair. Where the consideration receivable under contract or agreement is deferred, such that the arrangement is in substance of a financing nature, the amount of revenue arising on the sale of goods is measured at the fair value of the consideration receivable.

Revenue from the rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably at the balance sheet date, revenue associated with the transaction is recognised using the percentage of completion method, or otherwise, the revenue is recognised to the extent of costs incurred that are expected to be recoverable. The outcome of a transaction involving the rendering of services can be estimated reliably when all of the following conditions are satisfied: the amount of revenue can be measured reliably; it is probable that the associated economic benefits will flow to the Group; the stage of completion of the transaction can be measured reliably; the costs incurred and to be incurred for the transaction can be measured reliably. The Group determines the stage of completion of a transaction involving the rendering of services by using the proportion of costs incurred to date to the estimated total costs. The total service revenue on a transaction involving the rendering of services is determined in accordance with the consideration received or receivable from the recipient of services under contract or agreement, except where the consideration received or receivable under contract or agreement is not fair.

When the Group has entered into a contract or agreement with other enterprises comprising both sales of goods and the rendering of services, if the sales of goods component and the rendering of services component can be separately identified and measured, they are accounted for separately; if the sales of goods and the rendering of services cannot be separately identified, or can be separately identified but cannot be separately measured, the contract is treated as the sale of goods.

Notes to Financial Statements

31 December 2015

Renminbi Yuan

III. Significant Accounting Policies and Estimates (continued)

19. Revenue (continued)

Revenue from the construction contract

At the balance sheet date, if the outcome of a construction contract can be estimated reliably, revenue and expenses are recognised on the percentage of completion method, otherwise revenue is recognised only to the extent of contract costs incurred that it is probable will be recoverable. The outcome of a construction contract can be estimated reliably when: it is probable that the associated economic benefits will flow to the Group; the costs incurred and to be incurred for the contract can be measured reliably; and additional condition should be satisfied for fixed price contract: the total contract amount can be measured reliably and the percentage of completion as well as the estimated cost of completion can be determined reliably. The Group measures percentage of completion by reference to the proportion that costs incurred to date bearing to estimated total costs for each contract. Total contract amount includes the initial amount specified in the contract and the amount of revenue because of contract alteration, penalty, bonus, etc.

Interest income

Interest income is recognised on a time proportion basis for which the Group's currency fund is used by others and the effective interest rate.

Dividend income

Dividend income is recognised when obtaining the rights to receive dividends.

Lease income

Lease income from operating leases is recognised on the straight-line basis over the lease term. Contingent rents are charged to profit or loss in the period in which they actually arise.

20. Government grants

Government grant is recognised when the Group can comply with the conditions attached to it and it can be received. If a government grant is in the form of a transfer of a monetary asset, it is measured at the amount received or receivable. If a government grant is in the form of a transfer of a non-monetary asset, it is measured at fair value; if fair value is not reliably determinable, it is measured at a nominal amount.

Pursuant to government documents, if the government grant is a compensation for constructing or forming long-term assets, the government grant is recognised as government grants related to assets. When government documents are not stated clearly, the fundamental conditions attached to the grant should be the criterion for judgments. If the fundamental conditions attached to the grant are for constructing or forming long-term assets, the government grant is recognised as government grants related to assets, otherwise, the government grant is recognised as government grants related to income.

A government grant related to income is accounted as follows: (a) if the grant is a compensation for related expenses or losses to be incurred in subsequent periods, the grant is recognised as deferred income, and recognised in profit or loss over the periods in which the related costs are recognised; (b) if the grant is a compensation for related expenses or losses already incurred, it is recognised immediately in profit or loss of the current period. A government grant related to an asset shall be recognised as deferred income, and evenly amortised to profit or loss over the useful life of the related asset. However, a government grant measured at a nominal amount is recognised immediately in profit or loss of the current period.

Notes to Financial Statements

31 December 2015

Renminbi Yuan

III. Significant Accounting Policies and Estimates (continued)

21. Income tax

Income tax comprises current and deferred tax. Income tax is recognised as income or expense in profit or loss of the current period, or recognised directly in shareholders' equity if it arises adjustments for goodwill from a business combination or relates to a transaction or event which is recognised directly in shareholders' equity.

The Group measures a current tax asset or liability arising from the current and prior periods based on the amount of income tax expected to be paid by the Group or returned by the tax authority calculated according to related tax laws.

For temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts, and temporary differences between the carrying amounts and the tax bases of items, the tax bases of which can be determined for tax purposes, but which have not been recognised as assets and liabilities, deferred taxes are provided using the liability method.

A deferred tax liability is recognised for all taxable temporary differences, except:

- (1) where the taxable temporary differences arise from the initial recognition of goodwill, or the initial recognition of an asset or liability in a transaction which contains both of the following characteristics: (i) the transaction is not a business combination; and (ii) at the time of the transaction, it affects neither accounting profit nor taxable profit or deductible loss.
- (2) in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not be reversed in the foreseeable future.

A deferred tax asset is recognised for deductible temporary differences, carryforward of unused deductible tax losses and tax credits, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of deductible tax losses and tax credits can be utilised, except:

- (1) where the deferred tax asset arises from a transaction that is not a business combination and, at the time of the transaction, neither the accounting profit nor taxable profit or deductible loss is affected.
- (2) in respect of the deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, a deferred tax asset is only recognised to the extent that it is probable that the temporary differences will be reversed in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised in the future.

At the balance sheet date, deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, according to the requirements of tax laws. The measurement of deferred tax assets and deferred tax liabilities reflects the tax consequences that would follow from the manner in which the Group expects at the balance sheet date, to recover the assets or settle the liabilities.

The carrying amount of deferred tax assets is reviewed at the balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available in future periods to allow the deferred tax assets to be utilised. Unrecognised deferred tax assets are reassessed at the balance sheet date and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Notes to Financial Statements

31 December 2015

Renminbi Yuan

III. Significant Accounting Policies and Estimates (continued)

22. Leases

A finance lease is a lease that transfers in substance all the risks and rewards incidental to ownership of an asset. An operating lease is a lease other than a finance lease.

In the case of the lessee of an operating lease

Lease payments under an operating lease are recognised by a lessee on the straight-line basis over the lease term, and either included in the cost of the related asset or charged to profit or loss of the current period. Contingent rents are charged to profit or loss in the period in which they actually arise.

In the case of the lessor of an operating lease

Rent income under an operating lease is recognised by a lessor on the straight-line basis over the lease term, through profit or loss. Contingent rents are charged to profit or loss in the period in which they actually arise.

23. Distribution of profit

The cash dividend of the Company is recognised as a liability after being approved in a shareholders' meeting.

24. Production safety expenses

Production safety expenses accrued according to the rules shall be recorded in the costs of related products or profit or loss for the current period, and "Special reserve". When used to distinguish whether it will generate fixed assets for processing, respectively: if belongs to disbursement costs, directly offset against special reserve; if generates fixed assets, summarise the expenditure occurred, and recognised as fixed assets until the asset is ready for its intended use. Meanwhile, offsetting against the special reserve and the accumulated depreciation shall be recognised equivalent at the same time.

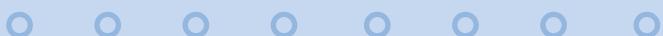
25. Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Group measures its assets or liabilities at fair value at the end of each reporting period. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group at the measurement date. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole: Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities; Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly; Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.



Notes to Financial Statements

31 December 2015

Renminbi Yuan

III. Significant Accounting Policies and Estimates (continued)

25. Fair value measurement (continued)

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation at the end of each reporting period.

26. Significant accounting judgements and estimates

The preparation of the financial statements requires management to make judgements, estimates and assumptions that will affect the reported amounts and disclosure of revenue, expenses, assets and liabilities, and the disclosure of contingent liabilities at the balance sheet date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements which have the most significant effect on the amounts recognised in the financial statements:

Consolidation of entities in which the Group holds less than a majority of voting rights

The Group considers that it controls Qingdao CSR Electric Equipment Co., Ltd. ("Qingdao Electric") even though it owns less than 50% of the voting rights. This is because the Group is the single largest shareholder of Qingdao Electric with a 45% equity interest. Pursuant to articles of Qingdao Electric, for resolutions of the shareholders' meeting affecting relative operating activities of Qingdao Electric, CRRC Qingdao Sifang Locomotive & Rolling Stock Co., Ltd., (formerly known as CSR Qingdao Sifang Locomotive & Rolling Stock Co., Ltd.), a related party of the Company which owns Qingdao Electric 38% equity interest, commits to comply with the Company in the exercise of the proposal rights and voting rights. The Company recommends four of the seven directors in Board of Qingdao Electric and the resolutions of Board are deemed as valid when more than half of all directors approved.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the future accounting periods, are described below.

Impairment of trade receivables

Impairment of trade receivables is recognised based on the recoverability of receivables. Impairment of trade receivables is recognised where there is indication that a receivable is not recoverable. Judgements and estimates are required in recognising impairment of trade receivables. The difference (if any) between the re-estimated value and the current estimate will impact the carrying amount of a receivable in the period in which the estimate is changed.

Notes to Financial Statements

31 December 2015

Renminbi Yuan

III. Significant Accounting Policies and Estimates (continued)

26. Significant accounting judgements and estimates (continued)

Estimation uncertainty (continued)

Provision for impairment of inventories

According to the accounting policy for inventories, the Group adopts the lower of cost and net realisable value to measure inventories, and recognises provision for impairment of inventories on the condition that the cost of them is higher than the net realisable value or they are slow-moving or obsolete. At the end of each year, the Group will review whether a single inventory is an obsolete and slow-moving item and whether the net realisable value is lower than its cost. The difference (if any) between the re-estimated value and the current estimate will impact the carrying amount of the inventory in the period in which the estimate is changed.

Deferred tax assets

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profit together with future tax planning strategies.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the present value of the future expected cash flows from the asset groups or sets of asset groups to which the goodwill is allocated. Estimating the present value requires the Group to make an estimate of the expected future cash flows from the asset groups or sets of asset groups and also choose a suitable discount rate in order to calculate the present value of those cash flows.

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets at the balance sheet date. Intangible assets with indefinite useful lives are tested for impairment annually and at other times when such indicator exists. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. Where the carrying amount of an asset or asset group is higher than its recoverable amount (i.e., the higher of its fair value less costs to sell and the present value of the future cash flows expected to be derived from it), it is indicated that such asset or asset group is impaired. The fair value less costs to sell is determined with reference to the price in the relevant sales agreement or an observable market price in an arm's length transaction, adjusted for incremental costs that would be directly attributable to the disposal of the asset or asset group. When calculating the present value of expected future cash flows from an asset or asset group, management shall estimate the expected future cash flows from the asset or asset group and choose a suitable discount rate in order to calculate the present value of those cash flows.

Provision for warranties

The Group makes product warranty provision for the sales of some products. Management estimates future maintenance expense based on the historical maintenance experience of products and translates it into the present value by selecting an appropriate discount rate to recognise provision for warranties.

Notes to Financial Statements

31 December 2015

Renminbi Yuan

III. Significant Accounting Policies and Estimates (continued)

27. Changes in accounting estimates

In 2015, the Group did not have changes in accounting estimates.

In 2014, the Group reassessed the useful life of machineries based on actual usage of machineries, and reduced the useful life of machineries from 10 years to 6 years. Main effects on financial statements for the year 2014 of above changes in accounting estimates are demonstrated as follows:

The Group

	Closing balance/ amount for the year 2014 before changes in accounting estimates	Changes in accounting estimates	Closing balance/ amount for the year 2014 after changes in accounting estimates
Fixed assets	1,851,380,636	(80,936,107)	1,770,444,529
Retained earnings	5,712,219,413	(80,936,107)	5,631,283,306
Net profit	2,472,944,725	(80,936,107)	2,392,008,618
Net profit attributable to shareholders of the Parent	2,475,754,343	(80,936,107)	2,394,818,236

The Company

	Closing balance/ amount for the year 2014 before changes in accounting estimates	Changes in accounting estimates	Closing balance/ amount for the year 2014 after changes in accounting estimates
Fixed assets	1,279,850,620	(73,308,271)	1,206,542,349
Retained earnings	5,517,676,975	(73,308,271)	5,444,368,704
Net profit	2,417,973,285	(73,308,271)	2,344,665,014

Notes to Financial Statements

31 December 2015

Renminbi Yuan

IV. Taxes

1. Major categories of taxes and respective tax rates

Major categories of taxes and respective tax rates of the Company and its PRC subsidiaries in the current year are set out below:

Value-added tax (VAT)	– Output VAT is calculated by applying 17% to the taxable sales, less deductible input VAT of the current period.
Business tax	– It is calculated by applying 5% to the taxable income.
City maintenance and construction surtax	– It is levied at 7% on the turnover taxes paid.
Corporate income tax	– It is levied at 25% on the taxable profit.

2. Tax benefits and official approval

The Group's tax benefits and official approval are as follows:

Pursuant to the provisions of Rule 28 under the Corporate Income Tax Law of the People's Republic of China, high-tech enterprises that require government support are subject to corporate income tax at the rate of 15%. The Company and its subsidiaries, Zhuzhou Times Electronics Technology Co., Ltd. ("Times Electronics"), Ningbo CRRC Times Sensor Technology Co., Ltd. (formly known as Ningbo CSR Times Sensor Technology Co., Ltd.) ("Ningbo Times"), and Zhuzhou Times Equipment Technology Co., Ltd. ("Times Equipment") were accredited as high-tech enterprises and granted certificates of high-tech enterprise and subject to corporate income tax at the rate of 15%.

Pursuant to "The Notice Regarding the Tax Policies of the Strategy of Further Development of Western Region Issued by Ministry of Finance, General Administration of Customs and State Administration of Taxation" (《財政部、海關總署、國家稅務總局關於深入實施西部大開發戰略有關稅收政策問題的通知》), Baoji CSR Times Engineering Machinery Co., Ltd. ("Baoji Times") and Kunming CSR Electric Equipment Co., Ltd. ("Kunming Electric"), subsidiaries of the Company, fulfilled the conditions of enjoyment of the preferential tax at the rate of 15%.

Notes to Financial Statements

31 December 2015

Renminbi Yuan

V. Notes to Key Items of the Consolidated Financial Statements

1. 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	<u>60,434,349</u>	<u>38,493,751</u>
	<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.

2. Bills receivable

	31 December 2015	31 December 2014
Bank acceptance bills	2,253,798,669	1,375,006,916
Commercial acceptance bills	<u>1,690,491,041</u>	<u>1,809,346,000</u>
	<u>3,944,289,710</u>	<u>3,184,352,916</u>

Notes to Financial Statements

31 December 2015

Renminbi Yuan

V. Notes to Key Items of the Consolidated Financial Statements (continued)

2. Bills receivable (continued)

Five highest bills receivable are listed as follows:

	31 December 2015
CRRC Zhuzhou Locomotive Co., Ltd.	572,000,000
CRRC Ziyang Locomotive Co., Ltd. (formerly known as CSR Ziyang Locomotive Co., Ltd.)	473,000,000
Non-related party 1	413,280,450
Non-related party 2	322,572,350
CRRC Qishuyan Locomotive Co., Ltd. (formerly known as CSR Qishuyan Locomotive Co., Ltd.)	<u>321,600,000</u>
	2,102,452,800
	31 December 2014
CRRC Zhuzhou Locomotive Co., Ltd.	1,070,000,000
CRRC Sifang Rolling Stock Co., Ltd. (formerly known as CSR Sifang Rolling Stock Co., Ltd.)	264,000,000
CRRC Qingdao Sifang Locomotive & Rolling Stock Co., Ltd.	255,000,000
Non-related party	230,896,000
Ziyang CSR Electric Locomotive Co., Ltd.	<u>162,200,000</u>
	1,982,096,000

As at 31 December 2015, there is no bills receivable of which title was restricted.

3. 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	<u>22,942,456</u>	7,360,713
	4,094,342,354	2,954,424,370
Less: Provision for bad debt	<u>115,304,561</u>	118,462,679
	3,979,037,793	2,835,961,691
Less: Classified as non-current assets (Note V. 9)	<u>11,178,796</u>	22,082,991
	3,967,858,997	2,813,878,700

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V. Notes to Key Items of the Consolidated Financial Statements (continued)

3. Trade receivables (continued)

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

Five highest trade receivables (including long-term trade receivables) are listed as follows:

	31 December 2015
CRRC Zhuzhou Locomotive Co., Ltd.	514,778,101
CRRC Qingdao Sifang Locomotive & Rolling Stock Co., Ltd.	411,250,079
Non-related party 1	230,423,621
Non-related party 2	187,100,443
Non-related party 3	156,859,466
 	1,500,411,710
	31 December 2014
CRRC Qingdao Sifang Locomotive & Rolling Stock Co., Ltd.	278,202,177
CRRC Zhuzhou Locomotive Co., Ltd.	235,334,005
CRRC Qishuyan Locomotive Co., Ltd.	187,137,679
Non-related party	123,548,658
Zhuzhou National Engineering Research Centre of Converters Co., Ltd.	112,512,294
 	936,734,813

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V. Notes to Key Items of the Consolidated Financial Statements (continued)

4. Prepayments

Maturity analysis:

	31 December 2015	31 December 2014
Within 1 year	182,865,476	141,087,808
1 to 2 years	7,293,668	5,145,359
2 to 3 years	2,598,511	133,387
Over 3 years	1,275,250	1,261,099
	<u>194,032,905</u>	<u>147,627,653</u>

Five highest prepayments are listed as follows:

	31 December 2015	31 December 2014
Non-related party 1	39,504,757	38,680,828
Non-related party 2	25,100,720	20,000,000
Hunan CSR Wabtec Railway Transportation Technology Co., Ltd. ("Hunan CSR Wabtec")	17,599,826	14,382,020
Non-related party 3	8,555,100	8,814,138
Non-related party 4	4,121,332	5,412,403
	<u>94,881,735</u>	<u>87,289,389</u>

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V. Notes to Key Items of the Consolidated Financial Statements (continued)

5. Other receivables

Maturity analysis:

	31 December 2015	31 December 2014
Within 1 year	150,189,233	75,093,027
1 to 2 years	5,585,384	4,115,311
2 to 3 years	593,693	1,243,443
Over 3 years	2,178,928	4,030,896
	<hr/>	<hr/>
	158,547,238	84,482,677
Less: Provision for bad debt	4,112,449	5,262,671
	<hr/>	<hr/>
	154,434,789	79,220,006

The movements of provision for bad debt are as follows:

	2015	2014
Opening balance	5,262,671	2,837,263
Provision in the current year	1,829,062	2,437,908
Reversal in the current year	(2,769,584)	(12,500)
Write-off in the current year	(209,700)	—
	<hr/>	<hr/>
Closing balance	4,112,449	5,262,671

Net value of other receivables by nature is as follows:

	31 December 2015	31 December 2014
Retention amount of escrow account (Note)	96,683,315	—
Customs deposit	—	40,215,000
Deposit	14,497,766	14,529,583
Tender deposit	26,255,101	9,642,194
Others	16,998,607	14,833,229
	<hr/>	<hr/>
	154,434,789	79,220,006

Note: The retention amount of escrow account amounting to GBP10,100,000 is relevant to business combination not involving entities under common control. Please refer to Note VI. 2 Business combination not involving entities under common control for details. As at 31 December 2015, the amount was equivalents to RMB96,683,315.

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V. Notes to Key Items of the Consolidated Financial Statements (continued)

5. Other receivables (continued)

Five highest other receivables are listed as follows:

	31 December 2015
Non-related party 1	96,683,315
Non-related party 2	16,150,000
Non-related party 3	3,516,135
Non-related party 4	3,266,380
Non-related party 5	<u>2,200,000</u>
	121,815,830
	31 December 2014
Non-related party 1	40,215,000
Non-related party 2	4,159,674
Non-related party 3	1,938,000
Non-related party 4	1,145,000
Non-related party 5	<u>1,095,955</u>
	48,553,629

6. 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	<u>14,855,575</u>	<u>1,502,646</u>	<u>13,352,929</u>
	3,284,700,518	215,620,205	3,069,080,313

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V. Notes to Key Items of the Consolidated Financial Statements (continued)

6. Inventories (continued)

	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>

Notes to Financial Statements

31 December 2015

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V. Notes to Key Items of the Consolidated Financial Statements (continued)

6. Inventories (continued)

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

2015

	Business combination not involving entities under common control					
	Opening balance	Provision	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>

Notes to Financial Statements

31 December 2015

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V. Notes to Key Items of the Consolidated Financial Statements (continued)

7. 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	<u>6,229,960</u>	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.

8. Available-for-sale financial asset

	31 December 2015	31 December 2014
Available-for-sale equity instruments, at cost	<u>900,000</u>	<u>900,000</u>

2015 and 2014

	Opening/Closing balance	Proportion of shareholding	Cash dividend received
CSR Transit Tram Research Institute (Guangzhou)	<u>900,000</u>	<u>9.00%</u>	<u>—</u>

9. Long-term receivables

	31 December 2015	31 December 2014
Trade receivables (Note V. 3)	11,178,796	22,082,991
Less: Long-term receivables due within one year	—	—
	<u>11,178,796</u>	<u>22,082,991</u>

Notes to Financial Statements

31 December 2015

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V. Notes to Key Items of the Consolidated Financial Statements (continued)

10. Long-term equity investments

2015

	Current year movements					
	Business combination not involving entities under common control (Note VI.2)	Impact of unrealised profits	Investment income under equity method	Cash dividends announced	Exchange realignment	Closing balance
Non-listed investments						
Equity method						
Joint ventures						
Zhuzhou Shiling Transportation Equipment Company, Ltd. ("Shiling")	180,186,598	—	(22,846,297)	49,915,571	(50,000,000)	—
SMD-BORD Limited	—	2,497,286	—	(673,800)	—	86,368
SMD Energy Limited	—	18	—	—	—	1
	180,186,598	2,497,304	(22,846,297)	49,241,771	(50,000,000)	86,369
Associates						
Siemens Traction Equipment Ltd., Zhuzhou ("Zhuzhou Siemens")	49,577,867	—	—	3,172,372	—	—
Hunan CSR Wabtec	7,246,040	—	—	2,711,066	—	—
	56,823,907	—	—	5,883,438	—	—
	237,010,505	2,497,304	(22,846,297)	55,125,209	(50,000,000)	86,369

Notes to Financial Statements

31 December 2015

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V. Notes to Key Items of the Consolidated Financial Statements (continued)

10. Long-term equity investments (continued)

2014

	Opening balance	Current year movements			Closing balance		
		Impact of unrealised profits	Investment income under equity method	Cash dividends announced			
Non-listed investments							
Equity method							
A joint venture							
Shiling	176,232,966	(36,604,782)	51,558,414	(11,000,000)	180,186,598		
Associates							
Zhuzhou Siemens	47,029,031	—	2,548,836	—	49,577,867		
Hunan CSR Wabtec	9,691,451	—	(2,445,411)	—	7,246,040		
	<u>56,720,482</u>	<u>—</u>	<u>103,425</u>	<u>—</u>	<u>56,823,907</u>		
	<u>232,953,448</u>	<u>(36,604,782)</u>	<u>51,661,839</u>	<u>(11,000,000)</u>	<u>237,010,505</u>		

Notes to Financial Statements

31 December 2015

Renminbi Yuan

V. Notes to Key Items of the Consolidated Financial Statements (continued)

11. 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 (Note VI. 2)	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>

Notes to Financial Statements

31 December 2015

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V. Notes to Key Items of the Consolidated Financial Statements (continued)

11. 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>

Notes to Financial Statements

31 December 2015

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V. Notes to Key Items of the Consolidated Financial Statements (continued)

11. 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.

12. Construction in progress

	31 December 2015	31 December 2014
Power electronic devices & electric drive system test platform construction project	91,493,884	88,054,052
Yinzhou Wuxiang base	34,580,883	1,686,197
SIC-based power electronic devices lab & fab construction project	24,535,133	1,538,331
Copper electroplating system	14,595,848	—
Maotangao staff dorm building B interior decoration project	9,347,570	3,269,048
Electron irradiation processing facility construction project	7,134,987	4,203,858
Others	<u>27,426,252</u>	<u>14,163,452</u>
	<u>209,114,557</u>	<u>112,914,938</u>

Notes to Financial Statements

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V. Notes to Key Items of the Consolidated Financial Statements (continued)

12. Construction in progress (continued)

The movements of construction in progress in 2015 are as follows:

	Budget	Opening balance	Increase	Transferred to fixed assets	Exchange realignment	Closing balance	Capital resource	Proportion of budget invested
Power electronic devices & electric drive system test platform construction project	156,100,000	88,054,052	17,818,464	14,378,632	–	91,493,884	Self-raised	68%
Yinzhou Wuxiang base	110,000,000	1,686,197	32,894,686	–	–	34,580,883	Self-raised	31%
							Self-raised & government	
SIC-based power electronic devices lab & fab construction project	292,650,000	1,538,331	22,996,802	–	–	24,535,133	grant	8%
Copper electroplating system	15,426,100	–	14,595,848	–	–	14,595,848	Self-raised	95%
Maotangao staff dorm building B interior decoration project	9,371,700	3,269,048	6,078,522	–	–	9,347,570	Self-raised	100%
Electron irradiation processing facility construction project	7,500,000	4,203,858	3,117,453	186,324	–	7,134,987	Self-raised	98%
							Self-raised & government	
Maotangao staff dorm building construction project	121,436,500	5,389,782	9,281,450	14,671,232	–	–	grant	100%
Others		8,773,670	58,184,966	40,029,749	497,365	27,426,252		
		<u>112,914,938</u>	<u>164,968,191</u>	<u>69,265,937</u>	<u>497,365</u>	<u>209,114,557</u>		

The movements of construction in progress in 2014 are as follows:

	Budget	Opening balance	Increase	Transferred to fixed assets	Exchange realignment	Closing balance	Capital resource	Proportion of budget invested
Power electronic devices & electric drive system test platform construction project	156,100,000	–	88,054,052	–	–	88,054,052	Self-raised	56%
							Self-raised & government	
Maotangao staff dorm building construction project	121,436,500	85,507,535	34,555,212	114,672,965	–	5,389,782	grant	99%
							Self-raised & government	
8 MW golden sun demonstration project	72,000,000	51,430,000	20,629,269	72,059,269	–	–	grant	100%
Converter manufacturing plant construction project	165,000,000	1,205,680	3,695,396	4,901,076	–	–	Self-raised	96%
							Self-raised & government	
Photovoltaic power generation comprehensive test system construction project	13,500,000	13,091,536	97,863	13,189,399	–	–	grant	98%
Others		83,888,864	127,087,420	189,779,409	(1,725,771)	19,471,104		
		<u>235,123,615</u>	<u>274,119,212</u>	<u>394,602,118</u>	<u>(1,725,771)</u>	<u>112,914,938</u>		

Note: the Group received special loan for constructions in progress. The interest expense amounting to RMB139,972 has been capitalised.

Notes to Financial Statements

31 December 2015

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V. Notes to Key Items of the Consolidated Financial Statements (continued)

13. Intangible assets

2015

	Land use rights	Software licenses	and technical know-how	Trademarks	Patents, licenses	Backlog orders and service contracts	Total
Cost							
Opening balance	194,184,880	77,114,049	271,306,999	—	—	—	542,605,928
Business combination not involving entities under common control (Note VI. 2)	—	—	255,914,400	127,957,200	55,752,780	439,624,380	
Purchase	—	7,012,268	6,756,604	—	—	—	13,768,872
Internal development	—	—	15,767,660	—	—	—	15,767,660
Exchange realignment	280,056	125,410	12,107,126	6,060,600	2,640,690	21,213,882	
Closing balance	<u>194,464,936</u>	<u>84,251,727</u>	<u>561,852,789</u>	<u>134,017,800</u>	<u>58,393,470</u>	<u>1,032,980,722</u>	
Accumulated amortisation							
Opening balance	25,328,452	57,584,576	59,534,268	—	—	—	142,447,296
Increase	3,674,877	7,950,000	35,475,219	5,042,468	20,169,870	72,312,434	
Exchange realignment	—	15,704	(2,489,588)	(16,800)	(67,200)	(2,557,884)	
Closing balance	<u>29,003,329</u>	<u>65,550,280</u>	<u>92,519,899</u>	<u>5,025,668</u>	<u>20,102,670</u>	<u>212,201,846</u>	
Impairment provision							
Opening balance	—	—	131,627,620	—	—	—	131,627,620
Closing balance	—	—	<u>131,627,620</u>	—	—	—	<u>131,627,620</u>
Net carrying amount							
31 December 2015	<u>165,461,607</u>	<u>18,701,447</u>	<u>337,705,270</u>	<u>128,992,132</u>	<u>38,290,800</u>	<u>689,151,256</u>	
31 December 2014	<u>168,856,428</u>	<u>19,529,473</u>	<u>80,145,111</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>268,531,012</u>

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V. Notes to Key Items of the Consolidated Financial Statements (continued)

13. Intangible assets (continued)

2014

	Land use rights	Software licenses	Patents, licenses and technical know-how	Total
Cost				
Opening balance	195,051,361	66,913,043	224,752,484	486,716,888
Purchase	122,378	10,201,006	—	10,323,384
Internal development	—	—	47,881,406	47,881,406
Exchange realignment	(988,859)	—	(1,326,891)	(2,315,750)
Closing balance	<u>194,184,880</u>	<u>77,114,049</u>	<u>271,306,999</u>	<u>542,605,928</u>
Accumulated amortisation				
Opening balance	21,653,575	48,422,732	51,958,817	122,035,124
Increase	3,674,877	9,161,844	9,209,555	22,046,276
Exchange realignment	—	—	(1,634,104)	(1,634,104)
Closing balance	<u>25,328,452</u>	<u>57,584,576</u>	<u>59,534,268</u>	<u>142,447,296</u>
Impairment provision				
Opening balance	—	—	131,627,620	131,627,620
Closing balance	—	—	131,627,620	131,627,620
Net carrying amount				
31 December 2014	<u>168,856,428</u>	<u>19,529,473</u>	<u>80,145,111</u>	<u>268,531,012</u>
31 December 2013	<u>173,397,786</u>	<u>18,490,311</u>	<u>41,166,047</u>	<u>233,054,144</u>

As at 31 December 2015, certain of the Group's land use rights with a net carrying amount of RMB17,023,133 (31 December 2014:RMB16,779,524) were pledged to secure banking facilities granted to the Group with an amount of RMB7,175,947 (31 December 2014: RMB 16,504,259).

The land use rights related to the land located in Mainland China which is held under a medium term lease.

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V. Notes to Key Items of the Consolidated Financial Statements (continued)

14. Development expenditure

2015

			Decrease		
	Opening balance	Internal development	Recognised as intangible asset	Recognised in profit or loss	Closing balance
Research expenses	—	957,684,879	—	957,684,879	—
Development expenses	<u>15,092,149</u>	<u>1,339,045</u>	<u>15,767,660</u>	<u>—</u>	<u>663,534</u>
	<u>15,092,149</u>	<u>959,023,924</u>	<u>15,767,660</u>	<u>957,684,879</u>	<u>663,534</u>

2014

			Decrease		
	Opening balance	Internal development	Recognised as intangible asset	Recognised in profit or loss	Closing balance
Research expenses	—	826,234,647	—	826,234,647	—
Development expenses	<u>60,690,061</u>	<u>2,283,494</u>	<u>47,881,406</u>	<u>—</u>	<u>15,092,149</u>
	<u>60,690,061</u>	<u>828,518,141</u>	<u>47,881,406</u>	<u>826,234,647</u>	<u>15,092,149</u>

Notes to Financial Statements

31 December 2015

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V. Notes to Key Items of the Consolidated Financial Statements (continued)

15. Goodwill

2015

	Business combination not involving entities under common control					Net carrying amount
	Opening balance	control (Note VI. 2)	Exchange realignment	Closing balance	Impairment provision	Net carrying amount
Dynex Power Inc. ("Dynex")	46,517,958	—	—	46,517,958	46,517,958	—
Ningbo Times	437,432	—	—	437,432	—	437,432
Times Electronics	13,333,101	—	—	13,333,101	—	13,333,101
Specialist Machine Developments (SMD)Limited ("SMD")	—	535,871,949	25,381,186	561,253,135	—	561,253,135
	<u>60,288,491</u>	<u>535,871,949</u>	<u>25,381,186</u>	<u>621,541,626</u>	<u>46,517,958</u>	<u>575,023,668</u>

2014

	Opening balance	Closing balance	Impairment provision	Net carrying amount
Dynex	46,517,958	46,517,958	46,517,958	—
Ningbo Times	437,432	437,432	—	437,432
Times Electronics	13,333,101	13,333,101	—	13,333,101
	<u>60,288,491</u>	<u>60,288,491</u>	<u>46,517,958</u>	<u>13,770,533</u>

The movements of impairment of goodwill are as follows:

2015 and 2014

	Opening/ Closing balance
Dynex	<u>46,517,958</u>

As at 9 April 2015, the Group acquired SMD and its subsidiaries ("SMD Group") and goodwill arised was amounting to GBP58,630,599(equivalent to approximately RMB535,871,949). Please refer to Note VI. Changes in scope of consolidation for details.

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V. Notes to Key Items of the Consolidated Financial Statements (continued)

15. Goodwill (continued)

Goodwill acquired through business combinations has been allocated to the asset group for impairment testing.

The recoverable amount of the goodwill was determined according to the present value of expected future cash flows of the asset group. The expected future cash flows were determined according to cash flow projections based on financial budgets covering a five-year period approved by management. The discount rate applied for the cash flow projections was 12% (2014: 15%), and cash flows beyond the five-year period were extrapolated using a growth rate of 2% (2014: 2%).

Assumptions were used for the calculation of the present values of expected future cash flows of the asset groups as at 31 December 2015 and 31 December 2014. Key assumptions made by management on projections of cash flows used in the test for impairment are described as follows:

Budgeted gross margin	— It is determined on the basis of the gross margin achieved in current year
Discount rates	— The discount rates used are discount rates which reflect specific risks related to the relevant asset groups.

The amounts assigned to the key assumptions relating to market development of the asset group and the discount rate are consistent with external information sources.

As at 31 December 2015, in the opinion of the directors of the Company, apart from Dynex, of which the goodwill impairment is accrued, other asset groups to which goodwill is distributed have no impairment.

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V. Notes to Key Items of the Consolidated Financial Statements (continued)

16. Deferred tax assets/liabilities

Deferred tax assets and deferred tax liabilities that have not been offset:

	31 December 2015		31 December 2014	
	Deductible temporary differences	Deferred tax assets	Deductible temporary differences	Deferred tax assets
Deferred tax assets				
Provision for product quality warranties	865,199,872	129,799,981	809,154,161	121,373,124
Provision for impairment of assets	504,751,545	78,273,551	460,005,259	71,811,054
Government grants	288,279,312	44,201,964	218,521,641	33,699,005
Depreciation differences arising from different depreciation terms in tax laws and accounting	111,281,171	16,956,433	80,858,803	12,218,268
Payroll payable	14,949,502	2,242,425	29,677,181	4,472,277
Deductible losses	18,608,155	3,721,631	14,555,823	2,911,165
Others	29,812,249	4,584,353	32,653,262	4,897,988
	1,832,881,806	279,780,338	1,645,426,130	251,382,881
Deferred tax liabilities				
Fair value adjustments arising from acquisition of subsidiaries	432,184,684	86,436,937	824,803	164,961
Depreciation differences arising from different depreciation terms in tax laws and accounting	68,753,373	13,750,674	71,046,952	14,209,390
	500,938,057	100,187,611	71,871,755	14,374,351

Notes to Financial Statements

31 December 2015

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V. Notes to Key Items of the Consolidated Financial Statements (continued)

16. Deferred tax assets/liabilities (continued)

Deductible losses and deductible temporary differences of unrecognised deferred tax assets are as follows:

	31 December 2015	31 December 2014
Deductible losses	101,720,669	94,831,656
Deductible temporary differences	136,299,450	108,383,956
	<u>238,020,119</u>	<u>203,215,612</u>

Deductible losses of unrecognised deferred tax assets will expire in the following years:

	31 December 2015	31 December 2014
2015	—	14,172,063
2016	18,015,639	18,015,639
2017	24,191,832	24,191,832
2018	33,472,072	33,472,072
2019	4,980,050	4,980,050
2020	21,061,076	—
	<u>101,720,669</u>	<u>94,831,656</u>

17. Other non-current assets

	31 December 2015	31 December 2014
Prepayments for acquisition of land use rights	42,831,600	42,831,600
Prepayments for construction in progress	5,160,683	6,079,951
Prepayments for purchase of machinery and equipment	10,918,640	17,900,725
	<u>58,910,923</u>	<u>66,812,276</u>

Notes to Financial Statements

31 December 2015

Renminbi Yuan

V. Notes to Key Items of the Consolidated Financial Statements (continued)

18. Provision for impairment of assets

2015

	Business combination not involving entities under common control	Decrease					Closing balance
		Opening balance	Provision	Reversal	Write-off	Exchange realignment	
Provision for bad debt	123,725,350	46,847,152	2,655,697	(52,169,406)	(1,814,891)	173,108	119,417,010
Provision for impairment of inventories	143,685,896	131,505,625	13,159,155	(70,418,393)	(2,881,410)	569,332	215,620,205
Provision for impairment of fixed assets	64,953,949	5,113,872	—	—	(1,755,062)	—	68,312,759
Provision for impairment of intangible assets	131,627,620	—	—	—	—	—	131,627,620
Provision for impairment of goodwill	46,517,958	—	—	—	—	—	46,517,958
	<u>510,510,773</u>	<u>183,466,649</u>	<u>15,814,852</u>	<u>(122,587,799)</u>	<u>(6,451,363)</u>	<u>742,440</u>	<u>581,495,552</u>

2014

	Business combination not involving entities under common control	Decrease					Closing balance
		Opening balance	Provision	Reversal	Write-off	Exchange realignment	
Provision for bad debt	55,714,428	73,820,430	(2,767,226)	(3,027,791)	(14,491)	123,725,350	
Provision for impairment of inventories	91,763,056	92,131,284	(37,038,309)	—	(3,170,135)	143,685,896	
Provision for impairment of fixed assets	45,077,605	22,630,475	—	(2,754,131)	—	64,953,949	
Provision for impairment of intangible assets	131,627,620	—	—	—	—	131,627,620	
Provision for impairment of goodwill	46,517,958	—	—	—	—	46,517,958	
	<u>370,700,667</u>	<u>188,582,189</u>	<u>(39,805,535)</u>	<u>(5,781,922)</u>	<u>(3,184,626)</u>	<u>510,510,773</u>	

Notes to Financial Statements

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V. Notes to Key Items of the Consolidated Financial Statements (continued)

19. Short-term borrowings

	31 December 2015	31 December 2014
Other loans (Note V. 29. Note)	<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%).

20. Bills payable

	31 December 2015	31 December 2014
Commercial acceptance bills	311,859,145	136,450,000
Bank acceptance bills	1,421,816,123	1,433,199,099
	<u>1,733,675,268</u>	<u>1,569,649,099</u>

21. 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	109,051,220	88,852,990
	<u>2,548,832,036</u>	<u>1,927,835,561</u>
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>

Notes to Financial Statements

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V. Notes to Key Items of the Consolidated Financial Statements (continued)

22. Advances from customers

	31 December 2015	31 December 2014
Within 1 year	788,609,450	550,053,437
1 to 2 years	93,735,745	34,703,035
2 to 3 years	4,555,275	985,748
Over 3 years	1,830,425	2,267,803
	<u>888,730,895</u>	<u>588,010,023</u>

23. Employee benefits payable

2015

	Business combination not involving entities under common control					Exchange realignment	Closing balance
	Opening balance	(Note VI.2)	Increase	Decrease			
Short-term benefits	51,429,108	580,382	1,183,741,514	1,187,632,116	(155,130)	47,963,758	
Benefits after demission (defined contribution plan)	682,933	2,016,582	158,595,452	158,969,042	75,695	2,401,620	
	<u>52,112,041</u>	<u>2,596,964</u>	<u>1,342,336,966</u>	<u>1,346,601,158</u>	<u>(79,435)</u>	<u>50,365,378</u>	

2014

	Opening balance	Increase	Decrease	Exchange realignment	Closing balance
Short-term benefits	79,416,755	959,175,137	986,993,593	(169,191)	51,429,108
Benefits after demission (defined contribution plan)	9,443,406	117,482,747	126,228,340	(14,880)	682,933
	<u>88,860,161</u>	<u>1,076,657,884</u>	<u>1,113,221,933</u>	<u>(184,071)</u>	<u>52,112,041</u>

Notes to Financial Statements

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Renminbi Yuan

V. Notes to Key Items of the Consolidated Financial Statements (continued)

23. Employee benefits payable (continued)

Details of short-term benefits are as follows:

2015

	Business combination not involving entities under common control		Exchange realignment		
	Opening balance	Increase	Decrease	Closing balance	
Salaries, bonuses, allowances and subsidies	28,640,023	580,382	951,624,837	960,246,423	(40,431) 20,558,388
Staff welfare	—	—	54,394,211	54,394,211	—
Social Insurance	873,264	—	65,221,457	65,851,806	— 242,915
Including: Basic medical insurance	97,242	—	36,212,727	36,162,073	— 147,896
Supplementary medical insurance	625,165	—	16,435,894	17,060,759	— 300
Work injury insurance	70,650	—	9,223,166	9,244,482	— 49,334
Maternity insurance	80,207	—	3,349,670	3,384,492	— 45,385
Housing fund	5,238	—	66,832,732	66,829,640	— 8,330
Union fund and employee education fund	13,347,093	—	33,625,484	26,723,264	— 20,249,313
Others	8,563,490	—	12,042,793	13,586,772	(114,699) 6,904,812
	51,429,108	580,382	1,183,741,514	1,187,632,116	(155,130) 47,963,758

2014

	Opening balance	Increase	Decrease	Exchange realignment	Closing balance
Salaries, bonuses, allowances and subsidies	52,228,725	772,173,927	795,644,760	(117,869)	28,640,023
Staff welfare	—	52,461,739	52,461,739	—	—
Social Insurance	844,114	47,863,183	47,834,033	—	873,264
Including: Basic medical insurance	80,872	28,725,161	28,708,791	—	97,242
Supplementary medical insurance	690,945	10,365,549	10,431,329	—	625,165
Work injury insurance	42,473	6,032,648	6,004,471	—	70,650
Maternity insurance	29,824	2,739,825	2,689,442	—	80,207
Housing fund	250,776	51,079,935	51,325,473	—	5,238
Union fund and employee education fund	12,786,141	25,664,377	25,103,425	—	13,347,093
Others	13,306,999	9,931,976	14,624,163	(51,322)	8,563,490
	79,416,755	959,175,137	986,993,593	(169,191)	51,429,108

Notes to Financial Statements

31 December 2015

Renminbi Yuan

V. Notes to Key Items of the Consolidated Financial Statements (continued)

23. Employee benefits payable (continued)

Details of defined contribution plan are as follows:

2015

	Business combination not involving entities under common control					Exchange realignment	Closing balance
	Opening balance		Increase	Decrease			
Basic pension insurance	592,371	2,016,582	121,376,868	121,773,541		75,695	2,287,975
Unemployment insurance	19,850	—	9,710,136	9,623,856		—	106,130
Annuity	70,712	—	27,508,448	27,571,645		—	7,515
	682,933	2,016,582	158,595,452	158,969,042		75,695	2,401,620

2014

	Opening balance	Increase	Decrease	Exchange realignment	Closing balance
Basic pension insurance	715,050	86,539,575	86,647,374	(14,880)	592,371
Unemployment insurance	219,116	8,304,266	8,503,532	—	19,850
Annuity	8,509,240	22,638,906	31,077,434	—	70,712
	9,443,406	117,482,747	126,228,340	(14,880)	682,933

24. Taxes payable

	31 December 2015	31 December 2014
Corporate income tax	163,245,647	91,158,247
Value-added tax	39,472,693	28,283,721
City maintenance and construction and education surcharge	11,468,070	12,586,286
Individual income tax	33,985,072	12,484,671
Others	2,006,633	2,367,829
	250,178,115	146,880,754

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V. Notes to Key Items of the Consolidated Financial Statements (continued)

25. Other payables

	31 December 2015	31 December 2014
Within 1 year		
1 to 2 years	116,431,482	318,173,480
2 to 3 years	147,535,988	15,411,130
Over 3 years	3,036,197	27,975,783
	28,067,197	12,273,075
	295,070,864	373,833,468

26. Current portion of non-current liabilities

Note V	31 December 2015	31 December 2014
Long-term borrowings due within one year	29	9,294,334
Other non-current liabilities due within one year	31	6,913,197
	16,207,531	11,315,264

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
	9,294,334	11,315,264

Notes to Financial Statements

31 December 2015

Renminbi Yuan

V. Notes to Key Items of the Consolidated Financial Statements (continued)

27. Provisions

2015

	Business combination not involving entities under common control					
	Opening balance	(Note VI.2)	Increase	Decrease	Exchange realignment	Closing balance
Provision for product quality warranties	<u>809,726,983</u>	<u>7,243,310</u>	<u>347,426,224</u>	<u>282,047,032</u>	<u>310,070</u>	<u>882,659,555</u>
Less: Provisions due within one year						<u>367,927,119</u>
						<u>514,732,436</u>

2014

	Opening balance	Increase	Decrease	Closing balance
Provision for product quality warranties	<u>339,255,907</u>	<u>661,470,202</u>	<u>190,999,126</u>	<u>809,726,983</u>
Less: Provisions due within one year				<u>329,643,512</u>
				<u>480,083,471</u>

The Group provides guarantee with a period of 2-5 years to its main products, during which period free maintenance service is provided to customers for products under normal operations. Management estimates future maintenance expenses based on the historical maintenance experience of products, and accrues provision for warranties at certain percentage of revenues in the year that revenue is recognised.

28. Deferred income

	31 December 2015	31 December 2014
Government grants related to assets	<u>253,898,312</u>	<u>175,627,641</u>
Government grants related to incomes	<u>34,381,000</u>	<u>42,894,000</u>
	<u>288,279,312</u>	<u>218,521,641</u>
Less: Classified as current liabilities	<u>59,304,497</u>	<u>49,528,830</u>
	<u>228,974,815</u>	<u>168,992,811</u>

Notes to Financial Statements

31 December 2015

Renminbi Yuan

V. Notes to Key Items of the Consolidated Financial Statements (continued)

28. Deferred income (continued)

Liabilities relevant to government grants as at 31 December 2015 are listed as follows:

	Opening balance	Increase	Recognised as non- operating income	Other movements	Closing balance	Relevant to asset/income
8 MW golden sun demonstration project	51,430,000	13,920,000	(10,891,666)	—	54,458,334	Asset
Maotangao staff dorm building construction project	20,433,390	—	(454,918)	—	19,978,472	Asset
Photovoltaic power generation comprehensive test system construction project	10,735,000	—	(2,343,333)	—	8,391,667	Asset
Industrialization of 200KM EMU AC drive & network control system and ATP control device (Power electronics) research for power electronic devices & built for production line	10,291,667	—	(1,900,000)	—	8,391,667	Asset
High voltage chip packaging and module technology development and industrialization for high speed train application	6,000,000	—	(400,000)	—	5,600,000	Asset
3.3KV high voltage IGBT for rail transit application project	14,224,000	316,000	—	—	14,540,000	Income
(Power electronics) integrated manufacturing technology R&D and industrialization of SIC based power electronic devices	3,200,000	—	—	—	3,200,000	Income
Electric control system of large maintenance machinery tamping vehicle project	53,170,000	—	—	—	53,170,000	Asset
Basic construction compensation	6,800,000	—	—	—	6,800,000	Asset
SIC-based power electronic devices lab & fab construction project	9,207,584	—	(206,912)	—	9,000,672	Asset
The revamping of high voltage and low voltage IGBT chip module production line	—	17,000,000	—	—	17,000,000	Asset
Research on key technology of super large power electronic devices and systems	—	50,000,000	—	—	50,000,000	Asset
R&D, Industrialization of 6-inch SIC Wafer and Application in High Power IGBT	2,530,000	530,000	—	—	3,060,000	Income
Others	—	10,000,000	—	—	10,000,000	Asset
	30,500,000	18,381,000	(22,242,500)	(1,950,000)	24,688,500	Asset/income
	<u>218,521,641</u>	<u>110,147,000</u>	<u>(38,439,329)</u>	<u>(1,950,000)</u>	<u>288,279,312</u>	

Notes to Financial Statements

31 December 2015

Renminbi Yuan

V. Notes to Key Items of the Consolidated Financial Statements (continued)

28. Deferred income (continued)

Liabilities relevant to government grants as at 31 December 2014 are listed as follows:

	Opening balance	Increase	Recognised as non-operating income	Other movements	Closing balance	Relevant to asset/income
8 MW golden sun demonstration project	51,430,000	—	—	—	51,430,000	Asset
Maotangao staff dorm building construction project	20,471,300	—	(37,910)	—	20,433,390	Asset
Photovoltaic power generation comprehensive test system construction project	7,980,000	3,420,000	(665,000)	—	10,735,000	Asset
Industrialization of 200KM EMU AC drive & network control system and ATP control device	12,191,667	—	(1,900,000)	—	10,291,667	Asset
High speed train traction drive and brake system project	11,067,000	—	(11,067,000)	—	—	Income
High speed train network control project	37,631,700	—	(37,631,700)	—	—	Income
(Power electronics) research for power electronic devices & built for production line	6,400,000	—	(400,000)	—	6,000,000	Asset
High voltage chip packaging and module technology development and industrialization for high speed train application	14,224,000	—	—	—	14,224,000	Income
3.3KV high voltage IGBT for rail transit application project	3,200,000	—	—	—	3,200,000	Income
(Power electronics) integrated manufacturing technology R&D and industrialization of SiC based power electronic devices	30,290,000	22,880,000	—	—	53,170,000	Asset
Electric control system of large maintenance machinery tamping vehicle project	6,800,000	—	—	—	6,800,000	Asset
Basic construction compensation	9,414,496	—	(206,912)	—	9,207,584	Asset
Others	31,537,300	13,270,000	(9,360,000)	(2,417,300)	33,030,000	Asset/Income
	<u>242,637,463</u>	<u>39,570,000</u>	<u>(61,268,522)</u>	<u>(2,417,300)</u>	<u>218,521,641</u>	

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V. Notes to Key Items of the Consolidated Financial Statements (continued)

29. Long-term borrowings

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

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	—
	1,034,691,243	48,807,793

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

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
	<hr/> 594,549,446	<hr/> 296,242,419

Notes to Financial Statements

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Renminbi Yuan

V. Notes to Key Items of the Consolidated Financial Statements (continued)

30. Long-term payables

Maturity analysis:

	31 December 2015	31 December 2014
1 to 2 years	51,879,020	17,091,249
Over 2 years	64,419,351	49,353,280
	116,298,371	66,444,529

31. Other non-current liabilities

	Note V	31 December 2015	31 December 2014
Present value of contingent consideration (Note)		14,794,775	—
Less: Non-current liabilities due within one year	26	6,913,197	—
Recognised in profit or loss		7,881,578	—
		—	—

Note: The Group has engaged an independent appraiser to evaluate the fair value of contingent consideration. As at 9 April 2015, the fair value of contingent consideration was GBP1,456,093 (equivalent to approximately RMB13,308,396). Due to the impact of exchange realignments and discounting periods, as at 31 December 2015, the fair value of contingent consideration was revalued at RMB14,794,775. As at 31 December 2015, the contingent consideration due within one year amounting to GBP814,577 (equivalent to approximately RMB7,881,578) 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 and recognised into profit or loss.

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V. Notes to Key Items of the Consolidated Financial Statements (continued)

32. 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%
	1,175,476,637	100.00%

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%
	1,175,476,637	100.00%

33. Capital reserve

2015

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

2014

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

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V. Notes to Key Items of the Consolidated Financial Statements (continued)

34. Other comprehensive income

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

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

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 interest
Exchange fluctuation reserve	(11,030,764)	—	(11,030,764)	(11,118,551)	87,787

2014

Other comprehensive income to be reclassified to profit or loss

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

35. Special reserve

2015

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

2014

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

Notes to Financial Statements

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Renminbi Yuan

V. Notes to Key Items of the Consolidated Financial Statements (continued)

36. 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.

37. 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
Retained earnings at the end of the year	7,829,036,380	5,631,283,306

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.

Notes to Financial Statements

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Renminbi Yuan

V. Notes to Key Items of the Consolidated Financial Statements (continued)

38. 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>

39. Business taxes and surcharges

	2015	2014
City maintenance and construction surtax	58,290,096	58,140,821
Education surtax	41,629,753	40,831,796
Others	216,302	814,411
	<u>100,136,151</u>	<u>99,787,028</u>

40. Administrative expenses

Administrative expenses for the year 2015 included auditors' remuneration of RMB4,444,340 (2014: RMB4,028,491).

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V. Notes to Key Items of the Consolidated Financial Statements (continued)

41. Finance costs

		2015	2014
Interest expenses		21,467,379	2,801,762
Less: Interest capitalised	Note V. 12	(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)
		(25,324,901)	(43,013,221)

42. 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
		60,878,850	148,776,654

43. 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 products income		66,081,060	45,091,247
		121,206,269	121,607,881

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V. Notes to Key Items of the Consolidated Financial Statements (continued)

44. 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	<u>17,656,982</u>	11,572,314
	<u>181,119,015</u>	<u>271,989,157</u>

45. 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	<u>1,604,831</u>	348,415
	<u>4,766,854</u>	<u>2,883,417</u>

46. 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>	826,234,647

Notes to Financial Statements

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V. Notes to Key Items of the Consolidated Financial Statements (continued)

47. 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
	<hr/>	<hr/>
Deferred tax expense		
	516,860,542	486,492,768
	(41,219,008)	(123,587,388)
	<hr/>	<hr/>
	475,641,534	362,905,380
	<hr/>	<hr/>

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

	2015	2014
Total profit	3,445,344,140	2,754,913,998
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
	<hr/>	<hr/>
Tax expense at the Group's effective tax rate	475,641,534	362,905,380
	<hr/>	<hr/>

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.

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V. Notes to Key Items of the Consolidated Financial Statements (continued)

48. 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>2,958,357,366</u>	<u>2,394,818,236</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>2.52</u>	<u>2.04</u>
Diluted earnings per share (Yuan/share)	<u>2.52</u>	<u>2.04</u>

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

49. Supplementary information to the statement of cash flows

(1) Supplementary information to the statement of cash flows

	2015	2014
Adjustment of net profit to cash flows from operating activities:		
Net profit	2,969,702,606	2,392,008,618
Add: Provision for impairment of assets		
Depreciation	60,878,850	148,776,654
Amortisation of intangible assets	210,792,706	246,305,340
Losses from disposal of fixed assets, intangible assets and other long-term assets	72,312,434	22,046,276
Provision of special reserve	1,065,069	767,244
Finance costs	4,599,450	1,772,844
Investment income	21,327,407	2,801,762
Increase in deferred tax assets	(121,206,269)	(121,607,881)
Decrease in deferred tax liabilities	(27,814,191)	(121,983,415)
Increase in inventories	(3,902,442)	(1,009,188)
Increase in operating receivables	(711,116,585)	(831,221,173)
Increase in operating payables	(1,870,589,626)	(1,186,951,339)
Net cash flows from operating activities	<u>1,018,288,078</u>	<u>1,505,000,190</u>
	<u>1,624,337,487</u>	<u>2,056,705,932</u>

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V. Notes to Key Items of the Consolidated Financial Statements (continued)

49. Supplementary information to the statement of cash flows (continued)

(1) Supplementary information to the statement of cash flows (continued)

Significant investing and financing activities which do not involve cash:

	2015	2014
Dividends payable compensated from trade receivables	4,000,000	5,028,224
Dividends receivable compensated from trade payables	50,000,000	—
Equipment procurement paid from operating current account	15,191,624	—
Equipment procurement compensated from operating current account	<u>—</u>	<u>32,683,009</u>

Movement in cash and cash equivalents:

	2015	2014
Closing balance of cash	3,351,119,633	2,647,816,044
Less: Opening balance of cash	<u>2,647,816,044</u>	<u>3,118,401,874</u>
Net change of cash and cash equivalents	<u>703,303,589</u>	<u>(470,585,830)</u>

(2) Information of acquiring subsidiaries

	2015	2014
Consideration for acquisition of subsidiaries	1,098,528,719	—
Cash and cash equivalents paid for acquisition of subsidiaries	1,085,220,323	—
Less: Cash and cash equivalents acquired from subsidiaries	<u>10,413,257</u>	<u>—</u>
Net cash outflow in the acquisition of subsidiaries	<u>1,074,807,066</u>	<u>—</u>

(3) Cash and cash equivalents

	31 December 2015	31 December 2014
Cash		
Including: Cash on hand	27,689	44,547
Bank deposits on demand	2,421,016,552	1,922,009,968
Deposits due within 3 months	922,202,392	719,319,059
Security deposit due within 3 months	<u>7,873,000</u>	<u>6,442,470</u>
Closing balance of cash and cash equivalents	<u>3,351,119,633</u>	<u>2,647,816,044</u>

Notes to Financial Statements

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Renminbi Yuan

V. Notes to Key Items of the Consolidated Financial Statements (continued)

50. Assets with restrictions on title

	31 December 2015	31 December 2014
Pledged assets		
Cash and bank balance	Note 1 60,434,349	38,493,751
Other receivables	Note 2 96,683,315	—
Fixed assets	Note 3 29,286,996	29,096,352
Intangible assets	Note 4 17,023,133	16,779,524
	203,427,793	84,369,627

Note 1: As at 31 December 2015, the cash and bank balances of RMB27,191,259 (31 December 2014: RMB21,953,359) is used as security deposits by the Group for acceptance bills from bank. The cash and bank balances of RMB33,243,090 (31 December 2014: RMB16,540,392) is used as security deposits by the Group for letters of guarantee from bank.

Note 2: In 2015, the Group acquired SMD Group, depositing GBP10,100,000 (equivalent to RMB96,683,315 as at 31 December 2015) into the escrow account jointly owned with the vendor as retention for paying the contingent consideration up to GBP10,100,000 (equivalent to RMB96,683,315 as at 31 December 2015).

Note 3: 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.

Note 4: As at 31 December 2015, the title of land use right with a net carrying amount of RMB17,023,133 (31 December 2014: RMB16,779,524) was pledged to secure general banking facilities granted to the Group.

Notes to Financial Statements

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Renminbi Yuan

VI. Changes in scope of consolidation

1. Subsidiaries newly built up

Following subsidiaries are newly built up during current period:

	Proportion of shareholding
Zhuzhou CSR Times Software Technology Co., Ltd. ("Software Company")	Note 1 100%
Yueqing CSR Railway Technologies Co., Ltd. ("Yueqing CSR Railway")	Note 2 51%

Note 1: In February 2015, Software Company was established by the Company with registered capital of RMB100,000,000. The interest held by the Company is 100%. Up to the balance sheet date, the Company has injected the capital of RMB50,000,000.

Note 2: In April 2015, Yueqing CSR Railway was jointly established by the Company and Lanp Group. The registered capital of Yueqing CSR Railway is RMB30,000,000. The interest held by the Company and Lanp Group are 51% and 49% respectively.

2. Business combination not involving entities under common control

As at 9 April 2015, the Group acquired 100% share of SMD Group from independent third parties, through its subsidiary, CSR Times Electric (Hong Kong) Co., Ltd. ("HK Electric") paying by cash. As at 9 April 2015, the Group obtains control of SMD Group and the acquisition date was determined as 9 April 2015.

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VI. Changes in scope of consolidation (continued)

2. Business combination not involving entities under common control (continued)

The fair value and carrying amount of identifiable assets and liabilities of SMD Group on the acquisition date are as follows (Renminbi Yuan):

	9 April 2015 Fair value	9 April 2015 Carrying amount
Cash and bank balances	10,413,257	10,413,257
Trade receivables	115,694,349	115,694,349
Prepayments	16,467,662	16,467,662
Inventories	212,280,647	212,280,647
Other current assets	5,350,421	5,350,421
Long-term equity investments	2,497,304	2,497,304
Fixed assets	58,576,978	49,622,844
Intangible assets (Note 1)	439,624,380	—
Deferred tax assets	583,265	583,265
Short-term borrowings	(940,026,428)	(940,026,428)
Trade payables	(170,638,512)	(170,638,512)
Advances from customers	(1,903,482)	(1,903,482)
Employee benefits payable	(2,596,964)	(2,596,964)
Taxes payable	(18,908,546)	(18,908,546)
Other payables	(7,824,976)	(7,824,976)
Provisions	(7,243,310)	(7,243,310)
Deferred tax liabilities	<u>(89,715,703)</u>	<u>—</u>
	<u>(377,369,658)</u>	<u>(736,232,469)</u>
Goodwill acquired in a business combination (Note V. 13)	<u>535,871,949</u>	The excess of the aggregate fair value of the consideration over the net identifiable assets acquired.
Consideration of the equity interest	<u>158,502,291</u>	Note 2

The Group has engaged an independent appraiser to evaluate the allocation of purchase price of SMD Group. The Group determines the fair value of net identifiable assets and contingent consideration (Note 3) according to the finalised valuation outcome.

Notes to Financial Statements

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VI. Changes in scope of consolidation (continued)

2. Business combination not involving entities under common control (continued)

Note 1: On the acquisition date, the fair value of intangible assets of SMD Group was GBP48,100,000 (equivalent to approximately RMB439,624,380), 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.

Note 2: The total consideration of this transaction is GBP120,191,768 (equivalent to approximately RMB1,098,528,719 at acquisition date), including the amount of GBP102,849,781 (equivalent to approximately RMB940,026,428 at acquisition date) to repay the loans then outstanding on behalf of SMD Group on the acquisition date and the amount of GBP17,341,987 ((equivalent to approximately RMB158,502,291 at acquisition date) as the consideration of the equity interest, which includes cash considerations that have been paid amounted to GBP15,885,894 (equivalent to approximately RMB145,193,895 at acquisition date) and the fair value of contingent consideration amounted to GBP1,456,093 (equivalent to approximately RMB13,308,396 at acquisition date)).

Note 3: 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 from GBP0 to GBP10,100,000 (equivalent to approximately RMB92,311,980 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 GBP7,000,000 (equivalent to approximately RMB63,978,600 at acquisition date). On the acquisition date, the fair value of contingent consideration amounted to GBP1,456,093 (equivalent to approximately RMB13,308,396 at acquisition date). As at 31 December 2015, SMD Group did not achieve the performance target stipulated in the above agreement, the contingent consideration amounting to GBP814,577(equivalent to approximately RMB7,881,578 as at 31 December 2015) is recognised as non-operating profit.

For the period from the acquisition date to the balance sheet date, the financial performance and cash flows of SMD Group (without consideration of offsetting the intercompany transactions within the Group and depreciation and amortisation relating to fair value adjustments at the acquisition date) are listed as follows:

	For the period from 9 April 2015 to 31 December 2015
Revenue	210,677,140
Net profit	470,631
Net cash flows	<u>(13,105,778)</u>

Notes to Financial Statements

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Renminbi Yuan

VII. Interests in other entities

1. Interests in subsidiaries

Particulars of subsidiaries of the Company are as follows:

Names of companies	Place of registration/ Principal place of business	Registered capital	Nature of business	Proportion of shareholding		Proportion of votes	Note
				Direct	Indirect		
By newly established or invested							
Ningbo Times	Ningbo Zhejiang	RMB148,826,200	Manufacture industry	100%	—	100%	
Times Electronics	Zhuzhou Hunan	RMB80,000,000	Manufacture industry	100%	—	100%	
Times Equipment	Zhuzhou Hunan	RMB101,000,000	Manufacture industry	100%	—	100%	
Beijing CSR Times Information Technology Co., Ltd. ("Times Information")	Beijing	RMB29,000,000	Manufacture industry	100%	—	100%	
Shenyang CSR Times Transportation Equipment Co., Ltd. ("Shenyang Times")	Shenyang Liaoning	RMB56,000,000	Manufacture industry	100%	—	100%	
Baoji Times	Baoji Shaanxi	RMB281,655,300	Manufacture industry	85.8%	—	85.8%	
Kunming Electric	Kunming Yunnan	RMB 3,000,000	Manufacture industry	100%	—	100%	
Hangzhou CSR Electric Equipment Co., Ltd. ("Hangzhou Electric")	Hangzhou Zhejiang	RMB75,000,000	Manufacture industry	60%	—	60%	
Guangzhou CSR Times Electric Technology Co., Ltd. ("Guangzhou Times")	Guangzhou	RMB30,000,000	Manufacture industry	60%	—	60%	
HK Electric	Hong Kong	HKD426,952,000	Investment holding	100%	—	100%	Note 1
Ningbo CSR Electrical Equipment Co., Ltd. ("Ningbo Electric")	Ningbo Zhejiang	RMB10,000,000	Manufacture industry	100%	—	100%	
Qingdao Electric	Qingdao Shandong	RMB100,000,000	Manufacture industry	45%	—	45%	
Shanghai CSR Railway Transportation Technology Co., Ltd. ("Shanghai CSR Railway")	Shanghai	RMB50,000,000	Manufacture industry	51%	—	51%	
Yueqing CSR Railway	Wenzhou Zhejiang	RMB30,000,000	Manufacture industry	51%	—	51%	
Software Company	Zhuzhou Hunan	RMB100,000,000	Software service	100%	—	100%	
CSR Times Electric Australia Pty. Ltd. ("Times Australia")	Australia	AUD290,000	Trading	100%	—	100%	
Times Electric USA, LLC ("Times USA")	USA	USD430,000	Trading	100%	—	100%	
CSR Times Electric Brasil Ltda. ("Times Brasil")	Brasil	USD741,820	Trading	99%	1%	100%	

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VII. Interests in other entities (continued)

1. Interests in subsidiaries (continued)

Particulars of subsidiaries of the Company are as follows: (continued)

Names of companies	Place of registration/ Principal place of business	Registered capital	Nature of business	Proportion of shareholding		Proportion of votes	Note
				Direct	Indirect		
By business combination under uncommon control							
Dynex	Canada	CAD 37,096,192	Investment holding	75%	—	75%	
Dynex Semiconductor Limited ("Dynex Semiconductor")	United Kingdom	GBP 15,000,000	Manufacture industry	—	75%	75%	
SMD	United Kingdom	GBP 44,049,014	Investment holding	—	100%	100%	Note 2
Soil Machine Dynamics Limited	United Kingdom	GBP100	Manufacture industry	—	100%	100%	
Bywell Holdings Limited	United Kingdom	GBP85,409	Investment holding	—	100%	100%	
Specialist Machine Developments (Investment) Limited	United Kingdom	GBP2	Investment holding	—	100%	100%	
SMD Offshore Support Limited	United Kingdom	GBP2	Trading	—	100%	100%	
Soil Machine Dynamics USA LLC	USA	USD0	Trading	—	100%	100%	
SMD Robotics Limited	United Kingdom	GBP1	Trading	—	100%	100%	
Soil Machine Dynamics Singapore Pte. Ltd.	Singapore	SGD1	Manufacture industry	—	100%	100%	
SMD do Brasil Ltd.	Brasil	BRC100	Trading	—	100%	100%	
Crossco 236 Limited	United Kingdom	GBP1	Dormant	—	100%	100%	
SMD ROVs Limited	United Kingdom	GBP1	Dormant	—	100%	100%	
SMD Specialist Vehicles Limited	United Kingdom	GBP1	Dormant	—	100%	100%	

Note 1: In 2015, the Company injected the capital of HKD416,952,000 to HK Electric. After the injection, HK Electric increased the registered capital and paid in capital to HKD426,952,000.

Note 2: In 2015, HK Electric injected the capital of GBP42,849,781 to SMD. After the injection, SMD increased the registered capital and paid in capital to GBP44,049,014.

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VII. Interests in other entities (continued)

1. Interests in subsidiaries (continued)

Subsidiaries with significant non-controlling interests are as follows:

2015

	Proportion of non-controlling interests	Profits attributable to non-controlling interests	Dividends paid to non-controlling shareholders	Accumulated non-controlling interests
Baoji Times	14.2%	5,260,602	(1,943,949)	51,719,419

2014

	Proportion of non-controlling interests	Profits attributable to non-controlling interests	Dividends paid to non-controlling shareholders	Accumulated non-controlling interests
Baoji Times	14.2%	4,097,149	(2,691,236)	48,026,310

The table below demonstrates main financial information of the subsidiaries above. The information demonstrated is before offsetting the transaction amounts and carrying amounts with other entities within the Group:

	Baoji Times
31 December 2015	
Current assets	1,218,465,363
Non-current assets	178,412,894
Total assets	1,396,878,257
Current liabilities	1,032,656,999
Non-current liabilities	—
Total liabilities	1,032,656,999
2015	
Revenue	1,015,426,328
Net profit	37,046,492
Total comprehensive income	37,046,492
Net cash flows used in operating activities	(61,084,365)

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VII. Interests in other entities (continued)

1. Interests in subsidiaries (continued)

		Baoji Times
31 December 2014		
Current assets	944,471,400	
Non-current assets	175,443,271	
<hr/>	<hr/>	
Total assets	1,119,914,671	
<hr/>	<hr/>	
Current liabilities	781,701,218	
Non-current liabilities	—	
<hr/>	<hr/>	
Total liabilities	781,701,218	
<hr/>	<hr/>	
2014		
Revenue	783,213,883	
Net profit	24,530,417	
Total comprehensive income	24,530,417	
<hr/>	<hr/>	
Net cash used in operating activities	248,353,080	
<hr/>	<hr/>	

2. Interests in joint ventures and associates

	Place of registration/ Principal place of business	Nature of business	Registered capital	Proportion of shareholding		Accounting method
				Direct	Indirect	
Joint ventures						
Shiling	Zhuzhou Hunan	Manufacture industry	USD14,000,000	50%	—	Equity
SMD-Bord Limited	United Kingdom	Service industry	GBP198	—	50%	Equity
SMD Energy Limited	United Kingdom	Service industry	GBP2	—	50%	Equity
Associates						
Zhuzhou Siemens	Zhuzhou Hunan	Manufacture industry	RMB128,989,000	30%	—	Equity
Hunan CSR Wabtec	Changsha Hunan	Manufacture industry	RMB32,500,000	50%	—	Equity

Shiling, as an important joint venture of the Group, is one of the suppliers of the fitting equipment products of CRH of the Group.

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VII. Interests in other entities (continued)

2. Interests in joint ventures and associates (continued)

The table below demonstrates the financial information of Shiling, which is adjusted according to accounting differences and adjusted to the carrying amount of current financial statements:

	31 December 2015	31 December 2014
Current assets	691,505,710	580,303,813
Including: Cash and bank balances	99,139,828	129,187,391
Non-current assets	50,998,756	52,664,828
 Total assets	 742,504,466	 632,968,641
 Current liabilities	 306,312,105	 196,607,422
Non-current liabilities	 —	 —
 Total liabilities	 306,312,105	 196,607,422
 Net assets	 436,192,361	 436,361,219
 Net assets portion based on shareholding	 218,096,181	 218,180,610
Less: Unrealised profit of downstream trading	 59,451,079	 36,604,782
Carrying amount of investment	 157,255,872	 180,186,598
 Revenue	 1,327,825,527	 1,225,040,538
Income tax expense	 33,583,162	 35,166,918
Net profit	 99,831,142	 104,804,196
Total comprehensive income	 99,831,142	 104,804,196
Dividends received (Note)	 —	 11,000,000

Note: In 2015, Shiling distributed dividends of RMB50,000,000 to the Company which was used to compensate the trade payables to Shiling by the Company.

The table below demonstrates the financial information of joint ventures and associates that are individually insignificant to the Group:

	2015	2014
Total carrying amount of investment	64,617,218	56,823,907
Total amounts based on shareholding		
Net profit	5,209,638	103,425
Total comprehensive income	5,296,007	103,425

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VIII. Risks related to financial instruments

1. Classification of financial instruments

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

31 December 2015

Financial assets

	Loans and receivables	Available-for-sale financial asset	Total
Cash and bank balances	3,403,680,982	—	3,403,680,982
Bills receivable	3,944,289,710	—	3,944,289,710
Trade receivables	3,967,858,997	—	3,967,858,997
Other receivables	154,434,789	—	154,434,789
Other current assets	3,210,864,995	—	3,210,864,995
Available-for-sale financial asset	—	900,000	900,000
Long-term receivables	11,178,796	—	11,178,796
	14,692,308,269	900,000	14,693,208,269

Financial liabilities

	Other financial liabilities
Short-term borrowings	53,636,349
Bills payable	1,733,675,268
Trade payables	2,432,533,665
Interest payables	2,504,772
Other payables	295,070,864
Long-term borrowings (inclusive of current portion of long-term borrowings)	1,034,691,243
Long-term payables	116,298,371
	5,668,410,532

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VIII. Risks related to financial instruments (continued)

1. Classification of financial instruments (continued)

31 December 2014

Financial assets

	Loans and receivables	Available-for-sale financial asset	Total
Cash and bank balances	2,679,867,325	—	2,679,867,325
Bills receivable	3,184,352,916	—	3,184,352,916
Trade receivables	2,813,878,700	—	2,813,878,700
Other receivables	79,220,006	—	79,220,006
Other current assets	3,005,078,548	—	3,005,078,548
Available-for-sale financial asset	—	900,000	900,000
Long-term receivables	22,082,991	—	22,082,991
	<hr/>	<hr/>	<hr/>
	11,784,480,486	900,000	11,785,380,486

Financial liabilities

	Other financial liabilities
Short-term borrowings	4,385,940
Bills payable	1,569,649,099
Trade payables	1,861,391,032
Other payables	373,833,468
Long-term borrowings (inclusive of current portion of long-term borrowings)	48,807,793
Long-term payables	66,444,529
	<hr/>
	3,924,511,861

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VIII. Risks related to financial instruments (continued)

2. Transfer of financial assets

Transferred financial assets that are not derecognised in their entirety

As at 31 December 2015, the Group endorsed commercial acceptance bills (the "Endorsed Bills") with a carrying amount of RMB47,187,385 (31 December 2014: RMB1,000,000) to certain of its suppliers in order to settle the trade payables due to such suppliers (the "Endorsement"). In the opinion of the directors, the Group has retained the substantial risks and rewards, which include default risks relating to such Endorsed Bills, and accordingly, it continued to recognise the full carrying amounts of the settled accounts payable.

Transferred financial assets that are derecognised in their entirety with continuing involvement

As at 31 December 2015, the Group endorsed bank acceptance bills (the "Derecognised Bills") to certain of its suppliers in order to settle the trade payables due to such suppliers with a carrying amount of RMB325,288,432 (31 December 2014: RMB398,971,234). The Derecognised Bills had a maturity of one to six months at the end of the reporting period. In accordance with the Law of Negotiable Instruments in the PRC, the holders of the Derecognised Bills have a right of recourse against the Group if the PRC banks default (the "Continuing Involvement"). In the opinion of the directors, the Group has transferred substantially all risks and rewards relating to the Derecognised Bills. Accordingly, it has derecognised the full carrying amounts of the Derecognised Bills and the associated trade payables. The maximum exposure to loss from the Group's Continuing Involvement in the Derecognised Bills and the undiscounted cash flows to repurchase these Derecognised Bills is equal to their carrying amounts. In the opinion of the directors, the fair values of the Group's Continuing Involvement in the Derecognised Bills are not significant.

In 2015, the Group has not recognised any gain or loss on the date of transfer of the Derecognised Bills. No gains or losses were recognised from the Continuing Involvement, both during the year or cumulatively. The endorsement has been made evenly throughout the year.

3. Financial instruments and their risks

The Group's principal financial instruments comprise bank loans and cash and bank balances. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as the trade receivables and trade payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are credit risk, liquidity risk, and market risk. In this regard, the Group's risk management policies are outlined below.

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VIII. Risks related to financial instruments (continued)

3. Financial instruments and their risks (continued)

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

The credit risk of the Group's other financial assets, which mainly comprise cash and bank balances, other receivables and other current assets, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

The major customers of the Group are CRRC Corporation Limited and its subsidiaries as well as other state-owned enterprises and institutions in the railway transportation industry. Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed by customer. As at 31 December 2015, the Group had certain concentrations of credit risk as 12.9% (31 December 2014: 9.8%) and 37.7% (31 December 2014: 33.0%) of the Group's trade receivables (including long-term trade receivables) were due from the Group's largest customer and the five largest customers, respectively.

The maturity profile of the Group's financial assets with no impairment incurred is analysed as follows:

31 December 2015

	Total	Neither overdue nor impaired	Overdue but not impaired	
			Within six months	Over six months
Trade receivables	3,394,473,775	3,394,473,775	—	—
Bills receivable	3,944,289,710	3,944,289,710	—	—
Other receivables	135,053,819	135,053,819	—	—
Other current assets	3,210,864,995	3,210,864,995	—	—
Available-for-sale financial asset	900,000	900,000	—	—
Long-term receivables	7,328,630	7,328,630	—	—
	10,692,910,929	10,692,910,929	—	—

Notes to Financial Statements

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VIII. Risks related to financial instruments (continued)

3. Financial instruments and their risks (continued)

Credit risk (continued)

31 December 2014

	Total	Neither overdue nor impaired	Overdue but not impaired	Within six months	Over six months
Trade receivables	2,474,189,073	2,474,189,073	—	—	—
Bills receivable	3,184,352,916	3,184,352,916	—	—	—
Other receivables	66,555,718	66,555,718	—	—	—
Other current assets	3,005,078,548	3,005,078,548	—	—	—
Available-for-sale financial asset	900,000	900,000	—	—	—
Long-term receivables	11,954,215	11,954,215	—	—	—
	<u>8,743,030,470</u>	<u>8,743,030,470</u>	<u>—</u>	<u>—</u>	<u>—</u>

As at 31 December 2015 and 31 December 2014, the trade receivables not overdue without impairment were related to several recent customers without default records.

Liquidity risk

The Group monitors its risk of shortage of funds using a recurring liquidity planning tool. This tool considers both the maturity of its financial instruments and expected cash flows from the Group's operations.

The Group's objective is to maintain a balance between the continuity of funding and flexibility through the use of various financing means, such as bills settlement and bank borrowings. The Group has obtained banking facilities from several commercial banks to meet working capital requirements and capital expenditures.

The Group's management monitors the liquidity position of the Group on an ongoing basis to ensure the availability of sufficient liquid funds to meet all obligations as they fall due and to make the most efficient use of the Group's financial resources.

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VIII. Risks related to financial instruments (continued)

3. Financial instruments and their risks (continued)

Liquidity risk (continued)

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

31 December 2015

	Within 1 year	1-2 years	Over 2 years	Total
Short-term borrowings	53,636,349	—	—	53,636,349
Bills payable	1,733,675,268	—	—	1,733,675,268
Trade payables	2,432,533,665	—	—	2,432,533,665
Interest payables	2,504,772	—	—	2,504,772
Other payables	295,070,864	—	—	295,070,864
Long-term borrowings (inclusive of current portion of long-term borrowings)	24,752,001	16,353,352	1,041,376,237	1,082,481,590
Long-term payables	—	51,879,020	64,419,351	116,298,371
	4,542,172,919	68,232,372	1,105,795,588	5,716,200,879

31 December 2014

	Within 1 year	1-2 years	Over 2 years	Total
Short-term borrowings	4,385,940	—	—	4,385,940
Bills payable	1,569,649,099	—	—	1,569,649,099
Trade payables	1,861,391,032	—	—	1,861,391,032
Other payables	373,833,468	—	—	373,833,468
Long-term borrowings (inclusive of current portion of long-term borrowings)	12,756,465	37,810,749	794,177	51,361,391
Long-term payables	—	17,091,249	49,353,280	66,444,529
	3,822,016,004	54,901,998	50,147,457	3,927,065,459

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VIII. Risks related to financial instruments (continued)

3. Financial instruments and their risks (continued)

Market risk

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long term debt obligations with a floating interest rate.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's net profit (through the impact on floating rate borrowings) and the other comprehensive income after tax.

2015

	Increase/ (decrease) in basis points	Increase/ (decrease) in net profit	Increase/ (decrease) in other comprehensive income after tax	Increase/ (decrease) in shareholders' equity
GBP	+1%	(57,408)	—	(57,408)
EUR	+1%	(7,392,166)	—	(7,392,166)

2014

	Increase/ (decrease) in basis points	Increase/ (decrease) in net profit	Increase/ (decrease) in other comprehensive income	Increase/ (decrease) in shareholders' equity
GBP	+1%	(360,695)	—	(360,695)

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VIII. Risks related to financial instruments (continued)

3. Financial instruments and their risks (continued)

Foreign currency risks (continued)

Foreign currency risk

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

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the exchange rates of JPY, US dollar, GBP and Euro, with all other variables held constant, of the Group's net profit and other comprehensive income after tax. As the carrying amounts of financial instruments denominated in other currencies are not significant, their sensitivity analyses are omitted here.

2015

	Increase/ (decrease) in exchange rate	Increase/ (decrease) in net profit	Increase/ (decrease) in other comprehensive income after tax	Increase/ (decrease) in shareholders' equity
Japanese yen				
If RMB strengthens against Japanese yen	+10%	23,276,490	—	23,276,490
If RMB weakens against Japanese yen	-10%	(23,276,490)	—	(23,276,490)
United States dollar				
If RMB strengthens against				
United States dollar	+10%	(6,717,284)	—	(6,717,284)
If RMB weakens against United States dollar	-10%	6,717,284	—	6,717,284
Great British pound				
If RMB strengthens against				
Great British pound	+10%	(12,712,095)	—	(12,712,095)
If RMB weakens against Great British pound	-10%	12,712,095	—	12,712,095
Euro				
If RMB strengthens against Euro	+10%	73,376,534	—	73,376,534
If RMB weakens against Euro	-10%	(73,376,534)	—	(73,376,534)

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III. Risks related to financial instruments (continued)

3. Financial instruments and their risks (continued)

Market risk (continued)

Foreign currency risk (continued)

2014

	Increase/ (decrease) in exchange rate	Increase/ (decrease) in net profit	Increase/ (decrease) in other comprehensive income after tax	Increase/ (decrease) in shareholders' equity
Japanese yen				
If RMB strengthens against Japanese yen	+10%	13,384,327	—	13,384,327
If RMB weakens against Japanese yen	-10%	(13,384,327)	—	(13,384,327)
United States dollar				
If RMB strengthens against United States dollar	+10%	(7,740,245)	—	(7,740,245)
If RMB weakens against United States dollar	-10%	7,740,245	—	7,740,245
Great British pound				
If RMB strengthens against Great British pound	+10%	8,797,998	—	8,797,998
If RMB weakens against Great British pound	-10%	(8,797,998)	—	(8,797,998)
Euro				
If RMB strengthens against Euro	+10%	(643,730)	—	(643,730)
If RMB weakens against Euro	-10%	643,730	—	643,730

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VIII. Risks related to financial instruments (continued)

4. 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 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 no subject to any externally imposed capital requirements. No changes were made in the objectives and processes for managing capital during the years ended 31 December 2015 and 31 December 2014.

The Group monitors capital using a 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 interest-bearing bank and other borrowings, bills payable, trade payables, advances from customers, employee benefits payable, interests payable, other taxes payable excluding income tax payable, other payables and long-term payables, less cash and cash equivalents. Capital includes equity attributable to shareholders of the Parent. The gearing ratios as at balance sheet date were as follows:

	31 December 2015	31 December 2014
Short-term borrowings	53,636,349	4,385,940
Bills payable	1,733,675,268	1,569,649,099
Trade payables	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 (excluding income tax payable)	86,932,468	55,722,507
Other payables	295,070,864	373,833,468
Long-term borrowings (inclusive of current portion of non-current liabilities)	1,034,691,243	48,807,793
Long-term payables	116,298,371	66,444,529
Less: Cash and cash equivalents	3,351,119,633	2,647,816,044
Net debt	3,343,319,640	1,972,540,388
Equity attributable to the shareholders of the Parent	13,472,266,840	10,990,995,686
Capital and net debt	16,815,586,480	12,963,536,074
Gearing ratio	19.88%	15.22%

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IX. Fair value

1. Assets and liabilities measured at fair value

31 December 2015

	Inputs used in financial instruments measured at fair value			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Available-for-sale financial asset	—	900,000	—	900,000
Long-term receivables	—	11,178,796	—	11,178,796
Long-term borrowings	—	1,025,396,909	—	1,025,396,909
Long-term payables	—	116,298,371	—	116,298,371

31 December 2014

	Inputs used in financial instruments measured at fair value			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Available-for-sale financial asset	—	900,000	—	900,000
Long-term receivables	—	22,082,991	—	22,082,991
Long-term borrowings	—	37,492,529	—	37,492,529
Long-term payables	—	66,444,529	—	66,444,529

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Renminbi Yuan

IX. Fair value (continued)

2. Fair value evaluation

The carrying amounts and the fair values of financial instruments of the Group other than short-term financial instruments with carrying amounts that reasonably approximate to fair values, are as follows:

	Carrying amount		Fair value	
	31 December 2015	31 December 2014	31 December 2015	31 December 2014
Financial assets				
Available-for-sale financial asset	900,000	900,000	900,000	900,000
Long-term receivables	11,178,796	22,082,991	11,178,796	22,082,991

	Carrying amount		Fair value	
	31 December 2015	31 December 2014	31 December 2015	31 December 2014
Financial liabilities				
Long-term borrowings	1,025,396,909	37,492,529	1,025,396,909	37,492,529
Long-term payables	116,298,371	66,444,529	116,298,371	66,444,529

Management has assessed that the fair values of cash and bank balances, bills receivable, trade receivables, other receivables, other current assets, short-term borrowings, bills payable, trade payables, interests payable, other payables and long-term borrowings due within one year approximate to their carrying amounts largely due to the short-term maturities of these instruments.

The Group's finance team headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The corporate finance team reports directly to the chief financial officer and the audit committee. At each reporting date, the corporate finance team analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer.

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

The fair values of long-term receivables, long-term borrowings, long-term payables, etc. have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The Group's own non-performance risk for interest-bearing bank and other borrowings as at 31 December 2015 was assessed to be insignificant.

Notes to Financial Statements

31 December 2015

Renminbi Yuan

X. Related party relationships and transactions

1. Parent company

Name of the parent company	Place of registration	Nature of business	Registered capital	Proportion of shareholding	Proportion of votes
CRRC Zhuzhou Institute Co., Ltd. (中車株洲電力機車研究所 有限公司)	Zhuzhou Hunan	Manufacture Industry	4,184,500,000	50.30%	50.30%

In December 2015, the parent company of the Company is renamed as CRRC Zhuzhou Institute Co., Ltd. (中車株洲電力機車研究有限公司).

In June 2015, CSR Corporation Limited, the shareholder of the parent company of the Company, merged with China CNR Corporation Limited, and renamed as CRRC Corporation Limited. In August 2015, China Northern Locomotive & Rolling Stock Industry (Group) Corporation, the second largest shareholder of CRRC Corporation Limited, merged with CSR Group, and renamed as CRRC Group. Thereafter, the ultimate holding party of the Company is changed to CRRC Group.

2. Subsidiaries

For details of the subsidiaries of the Company, please refer to Note VII.1. Interests in subsidiaries.

Investments in subsidiaries

	31 December 2015	31 December 2014
Non-listed shares, at cost	1,299,718,662	890,208,262
Shares listed in Canada, at cost	216,539,728	216,539,728
	<hr/>	<hr/>
Impairment	1,516,258,390	1,106,747,990
	(49,699,261)	(49,699,261)
	<hr/>	<hr/>
Market value of listed shares	1,466,559,129	1,057,048,729
	<hr/>	<hr/>
	22,667,107	27,036,101
	<hr/>	<hr/>

The amounts of receivables from and payables to subsidiaries in the current assets and current liabilities of the Company are RMB1,075,767,476 (31 December 2014: RMB833,114,621) and RMB624,813,866 (31 December 2014: RMB411,542,370), respectively. The amounts of the Company's receivables from and payables to subsidiaries are non-interest-bearing and unsecured. Of these amounts, the repayment period of the trading amounts is determined by the provisions of the trading terms, whereas non-trading amounts are not subject to any fixed repayment period.

Notes to Financial Statements

31 December 2015

Renminbi Yuan

X. Related party relationships and transactions (continued)

3. Joint ventures and associates

For details of the joint ventures and associates, please refer to Note VII. 3. Interests in joint ventures and associates.

4. Other related parties

Company names

Changzhou Ruitai Engineering Machinery Co., Ltd.

CRRC Shijiazhuang Co., Ltd.

(formerly known as CSR Shijiazhuang Rolling Stock Co., Ltd.)

Nanjing CRRC Puzhen Rapid Transit Vehicles Co., Ltd. (formerly known as Nanjing CRRRC Puzhen Rapid Transit Vehicles Co., Ltd.)

Beijing North Gofront Science Business Co., Ltd.

CRRC Guangdong Rolling Stock Co., Ltd.

(formerly known as CSR Guangdong Rolling Stock Co., Ltd.)

CRRC Qishuyan Locomotive Co., Ltd.

Ningbo Jiangbei Gofront Herong Electric Co., Ltd.

Guangzhou Electrical Locomotive Co., Ltd.

Shijiazhuang King Transportation Equipment Co., Ltd.

CRRC Zhuzhou Electric Co., Ltd. (formerly known as CSR Zhuzhou Electric Co., Ltd.)

Sichuan Brake Technology Co., Ltd.

CSR Yangtze Tongling Rolling Stock Co., Ltd.

CRRC Changzhou Tech-mark Industrial Co., Ltd.

(formerly known as CSR Changzhou Tech-mark Industrial Co., Ltd.)

CRRC Hangzhou Co., Ltd. (formerly known as CSR Hangzhou Rail Transit Co., Ltd.)

Qingdao CRRC Sifang Sales Co., Ltd. (formerly known as Qingdao CSR Sifang Sales Co., Ltd.)

Ziyang CSR Electric Locomotive Co., Ltd.

Meishan CRRC Fastener Science & Technology Co., Ltd. (formerly known as Meishan CSR Fastener Science & Technology Co., Ltd.)

CRRC Ziyang Transmission Co., Ltd. (formerly known as CSR Ziyang Transmission Co., Ltd.)

CSR Finance Co., Ltd.

Chengdu CSR Electric Co., Ltd.

Ziyang CSR Electric Co., Ltd.

Zhuzhou CSR Logistics Co., Ltd.

Nanjing Puzhen Haitai Brake Equipment Co., Ltd.

Chengdu CSR Tongli Railway Vehicles Co., Ltd.

Wuhan CSR Sifang Maintenance Center Co., Ltd.

Qingdao CRRC Sifang Logistics Co., Ltd. (formerly known as Qingdao CSR Sifang Logistics Co., Ltd.)

Guangzhou CSR Urban Rail Equipment Co., Ltd.

CRRC Yangtze Co., Ltd. (formerly known as CSR Yangtze Co., Ltd.)

Relations

Corporation controlled by the ultimate holding party

Notes to Financial Statements

31 December 2015

Renminbi Yuan

X. Related party relationships and transactions (continued)

4. Other related parties (continued)

Company names

Relations

CRRC Ziyang Locomotive Co., Ltd.	Corporation controlled by the ultimate holding party
CRRC Chengdu Locomotive & Rolling Stock Co., Ltd. (formerly known as CSR Chengdu Locomotive & Rolling Stock Co., Ltd.)	Corporation controlled by the ultimate holding party
CRRC Luoyang Locomotive Co., Ltd. (formerly known as CSR Luoyang Locomotive Co., Ltd.)	Corporation controlled by the ultimate holding party
CRRC Nanjing Puzhen Rolling Stock Co., Ltd. (formerly known as CSR Nanjing Puzhen Rolling Stock Co., Ltd.)	Corporation controlled by the ultimate holding party
CRRC Qishuyan Locomotive & Rolling Stock Technology Research Institute Co., Ltd. (formerly known as CSR Qishuyan Locomotive & Rolling Stock Technology Research Institute Co., Ltd.)	Corporation controlled by the ultimate holding party
CRRC Qingdao Sifang Locomotive & Rolling Stock Co., Ltd.	Corporation controlled by the ultimate holding party
CRRC Sifang Rolling Stock Co., Ltd.	Corporation controlled by the ultimate holding party
CRRC Zhuzhou Locomotive Co., Ltd.	Corporation controlled by the ultimate holding party
CRRC Dalian Locomotive & Rolling Stock Co., Ltd. (formerly known as CNR Dalian Locomotive & Rolling Stock Co., Ltd., became a related party since 1 June 2015)	Corporation controlled by the ultimate holding party
CRRC Erqi Co., Ltd. (formerly known as Beijing Feb. 7th Railway Transportation Equipment Co., Ltd., became a related party since 1 June 2015)	Corporation controlled by the ultimate holding party
CRRC Qingdao Sifang Rolling Stock Research Institute Co., Ltd. (formerly known as Qingdao Sifang Rolling Stock Research Institute Co., Ltd., became a related party since 1 June 2015)	Corporation controlled by the ultimate holding party
CRRC Changchun Railway Vehicles Co., Ltd. (formerly known as CNR Changchun Railway Vehicles Co., Ltd., became a related party since 1 June 2015)	Corporation controlled by the ultimate holding party
CRRC Taiyuan Co., Ltd. (formerly known as Taiyuan Railway Transportation Equipment Co., Ltd., became a related party since 1 June 2015)	Corporation controlled by the ultimate holding party
CRRC Yongji Electric Co., Ltd. (formerly known as Yongji Xinshisu Electric Equipment Co., Ltd., became a related party since 1 June 2015)	Corporation controlled by the ultimate holding party
CRRC Lanzhou Locomotive Co., Ltd. (formerly known as CNR Lanzhou Locomotive Co., Ltd., became a related party since 1 June 2015)	Corporation controlled by the ultimate holding party

Notes to Financial Statements

31 December 2015

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X. Related party relationships and transactions (continued)

4. Other related parties (continued)

Company names	Relations
CRRC Dalian Locomotive Research Institute Co., Ltd. (formerly known as CNR Dalian Locomotive Research Institute Co., Ltd., became a related party since 1 June 2015)	Corporation controlled by the ultimate holding party
Qingdao Sri Technology Co., Ltd. (became a related party since 1 June 2015)	Corporation controlled by the ultimate holding party
Dalian Universal Computer Measurement & Control Development Co., Ltd. (became a related party since 1 June 2015)	Corporation controlled by the ultimate holding party
Wuhan CNR Changchun Railway Vehicles Facilities Co., Ltd. (became a related party since 1 June 2015)	Corporation controlled by the ultimate holding party
Changchun Railway Vehicles Facilities Co., Ltd. (became a related party since 1 June 2015)	Corporation controlled by the ultimate holding party
Taiyuan Liangjian Rail Engineering Vehicle Co., Ltd. (became a related party since 1 June 2015)	Corporation controlled by the ultimate holding party
Xi'an Yongdian Electric Co., Ltd. (became a related party since 1 June 2015)	Corporation controlled by the ultimate holding party
Shanghai Alstom Transport Co., Ltd. (became a related party since 1 June 2015)	Corporation controlled by the ultimate holding party
Beijing Tianlu Longxiang Rail Transit Equipment Co., Ltd. (became a related party since 1 June 2015)	Corporation controlled by the ultimate holding party
CNR(Quanzhou) Railway Equipment Co., Ltd. (became a related party since 1 June 2015)	Corporation controlled by the ultimate holding party
Beijing CED Railway Electric Tech. Co., Ltd. (became a related party since 1 June 2015)	Corporation controlled by the ultimate holding party
Tianjin JL Railway Transport Equipment Co., Ltd. (became a related party since 1 June 2015)	Corporation controlled by the ultimate holding party
Tangshan Railway Vehicle Co., Ltd. (became a related party since 1 June 2015)	Corporation controlled by the ultimate holding party
CRRC Datong Co., Ltd. (formerly known as CNR Datong Electric Locomotive Co., Ltd. and became a related party since 1 June 2015)	Corporation controlled by the ultimate holding party
CRRC Zhuzhou Electric Locomotive Works (formerly known as CSR Zhuzhou Electric Locomotive Works, ceased to be a related party since 1 June 2015, and became a related party since 5 August 2015)	Corporation controlled by the ultimate holding party
Ningbo CSR New Energy Technology Co., Ltd. (ceased to be a related party since 1 June 2015, and became a related party since 5 August 2015)	Corporation controlled by the ultimate holding party
Zhuzhou CSR Special Equipment Technology Co., Ltd. (ceased to be a related party since 1 June 2015, and became a related party since 5 August 2015)	Corporation controlled by the ultimate holding party

Notes to Financial Statements

31 December 2015

Renminbi Yuan

X. Related party relationships and transactions (continued)

4. Other related parties (continued)

Company names

	Relations
Bombardier Sifang (Qingdao) Transportation Ltd.	Corporation controlled by the ultimate holding party
Hunan CRRC Special Electric Equipment Co., Ltd. (formerly known as Hunan CSR Special Electric Equipment Co., Ltd.)	Corporation controlled by the parent company
Zhuzhou Electromechanical Technology Co., Ltd.	Corporation controlled by the parent company
Zhuzhou CSR Times Material International Trade Co., Ltd.	Corporation controlled by the parent company
Beijing CSR Times Locomotive & Rolling Stock Mechanics Co., Ltd.	Corporation controlled by the parent company
Hunan CSR Times Electric Vehicle Co., Ltd.	Corporation controlled by the parent company
Zhuzhou Times Electric Insulation Co., Ltd.	Corporation controlled by the parent company
Zhuzhou Times Rubber and Plastics Components Development Co., Ltd.	Corporation controlled by the parent company
Xiangyang CRRC Electric Machinery Co., Ltd. (formerly known as Xiangyang CSR Electric Machinery Co., Ltd.)	Corporation controlled by the parent company
CRCC Zhuzhou Traction Electrical Equipment Test & Certification Co., Ltd.	Corporation controlled by the parent company
CSR-AVC Thermal Technologies (Zhuzhou) Co., Ltd.	Corporation controlled by the parent company
Zhuzhou Times New Material Technology Co., Ltd.	Corporation controlled by the parent company
Zhuzhou National Engineering Research Centre of Converters Co., Ltd.	Corporation controlled by the parent company
Shanghai CSR Hange Shipping Engineering Co., Ltd.	Corporation controlled by the parent company
Xiangyang China Railway Hongji Engineering Co., Ltd.	Corporation controlled by the parent company
Changzhou Ruiyang Transmission Technology Co., Ltd.	A joint venture of the ultimate holding group
SN (Shanghai) Corporation Limited (became a related party since 1 June 2015)	A joint venture of the ultimate holding group
Qingdao Faiveley SRI Rail Brake Co., Ltd. (became a related party since 1 June 2015)	A joint venture of the ultimate holding group
Shentong CSR (Shanghai) Railway Vehicles Maintenance Co., Ltd. (became a related party since 5 August 2015)	A joint venture of the ultimate holding group
Tianjin Electric Locomotive Co., Ltd. (became a related party since 1 June 2015)	Associate of the ultimate holding group
Zhuzhou CSR Times Hi-tech Investment & Trusting Co., Ltd.	A joint venture of the group of parent company
Zhuzhou Electric Vehicle Co., Ltd.	Associate of the group of parent company

5. Major transactions between the Group and its related parties

(1) Sales of goods to related parties

	2015	2014
Corporations controlled by the ultimate holding party	7,558,380,021	7,280,491,054
Joint ventures of the Company	1,006,465,708	874,382,550
Corporations controlled by the parent company	219,247,107	263,713,040
Parent company	29,633,249	69,292,802
Associates of the Company	7,550,083	—
Joint ventures of the ultimate holding group	1,202,051	25,846
	8,822,478,219	8,487,905,292

Notes to Financial Statements

31 December 2015

Renminbi Yuan

X. Related party relationships and transactions (continued)

5. Major transactions between the Group and its related parties (continued)

(2) Purchases of goods from related parties

	2015	2014
Joint ventures of the Company	1,534,761,292	1,327,413,890
Corporations controlled by the ultimate holding party	941,655,418	961,390,578
Corporations controlled by the parent company	388,407,254	310,103,033
Associates of the Company	58,488,103	—
Joint ventures of the ultimate holding group	2,718,401	4,768,376
Parent company	<u>127,682</u>	<u>—</u>
	<u>2,926,158,150</u>	<u>2,603,675,877</u>

(3) Sales of electricity to related parties

	2015	2014
Corporations controlled by the parent company	1,018,767	391,221
Parent company	398,047	424,130
Associates of the Company	44,669	195,474
Corporations controlled by the ultimate holding party	<u>16,136</u>	<u>—</u>
	<u>1,477,619</u>	<u>1,010,825</u>

(4) Purchases of electricity from related parties

	2015	2014
Corporations controlled by the ultimate holding party	679,827	320,118
Corporations controlled by the parent company	<u>51,157</u>	<u>—</u>
	<u>730,984</u>	<u>320,118</u>

(5) Sales of fixed assets to related parties

	2015	2014
Corporations controlled by the parent company	<u>540,789</u>	<u>—</u>

(6) Purchases of fixed assets from related parties

	2015	2014
Associates of the Company	741,559	—
Parent company	6,890	9,937
Corporations controlled by the parent company	<u>—</u>	<u>20,629,269</u>
	<u>748,449</u>	<u>20,639,206</u>

Notes to Financial Statements

31 December 2015

Renminbi Yuan

X. Related party relationships and transactions (continued)

5. Major transactions between the Group and its related parties (continued)

(7) Related party leases

As lessor

	2015	2014
Corporations controlled by the parent company	6,451,042	—
Parent company	3,621,335	3,253,943
Associates of the Company	477,597	3,710,426
Corporations controlled by the ultimate holding party	190,986	—
	<u>10,740,960</u>	<u>6,964,369</u>

As lessee

	2015	2014
Parent company (Note)	185,387,169	63,404,348
Corporations controlled by the ultimate holding party	2,142,379	8,900
Associates of the group of parent company	1,873,623	1,817,580
Corporations controlled by the parent company	59,874	—
	<u>189,463,045</u>	<u>65,230,828</u>

Note: As at 25 September 2014, the Company entered into an agreement with CRRC Zhuzhou Institute Co., Ltd. to lease all the real estate, property and related facilities and equipments related to the production of high-power IGBT line. According to the lease agreement, the rent was RMB15,400,722 per month. Lease term starts from 1 September 2014 and lasts for 3 years.

(8) Technical service income from related parties

	2015	2014
Corporations controlled by the ultimate holding party	6,426,578	5,633,209
Corporations controlled by the parent company	3,806,792	3,030,497
Parent company	585,496	596,387
Joint ventures of the group of parent company	3,827	—
	<u>10,822,693</u>	<u>9,260,093</u>

Notes to Financial Statements

31 December 2015

Renminbi Yuan

X. Related party relationships and transactions (continued)

5. Major transactions between the Group and its related parties (continued)

(9) Maintenance services provided to related parties

	2015	2014
Corporations controlled by the ultimate holding party	39,918,356	150,547,542
Corporations controlled by the parent company	319,119	19,235,295
Parent company	—	4,567,094
	<u>40,237,475</u>	<u>174,349,931</u>

(10) Technical service fees paid to related parties

	2015	2014
Parent company	185,746,000	116,195,502
Corporations controlled by the parent company	15,137,509	16,086,858
Corporations controlled by the ultimate holding party	66,038	1,415,094
	<u>200,949,547</u>	<u>133,697,454</u>

(11) Project management fees paid to related parties

	2015	2014
Parent company	1,380,000	—

Notes to Financial Statements

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Renminbi Yuan

X. Related party relationships and transactions (continued)

5. Major transactions between the Group and its related parties (continued)

(12) Fund lending between related parities

Fund borrowed in

2015

	Borrowed amount	Interest rate	Start date	Expiry date
Shareholder of the parent company	50,000,000	1.08%	29 September 2015	28 September 2030
Shareholder of the parent company	34,188,000	1.08%	29 September 2015	28 September 2030
Shareholder of the parent company	16,000,000	1.08%	25 December 2015	24 December 2030
	<u>100,188,000</u>			

Note: in 2015, the Group applied for specific loans for the revamping of high voltage and low voltage IGBT chip module production line amounting to RMB100,188,000 from China Development Fund Corporation Limited through CRRC Corporation Limited.

(13) Interest income from entrusted loan

	2015	2014
Parent company	—	24,854,795

(14) Interest income from cash and bank balances

	2015	2014
Corporations controlled by the ultimate holding party	6,937,781	1,248,959

(15) Interest expense to borrowings

	2015	2014
Shareholder of the parent company	139,972	—

Notes to Financial Statements

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Renminbi Yuan

X. Related party relationships and transactions (continued)

5. Major transactions between the Group and its related parties (continued)

(16) Remuneration of key management

	2015	2014
Remuneration of key management	<u>13,091,392</u>	<u>10,917,598</u>

The terms of the above sales and purchase transactions, sales and purchases of fixed assets and intangible assets, service transactions, entrusted loans to related parties, fund lending and lease transactions with related parties were agreed by both parties.

(17) Commitments between the Group and related parties

The material commitments signed between the Group and the respective related parties which are not required to be presented in the financial statements as at the balance sheet date are as follows:

Sales of goods to related parties

	2016
Corporations controlled by the ultimate holding party	2,561,201,931
Joint ventures of the Company	<u>790,154,853</u>
	<u>3,351,356,784</u>

Purchases of goods from related parties

	2016
Joint ventures of the Company	740,874,568
Corporations controlled by the ultimate holding party	180,077,654
Corporations controlled by the parent company	172,169,598
Joint ventures of the ultimate holding group	9,360,081
Associates of the Company	<u>5,647,139</u>
	<u>1,108,129,040</u>

Operating lease commitments to related parties

	2016
Parent company	<u>184,808,664</u>

Note: As at 25 September 2014, the Company entered into an agreement with CRRC Zhuzhou Institute Co., Ltd. to lease all the buildings, properties, and relevant facilities and equipments related to the production of the high-power IGBT line. Pursuant to the lease agreement, the rent was RMB15,400,722 per month. The lease period is 3 years started from 1 September 2014.

Notes to Financial Statements

31 December 2015

Renminbi Yuan

X. Related party relationships and transactions (continued)

6. Amounts due from and due to related parties

	31 December 2015	31 December 2014
Trade receivables(including long-term trade receivables):		
Corporations controlled by the ultimate holding party	1,368,130,036	949,181,928
Joint ventures of the Company	125,906,817	61,716,239
Corporations controlled by the parent company	100,477,150	161,395,656
Parent company	12,217,952	27,844,865
Associates of the Company	8,839,681	—
Joint ventures of the ultimate holding group	562,700	1,512
Associates of the ultimate holding group	186,800	—
Ultimate holding party	—	150,000
	1,616,321,136	1,200,290,200
Bills receivable:		
Corporations controlled by the ultimate holding party	1,442,479,580	2,109,836,623
Corporations controlled by the parent company	93,491,969	84,113,288
Parent company	61,630,430	62,671,768
	1,597,601,979	2,256,621,679
Prepayments:		
Associates of the Company	17,599,826	20,000,000
Corporations controlled by the ultimate holding party	1,067,593	820,349
Corporations controlled by the parent company	—	892,070
Shareholder of the parent company	—	40,000
	18,667,419	21,752,419

Notes to Financial Statements

31 December 2015

Renminbi Yuan

X. Related party relationships and transactions (continued)

6. Amounts due from and due to related parties (continued)

	31 December 2015	31 December 2014
Other receivables:		
Corporations controlled by the ultimate holding party	799,406	—
Corporations controlled by the parent company	50,000	100,000
Associates of the Company	2,209	—
Parent company	—	224,734
	851,615	324,734
Cash and bank deposit:	31 December 2015	31 December 2014
Corporations controlled by the ultimate holding party (Note)	337,923,846	144,985,190

Note: As at 31 December 2015, the Company's current deposit with CSR Finance Co., Ltd. is amounted to RMB337,923,846 (31 December 2014: RMB144,985,190). Pursuant to Financial Services Framework Agreement, the maximum daily deposit balance with CSR Finance Co., Ltd. is no more than RMB350,000,000. The interest rate is no less than the interest rate payable by the principal commercial banks in the PRC for comparable deposits and by CSR Finance Co., Ltd. to other members of the CRRC Group for comparable deposits.

Notes to Financial Statements

31 December 2015

Renminbi Yuan

X. Related party relationships and transactions (continued)

6. Amounts due from and due to related parties (continued)

	31 December 2015	31 December 2014
Trade payables:		
Joint ventures of the Company	401,970,347	139,594,684
Corporations controlled by the ultimate holding party	134,012,449	153,735,550
Corporations controlled by the parent company	65,075,556	38,825,286
Joint ventures of the ultimate holding group	7,864,406	8,077,503
Associates of the Company	7,459,447	—
Parent company	—	2,232
	616,382,205	340,235,255
Bills payable:		
Corporations controlled by the ultimate holding party	341,870,457	103,130,000
Joint ventures of the Company	156,240,997	150,000,000
Corporations controlled by the parent company	62,760,000	53,602,220
	560,871,454	306,732,220
Advances from customers:		
Corporations controlled by the ultimate holding party	65,786,398	8,659,388
Corporations controlled by the parent company	3,219,282	1,539,000
	69,005,680	10,198,388
Interests payable		
Shareholder of the parent company	139,972	—

Notes to Financial Statements

31 December 2015

Renminbi Yuan

X. Related party relationships and transactions (continued)

6. Amounts due from and due to related parties (continued)

	31 December 2015	31 December 2014
Other payables:		
Parent company	153,649,556	154,992,700
Corporations controlled by the parent company	1,871,441	2,253,103
Corporations controlled by the ultimate holding party	850,000	1,000,000
Joint ventures of the ultimate holding group	—	500,000
	156,370,997	158,745,803
Long term borrowings	31 December 2015	31 December 2014
Shareholders of the parent company	100,188,000	—

The Group's bills receivable from and bills payable to related parties are non-interest-bearing, unsecured and have fixed terms of repayment; cash and bank deposits are interest-bearing, unsecured and have no fixed terms of repayment; and long-term borrowings are interest-bearing, unsecured and have fixed terms of repayment. Other amounts due from and due to related parties are non-interest-bearing and unsecured. In particular, the repayment period of trading amounts is subject to the provisions of the trading terms, non-trading amounts have no fixed repayment periods.

The above related party transactions between the Group and the companies controlled by the parent company, the companies controlled by the ultimate holding party, joint ventures of the ultimate holding group and associates of which interest held by the ultimate holding group and the group of parent company is 30% or above also constituted connected transactions or continuing connected transactions under the provisions of Chapter 14A of the Hong Kong Listing Rules.

XI. Commitments and contingencies

1. Commitments

	31 December 2015	31 December 2014
Contracted but not provided for		
Capital commitments:	87,658,109	110,473,601
Investment commitments	—	22,500,000
	87,658,109	132,973,601

2. Contingencies

Other than the other non-current liabilities event disclosed in Note V. 31, the Group has no contingencies which should be disclosed.

Notes to Financial Statements

31 December 2015

Renminbi Yuan

XII. Post balance sheet events

Other than the dividend distribution event proposed by the board of directors disclosed in Note V. 37 Retained earnings, the Group has no post balance sheet events which should be disclosed.

XIII. Other significant events

1. 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	528,978,155	296,799,356
	<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.

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.

Notes to Financial Statements

31 December 2015

Renminbi Yuan

XIII. Other significant events (continued)

1. Segment reporting (continued)

Other information (continued)

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).

2. Operating lease

As lessor

The leases of the Group as lessor were the operating leases of buildings. Please refer to Note V. 11 for details. According to the lease contracts entered into with lessees, the minimum lease receivables under irrevocable leases are as follows:

	31 December 2015	31 December 2014
Within 1 year, inclusive	6,470,273	962,897
1 to 2 years, inclusive	3,681,800	466,800
2 to 3 years, inclusive	3,197,000	466,800
Over 3 years	<u>15,985,000</u>	—
	<u>29,334,073</u>	<u>1,896,497</u>

As lessee

Significant operating leases

According to the lease contracts entered into with lessors, the minimum lease payables under irrevocable leases are as follows:

	31 December 2015	31 December 2014
Within 1 year, inclusive	214,967,372	216,877,908
1 to 2 years, inclusive	142,060,469	213,815,680
2 to 3 years, inclusive	1,142,762	140,442,169
Over 3 years	—	2,285,524
	<u>358,170,603</u>	<u>573,421,281</u>

Notes to Financial Statements

31 December 2015

Renminbi Yuan

XIII. Other significant events (continued)

3. Other financial information

(1) Net current assets and total assets less current liabilities

	31 December 2015		31 December 2014	
	Group	Company	Group	Company
Net current assets	11,852,766,497	10,737,478,727	9,179,211,753	8,478,808,585
Total assets less current liabilities	15,662,192,706	14,228,898,903	11,938,153,567	11,547,532,429

(2) Contributions paid to pension plans

	2015	2014
Contributions paid to pension plans	148,885,316	109,178,481

As at 31 December 2015, the Group was not mandated to withdraw any amount of contributions in order to reduce the contribution amounts to pension plans in future years (31 December 2014: Nil).

(3) Remuneration of directors, supervisors and chief executive

Remuneration of directors, supervisors and chief executive for the current year is disclosed as follows:

	2015	2014
Fees	920,826	913,095
Other emoluments:		
Salaries, allowances and benefits in kind	1,615,921	1,585,774
Performance related bonuses	2,599,400	1,654,030
Pension scheme contributions	179,258	168,288
	4,394,579	3,408,092
	5,315,405	4,321,187

Notes to Financial Statements

31 December 2015

Renminbi Yuan

XIII. Other significant events (continued)

3. Other financial information (continued)

(3) Remuneration of directors, supervisors and chief executive (continued)

2015

	Fees	Salaries, allowances and benefits in kind	Performance related bonuses	Pension scheme contributions	Total
Executive directors					
Ding Rongjun	—	—	—	—	—
Li Donglin (chief executive) (Note 1)	—	499,567	1,096,882	41,954	1,638,403
Deng Huijin	—	—	—	—	—
Yan Wu	—	382,532	431,037	45,768	859,337
	—	882,099	1,527,919	87,722	2,497,740
Non-executive directors					
Ma Yunkun	85,113	—	—	—	85,113
	85,113	—	—	—	85,113
Independent non-executive directors					
Gao Yucai (Note 2)	92,857	—	—	—	92,857
Chan Kam Wing, Clement	278,571	—	—	—	278,571
Pao Ping Wing	278,571	—	—	—	278,571
Liu Chunru	92,857	—	—	—	92,857
	742,856	—	—	—	742,856
Supervisors					
Xiong Ruihua	—	—	—	—	—
Pang Yiming	—	311,972	467,502	45,768	825,242
Zhou Guifa	—	421,850	603,979	45,768	1,071,597
Geng Jianxin	92,857	—	—	—	92,857
	92,857	733,822	1,071,481	91,536	1,989,696
	920,826	1,615,921	2,599,400	179,258	5,315,405

Notes to Financial Statements

31 December 2015

Renminbi Yuan

XIII. Other significant events (continued)

3. Other financial information (continued)

(3) Remuneration of directors, supervisors and chief executive (continued)

2014

	Fees	Salaries, allowances and benefits in kind	Performance related bonuses	Pension scheme contributions	Total
Executive directors					
Ding Rongjun	—	—	—	—	—
Li Donglin (chief executive)	—	507,228	678,115	42,072	1,227,415
Deng Huijin	—	—	—	—	—
Yan Wu	—	369,296	333,833	42,072	745,201
	—	876,524	1,011,948	84,144	1,972,616
Non-executive directors					
Ma Yunkun	77,382	—	—	—	77,382
	77,382	—	—	—	77,382
Independent non-executive directors					
Gao Yucai	92,857	—	—	—	92,857
Chan Kam Wing, Clement	278,571	—	—	—	278,571
Pao Ping Wing	278,571	—	—	—	278,571
Liu Chunru	92,857	—	—	—	92,857
	742,856	—	—	—	742,856
Supervisors					
He Wencheng	—	—	—	—	—
Xiong Ruihua	—	—	—	—	—
Pang Yiming	—	302,036	150,012	42,072	494,120
Zhou Guifa	—	407,214	492,070	42,072	941,356
Geng Jianxin	92,857	—	—	—	92,857
	92,857	709,250	642,082	84,144	1,528,333
	913,095	1,585,774	1,654,030	168,288	4,321,187

Note 1: As at 12 January 2016, Li Donglin resigned as the executive director of the Company. Liu Ke'an became the executive director of the Company.

Note 2: As at 23 March 2016, Gao Yucai resigned as the non-executive director of the Company.

Notes to Financial Statements

31 December 2015

Renminbi Yuan

XIII. Other significant events (continued)

3. Other financial information (continued)

(3) Remuneration of directors, supervisors and chief executive (continued)

The five highest paid employees of the Group are as follows:

	2015	2014
Director, supervisor and chief executive	1	1
Non-director and non-supervisor employee	4	4
	<hr/> 5 <hr/>	<hr/> 5 <hr/>

The remuneration paid to the above non-director, non-supervisor and non-chief executive highest paid employees is as follows:

	2015	2014
Salaries, allowances and benefits in kind	3,614,589	3,502,754
Performance related bonuses	1,370,782	1,059,889
Pension scheme contributions	234,167	226,677
	<hr/> 5,219,538 <hr/>	<hr/> 4,789,320 <hr/>

The number of the non-director, non-supervisor and non-chief executive highest paid employees whose remuneration fell within the following bands is as follows:

	2015	2014
HKD1,000,001 to HKD2,000,000	1	3
HKD2,000,001 to HKD3,000,000	1	1
HKD3,000,001 to HKD4,000,000	1	—
HKD4,000,001 to HKD5,000,000	1	—
	<hr/> 4 <hr/>	<hr/> 4 <hr/>

In 2015, there were no director, supervisor, chief executive or any of the non-director, non-supervisor, non-chief executive highest paid individual who waived or agreed to waive any emoluments, and no emoluments were paid by the Group to any director, supervisor, chief executive and any non-director and non-supervisor highest paid individual as an inducement to join or upon joining the Group, or as compensation for loss of office (2014: Nil).

Notes to Financial Statements

31 December 2015

Renminbi Yuan

XIV. Notes to Key Items of the Company's Financial Statements

1. Cash and bank balances

	31 December 2015	31 December 2014
Cash in bank	2,754,350,998	2,214,865,319
Other cash and bank balances	<u>12,442,282</u>	—
	<u><u>2,766,793,280</u></u>	<u><u>2,214,865,319</u></u>

As at 31 December 2015, the cash and bank balance of RMB12,442,282 (31 December 2014: Nil) of the Company is restricted as security deposit for issuance of bank letters of guarantee.

As at 31 December 2015, no cash and bank balances was deposited overseas by the Company (31 December 2014: RMB8,774).

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 Company and earn interest at the respective deposit rates.

2. Bills receivable

	31 December 2015	31 December 2014
Bank acceptance bills	2,067,987,071	1,184,874,756
Commercial acceptance bills	<u>1,689,491,042</u>	<u>1,809,346,000</u>
	<u><u>3,757,478,113</u></u>	<u><u>2,994,220,756</u></u>

Five highest bills receivable are listed as follows:

	31 December 2015
CRRC Zhuzhou Locomotive Co., Ltd.	572,000,000
CRRC Ziyang Locomotive Co., Ltd.	473,000,000
Non-related party 1	413,280,450
Non-related party 2	322,572,350
CRRC Qishuyan Locomotive Co., Ltd.	321,600,000
	<u><u>2,102,452,800</u></u>

Notes to Financial Statements

31 December 2015

Renminbi Yuan

XIV. Notes to Key Items of the Company's Financial Statements (continued)

2. Bills receivable (continued)

Five highest bills receivable are listed as follows: (continued)

	31 December 2014
CRRC Zhuzhou Locomotive Co., Ltd.	1,070,000,000
CRRC Sifang Rolling Stock Co., Ltd.	264,000,000
CRRC Qingdao Sifang Locomotive & Rolling Stock Co., Ltd.	255,000,000
Non-related party	230,896,000
Ziyang CSR Electric Locomotive Co., Ltd.	<u>162,200,000</u>
	<u>1,982,096,000</u>

3. 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	3,095,663,847	2,465,983,270
6 months to 1 year	399,341,554	256,534,331
1 to 2 years	429,310,695	397,207,221
2 to 3 years	116,865,529	25,197,912
Over 3 years	20,863,402	6,354,159
	4,062,045,027	3,151,276,893
Less: Provision for bad debt	98,154,429	99,729,772
	3,963,890,598	3,051,547,121
Less: Classified as non-current assets (Note XIV. 9)	3,337,685	19,847,943
	3,960,552,913	<u>3,031,699,178</u>

Notes to Financial Statements

31 December 2015

Renminbi Yuan

XIV. Notes to Key Items of the Company's Financial Statements (continued)

3. Trade receivables (continued)

The movements of provision for bad debt are as follows:

	2015	2014
Opening balance	99,729,772	38,595,681
Provision in the current year	42,604,342	63,798,423
Reversal in the current year	(42,638,431)	(276,807)
Write-off in the current year	(1,541,254)	(2,387,525)
Closing balance	98,154,429	99,729,772

Five highest trade receivables (including long-term trade receivables) are listed as follows:

	31 December 2015
CRRC Zhuzhou Locomotive Co., Ltd.	483,075,646
Times Electronics	454,309,540
CRRC Qingdao Sifang Locomotive & Rolling Stock Co., Ltd.	400,426,622
Non-related party 1	187,100,443
Non-related party 2	156,859,466
	1,681,771,717
	31 December 2014
Times Electronics	377,226,963
CRRC Qingdao Sifang Locomotive & Rolling Stock Co., Ltd.	278,202,177
CRRC Zhuzhou Locomotive Co., Ltd.	235,300,005
CRRC Qishuyan Locomotive Co., Ltd.	187,137,679
Non-related party	123,548,658
	1,201,415,482

Notes to Financial Statements

31 December 2015

Renminbi Yuan

XIV. Notes to Key Items of the Company's Financial Statements (continued)

4. Dividends receivable

	31 December 2015	31 December 2014
Times Electronics	<u>—</u>	<u>30,000,000</u>

5. Prepayments

Maturity analysis:

	31 December 2015	31 December 2014
Within 1 year	93,249,265	94,710,153
1 to 2 years	3,731,836	32,487,457
2 to 3 years	2,401,953	45,100
Over 3 years	1,115,554	1,261,099
	<u>100,498,608</u>	<u>128,503,809</u>

Five highest prepayments are as follows:

	31 December 2015	31 December 2014
Dynex Semiconductor	29,852,013	30,832,196
Non-related party 1	25,100,720	27,948,800
Hunan CSR Wabtec	17,599,826	20,000,000
Non-related party 2	8,555,100	14,382,020
Non-related party 3	4,121,332	8,684,138
	<u>85,228,991</u>	<u>101,847,154</u>

Notes to Financial Statements

31 December 2015

Renminbi Yuan

XIV. Notes to Key Items of the Company's Financial Statements (continued)

6. Other receivables

Maturity analysis:

	31 December 2015	31 December 2014
Within 1 year	155,067,698	71,660,143
1 to 2 years	12,367,304	23,307,383
2 to 3 years	21,293,693	31,078,496
Over 3 years	90,318,065	74,915,642
	<hr/>	<hr/>
	279,046,760	200,961,664
Less: Provision for bad debt	3,962,449	4,501,538
	<hr/>	<hr/>
	275,084,311	196,460,126

The movements of provision for bad debt are as follows:

	2015	2014
Opening balance	4,501,538	2,505,868
Provision in current year	1,343,831	1,995,670
Reversal in current year	(1,673,220)	—
Write-off in current year	(209,700)	—
	<hr/>	<hr/>
Closing balance	3,962,449	4,501,538

Other receivables by nature are as follows:

	31 December 2015	31 December 2014
Customs deposit	—	40,215,000
Receivables from subsidiaries	235,492,314	133,573,212
Tender deposit	25,006,064	9,270,404
Others	14,585,933	13,401,510
	<hr/>	<hr/>
	275,084,311	196,460,126

Notes to Financial Statements

31 December 2015

Renminbi Yuan

XIV. Notes to Key Items of the Company's Financial Statements (continued)

6. Other receivables (continued)

Five highest other receivables are as follows:

	31 December 2015
Times Information	65,630,216
Ningbo Electric	57,600,000
Kunming Electric	52,095,000
HK Electric	48,360,244
Baoji Times	<u>4,860,000</u>
	228,545,460
	31 December 2014
Baoji Times	62,220,892
Times Information	47,595,000
Shenyang Times	40,215,000
Kunming Electric	15,000,000
Non-related party	<u>4,159,674</u>
	169,190,566

7. Inventories

	31 December 2015		
	Gross carrying amount	Impairment provision	Carrying amount
Raw materials	532,941,985	66,801,789	466,140,196
Semi-finished products	305,856,260	67,909,341	237,946,919
Work in progress	93,250,337	—	93,250,337
Finished goods	1,488,174,493	10,541,756	1,477,632,737
Turnover materials	<u>14,778,398</u>	<u>1,502,174</u>	<u>13,276,224</u>
	2,435,001,473	146,755,060	2,288,246,413

Notes to Financial Statements

31 December 2015

Renminbi Yuan

XIV. Notes to Key Items of the Company's Financial Statements (continued)

7. Inventories (continued)

	31 December 2014		
	Gross carrying amount	Impairment provision	Carrying amount
Raw materials	403,353,194	33,383,431	369,969,763
Semi-finished products	198,223,961	45,041,013	153,182,948
Work in progress	66,722,901	—	66,722,901
Finished goods	1,140,885,569	5,110,764	1,135,774,805
Turnover materials	5,180,430	349,879	4,830,551
	1,814,366,055	83,885,087	1,730,480,968

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

2015

	Opening balance	Provision	Write-off and reversal	Closing balance
Raw materials	33,383,431	33,418,358	—	66,801,789
Semi-finished products	45,041,013	59,367,471	(36,499,143)	67,909,341
Finished goods	5,110,764	5,754,661	(323,669)	10,541,756
Turnover materials	349,879	1,152,295	—	1,502,174
	83,885,087	99,692,785	(36,822,812)	146,755,060

2014

	Opening balance	Provision	Write-off and reversal	Closing balance
Raw materials	33,031,403	2,104,632	(1,752,604)	33,383,431
Semi-finished products	8,657,811	36,499,143	(115,941)	45,041,013
Finished goods	14,228,646	900,145	(10,018,027)	5,110,764
Turnover materials	913,893	48,379	(612,393)	349,879
	56,831,753	39,552,299	(12,498,965)	83,885,087

Notes to Financial Statements

31 December 2015

Renminbi Yuan

XIV. Notes to Key Items of the Company's Financial Statements (continued)

8. Other current assets

	31 December 2015	31 December 2014
Bank financial products (Note)	2,901,794,247	2,664,709,726
Value-added tax retained	17,783,516	33,756,045
Other tax retained	25,535,287	761,520
	2,945,113,050	2,699,227,291

Note: As at 31 December 2015, the bank financial products held by the Company are with expected yield rates from 3.10 % to 4.05% (31 December 2014: 3.20%-4.90 %). These bank financial products will expire in succession before 2 July 2016.

9. Long-term receivables

	31 December 2015	31 December 2014
Trade receivables (Note XIV. 3)	3,337,685	19,847,943
Less: Long-term receivables due within one year	—	—
	3,337,685	19,847,943

10. Long-term equity investments

	31 December 2015	31 December 2014
Long-term equity investments using equity method	219,963,217	237,010,505
Long-term equity investments using cost method	1,516,258,390	1,106,747,990
	1,736,221,607	1,343,758,495
Less: Impairment of long-term investments	49,699,261	49,699,261
	1,686,522,346	1,294,059,234

Changes in long-term equity investments impairment are as follows:

	2015	2014
Opening balance	49,699,261	49,699,261
Provision in the current year	—	—
Closing balance	49,699,261	49,699,261

Notes to Financial Statements

31 December 2015

Renminbi Yuan

XIV. Notes to Key Items of the Company's Financial Statements (continued)

10. Long-term equity investments (continued)

Long-term equity investments using equity method

2015

	Current year movements				Closing balance
	Opening balance	Impact of unrealised profits	Investment income under equity method	Cash dividends announced	
Non-listed investments					
Equity method					
A joint venture					
Shiling	180,186,598	(22,846,297)	49,915,571	(50,000,000)	157,255,872
Associates					
Zhuzhou Siemens	49,577,867	—	3,172,372	—	52,750,239
Hunan CSR Wabtec	7,246,040	—	2,711,066	—	9,957,106
	<u>56,823,907</u>	<u>—</u>	<u>5,883,438</u>	<u>—</u>	<u>62,707,345</u>
	<u>237,010,505</u>	<u>(22,846,297)</u>	<u>55,799,009</u>	<u>(50,000,000)</u>	<u>219,963,217</u>

2014

	Current year movements				Closing balance
	Opening balance	Impact of unrealised profits	Investment income under equity method	Cash dividends announced	
Non-listed investments					
Equity method					
A joint venture					
Shiling	176,232,966	(36,604,782)	51,558,414	(11,000,000)	180,186,598
Associates					
Zhuzhou Siemens	47,029,031	—	2,548,836	—	49,577,867
Hunan CSR Wabtec	9,691,451	—	(2,445,411)	—	7,246,040
	<u>56,720,482</u>	<u>—</u>	<u>103,425</u>	<u>—</u>	<u>56,823,907</u>
	<u>232,953,448</u>	<u>(36,604,782)</u>	<u>51,661,839</u>	<u>(11,000,000)</u>	<u>237,010,505</u>

Notes to Financial Statements

31 December 2015

Renminbi Yuan

XIV. Notes to Key Items of the Company's Financial Statements (continued)

10. Long-term equity investments (continued)

Long-term equity investments using cost method

2015

	Opening balance	Changes	Closing balance
Non-listed investments			
Times Electronics	182,977,618	—	182,977,618
Ningbo Times	133,507,255	—	133,507,255
Times Information	29,000,000	—	29,000,000
Times USA	3,187,516	—	3,187,516
Times Equipment	99,561,157	—	99,561,157
Shenyang Times	56,000,000	—	56,000,000
Baoji Times	260,000,000	—	260,000,000
Kunming Electric	3,000,000	—	3,000,000
Hangzhou Electric	33,000,000	—	33,000,000
Guangzhou Times	18,000,000	—	18,000,000
HK Electric	8,098,000	344,210,400	352,308,400
Times Australia	1,814,037	—	1,814,037
Ningbo Electric	10,000,000	—	10,000,000
Times Brasil	4,062,679	—	4,062,679
Qingdao Electric	22,500,000	—	22,500,000
Yueqing CSR Railway	—	15,300,000	15,300,000
Software Company	—	50,000,000	50,000,000
Shanghai CSR Railway	25,500,000	—	25,500,000
	890,208,262	409,510,400	1,299,718,662
Listed investments			
Dynex	216,539,728	—	216,539,728
	1,106,747,990	409,510,400	1,516,258,390
Less: Impairment of long-term investments	49,699,261	—	49,699,261
	1,057,048,729	409,510,400	1,466,559,129

Notes to Financial Statements

31 December 2015

Renminbi Yuan

XIV. Notes to Key Items of the Company's Financial Statements (continued)

10. Long-term equity investments (continued)

Long-term equity investments using cost method (continued)

2014

	Opening balance	Changes	Closing balance
Non-listed investments			
Times Electronics	182,977,618	—	182,977,618
Ningbo Times	133,507,255	—	133,507,255
Times Information	29,000,000	—	29,000,000
Times USA	3,187,516	—	3,187,516
Times Equipment	34,561,157	65,000,000	99,561,157
Shenyang Times	3,000,000	53,000,000	56,000,000
Baoji Times	160,000,000	100,000,000	260,000,000
Kunming Electric	3,000,000	—	3,000,000
Hangzhou Electric	33,000,000	—	33,000,000
Guangzhou Times	18,000,000	—	18,000,000
HK Electric	8,098,000	—	8,098,000
Times Australia	1,814,037	—	1,814,037
Ningbo Electric	10,000,000	—	10,000,000
Times Brasil	4,062,679	—	4,062,679
Qingdao Electric	—	22,500,000	22,500,000
Shanghai CSR Railway	—	25,500,000	25,500,000
	624,208,262	266,000,000	890,208,262
Listed investments			
Dynex	216,539,728	—	216,539,728
	840,747,990	266,000,000	1,106,747,990
Less: Impairment of long-term investments	49,699,261	—	49,699,261
	791,048,729	266,000,000	1,057,048,729

Notes to Financial Statements

31 December 2015

Renminbi Yuan

XIV. Notes to Key Items of the Company's Financial Statements (continued)

11. Fixed assets

2015

	Buildings	Machinery	Vehicles	Office facilities and others	Total
Cost					
Opening balance	863,781,874	907,448,031	22,077,650	124,665,898	1,917,973,453
Purchase	—	22,898,274	3,873,084	31,676,298	58,447,656
Construction in progress	12,837,897	43,102,416	—	4,244,605	60,184,918
Sale and disposal	—	(19,753,200)	(470,704)	(2,619,752)	(22,843,656)
Other decrease	(3,619,762)	(6,051,656)	—	—	(9,671,418)
Closing balance	<u>873,000,009</u>	<u>947,643,865</u>	<u>25,480,030</u>	<u>157,967,049</u>	<u>2,004,090,953</u>
Accumulated depreciation					
Opening balance	136,641,269	416,039,454	15,609,950	79,406,445	647,697,118
Increase	25,215,686	114,710,465	2,760,675	14,091,296	156,778,122
Write-off	—	(15,428,014)	(447,169)	(2,209,580)	(18,084,763)
Closing balance	<u>161,856,955</u>	<u>515,321,905</u>	<u>17,923,456</u>	<u>91,288,161</u>	<u>786,390,477</u>
Impairment provision					
Opening balance	10,513,264	53,103,610	—	117,112	63,733,986
Increase	—	4,510,982	—	602,891	5,113,873
Write-off	—	(1,244,326)	—	(4,385)	(1,248,711)
Closing balance	<u>10,513,264</u>	<u>56,370,266</u>	<u>—</u>	<u>715,618</u>	<u>67,599,148</u>
Net carrying amount					
31 December 2015	<u>700,629,790</u>	<u>375,951,694</u>	<u>7,556,574</u>	<u>65,963,270</u>	<u>1,150,101,328</u>
31 December 2014	<u>716,627,341</u>	<u>438,304,967</u>	<u>6,467,700</u>	<u>45,142,341</u>	<u>1,206,542,349</u>

Notes to Financial Statements

31 December 2015

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XIV. Notes to Key Items of the Company's Financial Statements (continued)

11. Fixed assets (continued)

2014

	Buildings	Machinery	Vehicles	Office facilities and others	Total
Cost					
Opening balance	739,786,774	695,465,035	23,034,310	123,520,955	1,581,807,074
Purchase	—	16,436,465	1,493,811	20,934,409	38,864,685
Construction in progress	123,995,100	215,977,005	—	203,407	340,175,512
Sale and disposal	—	(18,366,934)	(2,450,471)	(6,216,678)	(27,034,083)
Other decrease	—	(2,063,540)	—	(13,776,195)	(15,839,735)
Closing balance	<u>863,781,874</u>	<u>907,448,031</u>	<u>22,077,650</u>	<u>124,665,898</u>	<u>1,917,973,453</u>
Accumulated depreciation					
Opening balance	113,323,078	292,651,707	15,228,401	79,068,719	500,271,905
Increase	23,318,191	138,669,336	2,726,126	15,055,079	179,768,732
Write-off	—	(13,909,417)	(2,344,577)	(5,191,828)	(21,445,822)
Other decrease	—	(1,372,172)	—	(9,525,525)	(10,897,697)
Closing balance	<u>136,641,269</u>	<u>416,039,454</u>	<u>15,609,950</u>	<u>79,406,445</u>	<u>647,697,118</u>
Impairment provision					
Opening balance	9,411,739	34,262,797	—	128,736	43,803,272
Increase	1,101,525	21,521,983	—	6,967	22,630,475
Write-off	—	(2,681,170)	—	(18,591)	(2,699,761)
Closing balance	<u>10,513,264</u>	<u>53,103,610</u>	<u>—</u>	<u>117,112</u>	<u>63,733,986</u>
Net carrying amount					
31 December 2014	<u>716,627,341</u>	<u>438,304,967</u>	<u>6,467,700</u>	<u>45,142,341</u>	<u>1,206,542,349</u>
31 December 2013	<u>617,051,957</u>	<u>368,550,531</u>	<u>7,805,909</u>	<u>44,323,500</u>	<u>1,037,731,897</u>

The carrying amount of fixed assets on operating lease is as follows:

	31 December 2015	31 December 2014
Buildings	<u>53,840,320</u>	<u>57,939,398</u>

Notes to Financial Statements

31 December 2015

Renminbi Yuan

XIV. Notes to Key Items of the Company's Financial Statements (continued)

12. Construction in Progress

	31 December 2015	31 December 2014
Power electronic devices & electric drive system test platform construction project	91,493,884	88,054,052
SIC-based power electronic devices lab & fab construction project	24,535,133	1,538,331
Copper electroplating system	14,595,848	—
Maochang staff dorm building B interior decoration project	9,347,570	3,269,048
Electron irradiation processing facility construction project	7,134,987	4,203,858
Others	17,069,599	21,826,120
	164,177,021	118,891,409

The movements of construction in progress in 2015 are as follows:

	Budget	Opening balance	Increase	Transfers to fixed assets	Closing balance	Capital resource	Proportion of budget invested
Power electronic devices & electric drive system test platform construction project	156,100,000	88,054,052	17,818,464	14,378,632	91,493,884	Self-raised	68%
SIC-based power electronic devices lab & fab construction project	292,650,000	1,538,331	22,996,802	—	24,535,133	Self-raised and government grant	8%
Copper electroplating system	15,426,100	—	14,595,848	—	14,595,848	Self-raised	95%
Maochang staff dorm building B interior decoration project	9,371,700	3,269,048	6,078,522	—	9,347,570	Self-raised	100%
Electron irradiation processing facility construction project	7,500,000	4,203,858	3,117,453	186,324	7,134,987	Self-raised	98%
Maochang staff dorm construction project	121,436,500	5,389,782	9,281,450	14,671,232	—	Self-raised and government grant	100%
Others		<u>16,436,338</u>	<u>31,581,991</u>	<u>30,948,730</u>	<u>17,069,599</u>		
	118,891,409	105,470,530	60,184,918	164,177,021			

Notes to Financial Statements

31 December 2015

Renminbi Yuan

XIV. Notes to Key Items of the Company's Financial Statements (continued)

12. Construction in Progress (continued)

The movements of construction in progress in 2014 are as follows:

	Budget	Opening balance	Increase	Transfers to fixed assets	Closing balance	Capital resource	Proportion of budget invested
Power electronic devices & electric drive system test platform construction project	156,100,000	—	88,054,052	—	88,054,052	Self-raised	56%
Maotangao staff dorm building construction project	121,436,500	85,507,535	34,555,212	114,672,965	5,389,782	Self-raised and government grant	99%
8 MW golden sun demonstration project	72,000,000	51,430,000	20,629,269	72,059,269	—	Self-raised and government grant	100%
Converter manufacturing plant construction project	165,000,000	1,205,680	3,695,396	4,901,076	—	Self-raised	96%
Photovoltaic power generation comprehensive test system construction project	13,500,000	13,091,536	97,863	13,189,399	—	Self-raised and government grant	98%
Others		74,764,986	86,035,392	135,352,803	25,447,575		
	<u>225,999,737</u>	<u>233,067,184</u>	<u>340,175,512</u>	<u>118,891,409</u>			

Note: The Company received special loan for constructions in progress. The interest expense amounting to RMB 139,972 has been capitalised.

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31 December 2015

Renminbi Yuan

XIV. Notes to Key Items of the Company's Financial Statements (continued)

13. Intangible assets

2015

	Land use rights	Software licenses	Patents, licenses and technical know-how	Total
Cost				
Opening balance	74,494,406	69,430,395	202,947,781	346,872,582
Purchase	—	4,808,718	82,127,284	86,936,002
Closing balance	<u>74,494,406</u>	<u>74,239,113</u>	<u>285,075,065</u>	<u>433,808,584</u>
Accumulated amortisation				
Opening balance	12,458,031	56,438,005	30,688,333	99,584,369
Increase	1,477,623	7,064,218	7,686,347	16,228,188
Closing balance	<u>13,935,654</u>	<u>63,502,223</u>	<u>38,374,680</u>	<u>115,812,557</u>
Impairment provision				
Opening balance	—	—	131,627,620	131,627,620
Closing balance	—	—	<u>131,627,620</u>	<u>131,627,620</u>
Net carrying amount				
31 December 2015	<u>60,558,752</u>	<u>10,736,890</u>	<u>115,072,765</u>	<u>186,368,407</u>
31 December 2014	<u>62,036,375</u>	<u>12,992,390</u>	<u>40,631,828</u>	<u>115,660,593</u>

Notes to Financial Statements

31 December 2015

Renminbi Yuan

XIV. Notes to Key Items of the Company's Financial Statements (continued)

13. Intangible assets (continued)

2014

	Land use rights	Software licenses	Patents, licenses and technical know-how	Total
Cost				
Opening balance	74,494,406	66,426,294	173,593,855	314,514,555
Purchase	—	3,004,101	—	3,004,101
Internal development	—	—	29,353,926	29,353,926
Closing balance	<u>74,494,406</u>	<u>69,430,395</u>	<u>202,947,781</u>	<u>346,872,582</u>
Accumulated amortisation				
Opening balance	10,980,408	48,001,713	27,467,696	86,449,817
Increase	1,477,623	8,436,292	3,220,637	13,134,552
Closing balance	<u>12,458,031</u>	<u>56,438,005</u>	<u>30,688,333</u>	<u>99,584,369</u>
Impairment provision				
Opening balance	—	—	131,627,620	131,627,620
Closing balance	—	—	<u>131,627,620</u>	<u>131,627,620</u>
Net carrying amount				
31 December 2014	<u>62,036,375</u>	<u>12,992,390</u>	<u>40,631,828</u>	<u>115,660,593</u>
31 December 2013	<u>63,513,998</u>	<u>18,424,581</u>	<u>14,498,539</u>	<u>96,437,118</u>

Notes to Financial Statements

31 December 2015

Renminbi Yuan

XIV. Notes to Key Items of the Company's Financial Statements (continued)

14. Deferred tax assets

	31 December 2015		31 December 2014	
	Deductible temporary differences	Deferred tax assets	Deductible temporary differences	Deferred tax assets
Provision for product quality warranties	842,666,295	126,399,944	797,513,605	119,627,040
Provision for impairment of assets	431,984,157	64,797,623	380,526,216	57,078,932
Government grants	267,358,640	40,103,796	197,144,057	29,571,609
Depreciation differences arising from different depreciation terms in tax laws and accounting	101,068,579	15,160,287	73,308,271	10,996,241
Payroll payable	14,023,402	2,103,510	27,877,180	4,181,577
Others	4,096,637	614,496	7,545,424	1,131,814
	1,661,197,710	249,179,656	1,483,914,753	222,587,213

15. Bills payable

	31 December 2015	31 December 2014
Commercial acceptance bills	311,859,145	136,450,000
Bank acceptance bills	1,094,352,237	1,249,486,394
	1,406,211,382	1,385,936,394

Notes to Financial Statements

31 December 2015

Renminbi Yuan

XIV. Notes to Key Items of the Company's Financial Statements (continued)

16. 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	1,981,014,774	1,248,954,897
3 months to 1 year	188,489,547	346,610,198
1 to 2 years	79,965,499	67,977,419
2 to 3 years	21,047,485	24,078,129
Over 3 years	100,385,338	81,428,308
	<hr/>	<hr/>
Less: Classified as long-term payables	2,370,902,643	1,769,048,951
	116,298,371	66,444,529
	<hr/>	<hr/>
	2,254,604,272	1,702,604,422

17. Advances from customers

	31 December 2015	31 December 2014
Within 1 year	680,580,384	481,473,274
1 to 2 years	89,610,239	28,107,544
2 to 3 years	4,280,795	985,748
Over 3 years	1,409,557	1,848,603
	<hr/>	<hr/>
	775,880,975	512,415,169

18. Taxes payable

	31 December 2015	31 December 2014
Corporate income tax	150,829,766	81,474,216
Value-added tax	10,545,664	13,770,050
City maintenance and construction and education surcharge	6,747,064	9,518,012
Individual income tax	23,582,803	7,804,851
Others	37,075	554,582
	<hr/>	<hr/>
	191,742,372	113,121,711

Notes to Financial Statements

31 December 2015

Renminbi Yuan

XIV. Notes to Key Items of the Company's Financial Statements (continued)

19. Other payables

	31 December 2015	31 December 2014
Within 1 year	120,774,150	365,533,991
1 to 2 years	149,003,645	16,620,086
2 to 3 years	3,312,456	27,833,041
Over 3 years	27,954,765	12,249,650
	<u>301,045,016</u>	<u>422,236,768</u>

20. Provisions

2015

	Opening balance	Increase	Decrease	Closing balance
Provision for product quality warranties	<u>797,513,606</u>	<u>306,173,933</u>	<u>261,021,244</u>	<u>842,666,295</u>
Less: Provisions due within one year				<u>334,500,647</u>
				<u>508,165,648</u>

2014

	Opening balance	Increase	Decrease	Closing balance
Provision for product quality warranties	<u>325,500,943</u>	<u>655,500,427</u>	<u>183,487,764</u>	<u>797,513,606</u>
Less: Provisions due within one year				<u>323,041,323</u>
				<u>474,472,283</u>

21. Deferred income

	31 December 2015	31 December 2014
Government grants related to assets	233,577,640	155,780,057
Government grants related to income	33,781,000	41,364,000
	<u>267,358,640</u>	<u>197,144,057</u>
Less: Classified as current liabilities	58,097,585	47,471,918
Government grants recognised as non-current liabilities	<u>209,261,055</u>	<u>149,672,139</u>

Notes to Financial Statements

31 December 2015

Renminbi Yuan

XIV. Notes to Key Items of the Company's Financial Statements (continued)

21. Deferred income (continued)

Liabilities relevant to government grants at 31 December 2015 are listed as follows:

	Recognised as					
	Opening balance	Increase	non-operating income	Other movements	Closing balance	Relevant to asset/income
8 MW golden sun demonstration project	51,430,000	13,920,000	(10,891,666)	—	54,458,334	Asset
Maochang staff dorm building construction project	20,433,390	—	(454,918)	—	19,978,472	Asset
Photovoltaic power generation comprehensive test system construction project	10,735,000	—	(2,343,333)	—	8,391,667	Asset
Industrialization of 200KM EMU AC drive & network control system and ATP control device	10,291,667	—	(1,900,000)	—	8,391,667	Asset
(Power electronics) research for power electronic devices & built for production Line	6,000,000	—	(400,000)	—	5,600,000	Asset
High voltage chip packaging and module technology development and industrialization for high speed train application	14,224,000	316,000	—	—	14,540,000	Income
(Power electronics) integrated manufacturing technology R&D and industrialization of SiC based power electronic devices	53,170,000	—	—	—	53,170,000	Asset
3.3KV high voltage IGBT for rail transit application project	3,200,000	—	—	—	3,200,000	Income
SiC-based power electronic devices lab & fab construction project	—	17,000,000	—	—	17,000,000	Asset
The revamping of high voltage and low voltage IGBT chip module production line	—	50,000,000	—	—	50,000,000	Asset
Research on key technology of super large power electronic devices and systems	2,530,000	530,000	—	—	3,060,000	Income
R&D, Industrialization of 6-inch SiC Wafer and Application in High Power IGBT	—	10,000,000	—	—	10,000,000	Asset
Others	25,130,000	16,781,000	(20,392,500)	(1,950,000)	19,568,500	Asset/income
	<u>197,144,057</u>	<u>108,547,000</u>	<u>(36,382,417)</u>	<u>(1,950,000)</u>	<u>267,358,640</u>	

Notes to Financial Statements

31 December 2015

Renminbi Yuan

XIV. Notes to Key Items of the Company's Financial Statements (continued)

21. Deferred income (continued)

Liabilities relevant to government grants as at 31 December 2014 are listed as follows:

	Opening balance	Increase	Recognised as non-operating income	Other movements	Closing balance	Relevant to asset/income
8 MW golden sun demonstration project	51,430,000	—	—	—	51,430,000	Asset
Maochang staff dorm building construction project	20,471,300	—	(37,910)	—	20,433,390	Asset
Photovoltaic power generation comprehensive test system construction project	7,980,000	3,420,000	(665,000)	—	10,735,000	Asset
Industrialization of 200KM EMU AC drive & network control system and ATP control device	12,191,667	—	(1,900,000)	—	10,291,667	Asset
High speed train traction drive and brake system project	11,067,000	—	(11,067,000)	—	—	Income
High speed train network control project	37,631,700	—	(37,631,700)	—	—	Income
(Power electronics) research for power electronic devices & built for production Line	6,400,000	—	(400,000)	—	6,000,000	Asset
High voltage chip packaging and module technology development and industrialization for high speed train application	14,224,000	—	—	—	14,224,000	Income
(Power electronics) integrated manufacturing technology R&D and industrialization of SiC based power electronic devices	30,290,000	22,880,000	—	—	53,170,000	Asset
Others	31,550,000	9,940,000	(8,800,000)	(1,830,000)	30,860,000	Asset/income
	<u>223,235,667</u>	<u>36,240,000</u>	<u>(60,501,610)</u>	<u>(1,830,000)</u>	<u>197,144,057</u>	

22. Long-term borrowings

	31 December 2015	31 December 2014
Trusted loans	100,188,000	—
Less: long-term borrowings due within one year	<u>—</u>	<u>—</u>
	100,188,000	<u>—</u>

Maturity analysis:

	31 December 2015	31 December 2014
Due within 1 year	—	—
Due within 1 to 2 years	—	—
Due within 2 to 5 years	12,500,000	—
Due more than 5 years	87,688,000	—
	100,188,000	<u>—</u>

Notes to Financial Statements

31 December 2015

Renminbi Yuan

XIV. Notes to Key Items of the Company's Financial Statements (continued)

23. Revenue and cost of sales

Revenue is also the turnover of the Company and represents the net invoice 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	12,053,069,344	11,292,147,647
Other operating income	391,377,171	295,868,454
	<u>12,444,446,515</u>	<u>11,588,016,101</u>

Cost of sales is stated as follows:

	2015	2014
Cost of sales from principal operations	7,371,135,613	7,117,224,366
Other operating costs	295,726,525	249,068,057
	<u>7,666,862,138</u>	<u>7,366,292,423</u>

Details of revenue are listed as follows:

	2015	2014
Sale of goods and material	12,291,326,533	11,306,726,479
Maintenance income	64,264,458	224,410,749
Technical service income	61,562,221	42,626,123
Rental income	12,744,276	7,752,645
Others	14,549,027	6,500,105
	<u>12,444,446,515</u>	<u>11,588,016,101</u>

24. Business taxes and surcharges

	2015	2014
City maintenance and construction surtax	47,512,336	50,720,607
Education surcharge	33,937,383	35,912,007
Others	75	316,998
	<u>81,449,794</u>	<u>86,949,612</u>

Notes to Financial Statements

31 December 2015

Renminbi Yuan

XIV. Notes to Key Items of the Company's Financial Statements (continued)

25. Finance costs

	2015	2014
Interest expenses	139,972	—
Less: Interest capitalised	(139,972)	—
Interest income	(48,124,002)	(44,957,102)
Exchange losses	11,367,414	1,261,576
Others	5,607,499	4,296,776
	<hr/> (31,149,089)	<hr/> (39,398,750)

26. Asset impairment losses

	2015	2014
Bad debt (reversal of loss)/loss	(363,478)	65,517,286
Impairment loss of inventories	62,869,973	27,053,334
Impairment loss of fixed assets	5,113,873	22,630,475
	<hr/> 67,620,368	<hr/> 115,201,095

27. Investment income

	2015	2014
Income from non-listed investments:		
Long-term equity investment income under the equity method	32,952,712	15,057,057
Long-term equity investment income under the cost method	137,094,738	154,792,313
Income from entrusted loans	—	24,854,795
Bank financial product income	62,558,630	44,713,424
	<hr/> 232,606,080	<hr/> 239,417,589

Notes to Financial Statements

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Renminbi Yuan

XIV. Notes to Key Items of the Company's Financial Statements (continued)

28. Non-operating income

	2015	2014
Gain on disposal of non-current assets	299,429	501,510
Refunds of value-added tax	75,474,995	168,516,350
Government grants	49,000,931	74,111,944
Penalty income and default compensation income	431,222	3,011,414
Others	<u>5,389,004</u>	<u>9,034,949</u>
	<u>130,595,581</u>	<u>255,176,167</u>

29. Non-operating expenses

	2015	2014
Loss on disposal of non-current assets	1,302,682	1,236,870
Loss on penalties and compensations	1,603,679	261,378
Others	<u>162,517</u>	<u>305,046</u>
	<u>3,068,878</u>	<u>1,803,294</u>

30. Income tax expense

	2015	2014
Current income tax expense		
—Mainland China	468,962,449	443,974,143
Deferred income tax expense	<u>(26,592,443)</u>	<u>(111,318,734)</u>
	<u>442,370,006</u>	<u>332,655,409</u>

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

	2015	2014
Total profit	<u>3,346,506,375</u>	<u>2,677,320,423</u>
Income tax expense at statutory tax rate of 25%	836,626,594	669,330,106
Effect of preferential tax rate applicable to the Company	(334,650,637)	(267,732,042)
Profits and losses attributable to associates and a joint venture	(4,942,906)	(7,749,276)
Income not subject to tax	(20,564,211)	(23,218,847)
Income tax benefits on research and development expenditure	(33,404,500)	(34,405,499)
Expenses not deductible for tax	3,528,399	2,345,100
Deductible temporary differences not recognised	—	6,874,317
Recognise the un-recognised deductible temporary differences of previous years	—	(14,689,995)
Others	<u>(4,222,733)</u>	<u>1,901,545</u>
Tax expense at the Group's effective tax rate	<u>442,370,006</u>	<u>332,655,409</u>

Notes to Financial Statements

31 December 2015

Renminbi Yuan

XIV. Notes to Key Items of the Company's Financial Statements (continued)

31. Supplementary information to the statement of cash flows

(1) Supplementary information to the statement of cash flows

	2015	2014
Adjustment of net profit to cash flows from operating activities:		
Net profit	2,904,136,369	2,344,665,014
Add: Provision for impairment of assets	67,620,368	115,201,095
Depreciation	156,778,122	179,768,732
Amortisation of intangible assets	16,228,188	13,134,551
Losses from disposal of fixed assets, intangible assets and other long-term assets	1,003,253	735,360
Accrued special reserve	4,096,637	—
Investment income	(182,606,080)	(239,417,589)
Increase in deferred tax assets	(26,592,443)	(111,318,734)
Increase in inventories	(620,635,418)	(662,069,183)
Increase in operating receivables	(1,752,740,819)	(1,438,896,453)
Increase in operating payables	930,078,290	1,483,209,213
Net cash flows from operating activities	<u>1,497,366,467</u>	<u>1,685,012,006</u>

Significant investing and financing activities which do not involve cash:

	2015	2014
Dividends payable compensated from trade receivables	4,000,000	5,028,224
Dividends receivable compensated from trade payables	50,000,000	—
Equipment procurement paid from operating current account	15,191,624	—
Equipment procurement compensated from operating current account	<u>—</u>	<u>32,683,009</u>

Movement in cash and cash equivalents:

	2015	2014
Closing balance of cash	2,754,350,998	2,214,865,319
Less: Opening balance of cash	<u>2,214,865,319</u>	<u>2,763,730,041</u>
Net change of cash and cash equivalents	<u>539,485,679</u>	<u>(548,864,722)</u>

(2) Cash and cash equivalents

	31 December 2015	31 December 2014
Cash	—	—
Including: Cash on hand		
Bank deposits on demand	1,972,194,701	1,624,917,803
Deposits due within 3 months	782,156,297	589,947,516
Closing balance of cash and cash equivalents	<u>2,754,350,998</u>	<u>2,214,865,319</u>

Notes to Financial Statements

31 December 2015

Renminbi Yuan

XIV. Notes to Key Items of the Company's Financial Statements (continued)

32. Major transactions between the Company and its related parties

(1) Sales of goods to related parties

	2015	2014
Subsidiaries	577,689,430	374,452,687
Corporations controlled by the ultimate holding party	7,125,123,440	7,257,949,719
Joint ventures of the Company	1,062,589,848	969,465,503
Corporations controlled by the parent company	186,416,673	209,501,514
Parent company	29,622,185	69,261,338
Associates of the Company	7,365,416	—
	8,988,806,992	8,880,630,761

(2) Purchases of goods from related parties

	2015	2014
Subsidiaries	908,230,056	411,033,546
Joint ventures of the Company	1,534,761,292	1,327,413,890
Corporations controlled by the ultimate holding party	884,104,632	925,529,581
Corporations controlled by the parent company	369,783,827	275,696,148
Associates of the Company	57,374,126	—
Joint ventures of the ultimate holding group	2,718,401	4,768,376
Parent company	127,682	—
	3,757,100,016	2,944,441,541

(3) Sales of electricity to related parties

	2015	2014
Subsidiaries	447,381	362,764
Corporations controlled by the parent company	1,018,767	391,221
Parent company	398,047	424,130
Associates of the Company	44,669	195,474
Corporations controlled by the ultimate holding party	16,136	—
	1,925,000	1,373,589

Notes to Financial Statements

31 December 2015

Renminbi Yuan

XIV. Notes to Key Items of the Company's Financial Statements (continued)

32. Major transactions between the Company and its related parties (continued)

(4) Purchases of electricity from related parties

	2015	2014
Corporations controlled by the ultimate holding party	679,827	320,118
Corporations controlled by the parent company	<u>51,157</u>	—
	<u><u>730,984</u></u>	<u><u>320,118</u></u>

(5) Sales of fixed assets to related parties

	2015	2014
Subsidiaries	4,794,872	—
Corporations controlled by the parent company	<u>540,789</u>	—
	<u><u>5,335,661</u></u>	—

(6) Purchases of fixed assets from related parties

	2015	2014
Subsidiaries	2,608,922	93,800,362
Parent company	6,890	9,937
Corporations controlled by the parent company	<u>—</u>	20,629,269
	<u><u>2,615,812</u></u>	<u><u>114,439,568</u></u>

(7) Purchases of intangible assets from related parties

	2015	2014
Subsidiaries	<u><u>75,705,774</u></u>	—

Notes to Financial Statements

31 December 2015

Renminbi Yuan

XIV. Notes to Key Items of the Company's Financial Statements (continued)

32. Major transactions between the Company and its related parties (continued)

(8) Related party leases

As lessor

	2015	2014
Subsidiaries	2,763,604	—
Corporations controlled by the parent company	6,451,042	—
Parent company	3,621,335	3,253,943
Associates of the Company	477,597	3,710,426
	<hr/> 13,313,578	<hr/> 6,964,369

As lessee

	2015	2014
Parent company (Note)	185,387,169	63,291,698
Corporations controlled by the ultimate holding party	2,142,379	8,900
Associates of the group of parent company	1,873,623	1,817,580
Corporations controlled by the parent company	59,874	—
	<hr/> 189,463,045	<hr/> 65,118,178

Note: As at 25 September 2014, the Company entered into an agreement with CRRC Zhuzhou Institute Co., Ltd. to lease all the real estate, property and related facilities and equipments related to the production of high-power IGBT line. According to the lease agreement, the rent was RMB15,400,722 per month. Lease term starts from 1 September 2014 and lasts for 3 years.

(9) Technical service income from related parties

	2015	2014
Corporations controlled by the ultimate holding party	6,426,578	5,633,209
Corporations controlled by the parent company	3,806,792	2,936,158
Parent company	585,496	596,387
Joint ventures of the group of parent company	3,827	—
	<hr/> 10,822,693	<hr/> 9,165,754

Notes to Financial Statements

31 December 2015

Renminbi Yuan

XIV. Notes to Key Items of the Company's Financial Statements (continued)

32. Major transactions between the Company and its related parties (continued)

(10) Maintenance service provided to related parties

	2015	2014
Corporations controlled by the ultimate holding party	39,918,356	150,547,542
Corporations controlled by the parent company	319,119	19,235,295
Parent company	—	4,567,094
	40,237,475	174,349,931

(11) Technical service fees paid to related parties

	2015	2014
Subsidiaries	92,456,085	64,505,976
Parent company	185,746,000	116,195,502
Corporations controlled by the parent company	15,137,509	16,086,858
Corporations controlled by the ultimate holding party	66,038	1,415,094
	293,405,632	198,203,430

(12) Project management fees paid to related parties

	2015	2014
Parent company	1,380,000	—

Notes to Financial Statements

31 December 2015

Renminbi Yuan

XIV. Notes to Key Items of the Company's Financial Statements (continued)

32. Major transactions between the Company and its related parties (continued)

(13) Fund lending between related parties

Fund borrowed in

2015

	Borrowed amount	Interest rate	Start date	Expiry date
Shareholder of the parent company	50,000,000	1.08%	29 September 2015	28 September 2030
Shareholder of the parent company	34,188,000	1.08%	29 September 2015	28 September 2030
Shareholder of the parent company	16,000,000	1.08%	25 December 2015	24 December 2030
100,188,000				

Note: In 2015, the Group applied for specific loans for the revamping of high voltage and low voltage IGBT chip module production line amounting to RMB100,188,000 from China Development Fund Corporation Limited through CRRC Corporation Limited.

2014

	Borrowed amount	Interest rate	Start date	Expiry date
Subsidiaries	31,000,000	5.00%	10 March 2014	31 December 2018

(14) Interest income from entrusted loan

	2015	2014
Parent company	—	24,854,795

(15) Interest income from cash and bank balances

	2015	2014
Corporations controlled by the ultimate holding party	6,937,781	1,248,959

(16) Interest expense to borrowings

	2015	2014
Shareholder of the parent company	139,972	—

Notes to Financial Statements

31 December 2015

Renminbi Yuan

XIV. Notes to Key Items of the Company's Financial Statements (continued)

32. Major transactions between the Company and its related parties (continued)

(17) Guarantee provided to related parties

2015

	Guaranteed amount	Start date	Expiry date	Completed or not
Subsidiaries	390,236,000	2015/4/1	2018/4/1	No
Subsidiaries	297,998,400	2015/4/2	2018/4/2	No
Subsidiaries	241,236,800	2015/3/31	2018/3/31	No
<u>929,471,200</u>				

The terms of the above sales and purchase transactions, sales and purchases of fixed assets and intangible assets, service transactions, guarantee provided to related parties, fund lending between related parties and lease transactions with related parties were agreed by both parties.

33. Amounts due from and due to related parties

	31 December 2015	31 December 2014
Trade receivables(including long-term trade receivables):		
Subsidiaries	798,952,943	610,578,843
Corporations controlled by the ultimate holding party	1,311,502,803	932,952,242
Joint ventures of the Company	125,729,218	61,716,239
Corporations controlled by the parent company	86,879,187	157,472,750
Parent company	12,217,952	27,824,865
Associates of the Company	8,617,537	—
Associates of the ultimate holding group	186,800	—
	<u>2,344,086,440</u>	<u>1,790,544,939</u>

Notes to Financial Statements

31 December 2015

Renminbi Yuan

XIV. Notes to Key Items of the Company's Financial Statements (continued)

33. Amounts due from and due to related parties (continued)

	31 December 2015	31 December 2014
Bills receivable:		
Subsidiaries	11,470,206	181,570
Corporations controlled by the ultimate holding party	1,441,269,580	2,107,550,000
Corporations controlled by the parent company	92,775,969	79,282,848
Parent company	61,630,430	62,671,768
	1,607,146,185	2,249,686,186
Prepayments:		
Subsidiaries	29,852,013	58,780,996
Associates of the Company	17,599,826	20,000,000
Corporations controlled by the ultimate holding party	740,285	71,439
Corporations controlled by the parent company	—	892,070
Shareholder of the parent company	—	40,000
	48,192,124	79,784,505
Other receivables:		
Subsidiaries	235,492,314	133,573,212
Parent company	—	4,840
Corporations controlled by the parent company	—	50,000
	235,492,314	133,628,052
Dividends receivable:		
Subsidiaries	—	30,000,000

Notes to Financial Statements

31 December 2015

Renminbi Yuan

XIV. Notes to Key Items of the Company's Financial Statements (continued)

33. Amounts due from and due to related parties (continued)

	31 December 2015	31 December 2014
Other non-current assets:		
Subsidiaries	<u>—</u>	31,000,000
Cash and bank deposits:		
Corporations controlled by the ultimate holding party (Note)	<u>337,923,846</u>	144,985,190

Note: As at 31 December 2015, the Company's current deposit with CSR Finance Co., Ltd. is amounted to RMB337,923,846 (31 December 2014: RMB144,985,190). Pursuant to Financial Services Framework Agreement, the maximum daily deposit balance with CSR Finance Co., Ltd. is no more than RMB350,000,000. The interest rate is no less than the interest rate payable by the principal commercial banks in the PRC for comparable deposits and by CSR Finance Co., Ltd. to other members of the CRRC Group for comparable deposits.

	31 December 2015	31 December 2014
Trade payables:		
Subsidiaries	560,003,598	280,081,871
Joint ventures of the Company	401,970,347	139,594,684
Corporations controlled by the ultimate holding party	94,654,154	132,553,724
Corporations controlled by the parent company	58,732,193	32,071,157
Joint ventures of the ultimate holding group	7,864,406	8,077,503
Associates of the Company	7,459,447	—
Parent company	<u>—</u>	2,232
	1,130,684,145	<u>592,381,171</u>
Bills payable:		
Subsidiaries	<u>—</u>	31,330,000
Corporations controlled by the ultimate holding party	327,110,457	93,170,000
Joint ventures of the Company	156,240,997	150,000,000
Corporations controlled by the parent company	59,000,000	48,802,220
	542,351,454	<u>323,302,220</u>

Notes to Financial Statements

31 December 2015

Renminbi Yuan

XIV. Notes to Key Items of the Company's Financial Statements (continued)

33. Amounts due from and due to related parties (continued)

	31 December 2015	31 December 2014
Advances from customers:		
Subsidiaries	9,296,944	206,892
Corporations controlled by the ultimate holding party	47,036,398	6,833,747
	56,333,342	7,040,639
Interests payable:		
Shareholder of the parent company	139,972	—
Other payables:		
Subsidiaries	55,513,324	99,923,607
Parent company	153,491,610	154,992,700
Corporations controlled by the parent company	1,869,355	2,253,103
Corporations controlled by the ultimate holding party	850,000	1,000,000
Joint ventures of the ultimate holding group	—	500,000
	211,724,289	258,669,410
Long-term borrowings:		
Shareholder of the parent company	100,188,000	—

The Company's bills receivable from and bills payable to related parties are non-interest-bearing, unsecured and have fixed terms of repayment; cash and bank deposits are interest-bearing, unsecured and have no fixed terms of repayment; and long-term borrowings are interest-bearing, unsecured and have fixed terms of repayment. Other amounts due from and due to related parties are non-interest-bearing and unsecured. The repayment period of the trading amounts is determined by the provisions of the trading terms, whereas non-trading amounts are not subject to any fixed repayment period.

Glossary

"Articles"	the Articles of Association of the Company
"Baoji Times"	寶雞南車時代工程機械有限公司 (Baoji CSR Times Engineering Machinery Co. Ltd.), a subsidiary of the Company in which the Company holds 85.8% of its equity interest
"Board" or "Board of Directors"	the board of Directors of the Company
"CG Code"	the Code on Corporate Governance and Corporate Governance Report set out in Appendix 14 of the Listing Rules
"CNR"	formerly known as 中國北車股份有限公司(China CNR Corporation Limited)
"Company"	株洲中車時代電氣股份有限公司(Zhuzhou CRRC Times Electric Co., Ltd.), formerly known as 株洲南車時代電氣股份有限公司(Zhuzhou CSR Times Electric Co., Ltd.), a joint stock company established in the PRC with limited liability whose H shares are listed on the Main Board of the Hong Kong Stock Exchange
"CRCCE"	中國鐵建高新裝備股份有限公司(CRCC High-Tech Equipment Corporation Limited), formerly known as 昆明中鐵大型養路機械集團有限公司(China Railway Large Maintenance Machinery Co., Ltd. Kunming), one of the Promoters of the Company, whose H shares are listed on the Main Board of the Hong Kong Stock Exchange
"CRRC"	中國中車股份有限公司(CRRC Corporation Limited), a joint stock limited liability company incorporated in the PRC by merger of CSR and CNR, whose A shares and H shares are listed on the Shanghai Stock Exchange and the Main Board of the Hong Kong Stock Exchange, respectively. CRRC holds the entire equity interest in the Parent Company
"CRRCG"	中國中車集團公司(CRRC Group) and its subsidiaries
"CRRC Group"	中國中車集團公司, a Chinese state-owned Company, which was established by the merger of 中國北方機車車輛工業集團公司(China Northern Locomotive & Rolling Stock Industry (Group) Corporation) and 中國南車集團公司(CSR Group), CRRC Group is the ultimate controlling shareholder of the Company
"CRRC Investment & Leasing"	中車投資租賃有限公司(CRRC Investment & Leasing Co., Ltd), formerly known as 南車投資租賃有限公司(CSR Investment & Leasing Co., Ltd.), a wholly-owned subsidiary of CRRC, and one of the Promoters
"CRRC Sifang"	中車青島四方機車車輛股份有限公司(CRRC Qingdao Sifang Locomotive & Rolling Stock Co., Ltd.), formerly known as 南車青島四方機車車輛股份有限公司(CSR Qingdao Sifang Locomotive & Rolling Stock Co., Ltd.), which is held as to 97.81% by CRRC

"CRRC Zhuzhou"	中車株洲電力機車有限公司(CRRC Zhuzhou Locomotive Co., Ltd.), formerly known as 南車株洲電力機車有限公司(CSR Zhuzhou Electric Locomotive Co., Ltd.), which is held as to 100% by CRRC, and one of the Promoters
"CSR"	formerly known as 中國南車股份有限公司(CSR Corporation Limited)
"CSR Finance"	南車財務有限公司(CSR Finance Co., Ltd.), a company incorporated under the laws of the PRC with limited liability, CSR Finance is held as to 91% by CRRC and held as to 9% by CRRC Group
"Director(s)"	the director(s) of the Company
"Dynex"	Dynex Power Inc., a company established under the law of Canada and listed on the TSX Venture Exchange, Toronto, Canada (stock code: DNX) whose 75% equity interest was acquired by the Company in October 2008 and is a Company's subsidiary. Dynex Semiconductor Ltd. is its only operating subsidiary and its headquarters are located in Lincoln, England
"Electric Multiple Units"	Electric Multiple Units power converters, auxiliary power supply equipment and control systems
"Group"	the Company and its subsidiaries
"Guangzhou Times"	廣州南車時代電氣技術有限公司 (Guangzhou CSR Times Electric Technology Co., Ltd.), a subsidiary of the Company in which the Company holds 60% of its equity interest
"Hangzhou Electric"	杭州南車電氣設備有限公司(Hangzhou CSR Electric Equipment Co., Ltd.), a subsidiary of the Company in which the Company holds 60% of its equity interest
"HK Electric"	CSR Times Electric (Hong Kong) Co., Limited, a company established under the law of Hong Kong and a wholly-owned subsidiary of the Company
"Hunan CSR Wabtec"	湖南南車西屋軌道交通技術有限公司(Hunan CSR-Wabtec Railway Transportation Technology Co., Ltd.), held as to 50% by the Company and as to 50% by Wabtec China Rail Products & Services Holding Limited
"Kunming Electric"	昆明南車電氣設備有限公司 (Kunming CSR Electric Equipment Co., Ltd.), a wholly-owned subsidiary of the Company
"Listing Rules"	The Rules Governing the Listing of Securities on the Stock Exchange

Glossary

"Locomotives"	Locomotives power converters, auxiliary power supply equipment and control systems
"Metropolitan rail transportation equipment"	Metropolitan rail transportation equipment power converters, auxiliary power supply equipment and control systems
"Ningbo Electric"	寧波南車電氣設備有限公司 (Ningbo CSR Electric Equipment Co., Ltd.), a wholly-owned subsidiary of the Company
"Ningbo Times"	寧波中車時代傳感技術有限公司 (Ningbo CRRC Times Sensor Technology Co., Ltd.) formerly known as 寧波南車時代傳感技術有限公司(Ningbo CSR Times Sensor Technology Co., Ltd.), a wholly-owned subsidiary of the Company
"Parent Company" or "CRRC ZELRI"	中車株洲電力機車研究所有限公司(CRRC Zhuzhou Institute Co., Ltd.), formerly known as 南車株洲電力機車研究所有限公司(CSR Zhuzhou Electric Locomotive Research Institute Co., Ltd.), a wholly-owned subsidiary of CRRC, one of the Promoters of the Company and the controlling shareholder of the Company
"Parent Group"	the Parent Company and its subsidiaries (excluding the Group)
"PRC"	The People's Republic of China
"PRC Accounting Standards"	Accounting Standards for Business Enterprises and relevant regulations issued by the Ministry of Finance of the PRC
"Promoters"	the promoters of the Company, being CRRC ZELRI, CRRC Zhuzhou, CRRC Investment & Leasing, Qishuyan Works and CRCCE
"Qishuyan Works"	中車集團常州戚墅堰機車車輛廠(CRRC Changzhou Qishuyan Locomotive & Rolling Stock Works), formerly known as中國南車集團戚墅堰機車車輛廠(CSRG Qishuyan Locomotive & Rolling Stock Works), a wholly-owned subsidiary of CRRC Group and one of the Promoters
"Qingdao Electric"	青島南車電氣設備有限公司 (Qingdao CSR Electric Equipment Co., Ltd.), held as to 45% by the Company, as to 38% by CRRC Sifang, as to 17% by Qingdao Hongda Schnell Science & Technology Co., Ltd. It is a subsidiary of the Company since the Company has actual control over it
"Shanghai CSR Railway"	上海南車軌道交通科技有限公司 (Shanghai CSR Railway Transportation Technology Co., Ltd.), a subsidiary of the Company in which the Company holds 51% of its equity interest
"Shenyang Times"	瀋陽南車時代交通設備有限公司 (Shenyang CSR Times Transportation Equipment Co., Ltd.), a wholly-owned subsidiary of the Company
"Shiling"	株洲時菱交通設備有限公司 (Zhuzhou Shiling Transportation Equipment Co., Ltd.), held as to 50% by the Company, as to 40% by Mitsubishi Electric Corporation and as to 10% by Mitsubishi Electric (China) Ltd.
"SMD"	Specialist Machine Developments (SMD) Limited, a private limited company incorporated in England and Wales
"SMD Group"	"SMD" and its subsidiaries

"Software Company"	株洲南車時代軟件技術有限公司 (Zhuzhou CSR Times Software Technology Co., Ltd.), a wholly-owned subsidiary of the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Supervisory Committee"	the supervisory committee of the Company
"the year" or "the reporting period"	the financial year ended 31 December 2015
"Times Australia"	CSR Times Electric Australia Pty. Ltd., a company established under the law of Australia and a wholly-owned subsidiary of the Company
"Times Brasil"	CSR Times Electric Brasil Ltda., a company established under the law of Brasil and a wholly-owned subsidiary of the Company
"Times USA"	CSR Times Electric USA LLC, a company established under the law of America and a wholly-owned subsidiary of the Company
"Times Electronics"	株洲時代電子技術有限公司 (Zhuzhou Times Electronics Technology Co., Ltd.), a wholly-owned subsidiary of the Company
"Times Equipment"	株洲時代裝備技術有限責任公司 (Zhuzhou Times Equipment Technology Co., Ltd.), a wholly-owned subsidiary of the Company
"Times Information"	北京南車時代信息技術有限公司 (Beijing CSR Times Information Technology Co., Ltd.), a wholly-owned subsidiary of the Company
"Times New Materials"	株洲時代新材料科技股份有限公司 (Zhuzhou Times New Materials Technology Co., Ltd.), whose shares are listed on the Shanghai Stock Exchange
"Traction Inspection"	中國鐵檢驗認證株洲牽引電氣設備檢驗站有限公司 (China Railway Approved Zhuzhou Traction Electric Equipment Inspection Station Company Limited), a subsidiary of CRRC ZELRI in which CRRC ZELRI holds 55% of its equity interest
"Yueqing CSR Railway"	樂清南車軌道科技有限公司 (Yueqing CSR Railway Technologies Co., Ltd.), a subsidiary of the Company in which the Company holds 51% of its equity interest
"ZELRI (Hong Kong)"	CSR Zhuzhou Electric Locomotive Research Institute (Hong Kong) Co., Limited, a wholly-owned subsidiary of CRRC ZELRI
"Zhuzhou Siemens"	株洲西門子牽引設備有限公司 (Siemens Traction Equipment Ltd., Zhuzhou), held as to 30% by the Company, as to 20% by CRRC Zhuzhou and as to 50% by Siemens Ltd., China
"ZNERCC"	株洲變流技術國家工程研究中心有限公司 (Zhuzhou National Engineering Research Centre of Converters Co., Ltd.), a limited liability company established under the laws of the PRC and a wholly-owned subsidiary of the Parent Company

Basic Corporate Information

1	Name in Chinese	株洲中車時代電氣股份有限公司
	Name in English	Zhuzhou CRRC Times Electric Co., Ltd.
2	Authorised representatives	Ding Rongjun Tang Tuong Hock, Gabriel
3	Company secretary	Tang Tuong Hock, Gabriel
	Registered office	Times Road, Shifeng District, Zhuzhou, Hunan Province, PRC, 412001
	Telephone	+86 731 2849 8028
	Fax	+86 731 2849 3447
	Website	http://www.timeselectric.cn
	Principal place of business in Hong Kong	Unit 1106, 11th Floor, Jubilee Centre, 18 Fenwick Street, Wanchai, Hong Kong
4	Listing information	H Share The Stock Exchange of Hong Kong Limited Stock Code : 3898 Stock Short Name: CRRC Times Elec
5	H share registrar	Computershare Hong Kong Investor Services Limited 17M Floor, Hopewell Centre 183 Queen's Road East Wanchai Hong Kong
6	Legal advisers	Minter Ellison Grandall Law Firm (Hangzhou)
7	Auditor	Ernst & Young Hua Ming LLP Level 16, Ernst & Young Tower Oriental Plaza, No. 1 East Chang An Avenue Dong Cheng District, Beijing China 100738



株洲中车时代电气股份有限公司
ZHUZHOU CRRC TIMES ELECTRIC CO., LTD.